MAKING RESULTS-BASED STATE GOVERNMENT WORK

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Other Reports from the Governing-for-Results and Accountability Project

Monographs

- ***States, Citizens, and Local Performance Management.***
  2000. P. Dusenbury, B. Liner, and E. Vinson. Washington, D.C.: The Urban Institute.
- ***State Approaches to Governing-for-Results and Accountability.***
  2000. B. Liner, P. Dusenbury, and E. Vinson. Washington, D.C.: The Urban Institute.
- ***Governing-for-Results in the States: 10 Lessons.***
  2000. B. Liner. Denver, Colo.: The National Conference of State Legislatures.

Briefs

- **"Will States Meet the Challenge?"**
  June 1999.
- **"Performance Contracting in Six State Human Services Agencies."**
  September 1999.
- **"Communicating with Citizens about Government Performance."**
  November 1999.
- **"Strategic Planning and Performance Measurement."**
  August 2000.

In 1998, the Urban Institute received grants from the Smith Richardson and the Alfred P. Sloan Foundations to support a survey of state performance management practices, or governing-for-results. Project reports are available from the Urban Institute.

Project team members included Blaine Liner (project director), Harry Hatry, Elisa Vinson, Pat Dusenbury, Ryan Allen, and Scott Bryant from The Urban Institute; Ron Snell and Jennifer Grooters from the National Conference of State Legislatures; and Wilson Campbell and Jay Fountain from the Governmental Accounting Standards Board. Material presented here is synthesized from project records produced during the project period.

The project team assembled materials and made site visits to Florida, Minnesota, North Carolina, Oregon, and Texas, where over 350 state and local officials and citizens, representing over 150 organizations and agencies, were involved in discussions about governing-for-results experiences in those states. In addition, dozens of administrators from other states were helpful in explaining their approaches.

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Contents

APPENDIX

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The statements of findings and recommendations, however, are of course those of the authors alone.

SECTION 1

Purpose, Scope, and Study Procedures

"Governing-for-results" refers to the system a government—both the executive and legislative branches—uses to focus its decisions and activities on the results, as well as costs and physical outputs, of government activities and actions. This allows the government to maximize the quality of services and programs to its citizens and develop proper ways to measure outcomes of those services and programs.

Purpose of Report

What do state governments and their taxpayers get for the dollars they spend? Are officials making their funding and programmatic decisions in ways that include an explicit focus "on the bottom line" of what is to be achieved? To what extent is the state serving the public interest? Many states are seeking to place a greater focus on what the results of government activity have been and, when making decisions about the future (whether funding, policy, or program choices), want estimates of the results of those decisions.

The purpose of this report is to identify good practices and lessons learned by states that have moved ahead in *governing-for-results* and to provide recommendations for improving those efforts. This document is a compilation of findings about the state of the art and the practice of governing-for-results.

Until recently, a state's elected and appointed officials focused primarily on revenue and expenditure information and on the amount and type of activity state agencies were undertaking. Executive or legislative officials rarely received *regular* information on the outcomes of their programs and legislation. Early in the 1990s, some state legislatures passed legislation to correct this deficiency. Appendix A lists such legislation as of the end of 1999. The National Council of State Legislatures' (NCSL's) examination indicated that by the end of 1999, 33 states had "broad governing-for-results legislation"; 17 did not (see table 1-1 in appendix A).

The use of information about the outcomes of state government activities for programmatic and policy-level decisionmaking can be called "governing by results." The term "performance management" is often used to refer to such activities by the executive branch. Since this report discusses both legislative and executive branch roles in delivering effective and efficient state services, the broader term "governing-for-results" is used.

The movement toward focusing on the outcomes, as well as the costs, of public services has become strong at all levels of government and in the private nonprofit sector. The basic rationale of governing-for-results—that service organizations should work to produce the best results possible, given the available resources—makes sense.

But progress is slowed by such factors as unfamiliarity with outcome measurement, concern over the possible cost of new data collection requirements, and fears that public managers, who often have limited influence over many of their program outcomes, will be unfairly blamed for outcomes that are less than expected.

The report is hoped to be useful to any state government, regardless of its level of implementation of governing-for-results. Governing-for-results is still in its early stages in most states and is continually evolving in all states. States can and should learn from each other's experiences, as well as from the experiences of other levels of government. While each state is different, the basic ideas of governing-for-results are the same.

Beginning in section 2, this report presents the study's findings and specific recommendations, both for those states beginning to implement governing-for-results and for states that are further along in the process.

Scope

Governing-for-results is meant to permeate most aspects of government. It can be said to begin with strategic planning and link to the development of annual plans and budgets. Governing-for-results should also become a major concern of operating managers, encouraging them to motivate their employees to focus on results and, similarly, motivating state service contractors and grantees to focus on results.

This results-based focus should also be applied in the state's dealings with its local governments, both when the state actually provides funding support to local governments and in encouraging local governments to apply results-based government.

Finally, a results-based focus in communicating with state citizens is not only more meaningful than solely telling them the costs and descriptions of state agency activities. Citizens become more interested in their state government if they have information on results of direct interest to them, especially if the state's information identifies outcomes for their own communities (their own county and/or city).

Part 2 presents the study's findings and recommendations pertaining to each of the following state government activities:

- Strategic planning
- Budgeting (and its governing-for-results counterpart, performance-based budgeting)
- Agency and employee motivation/incentives
- Contracting (and its governing-for-results counterpart, performance contracting)
- Interface with local governments
- Communication with citizens

Successfully implementing governing-for-results also requires states to pay considerable attention to the processes involved in obtaining and using the performance information effectively. Thus, part 3 attempts to address a variety of specific governing-for-results process issues, including

- Use of performance information
- Handling of problems in implementing governing-for-results
- Improving the "technical" side of performance measurement
- Analysis of the information; the need for explanations
- Training and technical assistance
- Data quality control

Finally, part 4 presents

- Special issues for the legislature
- Costs of implementing governing-for-results initiatives
- Final observations and a summary list of the recommendations made throughout this report

It is impossible to cover all the issues relevant to successfully implementing a state governing-for-results process. This report addresses those issues common to a number of states and that appear to be important to successful implementation and use of governing-for-results.

Finally, we note that information on the results of state activities is only part of the total picture that elected officials and agency managers must consider when making policy, program, and budget decisions. Other factors, such as the reputation of an agency and its key personnel, recent media attention, and a variety of political considerations, can play major roles in state government decisions.

Methods

This report draws on the experiences of a number of states to provide recommendations for improving efforts to implement results-based state government. The recommendations are the result of an in-depth examination of results-based efforts in 5 states, many discussions at the local level with citizens and officials, and information gleaned from material disseminated or made available by agencies in many of the other 45 states.

The Urban Institute, with the National Conference of State Legislatures (NCSL), began this work in May 1998. From Spring 1998 through Spring 2000, the team reviewed state governing-for-results practices.

The team concentrated its efforts on uncovering information on the topics listed above, and used a variety of procedures and sources: Internet searches; telephone interviews with state officials; discussions with personnel from other organizations interested in governing-for-results, such as the Governmental Accounting Standards Board (GASB); and review of miscellaneous documents from state governments.

The single most important information collection procedure was the firsthand examination of the governing-for-results practices in five states. The team chose Florida, North Carolina, Minnesota, Oregon, and Texas for site visits because of their lengthy histories in performance measurement and management. The team prepared an information collection guide on the above topics for use in interviews, although its wide coverage of topics meant that only a portion of it was used in any single interview. Each site visit lasted approximately five days. The team held 237 meetings, averaging about 47 per state. These meetings were held with executive branch officials, legislators, legislative staff, local government officials, and nongovernmental officials. In addition, focus groups with citizens were held in North Carolina and Texas, and a focus group with local government officials was held in Texas.

The team conducted interviews with a wide variety of agencies and individuals to gain a comprehensive view of the governing-for-results effort in each state. Executive branch agencies covered in one or more of the states included departments of health, human services, transportation, education, revenue, community affairs, environmental protection, corrections, management and budget, economic development, and labor. The team met with between 15 and 31 executive departments in each state. The majority of these interviews were with program managers and other key staff. Interviews in the legislative branch included individual legislators, legislative staff (both legislators' individual staff and committee staff), and state auditors.

The team met with between 15 and 21 legislators and legislative staff in each state. Finally, the team conducted interviews with a small number of nongovernmental entities (such as university professors and advocacy groups) and local government officials (such as mayors and city and county managers).

The team interviewed approximately 440 individuals in the 237 meetings. A comprehensive list of the agencies that the team interviewed in each of the five states is provided in appendix D.

Study Limitations

The findings and recommendations presented throughout this report have at least three important limitations.

First, the information presented in this report provides neither case studies nor quantitative evaluations of the governing-for-results efforts of any of the states examined. Case studies or evaluations of specific states were not the focus of this work, and study procedures were not designed to provide sufficient information for those purposes.

Second, governing-for-results is a rapidly changing field. New developments are occurring all the time, and key personnel changes and elections can quickly alter the atmosphere for governing-for-results efforts, for better or for worse.

Third, we did not have the resources to evaluate the effects on outcomes of the examples described (or which examples helped serve as a basis for our recommendations). Even with more resources, it would have been extremely difficult to evaluate the outcomes of the governing-for-results elements examined. Thus, the recommendations are based on the early successes that were observed and on the team's best judgments of the basic soundness of the procedures.

SECTION 2

Strategic Planning

Considering long-term goals can help a state decide how current activities can help it achieve future objectives.

Planning for a number of years into the future can help states better understand the future consequences of current choices. Considering long-term goals can help a state decide how current activities can help it achieve future objectives.

Strategic planning is a process in which an organization takes a fresh look at its mission and how to best meet that mission, and involves assessing the likely future environment and needs for service. It also involves considering alternative ways to carry out the mission and the alternatives' likely costs, outcomes, and feasibility. It is usually intended to encourage innovative thinking as to how best to meet the need.

Many governments have adopted the private sector's strategic planning approach to help set priorities and allocate scarce resources in changing environments. As shown in appendix A, 19 states had statutory requirements for agency strategic planning at the beginning of 2000.

Too often, however, public sector strategic planning is an event—or worse, just a document: A strategic plan for the state is presented to the world with fanfare and then fades away, or an agency prepares strategic plans to meet executive or legislative mandates but does not use the plan to help direct the agency's activities.

Strategic planning looks ahead toward goals to be accomplished; performance measurement looks back to see what was achieved. The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target. When strategic planning and performance measurement are used together, they form a continuous process of governing-for-results.

Strategic plans can be, and sometimes have been, prepared for the state as a whole, without specific state government agency roles indicated; for the state government as a whole; for individual state agencies; or for a combination of these.

How frequently should the strategic plan be updated? Florida currently calls for annual plans, while the Texas legislature requires plans to be submitted every two years. Strategic planning is fraught with uncertainty. Predicting and preparing for the future can be extraordinarily difficult: Circumstances change, and strategic plans, or at least parts of them, by their very nature should eventually become obsolete on achievement of the objectives. This suggests the need for frequent review. On the other hand, preparing strategic plans from scratch can be very time-consuming. State strategic plans are also likely to change when a new governor is elected and alters priorities.

How broad should the strategic plan be? A number of states have developed statewide goals, benchmarks, or similar reports for the state as a whole, without a particular focus on the roles of state government, state agencies, or local governments. Oregon's Benchmarks, Minnesota's Milestones, and Florida's Governmental Accountability to the People (GAP) Commission all fall into this category of state quality-of-life indicator systems rather than state government–focused plans. These efforts generally seek input from many stakeholders across the state to identify key statewide indicators to track and use to establish out-year targets—either for those indicators or for the goals they serve (for perhaps 10 or more years into the future). The states or the blue-ribbon commissions that issue these reports subsequently attempt to track progress against these targets.

Continuity of these efforts has not been one of their strong points. Florida's GAP Commission was not funded by the legislature in 1998, and the Commission stopped functioning. North Carolina's Progress Board became much less visible once the reports were issued. The reports flowing from these efforts have not included discussions about the projected future environment nor the strategies planned. Some of these efforts provided historical trend data indicating the extent of progress but did not include targets for future years.[1]

What should be the role of individual state agencies? The low level of attention given to the role of state governments in each of these statewide efforts has been a major problem. The lack of a clear link between the indicators and state agencies' own activities and responsibilities, along with a lack of attention to the roles of any substate units of general or special-purpose governments, has left the efforts somewhat adrift once they had completed their reports.

To correct this situation, the Oregon Benchmark program recently began to prepare a listing of state agencies that influence each of the statewide indicators in either a "primary" or a "secondary" way. Exhibit 1 is an excerpt from one of these listings, showing which

EXHIBIT 1 Benchmark Links to State Agencies

44	Prenatal care	Percentage of babies whose mothers received early prenatal care (beginning in the first trimester)	☑ Coordinated Strategy
	Lead Agency	Health Division	
	Primary Links		
		Adult & Family Services Division	
		Health Division	
		Medical Assistance Program	
	Secondary Links		
		Black Affairs, Oregon Commission on	
		Children's Trust Fund of Oregon	
		Health Plan Policy & Research, Office for Oregon	
		Police, Oregon State Dept. of	

[1] In Oregon, the earlier "Oregon Shines" documents, such as the 1989 report *Oregon Shines: An Economic Strategy for the Pacific Century*, are clearly strategic plans under most definitions.

agencies affect each indicator. The same report provides a list of the indicators, grouped by state agency, and provides contact information for each agency.

In a few states, statewide plans have been prepared for the *state government as a whole*. These plans may reflect a governor's position statement on state operations or, especially for a new governor or one entering a second term, the governor's priorities. Such statements can be more political than analytical and may tightly conform to campaign promises or statements about goals.

In some states, such as North Carolina, agencies prepared strategic plans even though the state did not prepare a central statewide plan into which the agency plan would fit. (North Carolina, however, has a statewide compilation but not a centralized plan.)

The two states in which agency strategic plans appeared to be most widely used were Florida and Texas. Even in those states, the nature of these plans differed considerably among agencies, ranging from a few agencies providing extensive background discussion, well-prepared strategies, outcomes and attendant performance measures, and out-year targets for the indicators, to agencies that merely described current activities without much discussion of the future environment, outcomes, or out-year targets.

RECOMMENDATION: The state legislature and/or governor should require each agency to prepare and maintain a strategic plan. (It is not clear whether states should also prepare comprehensive plans covering all state functions, since such plans usually appear to have a particularly large political content relevant to the agenda of the governor.) The agency planning process should include such elements as those listed in exhibit 2. The agencies should be asked to review and update their plan at least every other year. (Because meaningful strategic planning requires a considerable amount of time and effort, it is not likely to be practical or necessary to undertake full strategic planning annually.)

Strategic plans should cover a number of years beyond the budget period—three years at a minimum—and should include appropriate analyses of background information, alternatives, costs and benefits, and role specification for the various institutions or agencies that will be involved in implementation. For some agencies, such as environmental agencies, a three-year plan may cover too short a period.

The team did not find examples of states and their agencies that had applied all the elements listed in exhibit 2. Florida and Texas appeared to have the most advanced strategic planning. Many of their agencies were using most of the recommended elements, but there was little evidence that the agencies were systematically examining and analyzing alternatives (elements 5 and 6).[2]

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[2] See, for example, *Instructions for Preparing and Submitting Agency Strategic Plans for the 1999–2003 Period*, a joint publication of the Texas Governor's Office of Budget and Planning and the Legislative Budget Board. (What is probably the most extensive strategic planning effort has been done by federal agencies, as required by the Government Performance and Results Act of 1993. Each federal agency has prepared and submitted its strategic plan to Congress, and updates at least every three years are required. The first strategic plans were submitted to Congress in September/October 1997.)

