



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

September 27, 2022

Dear Governor Cooper,

Thank you for the continued opportunity to serve as Chair of the Governor's Advisory Committee on Performance Management. During my time as Chair, North Carolina's state agencies have improved how they leverage performance management and evidence-based policy efforts to ensure the most effective and efficient use of state funds. This great work includes efforts our office has made related to performance management through initiatives like NC Results First and the Performance Management Academy.

As a result of these endeavors, Results for America recognized North Carolina for its work, naming it as one of eight leading states in [2021 Invest in What Works State Standard of Excellence publication](#). The Pew Charitable Trusts also [recently highlighted](#) our state's efforts to strengthen evidence use, with insights from our staff and a Committee member, State Representative Dennis Riddell.

The Committee was established by Executive Order 43, and continued by Executive Order 260, to advise the Governor regarding the progress of the performance management, evidence-based policy efforts, and other related projects statewide. The attached report outlines the work of the Committee during calendar year 2021, including descriptions of agency presentations, state investments in performance management, and an update on NC Results First.

Sincerely,

Charles Perusse
State Budget Director, NC OSBM
Advisory Committee on Performance Management, Chair

Background

Governor Cooper established the [Governor's Advisory Committee on Performance Management](#) (PMAC) in May 2018 through [Executive Order No. 43](#). The Committee is composed of 13 members who are actively engaged with performance management activities across the state. Members include department heads, senior officials, legislators, as well as experts in the field of performance management and evidence-based policymaking.

The Committee's role is to advise the Governor on ongoing and new performance management initiatives, including North Carolina Results First; proposed or pending legislation; rules or policies related to performance management; and strategies for increasing evidence-based policy efforts.

This brief provides an overview of the Committee's work during calendar year 2021 as well as proposals related to performance management for the short session.

Year in Review

The Committee meets quarterly to discuss current performance management initiatives and how to advance these efforts across state government. Meeting agendas and minutes can be found on the Committee's [website](#).

Mission and Vision

Members engaged in discussions to draft formal mission and vision statements for the Committee and, during the third quarter meeting, voted to adopt them. The core components of the mission statement will guide the work of the Committee, while the vision provides a strategic goal regarding North Carolina state government's commitment to performance management and evidence-based policymaking.

Long Session Budget

Throughout the year, Budget Director Perusse and legislative members of the Committee provided updates on the long session budget. Good governance and investments in evidence-based programs have been a priority in the Governor's Recommended Budgets, including many relevant recommendations in both the 2021-23 biennial budget and the recommended investments of federal funds from the American Rescue Plan Act. More information related to these budget recommendations is detailed later in this report.

Additionally, OSBM provided an overview of justification narratives, which are new supplemental documentation included in the Governor's American Rescue Plan Act budget recommendation. These narratives provide additional details on large, transformational investments, including a description of the need, recommended funding, and how that investment will be leveraged for positive change.

MISSION

To advise state agencies on performance management initiatives and evidence-based policy efforts; highlight successful efforts and promising initiatives; and offer advice on relevant legislation, rules, or policies.

VISION

North Carolina state government will be nationally recognized for its culture of continuous improvement, commitment to inter-agency collaboration, and use of data, evidence, and performance management tools.

MEMBERSHIP

Charles Perusse (Chair)
State Budget Director, NC OSBM

Dr. David Ammons
Professor, UNC SOG

Deanna Ballard
NC State Senator

Jessica Englert
Policy Director, Governor's Office

Terence Everitt
NC State Representative

Dr. Cardra Burns
Deputy Secretary for Operational Excellence, NC DHHS

Dr. Kiernan McGorty
Organizational Development Manager, NCGA

Natalie Murdock
NC State Senator

Ronald Penny
Secretary, NC DOR

Dennis Riddell
NC State Representative

David Smith
Chief Deputy Commissioner, NC DACS

Dr. Tonya Smith-Jackson
Senior Vice Provost for Academic Affairs, NC A&T State University

Kimberly Van Metre
Chief Financial Officer, NC DEQ

State Government Performance Management Landscape Survey

In the fall of 2021, the Committee sent a request to all state government agencies and universities to complete a Performance Management Landscape Survey. The survey included substantive questions about current efforts related to performance management and evidence-based policymaking, barriers to this work, and resources that would amplify agency capacity. The survey also requested that agencies provide performance management success stories as well as other feedback. The Committee received 27 responses from 22 agencies, three universities, and one commission.

