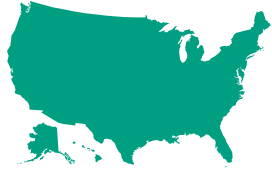




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Governing-for-Results and Accountability



Will States Meet the Challenge?

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The term **governing-for-results** refers to the system of spending and measuring results of spending whereby a government, both the executive and legislative branches, focuses decisions and activities on the end benefits, as well as costs, of government activities and actions. This means maximizing the quality of services and programs to the government's citizens and developing proper ways to measure end outcomes of those services and programs, especially in the opinion of customers.

This is the first of several reports resulting from the Urban Institute's Governing-for-Results and Accountability Project, an examination of performance management that looks at strategic planning, program budgeting, and citizen involvement in the states. To date, the Urban Institute team has conducted extensive discussions in North Carolina, Minnesota, and Florida and has interviewed a number of agency directors from other states. More states will be visited throughout 1999 and 2000 to broaden the base of information about this emerging, important topic.

When governments in this country report to the public on expenditures, they usually focus on activity measures—so many miles of road paved or repaired—or how carefully the procedure and processes for allocating money were followed—public hearings, environmental impact assessments, and so forth. It's easy to compute miles of roads repaired rather than the result of the expenditure, which should be the rideability and safety of the road. The latter is what the public generally cares about, but by comparison it takes a lot more work to measure and report. The practice of reporting only activities has not been a deliberate attempt to avoid accountability in most cases; it's merely a reflection of how government reporting has been done for decades.

A major effort has been under way since 1993 to initiate reporting on the results of all major federal programs in response to the Government Performance and Results Act (GPRA) of 1993.¹ While this effort has been far from perfect, it appears to be yielding positive results for some federal agencies.² FY 1999 is the first full year of implementation, though important initial products were produced in previous years. Each agency's first strategic plans, a required starting point, were provided to Congress in 1997, and the first annual performance plans for each agency's major programs were provided to the Office of Management and Budget in the fall of 1997.

¹ Public Law 103-62.

² See for example: "The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven," U.S. General Accounting Office, GAO/GGD-97-109, June 1997; and "Effective Implementation of the Government Performance and Results Act," National Academy of Public Administration, January 1998.

Well in advance of the federal effort, a number of local governments introduced results-based procedures, which were influential and instructive to the creators of the federal GPRA. For example, Charlotte (NC), New York City, Portland (OR), Prince William County (VA), Sunnyvale (CA), and many others have developed governing-for-results systems. These localities have many years' experience with performance indicators. They include service quality as a major component, and they try to make sure that information is seen by taxpayers. Portland is a case in point; it distributes to its citizens an annual *performance* report, which includes selected information from its comprehensive performance report on the quality of city services. For the past three years, about 40 large city and county governments (all with populations of over 200,000) have provided, on a voluntary basis, outcome data on a number of their basic municipal services to the International City/County Management Association, which prepared and published comparative performance reports.³

States still lag behind the most progressive localities in providing comprehensive performance information for themselves and their citizens. While they have had difficulty in sustaining governing-for-results practices, there are notable exceptions, which we will examine in this project.

The development of governing-for-results techniques and practices stems more from independent invention than from cookbooks, or established standards of practice. Some of the good inventions are borrowed. Some come from other states, localities, federal efforts, or the private sector, usually with a few improvements or modifications to fit the local culture of process, procedure, and decision-making. Both the National Association of State Budget Officers and the Governmental Accounting Standards Board have provided information on governing-for-results practices and standards. In several states, one management-oriented administrator has implemented governing-for-results practices in a single agency or department that

becomes a performance-oriented island in a sea of state agencies.

Four primary forces combined to shape the early state efforts at governing-for-results: 1) significant success in the private sector with reengineering and results-based management provided a spillover effect; 2) devolution of responsibilities from the federal level to the states raised the question of better accountability; 3) a growing need (in some places, a requirement) to involve citizens focused on the outcomes and results of spending; and 4), not to be underestimated, technology breakthroughs permitted rapid, complex analyses of large databases. Interestingly absent from the list of primary forces are the tried and true methods of changing behavior at the state and local levels—strings attached to money provided by federal grants, or mandates, to provide performance information.

Few federal performance reporting requirements are placed on the states. The Department of Education and the Environmental Protection Agency both require status and performance reports that are made available publicly and locally on a regular basis. The Departments of Health and Human Services and Labor and the National Science Foundation also have established limited performance requirements. Some states have enacted legislation requiring performance reports in education.