EXHIBIT 2 Suggested Elements in a State's Strategic Planning Process

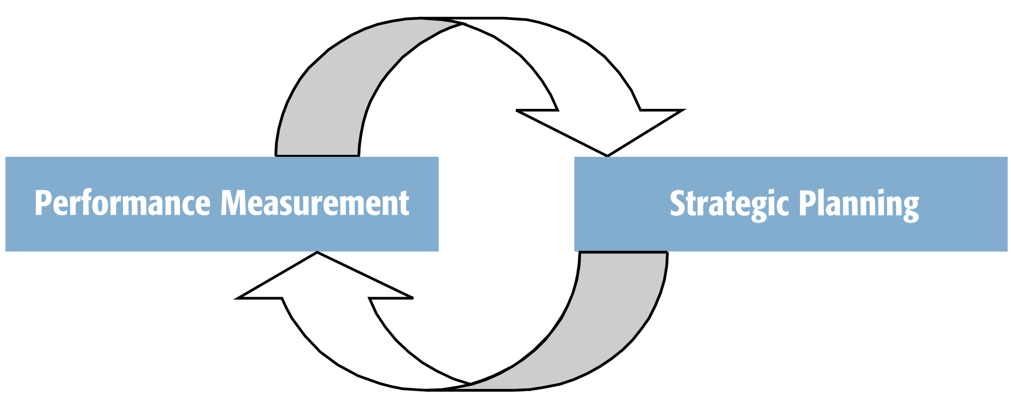
1. Identification of the populations served and outcomes sought by the agency
2. Identification of specific outcome indicators by which progress will be measured
3. Examination of the future environment and problems/barriers within which the agency and its programs operate (such as demographic, economic, and social factors and trends)
4. Identification of the latest available baseline values for each outcome indicator
5. Examination of alternatives and practical options for achieving outcomes, including the current service delivery approach
6. Analysis of each strategic option's costs, feasibility, and effect on the outcomes, including estimates of the out-year values for each outcome indicator and the costs included in the plan
7. A process for obtaining input from the legislature, agency customers, agency employees, and interest groups
8. Selection of one or two of the strategic options for review by key state officials in the executive and legislative branches

RECOMMENDATION: Strategic plans and the budgeting process should be linked. The outcome values and costs included in an agency's budget submission should be linked to and be compatible with the values for those years in the strategic plans. The next year in the strategic plan then becomes the starting point for the next budget. Agencies should be asked to explain any deviation between the values included in their budget requests and those in their strategic plan.

Capital expenditure requests from agencies should also be justified in terms of meeting the out-year goals in the agency's strategic plan.

The outcome indicators included in an agency's strategic plan should be included in the agency's outcome measurement process so that progress towards the strategic outcomes can be regularly tracked.

An important issue is the need to also link the strategic plan to agency operating management.



RECOMMENDATION: State agencies should develop annual action plans that identify the steps needed to implement the strategic plan. The action plan should identify who needs to do what over the next one or two years to achieve the outcomes sought and the resources (personnel and funds) needed.

Instructions for agency strategic plans in Texas call for the preparation of such action plans without specifying any particular format. Texas does not require that these action plans be submitted to the governor or the legislature.

Agency strategic plans should be made available to the media, interest groups, legislative committees, and others who have a vested interest in the outcomes set forth in the plans.

Often the agency is attempting to achieve outcomes that are identical to or similar to those of other agencies or institutions. Such "partners" should be involved in both preparing and distributing the plans.

RECOMMENDATION: Agency strategic plans and any statewide strategic plans should be disseminated to those whose input was sought in the plans' preparation; such groups are likely to include the legislature, agency customers, agency employees, and interest groups within the state. Both hard copies and electronic copies should be available to those requesting them. State agencies should consider providing copies of their strategic plans to each of their employees. The plans should be readily available to citizens throughout the state, possibly on the state's Web site and at public libraries.

Some of the difficulties with strategic planning are that it is time-consuming—both in employee time and calendar time. Also, it is very difficult to project the future accurately, even for one year. State governments and their agencies often do not have the resources—particularly analytical resources—to help them undertake such planning.

Strategic plans that the team has seen have focused primarily on existing program approaches without paying much attention to alternatives that involve major changes, such as those that may require legislative action. This may be realistic in terms of the effort required to make major changes to existing service approaches, but it does not lead to innovation—which strategic planning is intended to accomplish.

The team observed that strategic planning has too often been done primarily by holding some form of retreat for key government officials, rather than being based on extensive and thorough in-depth analysis of alternative strategies.

RECOMMENDATION: The legislature and the governor should encourage their agencies to use the strategic planning process as an opportunity to rethink their service delivery approaches and to innovate–including considering options that involve major legislative program and/or policy modifications.

What should the legislature's role be in preparing strategic plans? State legislatures assign responsibility for preparation of the plans to the executive branch. However, a number of states have assigned an oversight/facilitating role to a legislative office. At least one state (Idaho) required agencies to consult with "appropriate" members of the legislature in plan development (see appendix A, tables 2-1 and 2-3).

Our examination indicated that not many state agencies consulted with members of the legislature in any substantive way as part of their strategic plan development. (Representatives from one agency reported that their agency had made the mistake of not discussing the plan's content with the legislature, only to have it later dismissed by the legislature.)

NCSL's examination of state legislation identified two states (Florida and Maine) that required outside constituencies to be part of agencies' strategic planning process (see appendix A, table 2-3).

RECOMMENDATION: As part of their strategic planning process, agencies should seek input from the relevant parts of the state legislature—and from their major interested organizations—whether or not state legislation requires it.

A major bonus for executive branch agencies when seeking input from the legislature is the potential for improved communication between the two branches.

SECTION

3

Performance-Based Budgeting

In performance-based budgeting, policymakers link appropriations to outcomes by using performance information when making budget decisions and including performance indicators in the budget document. Performance information is one of many factors that should be considered in decisionmaking about allocations.

State legislators, their staff, and state budget office officials who were interviewed indicated that they would like to be able to assess budget requests in terms of the results that will be achieved. This desire has been one of the driving forces behind outcome-based performance measurement legislation. Unfortunately, many people, both inside and outside of government, have unrealistic expectations as to what governing-for-results and performance measurement can do.

The relationships between expenditures and most outcomes, especially end outcomes, are seldom understood in detail. Similarly, performance data cannot reveal the "value" of outcomes, such as the value of a human life, how much should be spent to ensure that all children can pass the state's graduation test, or whether it is better to put more funds into health or social services.

The information on past outcomes for each program, however, can provide important clues as to the likely effects of proposed resource allocations. The information indicates the extent to which desired outcomes have been met and suggests the extent of need for budgetary changes.

One state agency official identified three benefits of a performance-based budgeting system:

- It changes the decision-making culture by introducing strategic and performance-based thinking into policymaking and administration.
- It introduces performance as *one* of the elements that influences the budget process.
- It introduces goal definition and performance targets to achieve the goals as part of agency administration.[3]

State budget offices and the legislature, especially during the initial years of governing-for-results implementation, often were presented too many indicators, the majority of which were outputs, not outcomes. We found that few budget justifications were expressed in terms of outcomes, other than in a very general way. Budget analysts and users (in both the executive branch and the legislature) do not have much experience with outcome data, so even when the data have been available, either as past outcome data or outcome projections for the future, users have not known what to do with it. They have primarily used outputs

[3] Source: Tony Fabelo, Executive Director, Texas Criminal Justice Policy Council, presentation October 14, 1999, at the LBJ School of Public Affairs (University of Texas at Austin) Executive Management Training Course.

and efficiency indicators that relate outputs to costs (such as cost of meals per inmate-day). These are much easier data to interpret and use, but they say little about the outcomes of the service. Thus, neither the executive branch nor the legislature appear to have systematically used outcome data for budgeting.

A partial exception is Texas. The Texas legislature attaches specific outcome targets to dollars by including outcome indicators in its biennial appropriations legislation. An example is shown in appendix C-1. As the appendix shows, the legislation contains projections for each outcome indicator for each of the next two years. Further, the legislation identifies "strategies" for each goal. These strategies are the major activities being funded. Data on projected outputs, efficiency indicators (average cost per unit of output), and "explanatory" data (additional information that can help users interpret the other data) are also included.

Louisiana also includes performance indicators in its appropriation bills. (Its 1997 H.B. 2476, Section 51, states, "The general Appropriation bill shall reflect a performance-based budget, with specific appropriations for each agency and its programs to include key objectives and key performance indicators therefore.") An example is included in appendix C-2.

Some managers are concerned about including outcome indicators and specific out-year targets in appropriations, since doing so may result in an overemphasis on a small number of highly selective indicators and could lead to increased chance of punitive use by state legislators. On the plus side, however, the increased visibility of outcome information increases state agencies' motivation to achieve those targets. (The final budget performance targets included in the appropriation should be compatible with the amount of funds appropriated.)

RECOMMENDATION: As part of a state's budget process, operating agencies and their programs should be required to identify outcome data related to specific dollar and staffing requests for specific programs. They should also justify their budget requests at least in part based on the outcomes sought, even if only qualitatively. Similarly, changed and new program budget requests should be required to contain the outcome effects expected if the budget request is approved.

Some states, such as Texas and Louisiana, are beginning to require that targeted outcome values be identified along with the proposed budget amounts. However, this is *not* the same thing as actually using the outcome data to make budget choices and allocations. Interviews and document reviews indicate that legislators, legislative analysts, and executive budget analysts have not yet developed ways to systematically analyze and use outcome data as part of the budget formulation process.

This limitation exists at the operating agency and program levels. Agency and program managers have had difficulty in systematically analyzing and using outcome data as part of the budget formulation process. Agency personnel often appear to consider outcome information something they are required to provide, rather than as something useful to them in preparing and justifying their budgets.

RECOMMENDATION: State agencies should begin to develop ways to systematically estimate outcomes that can be expected from various budget levels. This is likely to be challenging, especially for key state outcomes, but it should be attempted.

Where the legislature has a strong analytical arm that it calls on to review the data, as in Florida and Texas, more and better use of the performance information appears to have taken place. Those two states appear to be closer than most other states to fully applying results-based budgeting. It is clear from staff comments that the relatively small number of fiscal and other committee staff in Minnesota and Oregon has meant that those legislatures have lacked the resources to build results-based budgeting into the legislative processes.

The indications are that legislators will become interested in and use outcome data that are directly related to concerns of their constituents, are relevant to their interests, and can help them make a case for funding and policy decisions.

RECOMMENDATION: State legislatures should provide analytical staff to review the outcome information provided by the executive branch (such as in agency performance reports and performance-budgeting submissions) and provide summaries to legislative committees.

In Florida, these responsibilities are divided among staff for the fiscal committees, committees, and the legislative Office of Program Policy Analysis and Government Accountability (OPPAGA).

The Florida legislature, unlike other legislatures, has divided the committee staff workload by assigning review of agency performance indicators to substantive committees so that the fiscal staff do not have to carry the full load. OPPAGA, with nearly 90 staff, undertakes such activities as performance audits and policy reviews of state programs; follow-up reviews that assess whether agencies resolved problems identified in earlier reports; technical reviews of agency performance-based budget proposals; and technical assistance to legislative committees.

In Texas, these responsibilities are shared by two agencies, the Legislative Budget Board (LBB) and the State Auditor's Office (a legislative agency in Texas). LBB has approximately 140 staff. It analyzes agency performance reports, tracks agency performance developments when the legislature is not in session, and prepares the legislative budget and appropriations bill. The State Auditor's Office examines the accuracy of the performance data, the adequacy of internal agency controls that safeguard the collection and analysis of performance data, and how agency management uses the performance indicators to improve operations.

Supporting such analytical staff can require a significant investment. Interviews with legislators and internal surveys by Texas of their legislatures indicate that the Florida and Texas legislatures believe this is money well spent.

A special problem in budgeting is that, as discussed earlier, multiple programs frequently affect the same outcomes (such as substance abuse and juvenile delinquency programs). Existing budget review procedures may not identify these overlaps.

RECOMMENDATION: Central executive branch and legislative staff should develop an index that identifies and cross-references the different agencies and programs that contribute to the same outcomes. This index should also identify which legislative committees address each outcome and identify where legislative committee organization and oversight do not match the multiagency spending to the same outcome.

For many state programs, some of the major outcomes expected will not occur until one or more years after the budget year. For example, the major desired outcomes of many transportation and environmental protection programs, as well as programs for which the state provides funds to local governments (such as social services), do not occur in the year in which the funds are budgeted. For the approximately 20 states with two-year budgets, this problem is somewhat less of a concern, at least for those funds budgeted for the first of the two years.

RECOMMENDATION: For major outcomes expected to occur after the budget year, agencies and their programs should be asked to provide out-year estimates on the expected outcomes for each relevant outcome indicator.

This problem does not appear to have received much attention by states. However, such information is crucial for adequately judging the worth of budget requests.

SECTION

4

Agency and Employee Incentives

A key problem for states in effectively using performance information is getting agency personnel to take the performance information seriously and use the information to help monitor and improve their programs.

A key problem for states in effectively using performance information is getting agency personnel to take the performance information seriously and use the information to help monitor and improve their programs. Often, state employees initially treat the performance measurement process as an external requirement that is not very useful to them.

Encouraging state personnel to focus on results, rather than solely on activity, has been difficult. Many state personnel interviewed felt that their states did not have adequate incentives for agencies and personnel to change to this focus. This section discusses promising incentives that may help encourage state personnel to focus on results.

Using performance incentives, particularly monetary ones, for public agencies and public employees appears to appeal to many elected officials, especially those coming from the business sector. Providing *financial* rewards to or imposing sanctions on agencies or individual employees, based on program outcomes, seems to be a natural way to help motivate public personnel.

Unfortunately, state and other levels of government have had numerous difficulties applying monetary incentives to their agencies and employees. Difficulties include

- Providing adequate funds for awards;
- Identifying meaningful, measurable indicators to use as an objective basis for making fair decisions on who should get the awards;
- The limited influence public employees often have over important outcomes;
- The inherent problem of how to attach a monetary value to outcomes; and
- Union objections.

Another problem, frequently cited by state personnel, occurs when monetary sanctions are applied to program allocations. If outcomes for a program do not meet expectations, it may not be appropriate to automatically reduce the program's funds. Many factors and circumstances could mean that substantially different actions are needed, including the possibility that the program may need more funds to become successful.

This study did not identify many examples of outcome-based incentives in the states examined; very few incentives had been in place for more than a year. This section describes the monetary and nonmonetary approaches that some states have been trying, ones in which outcomes are included in the principal criteria used to determine rewards or sanctions.

Providing *monetary awards* to individuals or to agencies requires a well-conceived and well-implemented scheme. Underfunding the plan, using questionable—or, at least, questioned—performance indicators to select the winners, and including subjective criteria (giving rise to the possibility of claims of favoritism by upper levels of management) can make a plan counterproductive.

In 1995, the Minnesota legislature established a monetary incentive scheme for both the University of Minnesota and the Minnesota State College System. The systems had to report on five performance indicators. For each performance indicator for which a system made progress, it was allocated an additional $1 million. Both systems received $4 million, with each reporting progress on four of the indicators. This incentive plan, however, was dropped the next year, apparently because of lack of support and interest by the governor and legislature. A problem arose over the selection of the performance indicators, partly because the university system was not consulted before the law was passed.

The Colorado legislature recently began tying the funding of state colleges and universities to performance. The performance criteria include the "percentage of degree-seeking students who graduate from an institution four years after they enroll" and scores on license and professional association examinations. Performance data on such criteria are used to help determine how 75 percent of the increase in state funding budgeted for the coming fiscal year is allocated among colleges and universities (*Governing*, December 1999, p. 44).

As described in the section on using performance information, Texas distributed food-stamp bonus funds from the federal government to its regional offices based on the performance of those offices.