Respondents demonstrated an understanding of what performance management is and how this work can benefit their agencies. Agencies indicated that they use performance management or evidence-based practices to inform strategic planning and operational decisions. From these efforts, agencies hope to observe improved operations, use findings to inform decision-making, and assess progress toward agency goals and mission.

Respondents also shared that a lack of or inconsistent performance management and data analytics skills hindered their efforts. They noted limited staff capacity, difficulty recruiting and retaining qualified staff, and limited data availability and collection as other barriers. Training, additional staff, and cooperation from stakeholders are needed to begin or expand performance management work across the state.

Several agencies noted success stories or other outcomes of their performance management initiatives. Some include:

- The NC Department of Commerce has increased the frequency they engage with statistics related to historically underutilized businesses (HUB) and has improved training related to HUB businesses for their e-procurement requisitioners and approvers. Since the implementation of these initiatives, they have observed a departmental increase in HUB utilization.
- The University of North Carolina-Asheville has leveraged budget and planning software, Anaplan, which allowed them to create more accurate and timelier financial and enrollment forecasts. As a result, they have a better understanding of their current and future needs and can be more informed and agile in their decision-making.

Agency Presentations

Office of State Budget and Management

At the December 2021 meeting, OSBM presented on the second [Performance Management Academy \(PMA\)](#), which they hosted in fall of 2021. The PMA is a 20-hour training conducted over five days. The training covered topics related to performance management and evidence-based policymaking, including strategic planning, data visualization and dashboarding, using evidence in contracting and funding requests, and applying an equity framework to support program implementation. Thirty-seven state employees, from 13 agencies, attended the 2021 PMA.

Additionally, OSBM highlighted the [Performance Management Community of Practice \(PMCOP\)](#), a collaborative group of state employees involved in performance management work, at the June 25 meeting. The PMCOP brings this group together to facilitate knowledge sharing, encourage successful application of performance management tools, and provide continued performance management related learning opportunities across state agencies.

Office of Strategic Partnerships

On June 25, 2021, the PMAC heard from the North Carolina Office of Strategic Partnerships (OSP). OSP engages with agencies to assist in the development of learning agendas and facilitate collaboration for research priorities requiring external expertise. A learning agenda is a compiled list of an agency's priorities, focused on those items that could benefit from additional research and expertise on policy, programming, and internal operations. NC Department of Revenue and NC Department of Justice discussed their work with OSP and shared how developing learning agendas helps their agencies pursue priority areas that will benefit North Carolinians. **Agencies noted that, while working with external partners is valuable to this work, having staff within the agency who have the skills to do some of this work and meaningfully engage with the learning agendas is also valuable.**

OSP shared that they were in the process of developing an online dashboard and curated list of project opportunities. They have since gone live with the [North Carolina Project Portal](#), a platform to share opportunities for partnering with state agencies on their research needs.

Office of Indigent Defense Services

The NC Office of Indigent Defense Services (IDS), at the September 2021 meeting, presented the Systems Evaluation Project (SEP), which is an ongoing project to measure public defense system performance at the county, district, and statewide levels. The project will enhance IDS's ability to evaluate programs that provide public defense services across the state, including public defender offices, private rostered attorney systems, and attorney contractual agreements. SEP will provide empirical evidence to identify best practices, systemic barriers to providing quality services, and key data to inform policy decisions and propel change where needed. **IDS noted that having a dedicated Research Director has been critical to the success of the project.**

North Carolina Secretary of State

The NC Secretary of State highlighted during the December 2021 meeting the importance of modernizing the office's digital capabilities to fulfill the agency's responsibilities, given the unexpected increase in new business creations in 2020 and 2021. With dedicated funding from non-recurring CARES Act dollars, the office developed a dynamic dashboard to track operational data related to creation filings and annual report submissions. This dashboard provides a near real-time view of the volume and status of requests

in the office's workflow and assists in identifying operational bottlenecks and ensuring requests are processed efficiently. **Since the implementation of the dashboard, NC Secretary of State has experienced greater productivity in their review of filings and can be more agile if problems arise.**

North Carolina Community College System

The NC Community College System (NCCCS) provided an overview to the Committee in the December 2021 meeting of the publicly available [dashboards](#) they developed and maintain across numerous topic areas of interest. The dashboards provide disaggregated data for multiple variables and are grouped together for users to quickly find relevant information. A variety of viewing options also enable users to compare the data. NCCCS constantly adds dashboards to show new data or in a new view and provides webinars to train users on the new tools.