Performance partnerships between federal and state agencies are becoming more common, and a major assumption at all levels of government is that a results-oriented focus is a good thing to try. The federal agencies are reluctant to impose mandates on states and localities, even for performance information, so the voluntary performance partnerships establish mutual commitments for performance in areas of mutual interest.

Private Sector Management Practices

Results-based management practices in the private sector have had considerable impact on public managers' attempts at governing-for-results.

³ "Comparative Performance Measurement; FY 1996 Data Report," International City/County Management Association, 1997; the FY1998 report was recently released.

Among the most important are strategic planning, performance-based budgeting, and total quality management. Public managers have been trained in these areas, and they now adapt and combine practices to best meet their management objectives.

Devolution

The devolutionary pattern of actions by Congress and the Administration in recent years places state government more clearly in the forefront of governmental decisions that affect the quality and availability of services to citizens. The strong trend of centralization that began in the 1930s has clearly reversed. States are being presented with ever greater responsibilities for setting priorities and allocating resources in the full range of services. Many states are now considering or actively moving toward implementation of various governing-for-results processes.

As part of this effort to re-sort responsibilities among the levels of government, most states are taking a careful look at what powers and procedures they should pass on to local governments. This is nervously welcomed by cities and counties, which would like more self-government but fear that accepting more decision-making power means accepting more responsibility for paying for the services out of local budgets.

The objective is to help ensure that devolution actually increases service quality and effectiveness as decisions are made closer to citizens. Devolution without more accountability and better management at the state level could actually result in poorer reporting, less accountability, and generally lower services to citizens. Within and among states, moreover, there is not a sense of the need or ways in which results-based, quality-service-oriented management could be uniformly or comprehensively practiced by their subordinate units of government, or ways for the states to encourage localities to adopt such practices. The latter area is also being examined as part of this project.

Table 1: Performance-Based Budgeting Legislation in the States

State	Legislation	Year Passed
Alabama	Act No. 95-531	1995
Arizona	Laws 1993, Chp 252; Laws 1995, Chp 283; Laws 1997, Chp 210	1993 1997 1997
California	State Government Strategic Plan and Performance Review Act; Performance Results Act	1993, 1994
Connecticut	Public Act 93-387	1992
Delaware	1988 Appropriations Bill HB410, The Delaware Governmental Accountability Act	1988 1996
Florida	Chapter 94-249; Chapter 95-327	1994 1995
Georgia	SB 335	1993
Hawaii	Executive Budget Act	1970
Idaho	SB 1509	1994
Illinois	Public Act 86-1027	1989
Iowa	SF 268; SF 542, Sect 23	1993,1997
Kentucky	HB 940, Education Reform Act; SB 109 Accountability Legislation 97 SSHB Post-Secondary Education Implementation Act	1990 1992 1997
Louisiana	HB 185; Act 1465	1995, 1997
Maine	HB 705	1996
Minnesota	Minnesota State Statutes 15.91	1996
Mississippi	Performance Budgeting and Strategic- Planning Act of 1994, Mississippi Laws 602	1994
Montana	HB 2	1993
Nevada	Nevada State Statutes, Chapter 353.205	1996
North Carolina	HB 53 (Current Operations Act of 1996)	1996
Ohio	Appropriations Bill FY1996-97	1995
Oklahoma	SB 1127, HB 620	1994, 1995
Oregon	SB 170, SB 636, SB 1130	1989, 1991, 1993
Rhode Island	HB 8783	1996
South Carolina	Amendment to Section 1-1-810 of 1976 Code, SB 1195	1996
South Dakota	Section 4-7-35	1994
Texas	HB 2009, SB 1332	1991, 1993
Vermont	Chapter 32, Section 307 © (1994 Appropriations Act)	1994
Washington	ESSB 6680, ESHB 2222	1996
Wisconsin	Wisconsin State Statutes, Chapter 16	1993
Wyoming	Title 28, Section 28-1-116	1994, 1995

Source: Melkers, Julia, and Katherine Willoughby. (1998). "The state of the states: Performance-based budgeting requirements in 47 out of 50." *Public Administration Review* 58(1).

Citizen Involvement

State and local governments are more likely to view results-based government practices as tools for improving management than as avenues for enhanced citizen participation. Few citizens, other than those working in various interest groups, are interested in the details of the workings of state government. Data on internal processes and products, in addition to workload costs, are of little interest to most citizens. *However*, information on real results and service quality is another matter.