RECOMMENDATION: States should generally emphasize nonmonetary incentives. While such incentives are probably somewhat less motivating than cash rewards, they are considerably less expensive and much less controversial. A number of such options are identified below.

RECOMMENDATION: States should consider providing greater flexibility to agencies as an incentive for consistently achieving or exceeding desired outcomes. This flexibility might be in the form of greater latitude in hiring or assigning personnel, contracting, or redirecting agency funds.

The Texas General Appropriations Act has provided state agencies a comprehensive range of monetary and nonmonetary incentive options. The 2000-01 General Appropriations Act lists the following "positive incentives/rewards":

- Increased funding,
- Exemption from reporting requirements,
- Increased funding transferability,
- Formalized recognition or accolades,
- Awards or bonuses,
- Expanded responsibility, and
- Expanded contracting authority.

The legislation also lists a number of "negative incentives/redirection," which include the reverse of the positive incentives as well as recommendations for placement in conservatorship and direction that a management audit be conducted or that other remedial or corrective actions be implemented.[4]

The Texas 2000-01 General Appropriations Act also authorized bonuses of up to 6.8 percent of an employee's annual base pay for classified employees who "directly contributed to improvements" in agencies that achieved 80 percent of their key performance indicators, as long as the State Audit Office had certified that at least 70 percent of the agencies' performance indicators were accurate. (See section 13 on "Data Quality Control" for more details of the Texas State Auditor's process.) In the 1998-99 biennium, five agencies qualified and two took advantage of the provision. In the 2000-01 biennium, 19 agencies have qualified so far and are in the process of developing a performance bonus plan.

Florida legislation also provided opportunities for monetary incentives, but so far they have rarely been used. The Florida Department of Revenue was the only one of four agencies eligible that participated. The department earned 0.5 percent of its annual salaries by performing above the expected target on two out of three selected measures. These extra funds can be used for employee bonuses.

In 1999, Texas provided nonmonetary statewide recognition awards to one small, one medium, and one large agency. The agencies were selected based on a number of factors determined by a "benchmarking committee" of public and private sector officials. Agency performance was one of those factors.

As described in the section on using performance information, the Texas Department of Economic Development's Corporate Expansion Recruitment Division reports internally on outcomes relating to the individual staff members' development of corporate prospects. The data on the number of prospects developed are included as *part of individual performance reviews*. To encourage teamwork, each staff member who contributes to an outcome should be credited. Linking outcome success to individual performance, however, should be undertaken with great care.

Louisiana permits agencies to retain unspent balances at the end of the fiscal year if they have performed well.

Washington's "Governor's Awards for Service and Quality Improvements" are an example of employee recognition awards, which are often used by state governments. These awards have traditionally been given for cost savings and process improvements. In a governing-for-results environment, quantitative evidence of improvement of outcomes (including customer service quality indicators) becomes a major basis for such awards.

The Washington awards have emphasized recognizing teams of state employees, and have been given to between three and nine agency teams each quarter since the awards were established in January 1998. They are given to "teams in state government who have demonstrated excellence in one or more of the following areas: cutting red tape, improving customer service, improving efficiency, or reducing and/or avoiding costs."

The "new" governing-for-results feature of such awards is that evidence of improvements in service outcomes becomes one of the major criteria for the awards. For example, in April 2000, Washington's Department of Retirement Systems Customer Telephone Access Project Team received an award for revising its telephone answering process to provide immediate responses to callers' questions even when the assigned analyst was unavailable.

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[4] Text of Conference Committee Report, 1999. Pp. ix–55.

Another potentially strong nonmonetary motivator is comparison data. Some North Carolina and Minnesota human services programs obtain information on individual service delivery units' performance on outcome indicators and then present their findings back to each unit along with data on the outcomes of other units. Such procedures appear to have considerable motivational value. Exhibit 3 is an extract from a North Carolina Women's and Children's Health Division report to each of its 100 county health directors. The report provided outcome data for each of the counties in a direct comparison format. The division, however, has recently decided not to include the performance levels of all county offices in the report to each county, but rather to provide the overall state average and the average for the county's own comparison group of similar North Carolina counties. The state agency uses the data to help it identify those counties in greatest need of technical assistance (i.e., those counties whose outcomes are not improving), and it provides intensive assistance to them through its regional consultants.

This form of motivation can be constructive if the data are perceived as being appropriate (ideally, the units being compared have had a role in indicator selection), data quality is monitored by the central state office, and the comparison reports are used constructively, rather than for punishment.

RECOMMENDATION: Where applicable, states should provide comparative outcome data across service delivery units (whether the units are state agencies or local units of government). Recognition should be provided to high-performing units, after any explanatory information is considered. Both *level* of performance *and* change from previous years should be used as bases for rewards. Low performers should be given state improvement assistance and adequate time to make improvements. Only if those measures fail should punitive action be taken by the state.

Exhibits 8 and 9, included later in the section "Interface With Local Government," provide examples of Minnesota and Oregon's comparisons of outcome indicator values across counties. These examples, however, do not focus on particular local agencies but rather on the county as a whole.

Perhaps the best and most efficient incentive is for top levels of the state government to review the latest performance reports with the responsible agencies and their program personnel. Nothing seems to get the attention of agencies and their programs more quickly than having legislative committees ask for formal presentations. Similarly, when an upper-level manager regularly reviews outcomes, indicating that the manager believes performance is important, lower-level personnel are much more likely to take the information seriously.

A version of this approach is for state agency managers to hold "How Are We Doing" sessions to look at performance data soon after the latest report comes out and to discuss what is and is not working. The Minnesota Department of Revenue has conducted such sessions, addressing specific procedures that, based on the performance information, appear to be working very well or very poorly.

RECOMMENDATION: Agency managers should hold "How Are We Doing" sessions to regularly review the latest performance reports with their personnel to identify what is and is not working well. When outcomes have not been as good as expected, such sessions should be used to initiate improvement action plans.

EXHIBIT 3 Example of Data Analysis Using Rankings: North Carolina Women's and Children's Health Section (Division of Public Health, DHHS)

Women's Preventive Health Program Rankings for Fiscal Year 1996–97

		POO #1 (Adolescent Pregnancy Rate)				POO #2 (Percent Repeat Teen Pregnancies)				POO #3 (Percent Women with Short Birth Interval)				POO #4 (Out-of-Wedlock Live Births)		Cumulative Points	Cumulative Rank
	County	Rate	Rank	Improvement	Rank	Rate	Rank	Improvement	Rank	Rate	Rank	Improvement	Rank	Rate	Rank	CUMRNK	OPRANK
EAST	Beaufort	29.5	15	0.51	9	15.7	12	3.97	21	11.2	6	0.87	22	42.67	14	99	17
	Bertie	31.4	18	0.95	11	12.9	6	–1.24	5	15.1	22	1.44	23	61.09	24	109	21
	Brunswick	27.8	13	0.98	12	16.8	18	–0.52	10	13.2	17	0.07	16	34.84	7	93	16
	Carteret	20.1	4	2.22	17	13.6	7	1.95	18	10.7	5	0.01	15	30.1	4	70	4
	Craven	24.9	9	–0.28	8	12.4	4	–3.64	3	12.1	10	–0.71	10	28.83	3	47	2
	Currituck	18.6	3	2.24	18	17.1	19	3.74	20	13.5	20	–0.89	8	27.96	2	90	11
	Dare	13.7	1	4.04	21	17.1	20	10.76	24	10.6	4	0.69	21	24.11	1	92	13
	Duplin	33.5	20	2.77	19	14.2	8	–0.69	9	13.4	19	–0.34	13	41.43	13	101	18
	Edgecombe	41.1	24	–0.3	7	21.3	23	1.13	16	15.6	23	–0.21	14	60.42	23	130	24
	Greene	30.5	17	–2.32	2	17.4	22	3.52	19	12.1	11	0.08	17	45.96	17	105	20
	Halifax	36.7	22	3.01	20	16.4	17	–0.91	7	13.2	18	–1.06	6	55.51	22	112	22
	Hyde	15.8	2	5.25	22	12.5	5	4.17	23	8.57	1	0.68	20	47.37	18	91	12
	Jones	28.4	14	–4.16	1	16.3	16	0.42	13	12.7	15	1.65	24	36.27	9	92	13
	Lenoir	40.4	23	1.32	13	23.7	24	0.88	15	14	21	–1.07	5	45.45	16	117	23
	Nash	30.1	16	–0.33	6	16.1	13	–3.3	4	12.7	14	–0.91	7	38.39	10	70	4
	New Hanover	26.7	12	2.01	14	16.3	15	–1.07	6	12.9	16	–0.4	12	32.03	5	80	8
	Northampton	35.3	21	5.62	24	12.1	3	–0.81	8	15.7	24	–1.8	2	53.63	20	102	19
	Pamlico	21.2	5	–2.25	3	10	2	–6.22	1	10.2	2	0.28	19	40	11	43	1
	Pender	24.8	8	5.31	23	4.21	1	–4.34	2	10.3	3	–1.09	4	34.6	6	47	2
	Pitt	31.4	19	2.2	16	14.9	11	–0.2	11	12	9	–1.24	3	40.15	12	81	9
	Wayne	26.4	11	2.18	15	17.2	21	0.81	14	12.5	12	–0.61	11	34.99	8	92	13
	Hertford-Gates	25	10	–0.91	5	16.2	14	4.07	22	12.6	13	–1.83	1	54.5	21	86	10
	MTW	21.5	6	–1.59	4	14.4	9	–0.13	12	11.3	7	0.26	18	52.12	19	75	6
	P-P-C-C	22	7	0.82	10	14.8	10	1.17	17	11.5	8	–0.74	9	43.5	15	76	7

Source: State of North Carolina (1998). Reprinted by permission of the Women's and Children's Health Section, Division of Public Health, North Carolina Department of Health and Human Services.
Note: POO = Process/Outcome Objective.

RECOMMENDATION: Legislatures, including appropriations and policy committees, should periodically review portions of agency performance information with agency personnel, possibly as part of their review of budget requests. Legislators should question important shortfalls and unusually high outcomes.

The legislatures of Texas and Louisiana, both states with strong appropriations processes, have brought agencies in to explain their shortfalls from performance targets. Texas's process of providing explanations for any performance indicators whose values deviate from the targeted values is described in section 11.

One special concern should be noted. Incentives should be designed to explicitly take into consideration differences among offices as to the nature of—and, in particular, the difficulty—of their workloads. We did not find any formal examples of this, with the exception of some states' consideration, or at least the grouping, of school district education test scores based on district demographic characteristics.

Another opportunity for introducing a results-based, nonmonetary incentive is the explicit consideration of outcome information as part of "performance agreements" with managers and/or in the employee performance appraisal process for state employees. Performance agreements between department heads and governors have been used in the past (e.g., Florida). Similar agreements can be made between department heads and their managers. The inclusion of outcome-based targets in budget materials can be considered a variant of this type of agreement. (See section 3 on performance-based budgeting.)

The inclusion of "results" criteria in a state's performance appraisal processes does not yet appear to have been substantively implemented by states, nor is it clear how to ensure that the process is both constructive and fair to employees. For example, few employees are likely to be solely responsible for any of their program's outcomes. An employee's appraisal might include the outcomes from all members, collectively, of the team responsible for available outcome measurements, or the appraisal might have a section in which the employee's supervisor assesses the degree to which the employee has focused on outcomes, including the quality of the service provided to the program's customers.

A final issue is the temptation, which particularly affects the legislature, to use performance information in a punitive fashion. This possibility worried a number of agency personnel interviewed and was raised by at least one legislator. Because outcomes are almost always affected by factors outside an agency's control, taking punitive action, even verbal castigation, can become a *negative* incentive to agencies, encouraging them to avoid being forthcoming with the needed information.

RECOMMENDATION: Upper-level state officials, including legislators, should not automatically dispense penalties (even verbal reprimands) if agency performance levels are not up to their expectations. Public officials should first seek explanations for shortfalls. Major punitive action should be a last resort, after the shortfalls occur over a sustained period of time and without satisfactory explanation. This will reduce the likelihood of agency personnel becoming defensive and not being as forthcoming with their information in the future.

SECTION

5

Performance Contracting

In a governing-for-results scenario, contractor/grantee work statements are focused on the outcomes expected, giving the contractor/grantee more leeway in determining how to do the work.

All states contract work to the private sector, both to for-profit and nonprofit organizations (including lower levels of government, who receive grants to carry out work). Traditionally, states have identified specific tasks to be done by the contractor and specified how the work was to be done. In a governing-for-results scenario, contractor/grantee work statements are focused on the outcomes expected, giving the contractor/grantee more leeway in determining how to do the work. This form of contracting is usually called performance contracting or performance-based contracting.

Performance contracting has been used to a small extent for years in certain government services, such as highway construction (e.g., bonuses if the contractor completes the work ahead of schedule, or penalties if the work is late).[5] It is becoming increasingly attractive to a variety of state agencies, particularly in human services, not only for contracts with for-profit organizations but also for grants or contracts with private or public nonprofit organizations. Frustrated by declining performance, rising costs, or both, state agencies want to pay contractors for results, not activities. Performance targets encourage agencies and those they contract with to improve service outcomes.

In these formal performance agreements, payments or other rewards and penalties are determined at least in part by the extent to which the contractor/grantee meets targets on specific performance indicators. Payments, or other rewards and penalties, can be linked directly to achievement of the performance targets included in the agreement—whether the contractors are for-profit or nonprofit organizations.

RECOMMENDATION: State agencies should consider using performance-based contracts with service providers, whether the providers are public or private, nonprofit or for-profit. Agencies should align the performance indicators included in contracts with the indicators in their outcome measurement system. These performance agreements should link monetary rewards/penalties to achievement of the desired outcomes.

[5] This section refers only to contracts and other formal agreements made between a state agency and an outside organization. Performance agreements between higher- and lower-level officials in the same organization are discussed in the section on agency and employee incentives.

Examples of Performance Contracting in the States

We found a number of examples of performance contracting. A few of these are highlighted here, including Oklahoma's Community Rehabilitation Services Unit, North Carolina's Division of Social Services (adoption services), Minnesota's Refugee Services Section, and Maine's Department of Human Services. Early findings from Florida's Division of Children and Family Services' introduction of performance contracting throughout the division are also presented.

Maine and Florida were directed by their state legislatures to begin performance contracting. The programs in Oklahoma, Illinois, and North Carolina began their performance contracting from within the agency. Minnesota's program was influenced by federal performance measurement requirements. Performance contracting models vary by such characteristics as the extent to which incentives and disincentives are offered to service providers, the timing of payments, the frequency of providers' reports on performance, and the extent to which providers are involved in developing performance indicators.

The examples described here fall into two categories:

- Performance contracting that contains performance specifications and outcome targets and that ties payments to outcomes. Oklahoma and North Carolina have such contracts.
- Performance contracting that contains performance specifications and outcome targets, but does not tie payments to outcomes. Minnesota and Maine have such contracts.

Oklahoma

Oklahoma's Community Rehabilitation Services Unit of the Department of Rehabilitation Services (DRS) was probably the most advanced system we examined. DRS pays providers after they accomplish specific "milestones" relating to helping rehabilitation clients find and retain meaningful work. DRS began using this performance contracting system, called the Milestone Payment System, in 1992. The state pays contractors at predefined milestones, when increments of outcomes have been completed. Contractors (nonprofit or profit) submit bids on the average cost per client and subsequently are paid based on the following six accomplishments:

- Determination of consumer needs (10 percent of bid);
- Vocational preparation completion (10 percent of bid);
- Job placement (10 percent of bid);
- Four weeks' job retention (20 percent of bid);
- Job stabilization, defined as 10 to 17 weeks of employment with fewer than two support contacts per month, depending on the type of disability (20 percent of bid); and
- Consumer rehabilitation, defined as stabilization plus 90 days (30 percent of bid).