Results First

OSBM provided an overview of the Office's continued engagement with state agencies on North Carolina Results First efforts. During calendar year 2021, the Department of Public Safety's Division of Juvenile Justice and Delinquency Prevention (DJJDP) and OSBM finished calculating community-based program costs and recidivism reduction benefits (avoided crime costs). Additionally, OSBM finalized work related to the program inventory with the Adult Mental Health team within the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services; the completed [program inventory](#) of adult mental health services was published in July 2021.

OSBM has since finalized work in the [Adult Mental Health](#) and [Juvenile Justice](#) policy areas and final reports can be found on the [Results First website](#). Highlights from this work include:

- Of the 7 juvenile justice programs/subcomponents analyzed, three are proven effective in reducing recidivism, four have a strong theory base but need further research to determine their effect, and none were found to be ineffective or harmful.
- Following their work with North Carolina Results First, DJJDP plans to incorporate the use of performance-based contracting to ensure fidelity to proven effective models of care and to ensure programs are being used when they will be most effective in a juvenile's interaction with the justice system.
- Of the 25 adult mental health programs analyzed, 10 are proven effective, two have promising evidence of their effectiveness, and 13 have a strong theory base but need further research to determine their impact. No programs were found to be ineffective or harmful.
- The Adult Mental Health team will expand the use of value-based payment models, which is already used for some programs, to incentivize improved outcomes and maximize state dollars. They will also track outcomes for proven effective programs to ensure participants are achieving improved outcomes as expected.

North Carolina Results First provides a framework for agencies to evaluate the programs in their service array, including determinations of their evidence base and impact, and, where applicable, completion of a cost-benefit analysis. This type of analysis allows agencies to gain a better understanding of what is working, identify gaps and opportunities, and enhance planning and data collection efforts. The Governor's Recommended Budget Adjustments for FY 2022-23 includes investments in programs evaluated within the Results First initiative:

- Nearly \$3 million for Juvenile Re-entry programs, including Functional Family Therapy (FFT), Multipurpose Group Home, and Transitional Living Programs.
- Over \$10 million to expand the statewide mental health crisis system, including expansion of Mobile Crisis teams.

Additional information about North Carolina Results First can be found in the 2021 Results First [Annual Report](#).

Good Governance in the Budget

To support good governance initiatives across state government, Governor Roy Cooper recommended investments at the agency level for the FY 2021-23 biennium. Director Perusse briefed the Committee on relevant budget items, detailed below, throughout the budget process.

- The Governor's Recommended Budget included 27 full-time equivalent (FTE) positions for advanced analytics and data interpretation and 25 internal auditors. The 2021 Appropriations Act (S.L. 2021-180) provided nine evidence-based policy staff and seven internal auditors across state agencies to expand this important work.
- S.L. 2021-180 also included \$500,000 in non-recurring funds in each year of the biennium to OSBM for a competitive grant program to evaluate how well state agency programs achieve their intended outcomes. This amount is half of the \$1 million in recurring investments recommended by the Governor.
- The Department of Revenue received funding for identity theft and tax fraud analysis, which was included in both the Governor's Recommended Budget and S.L. 2021-180.
- The NC League of Municipalities, the NC Association of County Commissioners, and the NC Association of Regional Councils of Government also each received \$10 million in State Fiscal Recovery Funds in S.L. 2021-180 to support guidance and technical assistance provided to units of local governments in the administration of Local Fiscal Recovery funds. The Governor's American Rescue Plan Budget Recommendation included \$41 million for these organizations in total.

Looking Ahead

The Committee encourages that future budgets build on these initiatives that support good governance and would make North Carolina state government more effective, efficient, and responsive.

Agency representatives will continue to share exemplars of performance management work in state government with the Committee. PMAC will monitor legislation and other initiatives related to performance management, highlighting this important work for the Governor's consideration.