A few states have begun to introduce citizen-oriented approaches to benchmarking, mission orientation, and a results-oriented focus (such as Oregon, Texas, Minnesota, North Carolina, and Florida), but some of these efforts can be characterized as strategic planning efforts focusing on statewide quality-of-life indicators. The Oregon Benchmarks, Florida Benchmarks, and Minnesota Milestones efforts are examples. The future of these early programs is not certain, nor are the breadth and depth of support for them and their impact on local levels of government. Generally, these efforts have involved citizen participation in developing the quality-of-life indicators, but most have not substantially affected either the state or local governments' own service agencies and their operations, with the exception of Oregon.

These broad efforts at benchmarking, quality of life, and strategic planning come and go, influenced more by gubernatorial or legislative commitment than by systematic attempts to align legislative committee decisions on state budgets with citizen priorities. During the 1970s, there were outbreaks of state and local efforts to describe and implement desirable futures. There were Goals for Dallas, Goals for Texas, Goals for Georgia, and dozens of similar efforts. Performance measurement, however, was not a major component of these undertakings. In the 1990s, Florida's GAP Commission (Government Accountability to the People) and North Carolina's Progress Board, for example, seem to have much in common with the 1970s efforts in that they were not organically or legally connected to state budget decision-making processes and that they have drifted into obscurity.

Quality management efforts have affected the tools of citizen participation. Customer surveys are replacing grandiose benchmarking projects as a way for governments to involve citizens in various aspects of governance. Usually, these surveys assess customer satisfaction and unmet needs. Many state agencies in the states we visited regularly survey customers about service quality and efficiency in order to improve services. An important performance indicator of agency success is the level of customer satisfaction with its services.

The Internet presents states with a tremendous opportunity to engage more citizens in the formulation and discussion of important issues. Citizens with Internet access can be kept "in the loop" with up-to-date information on agency activities.

Technical Breakthroughs

Once policymakers and government agencies adopt a results orientation, they recognize in a much more immediate and practical way that outcomes are the result of activities undertaken by numerous parties. New and advanced information systems enable states to address the complex factors shaping outcomes, recognizing that desired outcomes may be affected by multiple program activities. Information systems can now link data across agency divisions and across agencies. For example, the Minnesota Department of Human Services developed its Executive Information System, a data warehouse that links databases from health care, welfare, child support, and, in the future, social services programs. The department has also begun sharing data with the Department of Economic Security to provide access to data on employment and wages.

Benefits of Governing-for-Results

The focus on results has major benefits for a wide variety of vital government activities:

- **Improving accountability** by adding accountability for results and accomplishments instead

of accountability only for compliance with the law or technical efficiency.

- **Improving resource allocation** by adding a major element to the budgeting process that requires agencies to justify, at least in part, their budget proposals in terms of the results expected—with a strong customer-oriented focus—and by identifying for service managers problem areas that warrant altered staff attention.

“States that have moved toward performance-based budgeting report that, in fact, the level of budgetary debate has improved dramatically.”⁴

- **Changing the incentives, or motivational elements, of service-delivery employees**, such as by articulating expectations of elected officials and citizens, altering the personnel appraisal process so that it includes results-based criteria, providing recognition awards for achieving or exceeding outcome goals, or by using pay-for-performance techniques.
- **Enhancing the effectiveness of service contracting** by using performance and incentive contracts in which rewards are related in part to the contractor’s ability to achieve specified customer-oriented outcomes.
- **Permitting increased flexibility to service managers in a responsible way** by providing accountability on outcomes in exchange for greater flexibility in such activities as use of funds, as well as purchasing and personnel decisions.

- **Increasing training and technical assistance** that can be targeted to services or service areas where performance data indicate room for improvement.
- **Expanding relationships** between agencies, agency divisions, jurisdictions, and private sector or nongovernment organizations engaged in performance partnerships.

Related Reading

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The Urban Institute initiated its Governing-for-Results and Accountability Project in 1998. Supported by the Smith Richardson Foundation and the Alfred P. Sloan Foundation, the project team includes Blaine Liner (Director of the State Policy Center and Project Manager), Harry Hatry, Elisa Vinson, Ryan Allen, Pat Dusenbury, and Scott Bryant. The National Conference of State Legislatures is assisting with the project. This series of interim reports will include snapshots and success stories of the states and localities that have made contributions to Governing-for-Results and Accountability.

Forthcoming

- Performance Contracting
- Human Resource Incentive Systems to Increase Performance
- Training State and Local Government Personnel to Govern-for-Results
- Intergovernmental Performance Linkages
- Citizen Use of Performance Data
- Presenting Performance Data

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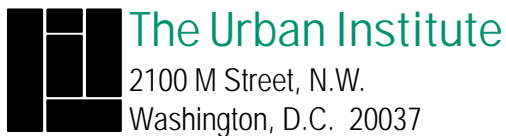
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