The last four of these six milestones are important client outcomes.

Providers are paid the applicable percentage of the total average cost per client at each of the six milestones. (The average cost figure includes consideration of the expected client dropout rate.) Providers invoice DRS when they achieve individual clients' milestones. The agency reduces the incentive to focus on the easiest-to-help clients ("creaming") by making higher payments to providers for serving difficult-to-place clients. Customer and employer satisfaction after the final job stabilization milestone are required for the final payment.

Results. The program reports that providers' costs per placement declined 51 percent between 1992, when performance contracting began, and January 1997, when the first group of providers had finished moving to the new system. The last group of contractors to switch to performance contracting showed an additional 12 percent decline.

The average number of months clients spent on waiting lists decreased by 53 percent, from 8.14 months under the old hourly payment system to 3.85 months under Milestones. The number of individuals who never got a job fell by 25 percent.

The staff who established the system noted that it was difficult to develop operational definitions of the milestone outcomes for making payments and to get contractor staff to adopt a philosophy of working for client outcomes.

North Carolina

The Division of Social Services in North Carolina's Department of Health and Human Services initiated statewide performance contracts with private adoption agencies in 1995. In 1998, the state had three private contractors; in 1999, it had four. The contracts are funded with a combination of federal and state dollars.

Private adoption agencies bill the state on a monthly basis when they have achieved three specific outcomes:

- Placement for the purpose of adoption (60 percent of average placement cost);
- Decree of adoption (20 percent of average placement cost); and
- One year of intact placement after the decree of adoption (20 percent of average placement cost).

The state worked with the private agencies to design the payment schedule.

Results. In fiscal year (FY) 1993-94, there were 261 adoptions in North Carolina. In FY 1995-96, when the state entered into performance contracts with three private adoption services, the number increased to 364. In FY 1996-97 there were 631 adoptions, and in FY 1997-98, 603 adoptions. (The special needs adoption coordinator attributed the decline in the 1997-98 number to three factors: Children who were easier to place were adopted earlier, in 1996-97; there was a backlog of cases awaiting termination of parental rights; and many of the children now waiting for placement have special needs.)

Minnesota

The Refugee Services Section of the Minnesota Department of Human Services (DHS) began performance contracting with its "mutual assistance associations" in 1990 for refugee job placement assistance. The performance contracts deal specifically with job placement. Funding and performance measurement requirements come from the U.S. Department of Health and Human Services.

Each contractor receives a grant based on the number of clients it proposes to serve and the cost of placement per client. Contractors then submit a two-year work plan that identifies performance indicators with targets for all activities leading to job placement. They set quarterly targets for job placements, clients' average hourly wages, termination of clients' cash assistance due to earnings, job retention, and number of full-time placements receiving health benefits.

Contractors are expected to find jobs paying above minimum wage for their clients and to attempt to upgrade the jobs of clients already placed; 90-day follow-up is required for all job placements, including upgrades. Even after meeting their targets, contractors are expected to continue to make placements throughout the contract period.

This is an example of a performance arrangement that does not use direct monetary rewards or penalties. Contractors regularly report information on job placements, retention, and related activities and receive a quarterly status report from the program. If performance is lower than 80 percent of the target, providers must submit a corrective action plan within 15 days and must implement the plan in the following quarter.

If performance does not improve in the next quarter, contractors are placed on probation. If there is still no improvement, they remain on probation and must report to the program on a weekly basis. Annual reviews determine each contractor's second-year budget, based on the first year's performance.

Within five fiscal years, the program increased job placements from 591 (in 1995) to 1,136 (in 1999). Providers also regularly exceeded their targets for clients' average hourly wages, jobs with health benefits, and termination of cash assistance because of earnings.

The program supervisor believes the program is effective because of open communication between the state and contractors, the state's monitoring efforts, and the willingness of state staff to provide timely technical assistance.

Minnesota DHS is also moving towards performance-based contracting for its approximately 250 nursing facilities. The state's 1998 legislation directed the implementation of a performance-based contracting system to replace the existing payment rate process, which was based on a cost-based reimbursement process. (In 1995, the legislature had authorized a trial of alternative payment systems for nursing facilities.)

The state used a long-term care advisory committee to advise DHS on the performance-based contracting approach. That committee was comprised of representatives from the state government, local governments, service provider associations, the University of Minnesota, AARP, and other interest and advocacy groups.

Minnesota DHS drew on the work of the federal government and the University of Wisconsin to help identify outcome indicators. (It has selected ten "clinical" quality indicators from a set of indicators developed by the University of Wisconsin. These indicators include prevalence of incontinence, urinary tract infections, and pressure ulcers, and incidence of "decline in late loss of activities of daily living.")

The department is planning to produce a report card covering these service qualities and findings from surveys of consumer satisfaction. DHS planned to have some of these measures in use beginning July 1, 2000, with the remaining elements to be in place shortly thereafter. These data are also intended to help determine bonus payments for nursing facilities that achieve high marks and to identify low-performing facilities that require corrective action.

Maine

A 1994 legislative act required Maine's Department of Human Services (DHS) to make all its contracts performance-based. The legislation included a provision requiring collaboration among people inside and outside the organization, including legislators, providers, consumers, and state personnel. The law also included a hold-harmless clause, which postpones punitive actions based on performance levels, for first-year contracts. After that, performance data would be used in award decisions.

Every contract has to include performance goals, performance indicators, and a strategy for reaching the goals. DHS initially asked providers to develop performance indicators, then it worked with them to decide on the most important ones. Task forces of eight persons—two DHS staff, two providers, two consumers, and two legislators—were established for each of the 43 service areas to develop goals and indicators for the contracts. Contract officers and program staff served as facilitators to the work groups, going from a mostly administrative role to active partnering.

Originally, providers had to specify what strategies they would use to accomplish the goals set by the state and how they would measure the goals established by the task forces. However, it became apparent to DHS that data collection for the indicators had to be standardized. Without standardization, contract officers had difficulty monitoring performance, particularly given the large number of indicators negotiated in the contract process. Further, DHS felt that many of the indicators lacked validity, adding to the difficulties of interpretation.

Indicators and data collection procedures were standardized through lengthy negotiations between contractors and the state, with assistance from the University of Southern Maine's Muskie School of Public Service. The school also trains service providers in developing and using performance indicators.

Performance contracting has led DHS to go from a predominantly internal contracting process to one that relies upon partnerships with providers to determine which outcomes to measure.

Maine does not yet have information on program results, but agency staff report that moving to performance contracting has created a new, outcome-oriented culture at DHS. More program and contract staff are thinking in terms of outcomes, and providers are requesting assistance with data collection procedures for information they need to improve local management practices.

The department has focused equally on the development of process and the development of outcome indicators for its service areas. Although the legislation deals with the impact of state programs on individuals, DHS had not yet been able to measure individual customer data through its contracts. The first set of performance data was due in fall 1999, though it may be another two or three years before the system is fully operational.

Florida

Florida's Department of Children and Families (DCF) is another recent convert to performance contracting. A 1998 statute required that the department base all its contracts with local service providers on performance. The legislation created district units that monitor contracts and report to district administrators.

The department has about 1,700 contracts with 1,200 providers. Performance specifications and targets are included in each contract. In 1996, a working group of district, program, and administrative staff set the same types of outcomes for similar providers across the state. Providers' performance targets are negotiated each year by the department and the provider.

The department encountered several problems in the conversion to performance contracts. The first year, state personnel and contractors required considerable training in the new contracting procedures. State personnel traveled to districts to explain the new contracting procedures, including how to write the contracts that include performance specifications. Matching the collective targets of the local contractors to overall agency targets also proved difficult, since some local contractors serve populations not represented in state DCF agency goals.

Another problem for Florida was that performance contracts are generally limited to one year because of the state's budget cycle; therefore, data may be received after a contract is terminated. The department uses such data, however, to address existing providers' performance.

Results from this effort were not available at the time of our examination.

Findings and Recommendations Relating to the Process

Performance-based contracting consists of four major activities: preparation of the request-for-proposal and subsequent contracts; measurement of service outcomes, including selection of the specific indicators by which the contractors' performance will be judged, the data collection sources and procedures to obtain that data, and the timing and frequency of such measurements; establishment of methods for determining payments (or other rewards and penalties), such as the basic price and future price-index adjustments (for multiyear contracts); and reporting of the findings on each service provider and each facility (or each office).[6]

Listed below are the incentive strategies that Minnesota's Department of Human Services proposed to use as of January 1999 for its performance-based contracts for nursing facilities.

FOR SERVICE AGENCIES THAT ARE	TO
The very best	Use as a mentor Pay bonuses Give special recognition
Good	Encourage improvement Use as a mentor Pay bonuses
Acceptable	Encourage improvement
Poor	Demand improvement
The very worst	Fast-track to improve or to remove from the program

Source: "Nursing Facility Performance-Based Contracting and Sunset of Rule 50," Minnesota Department of Human Services Continuing Care for the Elderly, January 1999, page 15.

[6]Adapted from pages i and ii of "Nursing Facility Performance-Based Contracting and Sunset of Rule 50," Minnesota Department of Human Services Continuing Care for the Elderly, January 1999.

Based on the examples listed above, we make the following more detailed recommendations for state agencies and legislatures for implementing performance contracting.

RECOMMENDATION: When initiating performance contracting for a service, state agencies should obtain input from providers to help the agencies identify client outcomes and associated outcome indicators to be included in future contracts. The state should develop a core set of outcome indicators and data collection procedures that can be used for contracts in each particular service area. These outcome indicators should be linked to the program's own outcome indicators.

The state agencies should also obtain input from providers on the design of payment schedules in order to make the incentives fair to providers as well as to the state. This will make the outcome data obtained more reliable and will educate providers in the new procedures, helping to allay their worries about the process.

RECOMMENDATION: State governments should provide training and technical assistance to state personnel and to the provider community on the performance contracting process.

RECOMMENDATION: States should attempt to gain commitment and trust from providers by including a hold-harmless clause for the first year.

RECOMMENDATION: States should require providers to submit needed outcome information (the information called for in the performance agreement) to the state. These data should be subject to state audit. Outcome data should be used to produce the outcome indicators and should be reported back to providers regularly (perhaps quarterly) on their performance and how it compares to that of similar providers. (See exhibit 3 for an example of such a report; it compares public [county] providers rather than private ones.)

Provider should include explanatory information when appropriate. Consistent communication and feedback on performance help promote accountability and maintain provider motivation.

RECOMMENDATION: States should use past performance as a factor in deciding future awards. Performance should be evaluated at the end of each contract, and these evaluations should be properly documented. Contractors should be given the opportunity to provide a written disagreement for the contractor's file.

To make this process effective, the executive branch should establish central collection of the evaluations and contractors' responses, possibly a computerized database with files for each contractor. (There may be some difficulty maintaining such a database, since contractors sometimes change their names.)

Surprisingly, past performance has not often been an explicit criterion for choosing providers in government contracting, at least not until recently. State procurement legislation may preclude this in some states. To avoid legal battles over the use of data on past performance, state agencies will need to be able to document the performance levels achieved by providers as compared to the targets included in their performance agreements.

RECOMMENDATION: Whenever targets are not met, providers should be asked to provide reasons and to submit planned remedies for the low performance.

RECOMMENDATION: With performance contracting, state agencies should consider providing outcome information to the public (particularly the customers of the particular services) so that the state agency and its service providers will be motivated to continually improve service quality. Such information will be particularly useful to customers who can choose which office or facility to use. However, even if the customer has no such choice, the motivational value of making the information public is likely to make this step worthwhile.

RECOMMENDATION: When a major state program begins to use performance contracts, the agency should standardize contract terms and formats and provide training to help providers understand them. Because providers may provide services to more than one division within an agency or to more than one agency, performance contracts should use consistent, standardized language.

The following chart summarizes actions that were used by the five state agencies whose performance contracting activities were described above.

Positive Attributes of Performance Contracting Systems in Five State Agency Programs

	OK	NC	FL	MN	ME
Involves Contractors in Developing Performance Standards and Outcome Targets	X	X	X	X	X
Allows a Hold-Harmless Clause in First-Year Contracts	X				X
Monitors Performance with Regular Reporting	X	X		X	
Agency Provides Feedback on Performance to Contractors and/or Requires Corrective Action Plans	X	X	X	X	
Contractors Report Results to Agency	X	X		X	
Agency Provides Comparative Performance Data to Contractors				X	

SECTION 6

Interfacing with Local Government

States have a potentially important role in encouraging local governments to use governing-for-results as a way to help improve services to their citizens. In addition, when the state delivers services through local entities (such as elementary and secondary education or health and social services), it has a vested interest in encouraging those local entities to produce good outcomes.

States can encourage governing-for-results in local government through the use of incentives or require it through mandates. Mandates are sometimes used by state governments (and the federal government) to require reporting of outcome data, such as school test scores and certain health and environmental data.

States have a potentially important role in encouraging local governments to use governing-for-results as a way to help improve services to their citizens.

RECOMMENDATION: State programs that provide funding support to local government agencies should require that those organizations collect or help collect needed outcome information. If a state agency decides to collect the data by itself, such as by surveying a sample of the organizations' clients, the state agency will need to seek assurance that the service organizations will cooperate with the state's data collection effort.

Meetings with local officials during this study made it clear that local governments often strongly resist mandates by states, no matter how well intended, especially if they are not involved in developing the mandate's details. Local governments—counties in particular—can act as service delivery arms of the state, as they do for some health, human service, and education programs. State regulations increasingly require performance measurement. For example, environmental concerns have led to state (and federal) regulations that can restrict local decisionmaking.

Listed below are a number of promising nonmandatory approaches for encouraging local governments to focus on results.

RECOMMENDATION: States should consider the following approaches:

1. The state provides monetary support as "seed money" for local government efforts, such as implementing and reporting outcome information to citizens;

2. The state provides technical assistance, training, and/or membership in a local government comparative performance measurement consortium that compares performance across key government services, such as a state group or a national consortium (e.g., the International City/County Management Association);
3. The state supports efforts to identify "best practices" in local service delivery, based on information obtained from local agencies whose reported outcomes indicate high levels of success;
4. The state encourages local agencies to develop "citizen charters," which specify levels of service and outcomes that customers can expect (such as response times in dealing with complaints or requests for services), by providing small amounts of funding, technical assistance, and how-to materials to any interested local governments;
5. For services it oversees, the state publicly reports data on outcome indicators for each local government that delivers the services;
6. When the state requires that funded local agencies provide outcome data (annually, semiannually, or quarterly), it then provides feedback to each local agency along with comparative data on other local agencies. The state provides rewards, even if only through public recognition, to local agencies that are the top performers and those that are most improved. In return for requiring greater accountability for outcomes, the state should provide greater latitude to local agencies with consistently good performance in deciding how to accomplish outcomes sought by the state; and
7. The state provides recognition awards each year to local governments that have high levels of performance.

Each of these approaches is discussed below.

1. The state provides funding "seed money" for local government efforts, such as implementing and reporting outcome information to their citizens. The local governing-for-results effort, and receipt of funds, should be fully voluntary.

Minnesota passed legislation in 1996 providing eligible cities and counties with aid for increasing or promoting the use of performance measurement systems.[7] To qualify for this aid, cities and counties must affirm that they have developed, or are in the process of developing, a system of performance measures for the jurisdiction. The appropriation for each eligible city or county is based on the aggregate population of jurisdictions eligible for the aid and the amount appropriated. In 1997, the legislation was amended to require that recipients reduce their property taxes by an amount at least equal to the amount of aid received. This offsetting "cost" faced by local governments interested in local performance aid probably deterred some from participating. In 1997, when a reduction in property taxes was not a requirement, 88 percent of Minnesota cities participated in the local performance aid program; in 1999, when the required reduction in property taxes took effect, 67 percent participated, and 71 percent participated in 1999.

Such state legislation might require that those governments accepting the incentive funds report the outcome information to citizens. The Minnesota legislation required that the information be compiled and reported to the elected officials at least once a year.

[7] Minnesota Laws 1996, Chapter 471, Article 3, Section 48.

In 2000, Minnesota's state legislature dropped the local performance aid program, since many legislators felt that the program was too easy for local governments to qualify for and that the funds were not being used to their full potential.

2. State legislation provides technical assistance, training, and/or membership in a local government comparative performance measurement consortium that compares performance across key government services, such as a state group or a national consortium (e.g., the International City/County Management Association).

Technical assistance can be an effective tool for encouraging local governments to focus on results. Governing-for-results and the performance measurement it requires are new to many local jurisdictions. Technical assistance on performance management and measurement can help local government personnel understand what performance measurement is and help them to get started. By providing technical assistance, the state becomes a partner in the local effort.

For example, at the request of North Carolina's associations of city and county managers and of local budget officials, the North Carolina Institute of Government staffed the North Carolina Performance Measurement and Benchmarking Project (PMBP). The project helped participating cities and counties understand performance measurement and how it applied to providing local government services. The project also produced workshops to guide nonparticipant local governments through the process.

The North Carolina PMBP focused on just three municipal and four county service areas, but participating local governments have applied the lessons learned about performance measurement to other program areas. This "spread effect" demonstrates a simple but powerful possibility: Once the state introduced the notion of performance measurement to a small number of programs within a local government, the idea spread throughout that local government. A similar effect occurred in Minnesota as a result of the state's Department of Human Services' technical assistance.

Minnesota provided matching funds that covered half the cost of membership in the International City/County Management Association to 22 jurisdictions in 1998, the first year the funding was available. In subsequent years, jurisdictions have been required to pay all the costs for the ICMA consortium membership. Since 1998, no new jurisdictions have received funds for ICMA membership from the Board of Government Innovation. Currently, 13 Minnesota jurisdictions are involved in the ICMA consortium.

3. The state funds efforts to identify local government service delivery "best practices" based on information obtained from local agencies in the state whose reported outcomes indicated high levels of successful achievements.

The Minnesota legislature established a best practices review program in 1994 to focus on the quality of services provided by counties, cities, and townships in the state.[8] The legislation requires that the Legislative Auditor's Office (LAO) conduct systematic reviews of variations in service level and design, work processes, and products among similar organizations. The program is meant to identify practices that achieve high levels of effectiveness at low cost that could be adopted by other Minnesota local governments.

[8] Minnesota Statutes. SS 3.971, subd.4.

The Minnesota Legislative Audit Commission oversees LAO and picks which best practice studies to perform. However, the Legislative Audit Commission is advised on this selection by an advisory group of representatives from local governments. (Organizations that help select the members of this group include the Association of Minnesota Counties, the League of Minnesota Cities, the Association of Metropolitan Minneapolis, and the Minnesota Association of School Administrators.) The advisory group recommends services for review based on the importance of the topic, timeliness, and research feasibility.

To date, LAO has conducted best practice reviews on snow and ice control; state employee training; property assessment: structure and appeals; non-felony prosecution; 911 dispatching; fire services; preventive maintenance for local government buildings; and obtaining citizen input (review began in July 2000).[9] Since the first year that it conducted best-practice reviews, LAO has not received special funding from the legislature. Currently, it conducts reviews using its regularly budgeted funds. The annual cost for conducting reviews has been approximately $110,000. Each review takes about nine calendar months to complete, using two full-time employees and some temporary consultants.

4. The state encourages local agencies to develop "citizen charters," which specify levels of service and outcomes that customers can expect (such as response times in dealing with complaints or requests for services), by providing small amounts of funding, technical assistance, and how-to materials to any interested local governments.

The United Kingdom has been a leader in this approach, and its how-to publications can be a starting point.[10]

We did not find any examples of states encouraging local governments to introduce citizen charters. However, an example of a state's own use of the citizen charter approach is described in the next section.

5. For services it oversees, the state publicly reports data on outcome indicators for each local government.

Local governments appear to be significantly more interested in outcome information when comparison data are reported. Publicity about comparative results puts pressure on lower-performing local governments. However, when a state disseminates comparisons across local governments to promote a results focus, the choice of indicators requires careful thought. For example, information on local property tax rates tells only half the story; that is, what citizens pay. The other half of the story is what taxpayers get for their money.

RECOMMENDATION: When such data can be made available, state agencies should provide data on outcomes broken out by each local jurisdiction and make it widely available to local governments and the public. Comparisons across jurisdictions should be based on common definitions. Because developing common definitions of local government services is a complex job, it is best done with extensive local government participation. To ensure fair comparisons, local governments with similar demographic characteristics should be compared with one another.

[9] See http://www.auditor.leg.state.mn.us/ped/wha-bpr.htm.

[10] For a list of examples of citizen charters in the United Kingdom, see http://www.servicefirst.gov.uk/index/list.htm.

Oregon, Minnesota, and Vermont provide examples of performance comparisons across local jurisdictions. Exhibit 4 is a page from Minnesota's "1999 Children's Report Card," produced by Minnesota's Planning Department. Exhibit 5 is a page from the Oregon Progress Board's 1999 "County Benchmark Data." Exhibit 6 is an extract from an Internet report on "Children's Well-Being Online," produced by Vermont's Department of Education and Agency for Human Services. Each of these examples reports data on the outcome indicators for individual counties. The reports provide direct comparisons among counties, a format that acts as a potential motivator/incentive that encourages counties that are not doing as well as their "peers" to examine why their outcomes are not as good. Exhibit 3, from North Carolina's Division of Women's and Children's Health, presents the outcome data from a demographic groupings of counties.

Exhibit 6 illustrates how data can be presented in a graphic format. It uses shading (color-coding in the Internet version) of Vermont counties to designate relative rankings, as well as providing the actual data for the indicators for each county.

If a state wants to reduce the comparative aspect of these exhibits, it can display the outcome data for all the performance indicators for one local government without displaying any other local government's data on the same page, and/or only report each local government's performance levels against the average for the state. When national data are available on an indicator, the state might also compare each local government's performance to that of other local governments in the country. Vermont uses these latter approaches in another presentation, its "1999 Community Profiles" data, where it presents several years of data for one county on a particular indicator, along with the state average and, in some cases, data from a community within the county. Data for indicators on topics including civic activity, physical health, and the number of supportive families are included for each county in Vermont.

6. When the state requires that funded local agencies provide outcome data (annually, semiannually, or quarterly), it then provides feedback to each local agency along with comparative data on other local agencies. The state provides rewards, even if only through public recognition, to local agencies that are the top performers and those that are most improved. In return for requiring greater accountability for outcomes, the state should provide greater latitude to local agencies with consistently good performance in deciding how to accomplish outcomes sought by the state.

This approach is described in greater detail in section 8, on using performance information. Having state agencies provide feedback to each local agency on its performance as compared to other local agencies in the state is a particularly intriguing approach. Variations have been used by both North Carolina and Minnesota in some of their human service programs, and by many states for elementary and secondary education (exhibit 3, described earlier, provides an example of such feedback from the North Carolina effort).

The approach appears applicable to any service or program in which a state agency provides significant funding support to local governments, including health and social service agencies, education agencies, environmental protection agencies, employment and training services, and possibly transportation. Note that this approach is also applicable if the state administers a service through some form of field offices or different regional facilities.

EXHIBIT 4 Example of Local Government Comparisons: Minnesota

6. CHILDREN PLACED OUT OF HOME

Number and rate of children, under age 18, placed in out-of-home care

	1994 report card	1996 report card	1999 report card
Year	1992	1993	1997
Number	18,096	18,673	18,381
Rate per 1,000	14.9	15.3	14.7

Source: Minnesota Department of Human Services

Out-of-home placement refers to children who are removed from their parents' homes and cared for in a different setting. Placement settings range from family foster care homes to group residential homes to institutional care facilities. Children are placed with relatives or friends whenever it is possible and in the child's best interest. Federal and state laws determine policies on placement for these children.

Children are placed in out-of-home care for a variety of reasons. The Minnesota Department of Human Services estimates that of the children in out-of-home care, 46 percent were placed there due to such problems as abuse or neglect, parental substance abuse and illness. About 43 percent of these children were removed from their homes for such reasons as behavior problems or disabilities.

Out-of-home placements, rate per 1,000 children in the total population, 1997

Lowest counties		Highest counties	
Murray	1.2	Mahnomen	52.0
Douglas	3.2	Cass	35.9
Big Stone	4.1	Itasca	26.1
Lincoln	4.2	Polk	26.0
McLeod	4.8	St. Louis	24.7
Sibley	4.9	Clay	21.7
Roseau	5.4	Mower	20.9
Fillmore	5.7	Hennepin	20.8
Stevens	5.9	Yellow Medicine	20.4
Meeker	6.0	Jackson	20.3
		Martin	20.3

7. CHILD ABUSE AND NEGLECT

Number of substantiated reports of child abuse and neglect, and rate per 1,000 children under age 18 in the total population

	1994 report card	1996 report card	1999 report card
Year	1992	1994	1997
Number	11,217	10,438	10,777
Rate per 1,000	9.3	8.5	8.6

Source: Minnesota Department of Human Services

The effects of child abuse and neglect are far-reaching. Research has shown that children who have been abused and neglected are more likely to perform poorly in school, get involved in criminal activities, and abuse or neglect their own children. Not all child abuse and neglect occur in the child's home. Preventing abuse and neglect is critical to protecting Minnesota's children and minimizing the costs of long-term intervention for crime, corrections, truancy, hospitalization, special education and mental health care.

This indicator reflects only reported cases that are substantiated by the local welfare agency. While the report card provides both numbers and rates for child abuse and neglect, each instance measures a substantiated report of abuse or neglect to a victim. Multiple reports made about the same victim in the same year are counted as multiple incidents.

Child abuse and neglect, rate per 1,000 children in the total population under age 18, 1997

Lowest counties		Highest counties	
Murray	1.6	Polk	17.4
Cook	1.8	Mahnomen	16.9
Meeker	1.8	Cottonwood	16.0
Pine	1.8	Douglas	14.9
Todd	2.0	Hennepin	14.1
Kanabec	2.4	Ramsey	14.0
Lac qui Parle	2.4	Crow Wing	13.6
Goodhue	2.5	Faribault	13.1
Clearwater	2.6	Swift	12.8
Marshall	2.7	Blue Earth	12.1

The Minnesota Department of Children, Families & Learning also collects abuse data through the Minnesota Student Survey, which asks students about physical and sexual abuse, as well as family alcohol abuse.

8. PHYSICAL ABUSE

Percentage of students who said they experienced physical abuse or witnessed physical abuse of family members

	1994 report card	1996 report card	1999 report card
Year	1992	1995	1998
9th grade	20.7%	18.0%	18.4%
12th grade	18.3%	13.9%	14.6%

Source: Minnesota Department of Children, Families & Learning

EXHIBIT 5 Example of Local Government Comparisons: Oregon

Benchmark #43 **Updated: 9/10/99** ***Oregon Progress Board***
Pregnancy rate per 1,000 females ages 10-17.

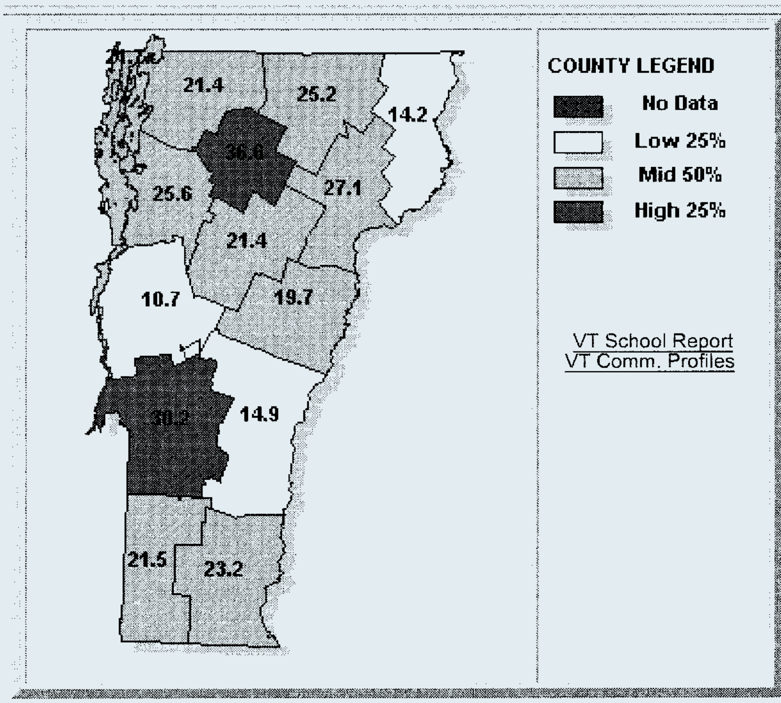
	1990	1991	1992	1993	1994	1995	1996	1997	1998	5 Yr Ave
Benton	10.8	11.6	8.3	10.1	11.0	10.5	10.0	7.9	7.4	9.4
Wallowa	23.1	18.5	15.8	6.6	12.8	10.7	4.1	12.6	12.8	10.6
Grant	19.7	16.4	12.6	20.6	12.1	12.3	8.0	14.4	9.7	11.3
Baker	17.2	18.1	17.8	15.2	17.5	9.2	8.1	10.1	13.0	11.6
Union	15.1	10.2	16.8	14.0	12.6	11.1	15.9	12.1	12.7	12.9
Curry	13.5	16.7	18.1	14.5	17.8	14.7	11.8	17.3	8.3	14.0
Clackamas	13.3	13.5	13.3	12.8	14.9	13.9	15.0	14.1	13.3	14.2
Jackson	20.9	19.4	16.5	18.8	15.7	15.9	14.4	14.4	13.7	14.8
Tillamook	23.8	19.4	16.3	13.3	7.1	15.7	17.3	15.2	18.8	14.8
Harney	12.1	10.7	20.4	18.0	18.3	20.9	13.6	6.8	14.9	14.9
Polk	14.3	9.0	12.3	15.6	15.5	15.5	15.7	16.1	12.0	15.0
Josephine	24.4	23.8	18.0	16.4	14.0	15.9	16.7	13.0	15.3	15.0
Hood River	20.1	19.7	24.9	15.4	15.8	13.6	15.0	14.4	18.4	15.4
Washington	15.8	13.5	12.9	13.9	14.0	15.9	16.5	15.9	17.5	16.0
Deschutes	15.5	17.6	12.7	16.9	17.1	16.5	17.9	15.1	14.5	16.2
Columbia	13.5	17.1	14.5	17.4	16.0	13.8	21.2	18.8	12.4	16.4
Wasco	22.5	15.4	19.8	16.2	10.9	16.5	18.7	19.7	16.8	16.5
Coos	18.2	19.2	17.0	21.2	19.4	15.8	15.3	16.3	16.3	16.6
Linn	17.4	16.0	18.0	15.7	15.6	17.8	19.1	19.3	13.5	17.1
Lake	15.0	10.8	15.2	15.5	23.3	17.6	6.7	23.0	15.0	17.1
Lane	15.8	15.3	13.5	14.4	17.0	17.3	17.6	17.8	18.2	17.6
Yamhill	20.5	17.6	13.3	13.6	13.7	20.5	19.6	16.8	18.6	17.8
RURAL	**n/a**	**n/a**	**n/a**	**18.1**	**18.7**	**19.2**	**17.9**	**16.9**	**16.8**	**17.9**
Douglas	16.8	15.9	16.6	20.1	19.0	21.5	14.7	17.8	16.8	18.0
STATEWIDE	**19.7**	**19.3**	**17.9**	**18.2**	**18.9**	**19.2**	**18.8**	**18.0**	**17.2**	**18.4**
URBAN	**n/a**	**n/a**	**n/a**	**18.2**	**19.0**	**19.2**	**19.0**	**18.3**	**17.3**	**18.6**
Lincoln	21.6	27.0	19.5	17.1	18.8	18.7	17.9	21.3	16.9	18.7
Crook	33.9	17.4	25.3	10.3	19.3	17.9	21.3	18.9	17.1	18.9
Clatsop	19.3	15.5	12.3	17.7	18.7	21.7	24.4	16.3	13.6	18.9
Umatilla	21.6	16.3	23.4	15.3	20.7	24.5	21.2	21.0	14.2	20.3
Klamath	22.0	23.8	23.2	20.6	24.5	21.7	24.2	15.4	21.8	21.5
Morrow	28.1	13.9	20.4	23.1	21.6	25.5	20.2	30.3	11.6	21.8
Malheur	21.2	22.8	23.3	21.9	25.9	27.7	21.9	16.8	17.5	22.0
Marion	22.9	22.5	23.5	22.6	22.6	25.3	23.9	26.6	21.0	23.9
Multnomah	28.4	30.1	26.3	27.3	28.7	26	23.3	21.8	21.5	24.3
Jefferson	36.7	56.0	28.4	37.1	32.8	34.5	32.6	21.4	32.9	30.8
Gilliam	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sherman	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wheeler	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

- Rate not available.

Following are key elements of this approach:

- A state central agency and representatives of local agencies select a set of outcome indicators (e.g., low-weight birth rates, length of time from availability for adoption of children to adoption, employment rates six months after clients complete training programs, students' test scores on state tests, industry pollutant emission levels).
- Local agencies regularly provide information (e.g., quarterly) on each data element to the central agency.
- The central agency tabulates the data for each agency.
- The central agency provides local agencies with a summary for each outcome indicator and with comparisons with similar local agencies.
- Technical assistance is provided by the central agency to low-performing local agencies, possibly through assistance from high-performing agencies.
- The central agency and representatives of local agencies sponsor an effort to identify exemplary ("best") practices and disseminate them to all local agencies.

EXHIBIT 6 Vermont Children's Well-Being Online (Graphical Presentation)



The state and its local partners should also consider reporting the comparisons to citizens, citizen groups, and the media. To reduce local agencies' worries about such reporting, states should consider quarterly reports "internal," with public reporting done only on an annual basis, and report each local government's standing using a few category ratings (e.g., excellent, good, fair, or poor), rather than rankings (which mean that there are always governments at the bottom).

These state programs that work through city and/or county agencies should establish a process for working with local agency representatives to select the performance indicators, especially outcome indicators; establish appropriate data collection procedures; and decide who collects which data and makes the needed calculations. The state program should provide those local agencies data showing each agency's performance compared with that of the other local governments, especially groups of local agencies with similar characteristics. How the work is done should be left up to the local governments.

The state should provide recognition to high-performing local agencies for both the level and degree of improvement. The state should also use the information on high-performing local agencies to support a search for "best practices," undertaken with local agency guidance.

The following conditions (suggested by participants in an October 1999 focus group of Texas local governments) should be adhered to:

- The data are used by the state agency for constructive rather than punitive purposes. Rewards would involve providing recognition both for agencies with high performances and for agencies whose performance has improved considerably.

- Common definitions are developed for each performance indicator.
- Technical assistance is made available to the local governments, particularly those with low performance levels.
- An attempt is made to identify best practices; that is, the state and local governments seek reasons for the high-performing agencies' success, attempting to identify processes and procedures that may be transferable to other local governments.
- An advisory group is established containing representatives of the local agencies, possibly by working through state municipal leagues and state association of counties. These advisors should be actively involved with developing the indicator definitions and appropriate and fair incentives and rewards, and working out options for dissemination of outcome findings to the public.
- Computer software that can ease the collection and reporting of common data is developed and provided to the local agencies.

7. The state provides recognition awards each year to local governments that have high levels of performance.

Awards based on performance can be based on high outcomes and/or efficiency levels. The main costs would be the cost of the selection process and the subsequent dissemination of information on the awardees. Candidates could be either self-nominated or chosen by an independent panel. Final selection would be made by another independent panel.

In 1999, England began providing annual recognition awards to a number of its local governments (called "Beacon Councils"). It made separate awards to agencies providing a number of services, such as education, housing, local environmental quality, and health.

SECTION

7

Communication with Citizens

Accountability to citizens is the ultimate accountability. Providing regular information to a state's citizens about the progress being made in addressing problems important to those citizens is key.

Accountability to citizens is the ultimate accountability. Providing regular information to a state's citizens about the progress being made in addressing problems important to those citizens is key. Providing such information seems very likely to increase people's interest in, confidence in, and support of, their state government, especially if such reports are presented in a balanced way that shows both success and failure. States presenting poor results should indicate what they are planning to do to correct such failures.

Individual citizens are *not* likely to be interested in the types of data traditionally generated by states and local governments, such as financial reports and reports that only identify expenditure and output information. Citizens, especially interest groups such as advocacy groups for children, senior citizens, and the disabled, are likely to be more interested in outcome information.

We found few attempts by state governments to communicate with their citizens about the outcomes of state government activities, the exception being the placement of selected outcome information on the Internet. Below are ways to improve communications about outcomes, potentially improving accountability and trust in government.

Annual Reports to Citizens

RECOMMENDATION: States should consider preparing annual "State of the State" reports that focus on outcomes and what has and has not been accomplished. Their content would need to be highly selective, with outcome information drawn from outcome accomplishments provided in agency annual performance reports. To increase citizen interest, the report should provide county and/or city level performance information—as well as statewide aggregate information.

The report should be drafted by the executive branch, but, where feasible, it should also be reviewed by the legislature, with differences worked out between the two branches.

For these reports to be effective, citizens and citizen interest groups need to be notified that the reports are available, possibly through notices when they receive tax, vehicle, or voting information. States should also brief the media and might also place ads in newspapers throughout the state, summarizing highlights and announcing the availability of the reports.

Such reports need to be put in an attractive, user-friendly, clear, and understandable format. They also need to be balanced, with both progress and disappointments presented to maintain the credibility of the reports.

RECOMMENDATION: Each state agency should issue an annual report on its accomplishments. These reports should contain major highlights, both good and bad, from the agency's outcome measurement reports.

Examples of this type of report are the Province of Alberta's "Measuring Up" annual report and "The Social Well-Being of Vermonters" reports.[11] These reports target citizens as the primary audience.

States and their agencies will want to include descriptions of their activities and, perhaps, expenditures, as well as outcomes, in these reports. An example is the Oregon Economic Development Department's 1997–1999 Biennial Report, "On the Road to the 21st Century." Annual report cards, such as Minnesota's "Children's Report Cards" and many annual state reports on school district performance are also examples. Many state agencies issue annual reports, but few have included significant amounts of outcome information. Some state environmental agencies have focused on outcomes, such as Washington's "Air Quality Annual Report."

Should report card grades be assigned to agencies for particular performance on individual state outcome indicators? In its March 1999 Performance report, the Oregon Progress Board included a letter grade on each indicator for the first time.[12] This grade was set by the Progress Board staff after the Progress Board members approved criteria for setting the grades. These grades have been quite controversial with some legislators, who complained that they would be blamed for poor grades. The Oregon Benchmark grades are not specifically grades for individual agencies, but the agencies were also concerned that they would be blamed unfairly for poor grades.

We do not take a position on whether such grades are appropriate. Grading calls attention to problems more dramatically than the numerical values for each performance indicator. However, the disadvantage, as indicated above, is that grades are derived at least in part subjectively and may be perceived as unfair by agencies and elected officials. Each state should decide whether grading will be more harmful than constructive. We do, however, recommend that if grades are used, separate grades also be provided based on the extent of *improvement* from the previous years.

Finally, it seems clear that citizens will be more interested in outcome information if the reports include data on their own communities as well as the state as a whole.

[11] The Vermont report is somewhat similar to Oregon Benchmarks and Minnesota Milestone reports in that it provides data on each of an important set of statewide social conditions. The report also compares the Vermont data to national data and, when possible, lists Vermont's rank among the other states. The report does not attempt to link the outcomes to the responsibilities of specific state agencies, nor does it provide any breakouts by individual communities. Because of the nature of the data—particularly the inclusion of the U.S. data—the latest data for many of the indicators are perhaps two years old. (Most indicators in the April 1999 edition provided data from 1997 or 1996.)

[12] Oregon Progress Board, 1999.

RECOMMENDATION: Reports to citizens should, whenever possible, contain the outcome information on each community (e.g., each county and, where feasible, each city).

Exhibits 4, 5, and 6, from Minnesota, Oregon, and Vermont, illustrate this approach. Not only is local information of interest to local governments, it is also likely to elevate the interest and attention of individual citizens. The data will strike closer to home and be more meaningful to them than statewide data.

Citizen Advisory Commissions and Performance Partnerships

Many states, such as Oregon, in its Benchmarks work, and Minnesota, in its Milestone efforts, have used special commissions in which citizens are included. These citizens usually include representatives of the business sector, other special interest groups, and private citizens who do not have any particular affiliation. The purpose of these commissions has usually been to identify state priorities, but advisory groups can also provide state officials with regular input from citizens representing various relevant interests.

RECOMMENDATION: States should engage citizens, perhaps through citizen advisory commissions, in helping to identify the outcomes sought for the state. These commissions should help the state *develop performance partnerships* among state agencies, local government agencies, private business, nongovernmental private organizations (NGOs), citizen groups, and individual citizens on specific issues. The partnerships should identify the outcomes sought, specify indicators to be used to track progress, set targets for each indicator for the near future, and identify the roles and responsibilities for each partner in collecting the data and achieving the outcomes.

Based on the experiences in Oregon and Minnesota, it appears worthwhile for commissions to address a few specific key issues each year and form special working groups to address each issue.

Wherever it is possible and appropriate, issues should be considered in relation to local jurisdictions as well as for the state as a whole. The commission should ensure that both aggregate and jurisdiction-specific data are available to citizens and the media. Oregon and Minnesota both publicized such data for selected outcome indicators.

Citizen Charters

A more aggressive approach for state agencies to communicate with citizens is through use of the "citizens charter" model—described earlier in the section on "Interface with Local Governments" but applied here to the state's *own* agencies.

RECOMMENDATION: State agencies should consider using citizen charters in which state agencies explicitly identify the service level and service quality obligations to their customers, including indicators of performance; provide such information in a format that is readily accessible to the customers of those state services; and periodically report on the extent to which those responsibilities have been met in the past reporting period. Indicators of response times to requested services or complaints have been the most frequently used, but the indicators should be expanded to include other outcomes, such as customer satisfaction.

In 1999, the Texas legislature passed legislation requiring each state agency to create a "Compact with Texans." The compact must be approved by both the Governor's Office of Budget and Planning and the Legislative Budget Board. Each compact must "set customer service standards and describe customer service principles for that agency, and address (1) the agency's procedures for responding to public contacts and complaints; (2) applicable licensing and certification procedures; and (3) customer waiting time for access and service delivery and response to complaints." The act goes on to require that, "Each agency that maintains a Web site shall publish its Compact with Texans on that Web site." This provision took effect September 1, 1999.

The United Kingdom has had a customer charter approach for several years, but, as discussed in the previous section, it focuses on local governments.

We suggest that state agencies that use citizen charters also identify service-related responsibilities *of their customers*, since the customer often has an important role in producing beneficial outcomes. For example, in health and social services, the customer is responsible for coming to appointments on time and filling out eligibility forms correctly. For education programs, parents play a major role in getting their children ready to learn and to school on time.

Regular Measurement of Citizen/Customer Satisfaction with State Services

RECOMMENDATION: States should obtain feedback regularly (e.g., at least annually) from samples of their citizens and from customers of specific services about the extent of their satisfaction with state services, and should seek suggestions for improvements.

States should use citizen surveys to obtain regular feedback from representative samples of its citizens on the quality and outcomes of the services they received and suggestions for improvement of those services. Individual state programs should survey samples of their customers to obtain feedback on their particular services. Preferably, state agencies should seek more frequent feedback to agency officials, possibly quarterly, by surveying smaller but still useful representative samples of citizens and customers.

We found a number of examples of agencies using surveys of clients; some of them are identified throughout this report.

The Texas legislature formalized this requirement in 1999 by passing legislation requiring selected Texas agencies to measure "customer service satisfaction and create performance measures for state agencies. . . .” In other words, the legislature requires that customer satisfaction data be collected and then be translated into specific performance indicators to be reported to the legislature.[13] (The legislature had also introduced such a requirement on a more limited scale in its 1997 appropriations act.)

The law also has a provision allowing review offices in both the executive and legislative branches to send persons to pretend to be agency customers to test the quality of the service.

Including Customer Outcomes When Determining Incentive Awards

RECOMMENDATION: The achievement of outcomes, such as extent of customer satisfaction, should be a significant factor when winners of performance incentives are selected.

Including information on customer outcomes as a major criterion for awards, whether monetary or nonmonetary, is another major way to get state employees and organizations funded by the state to focus on improving the well-being of citizens.

The 1999 Texas legislation established “Texas Star” recognition awards for state agencies that provide exemplary customer service. The awards are given based on the performance indicators, including those established under the Compacts with Texans.[14] The use of awards was explored further in section 9 (Employee Incentives).

Posting Performance Reports at Service Delivery Points

Another option for reaching citizens is to encourage or require agencies to post performance reports at each office or site where customers are served. This can help encourage state employees to focus on outcomes, as well as keeping citizens informed.

RECOMMENDATION: States should encourage or require agencies to post data on key outcome indicators from their latest performance reports where customers are served. Such information also should be posted on the state’s Web site, and the URL should be promulgated to citizens, possibly within state mailings to citizens (e.g., tax information and motor vehicle mailings).

States provide significant direct services to their citizens. For example, they provide motor vehicle and driver licensing; perform road maintenance; collect state income taxes; provide university education; operate state parks and state-operated and/or -funded facilities, including social services and health and mental health; and conduct licensing and

[13] State of Texas. 1999. “Text of Conference Committee Report.” Section 9-6.41.
[14] State of Texas, Bill Number TX76RSB 1563, Section 2113.005, 5/31/99.

regulatory activities that affect doctors, nurses, hunters, fishermen, businesses, and many other groups to whom rapid and accurate responses and helpfulness are important.

States have also begun to put reports, including such performance-related documents as strategic plans, annual reports, and even annual performance reports, on their Web sites. Florida, for example, has taken advantage of the possibilities offered by the Internet.

Web sites are certainly an appropriate place to post information for citizens. However, for the near future at least, Web sites are likely to provide access to only a small part of the desired audience. Many families either do not have access to the Internet, do not know that the state information exists, or cannot readily find it. State agencies should widely disseminate the addresses of Web sites and make it clear where on the site the information can be found.

SECTION

8

Using Performance Information Effectively

The key to the success of any governing-for-results process is for public officials in both the executive branch and legislature to use the information when making decisions on resources, programs, and policies.

The key to the success of any governing-for-results process is for public officials in both the executive branch and legislature to use the information when making decisions on resources, programs, and policies. State officials need reasonably clear and reliable information on the results of state expenditures and policy choices, including both the outcomes and the efficiency of these choices. Exhibit 7 presents a list of generic uses for performance information.

The key determinant of whether a governing-for-results process is worth the effort is if public officials, including operating managers, governor's office staff, and legislators, use the information to improve their programs and policies so as to achieve improved outcomes.

Also of considerable importance is the extent to which other interest groups—state-supported local governments, state interest groups, and the citizens themselves who are ultimately affected by the state's services and policies—are able to use the information on outcomes.

Over the long run, executive branch operating managers and their staffs are likely to be the major users of outcome information. Legislators and their staffs are likely to only examine the data periodically, during the budget process and when developing policy legislation. Central state executive branch personnel generally have similar concerns, except when unexpected incidents produce major media attention. Program managers and their staffs, on the other hand, are likely to use outcome information continually.

Managers can use information on results (referred to as "outcome" information throughout this report) in *strategic planning* efforts that they undertake for their programs, though such efforts usually occur only every few years. The outcome information provides the basis for establishing long-run goals and allows the agency to track progress against the plan.

The outcome information can also be used to develop shorter-term plans. Program-specific operational plans that cover a shorter time frame (perhaps one to three years) can be used to bring strategic plan goals down to the operational level at which specific staff take responsibility for particular goals.

Planning should be linked with performance management and reporting—all aimed at meeting strategic plan goals. For example, in 2000, Minnesota's Department of Transportation (MNDOT) prepared its 2002-2003 Business Plan. It includes a variety of targets, such as the percentage of miles of high-priority interregional corridors that will be able to accommodate travel speeds of 60 mph by 2003.

EXHIBIT 7 State Uses for Performance Information

1. To respond to elected officials and the public's demands for accountability.
2. To help formulate and justify budget requests and policy choices.
3. To help in resource allocation decisions.
4. To raise questions as to why outcomes are not meeting expectations and to trigger in-depth examinations of why performance problems (or successes) exist.
5. To help motivate personnel to continuing program improvements.
6. To formulate and monitor the performance of contractors and grantees (performance contracting).
7. To provide data for ad hoc, in-depth program evaluations.
8. To support strategic and other long-term planning efforts (by providing baseline information and subsequent tracking of progress towards long-term goals).
9. To help identify "best practices."
10. To communicate better with the public and to build public trust.
11. Above all, to help provide better and more efficient services to the public.

Managers in governing-for-results–oriented states use outcome information as part of their *budget process*. Outcome information can be used both to prepare budget requests and, subsequently, to support and provide justification to agency management, to the central executive branch budget review process, and to the legislature.

In addition, *operating managers* can take advantage of results information throughout the year to help them *adjust allocations of their personnel and budget resources* and to *identify problem areas or opportunities* that appear to warrant action. Subsequently, after changes have been made, managers can use outcome information to help them *assess whether the outcomes sought have been achieved*. They can use outcome information to help *motivate state personnel, contractors, and local governments* (such as by basing recognition and monetary rewards at least in part on outcomes and the inclusion of performance targets in contracts and grants).

For *legislators*, outcome information provides a basis for *judging budget requests, helping choose policy and program legislation, identifying agency problems, and providing evidence to make a case for legislative proposals*. Because outcome information is, by its very nature, citizen- and customer-based, the process can *provide improved communication between the state government and citizens*, leading to greater citizen trust in their state government.

The following paragraphs suggest some ways to considerably improve the usefulness of results-based information to state personnel and elected officials.

Improving the Usefulness of Performance Information

We found three key ingredients often missing in state efforts. However, these gaps do not exist in every state, and there is some indication that states affected by these gaps are recognizing and beginning to correct them. The three gaps are

1. Focusing primarily on monitoring statewide aggregated results and not enough on important segments, such as on particular customer groups or on specific state operating units;
2. Too little systematic seeking of explanations for unexpected results; and
3. Overly concentrating on annual reporting, whereas more frequent reporting (at least quarterly) is likely to make the outcome information considerably more timely for state operating personnel.

The following discussion explains the significance of these gaps and makes suggestions for correcting them.

1. The need to provide disaggregated data. Aggregate data showing only statewide outcomes, while important for broad planning, are not likely to be very useful for program managers and legislators whose responsibility is often much more targeted, such as to particular governmental functions, districts, or citizen demographic groups. Providing information on the outcomes for each such segment will enable managers and elected officials to assess where progress is being achieved and where problems exist.

RECOMMENDATION: Agencies and their programs should not only provide statewide aggregated data for each performance indicator, they should also provide breakout data, such as outcomes broken out by key demographic characteristics, by location within the state (such as by county or region), and for each specific operating unit (such as each facility, park, local office, prison, state hospital, etc.).

Breakouts of the information should be considerably more useful to managers, allowing them to identify which client groups, locations, and operating units are doing well or poorly, so that attention can be devoted to lower-performing areas. Such information can also be used to identify underserved customer groups that may need special attention.

For example, the Florida Department of Environmental Protection reports performance information by geographical region. This has enabled the agency to pinpoint areas that require more and closer inspections. The agency generates county-level data relating to inspections for underground petroleum tanks, waste water treatment plant permits and discharges, and drinking water quality. Agency personnel have pointed out that *until local data are provided, citizens and the media are much less likely to be interested, since aggregate data may not directly pertain to their scope of interest.*

Minnesota's Department of Transportation breaks out the data on a number of its outcome indicators for each of its nine administration districts. The data are also broken out according to whether roads are principal, minor arterial, or collector/local roads. The district-level outcome data include safety indicators—such as crash and fatality rates—and road and bridge condition indicators. The indicators also include the efficiency indicator "maintenance cost per lane mile." MNDOT also breaks out its statewide data on these indicators by whether the roads are in rural or urban areas and for four types of highway design (such as freeways, two-lane/two-way roads, etc.). MNDOT has recently begun to track the indicator "the time between the end of a winter snow event and the time that 95 percent of the pavement is regained (i.e., is free of snow and ice)."[15]

2. The need to provide explanatory information along with the performance information. Performance information seldom, if ever, tells *why* a particular result occurred. Similar to a sporting event score, the running score tells managers whether they are winning or losing and by how much. The scores do not tell *why* the team is winning or losing. The same is true with state performance information. The performance data identify areas that need attention and subsequently identify whether the desired results have occurred after actions were taken. However, some steps can be taken to help managers put outcome data into a better perspective.

RECOMMENDATION: State governments should encourage their agencies to provide *explanatory information* along with their performance reports. Such information is particularly needed where data indicate worse-than-anticipated outcomes. If managers are encouraged to provide explanatory information, this is likely to reduce any fears they might have that performance information will be misused or be used incorrectly by state officials or the legislature, or be misinterpreted by the public.

For example, the Minnesota Department of Corrections tracks the number of disturbances within each facility and computes the "number that occur per offender" housed in each facility. A related indicator is the "cost per offender housed for a day." Both these indicators can be affected by inmate density at the facility. As density increases, the cost-per-inmate-day tends to go down, but the number of incidents tends to increase. Thus, in presenting data on these two indicators—when making comparisons across facilities and when aggregating the data across all facilities, and when comparing performance over time—the corrections agency also reports on density. This helps users better understand why costs and incidents vary among facilities and why they have increased or decreased over time.

Florida's Department of Environmental Protection found low compliance rates for underground storage tank leak detection actions, and that 75 percent of these failures to detect leaks were due to a lack of adequate leak detection equipment. Department personnel talked to tank owners, both those in compliance and those not in compliance, and found extensive confusion about leak detector requirements. The department reviewed its publications on underground storage tanks and developed improved, easily readable, compliance-assistance materials for use by both county inspectors and the regulated community.

Florida's Department of Revenue found that its service quality indicator "response time to answering phone calls" was slower than desired. Instead of just adding operators to answer the phones, the department sought to identify why so many people were calling. This information guided efforts to improve public education, rather than adding staff to answer phones. The result was reduced numbers of calls and improved response times in answering the remaining calls.

Delaware's Department of Education monitors school district student SAT scores and tracks the "percent of students taking the SAT." The department was concerned that the key

[15] See Minnesota Department of Transportation, 2000; and Minnesota Department of Transportation, 1999.

outcome indicator (SAT test scores) might be affected by the number of poorly performing students not taking the test. Thus, the department now reports the percentage of students taking the test in each school district. This provides potential explanatory information for comparing school districts and examining changes in SAT performance from year to year.

Texas requires agencies to provide quarterly explanations to the legislature regarding any performance indicators whose values exceed plus or minus 5 percent from the agencies' projected values. Exhibit 8 is an excerpt from a Texas Natural Resource Conservation Commission quarterly performance indicator report. (Because the most recent value for the indicator "percent reduction in pollution per capita from permitted wastewater facilities" was considerably below the projected reduction, the agency provided an explanation. On the indicator "percent of surface waters meeting or exceeding water quality standards," the actual value was very close to the projected value and no explanation was required.)

Texas Auditor's office representatives report that although the public safety department had a standard of three business days for processing motor vehicle licenses, the measurement process revealed that they were taking an average of six days. The agency found that customers had to mail requests to Austin or drive there to get their licenses. Because of legislative caps on hiring, the agency could not hire more people to process the claims. To remedy the problem, they switched to acceptance of electronic requests from field offices.

State agencies have a number of ways to examine program results to seek answers to why levels of performance are lower than expected. Such procedures range from in-depth program evaluations that use sophisticated statistical procedures to relate results to potential explanatory factors, to a number of less-demanding problem-solving strategies, such as forming teams of program personnel to interview customers and other knowledgeable persons about what happened and why. This issue is addressed in more detail in section 11 ("Analysis of the Information: The Need for Explanations").

3. The need for frequent performance feedback. Yearly performance reports from agencies and their programs to the legislature for the annual budgeting cycle are not likely to provide agency managers with timely information for making program decisions during the year. Operating managers need more frequent performance information. Pressure on program personnel to respond to annual budget preparation and reporting requirements may lead to the neglect of more frequent data collection and review.

RECOMMENDATION: Operating managers should obtain and review outcome-based performance reports on a regular basis throughout the year. Typically, traditional internal government progress reports have been prepared at least quarterly. More frequent reporting is needed for some indicators. Even with surveys of customers, which typically have been undertaken at most once a year, state agencies should consider spreading their surveys throughout the year. For example, 25 percent of the customers might be surveyed each quarter. Data precision for each quarter will be reduced somewhat, but the timeliness of the feedback based on the survey data will be considerably improved.

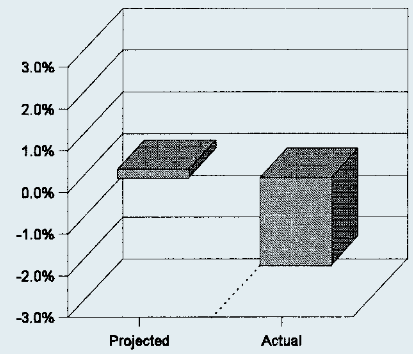
For example, Texas and Iowa conduct quarterly reviews of their indicators and provide feedback on the highs and lows to management, staff, and the legislature.

It is not likely that many legislators will be interested in reviewing reports more frequently than once a year (or that they will have the time to do so). In Texas, however, quarterly and

EXHIBIT 8 Excerpt from Texas Natural Resource Conservation Quarterly Performance Report

Outcome Measure 03: Annual percent reduction in pollution per capita from permitted wastewater facilities discharging to the waters of the state

	Projected	Actual	Percent of Annual Projection Attained
Total Performance	0.2%	-2.1%	-1050.0%

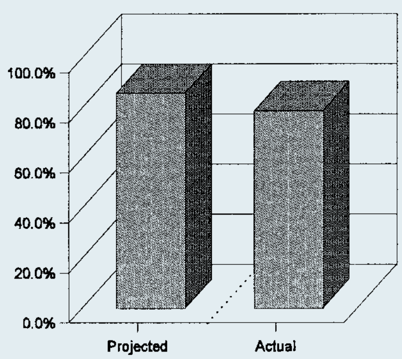


Variance Explanation:

Performance for the annual reduction in pollution from permitted waste water facilities discharging to the waters of the state per capita represents data reported last year, as this is the most current data available. With the delegation of the National Pollution Discharge Elimination System (NPDES), the data is now being reported to EPA. Current data is unavailable because the permittees are not reporting the information to the state as they have in the past. Most of the permittees have not gotten their self-reporting forms from EPA due to the fact that the TNRCC was unable to enter the required data into the EPA database for over three months as the agency dealt with the backlog of wastewater permits that had to be issued under the Texas Pollution Discharge Elimination System (TPDES). The permittees cannot get their self reporting forms from EPA until this data is entered. Approximately 1200 permits need to be entered into the EPA database. The permits cannot be entered into the EPA database until they get a TPDES permit. This will take until 2004 for all the permits to come under the TPDES programs.

Outcome Measure 04: Percent of Texas surface waters meeting or exceeding water quality standards

	Projected	Actual	Percent of Annual Projection Attained
Total Performance	86.0%	78.9%	91.7%



Variance Explanation:

Performance for the percent of Texas surface water meeting or exceeding water quality standards was lower than projected for the fiscal year. This performance is due to the addition of several large reservoir areas to the impaired list of water bodies under Section 303(d) of the Clean Water Act . The reservoirs exceeded guidelines for total dissolved solids (salts) in fresh water. This resulted in a lower than expected percent of Texas surface water meeting or exceeding water quality standards.

Source: Texas Natural Resource Conservation Commission (1999).

annual reviews are conducted for the legislature by the Legislative Budget Board, which has a substantial staff to make such reviews and provide needed information to legislators.

Special Uses for Results Information

The following findings and recommendations identify a number of special uses of results-based information for operating managers.

Using Performance Information to Compare and Motivate Similar Organizational Units

This is appropriate for any state agency that works through multiple local facilities that are undertaking approximately the same activities and mission. It applies whether these facilities are part of the state government, local government units providing services funded by the state, or operated by private organizations contracted by the state for the service.

Such multisite situations are common in state government, including such examples as branches of the state university system, local health and social service offices, environmental districts, prisons, state parks, and road maintenance regional offices.

RECOMMENDATION: The state agency should collect outcome data from each organizational unit, then provide comparison data for both central use and use by the individual organizational units. That information can be used to determine future state and local actions to improve the service, such as identifying needs for technical assistance, requiring corrective action plans from low-performing local units, or taking other corrective actions. This would allow states to compare facilities in a constructive manner. This approach is described in greater detail in section 6, "Interface with Local Government."

The key elements of this approach follow.

- The agency's central program staff work with representatives of the individual operating units to identify measurable outcomes; define the data collection procedures; periodically obtain the basic data from each of these operating units (quarterly, semi-annually, or annually); make calculations needed for each indicator, including ratings and rankings for each unit and changes from previous reporting periods; report back to each agency on how it is doing in comparison with the other operating units; and request relevant explanatory information, especially from units with poor outcomes.
- After considering the explanatory information provided by the units, the operating agency's central office identifies units that appear to be low performers. For these units, the central office considers providing technical assistance or training, or, perhaps, requires a performance improvement plan. Technical assistance might be provided in part by asking high-performing units to provide guidance to low-performing units.
- The central office uses positive incentives, such as recognition for high performance. Recognition should probably be provided for both high *levels* of performance and for the amount of *improvement* from previous periods.
- The central office seeks to identify "best practices" by soliciting such information from the high-performing units and then disseminating the findings to all units.

- Where the low performers are not able to bring up their performance within a reasonable amount of time, more drastic action can be taken, such as choosing other organizations to deliver the service.

An example of this process in action is provided by North Carolina's Division of Women's and Children's Health. Exhibit 3, which was described earlier and is an example of such reports, was prepared and distributed by the Women's Preventive Health Program. The report compares the latest data on outcome indicators for each of the state's local agencies, both as to the latest level and on improvement from the previous year. The local county offices were initially grouped into three regional categories, with a separate grouping for urban counties. Currently, the division groups its counties into six "clusters" based on a number of county demographic characteristics. Exhibit 9 is a copy of the transmittal letter sent to local health department directors with the report. It identifies the characteristics used to group North Carolina's 100 counties. The letter indicates that as long as the county "makes a significant effort" to provide requested information, the state will not assess a financial penalty.

The Minnesota Department of Human Services initiated a very similar reporting process for its Family Investment Partnership program, providing quarterly reports on each county to the county employment services agencies. Currently, these reports include data on four indicators for each county: the average length of time an individual receives Temporary Assistance for Needy Families (TANF), rate of recidivism (i.e., returns to the state welfare system), average starting wage, and the placement rate into unsubsidized jobs. As in the North Carolina example, the counties are categorized by region of the state, with the two major urban counties grouped separately.

Another example is the North Carolina Department of Public Instruction's ABC Program. State reporting of data by individual school district is becoming quite common. State legislation mandates that improvement teams be sent to schools with low performance. The Department of Public Instruction used teams of three to five persons to help each of 15 schools for school year 1997-98; schools were selected based on data from the previous school year. At the end of the first year, all 15 of the schools had brought their performance up to acceptable levels, and all but two asked for further assistance for the next school year.

Using Performance Information to Encourage Innovation

Although they may not yet recognize this advantage, an ongoing performance measurement process can encourage innovation and experimentation by program managers. If a program has an ongoing outcome indicator tracking process, the program manager can try out new practices and policies by comparing their reported outcomes to those of existing practices and policies to see which are better. Performance measurement supports efforts to achieve continuous improvement.

RECOMMENDATION: State managers should use their outcome measurement process to help test new practices and policies. The most common procedure is to make the changes and then compare the outcomes for the new practices or policies to the previous outcomes ("before versus after"). A more powerful comparison is for the manager to test the new practice on *part* of the program's workload (randomly selected to avoid bias) and then compare the outcomes for that part of the workload against the outcomes for the other workload ("comparison groups").

EXHIBIT 9 North Carolina Women's and Children's Health Section (Division of Public Health, DHHS): Performance Report Transmittal Letter

North Carolina
Department of Health and Human Services
Division of Women's and Children's Health
1130 St. Mary's Street • Post Office Box 29597 • Raleigh, North Carolina 27626-0597 • Courier 56-20-11
James B. Hunt Jr., Governor • H. David Bruton, M.D., Secretary • Ann F. Wolfe, M.D., M.P.H., Director

April 8, 1998

MEMORANDUM

TO: Local Health Directors

FROM: Ann F. Wolfe, M.D., M.P.H.

SUBJECT: FY1996–97 Program Rankings

In the spring of 1997, the Division of Women's and Children's Health presented to the Association of Local Health Directors a proposed accountability system for Women's Preventive Health, Maternal Health, Child Health and Immunization Programs. The Association endorsed the proposal with FY1996–97 designated as the first year of implementation.

The accountability system assigns every county and district to a comparison group. Each county and district is ranked by program within its comparison group with "1" representing the highest ranking. The comparison groups (see attachment) correspond to those developed for the Public Health Accountability System. The ten largest counties comprise the urban group. The other three comparison groups are geographic—western, piedmont, and eastern.

Program rankings are determined by ranking each county and district for each process/outcome measure in the following two ways:

1. According to the most recent three year county or district rate, and
2. According to the amount of improvement from the previous to the most recent three-year period.

The two rankings for each process/outcome measure are combined with those of the other process/outcome measures to determine each county's and district's overall program ranking.

Enclosed for your information are the program rankings for your health department. Also included are process/outcome measure specific rankings. This should enable you to identify which process/outcome measure(s) may have adversely affected your overall program ranking(s). District health departments are also receiving county specific process/outcome data so they can determine what impact county variability had on their district ranking.

Counties and districts that receive a very low program ranking for two consecutive years will be subject to increased State involvement in the development of their annual contract addenda deliverables. As long as the county or district makes a good faith effort to provide those deliverables, the Division will not assess a financial penalty—even if the program ranking fails to show improvement in subsequent fiscal years.

Should you have any questions about your program rankings, please call the appropriate Branch Head or Program Manager in Raleigh.

AFW:BG:rpp(p:\093.wpd)
Attachment
c: Chris Hoke
DMT
Regional DWCH Consultants

The Minnesota Department of Revenue provides an example of both approaches. The department found the percentage of individual taxpayers able to obtain an answer to questions the first time they phoned in (during 1994-95) to be unacceptably low, at 40 percent. The department then invested in new telephone technology, which allowed it to provide answers on the first call for approximately 99 percent of the calls.

A 1996 project by the same agency exemplifies the more powerful comparison-group procedure. The department's tax collection division tested the procedure of mailing a letter to individual taxpayers identified as having unpaid liability, giving them the opportunity to resolve the liability prior to being billed. The agency randomly selected 100 such taxpayers to be sent the letter, and another 100 taxpayers to whom it did not send the letter. The department then compared the percentage of taxpayers in each group that paid their liability or requested a payment plan. The department found that approximately 75 percent of respondents who were sent the letter responded appropriately. Fewer than 25 percent of taxpayers not sent the letter paid their owed taxes. (Also, feedback from the taxpayers to whom the letter was sent indicated that many appreciated being given the opportunity to comply without penalty and appreciated the guidance from the department as to what they should do.)

Such tests or experiments often can be done at little cost. The Minnesota Department of Revenue estimated that for the above experiment, the only additional expense was the printing and mailing costs, which were under $100. The department had only to add a code for each of the randomly selected 200 cases, identifying which procedure was used for each case and tabulating the outcome data for each group, in order to evaluate the new procedure.

Using Outcome Information to Focus Attention on Low-Performing Programs

Outcome data can be very useful to state officials for focusing attention on low-performing programs and encouraging improvements.

RECOMMENDATION: Agency managers should use their regular outcome data to help them better track low-performing programs and activities. Low performers can then be more carefully monitored or made subject to special requirements. Agency managers can focus on high-risk organizations, providing more frequent and comprehensive monitoring. Low-performing programs can be required to develop a program improvement plan and be put on a "watch" list for more intense scrutiny by management.

An example is provided by the Florida Department of Environmental Protection (DEP), which reviews its program outcomes quarterly. The department has assigned each of its program indicators to one of three categories: "good," "watch," or "focus," based on the program's performance indicator values. Those categorized as good do not require additional attention. Those labeled watch are monitored to assess whether they are declining. Those classified as focus are those with falling and below-average performance levels. Managers of the two latter programs are required to provide a corrective action plan within 10 days.

For example, in the last quarter of FY 1998, compliance rates from random inspections of oyster, clam, and blue crab processing plants showed a decrease from 92 percent to 85 percent. The program became a focus area, and the responsible division was required to submit a corrective action plan. It brought together members of the regulated community with agency staff to discuss the problem, define it, analyze potential causes, and identify possible solutions. The industry has a major stake in maintaining a sufficient compliance level; otherwise, the Food and Drug Administration will not allow Florida's shellfish to be shipped across state lines. Based on the group discussion, the program administrator prepared an action plan. Implementation and monitoring of the plan has begun to occur in bimonthly meetings with program managers.

This example also provides an illustration of the use of outcome data for adjusting the frequency of oversight monitoring based on the recent past performance history of organizations being monitored. When the compliance rates of shellfish processing plants dropped from 92 percent to 85 percent based on random samples of all such plants, DEP shifted to targeted inspections. Plants with histories of noncompliance received a substantial portion of the state's inspection activity—and, thus, had a higher probability of being inspected each year.

SECTION

9

Improving Implementation

While moving to results-based governance makes sense, many difficulties exist. States attempting to implement processes that provide and use regular outcome information have encountered problems—as have the federal government and many local governments that are implementing outcome-based performance management systems.

We found that a number of problems typically arose in states' early implementation efforts, such as those problems shown in exhibit 10. Fortunately, states appear to have alleviated many of these difficulties. However, other problems typically show up later as state agencies mature in the use of governing-for-results. This and other sections of this report discuss and provide recommendations for addressing these problems.

A number of key issues that often arise in states' implementation of outcome-based performance management processes are discussed below.

Need for Time to Select Indicators, Develop Data Collection Procedures, and Collect Baseline Data

Once legislators and the executive branch decide to move ahead with a new management tool, they want it to be available immediately. Unfortunately, the reality of the performance management process has been that implementation takes several years to reach. The viewpoint from all the states examined was that they were still in the early phases of full implementation.

Implementation is a lengthy process for a number of reasons. First, selecting appropriate outcome indicators and developing procedures for collecting data on those indicators is more difficult and time-consuming than it seems. These steps will usually take between one and three years, depending on the program and the program's starting point.

Second, a culture change is probably necessary for most agencies (and in the legislature), as they shift from concentrating mainly on inputs (such as staff and budget dollars in line-item formats) and outputs to looking at outcomes. Historically, such a shift has taken considerably more time than public officials and legislators anticipate. While upper-level personnel interviewed were usually quite aware of the shift in focus, at lower levels of management, there seemed to be much less understanding of and exposure to the new focus.

Third, changes in information system processes must accompany changes in data collection. For example, computer programming

EXHIBIT 10 Frequent Problems in Initial Years of Governing-for-Results Implementation

1. Too many performance indicators were provided to the governor and legislature, with little thought on who would use the data and how. Attention to the presentation of the data or to the prioritization of the reported indicators was lacking. Often, several hundred—in at least one case, thousands—of indicators were sent to executives and legislators.
2. Too many indicators in the initial years focused on readily available data, particularly on the physical amount of work done ("outputs"), with few, if any, indicators of the results of that work ("outcomes"). Even when some outcome indicators were provided, they tended to be indiscriminately lumped together with output indicators, making it difficult for legislators and executive branch users to sort out what was important.
3. Executive summaries were rarely used to present performance highlights.
4. When data were provided, they were most often provided in forms that were not user friendly.
5. Agencies paid too little attention to the interpretation and analysis of the data or to the examination of reasons for good or poor performance.
6. States sometimes were too hasty, calling for full-scale implementation before agencies were ready to undertake a thoughtful effort. Legislatures and governors did not fully understand the substantial effort needed to establish and move toward an outcome-oriented process, and assumed that it could be done very quickly.
7. In many instances, the outcome data were not yet available and sometimes took several years to assemble.
8. Neither legislators nor legislative staff nor executive branch managers were provided adequate training and education in results-based government. In almost all cases, states provided only limited training to some executive branch managers, legislators, and their staff. Typically, only a small proportion of state employees received more than a day or two of the training needed, which deals with technical elements and procedures and explains how to use performance information for improving programs and legislation.
9. Cause-and-effect linkages were almost always insufficiently described, failing to link the information on funding and agency activities to the desired outcomes.
10. Sometimes the agency performance information was grouped in ways that did not correspond to legislative committees, forcing appropriations committees to seek out multiagency commitments and recalculate allocations in order to understand the full dollar cost of achieving an outcome.
11. Linkages between annual budget/program plans and long-term planning were often weak or neglected. States that attempted governing-for-results without the benefit of state and agency strategic plans only haphazardly considered budget planning and out-year implications.

usually must be revised to calculate even such simple indicators as response times. It takes time and no small amount of effort to hammer out definitions, such as exactly when a request for service is made and recorded, when the request is fulfilled, and how the time intervals are to be recorded.

Fourth, some outcome indicators require identifying changes that occur after the service is provided, such as those occurring up to one or two years later, to determine whether the service had lasting effects. These indicators require a lag time before follow-up data can be obtained. Similarly, to track changes over time, the first year for which reliable data are recorded becomes the baseline or benchmark year against which later results can be compared—therefore, time comparisons will not be available until completion of the next reporting period (e.g., the next year).

When outcome data begin to be collected, deficiencies in the agency's data system will inevitably be found and need correction. For example, the Florida Department of Environmental Protection found many deficiencies when developing its data systems, including not knowing the total number of facilities that it regulates. In the initial reporting days, much outcome data for the quarterly reports had to be gathered by hand. Substantial costs and time can be involved in developing an automated information system. In the case of Florida's Department of Environmental Protection, an EPA grant of $500,000 helped defray the estimated $3 million cost of integrating the department's data systems.

Another example of deficiencies discovered during the development of a performance management system comes from the Minnesota Department of Trade and Economic Development. When it first began seeking outcome information from its business clients, it found that basic descriptive information on these clients was often missing. The department then initiated surveys of the business clients, such as small businesses, to obtain descriptive information along with outcome information.

An additional chronic problem in most, if not all, states is that first attempts at designating performance indicators are quite weak. Major changes in indicators occur early in program years.

The legislature and top-level executive branch officials can expect some early results but should avoid undermining the effort through excessive criticism of agencies and their programs—for lacking solid indicators or being too slow—without looking carefully at existing measurement problems, such as the need to develop, test, and implement new data collection procedures and to enhance computer data processing to provide new or modified data.

RECOMMENDATION: The legislature, top state executives, and agency officials should avoid pushing for very rapid implementation. States should think in terms of several years, at least three to five, before expecting full implementation.

These officials should probably "hold harmless" programs for the first year of providing new outcome information. That is, programs should not be penalized for what appear to be negative findings on the first year's data because of the significant possibility for error inherent in using new data procedures. A hold-harmless period would allow agency managers time to identify reasons for lower-than-expected outcomes and to make improvements.

The state of Maine legislated a hold-harmless year for the first year of its shift to outcome measurement for services provided by its human services department (services were primarily contracted out by the state).

Unintended Effects

When seeking certain outcomes, some state programs can unintentionally affect other outcomes, sometimes beneficially but often detrimentally. Classic examples include the potential impact of economic development and transportation programs on environmental conditions and vice versa. Another classic situation is that of law enforcement officers and regulatory personnel (such as child support enforcement and tax collectors) who, in their attempts to catch criminals, reduce crime, and collect owed revenues, become overly aggressive and harass citizens. Another example of unintentional effects is when an excessive focus on response times detracts attention from the results of those responses, as pressure on public employees leads them to respond more quickly but with less quality.

If a state agency focuses only on the intended effects, agency personnel can be tempted to narrowly focus on achieving these effects, meanwhile creating other problems.

RECOMMENDATION: When designing outcome indicators, officials should try to include indicators covering potential important side effects.

Minnesota's Department of Human Services (MDHS), has pointed out that programs for children and the aged have routinely used the indicator "average length of stay in institutions and other non-family settings" *without also including indicators of clients' well-being.* All other things being equal, it is usually better and less expensive to move clients quickly into family settings. However, some at-risk clients might be moved prematurely because of the focus on indicators of how quickly the clients are moved out. In response, MDHS has added indicators for child protection programs, such as percent of child protection cases having a new maltreatment finding within 12 months of case closure.

Flexibility in Changing Indicators and Targets

A number of agency personnel interviewed complained about excessive rigidity regarding performance indicators and targets, even when indicators have become obsolete. On the other hand, most agreed about the importance of having reasonably stable performance indicators and targets so that performance can be tracked over time.

RECOMMENDATION: The legislature and governor's office should provide some flexibility to agencies to change performance indicators and targets if the agencies can provide sufficient justification, especially after the legislature has substantially revised proposed budget amounts. For example, after the North Carolina General Assembly adopts the budget, the Governor's Office gives agencies the opportunity to revise their performance targets based on the General Assembly's funding or policy decisions.

Agency requests to delete existing performance indicators are likely to raise suspicion from managers and legislative observers. Significant justification for such deletions should be required. In the future, legislatures will probably become more sympathetic to deleting *output* indicators and will spend their time focusing on outcomes and, perhaps, efficiency indicators.

New indicators can probably be added with less suspicion. However, requests to modify or substitute existing indicators also may raise suspicion and require justification. New and improved approaches as to how to best measure performance are likely to change constantly, especially in the first few years of a performance measurement process. The U.S. Department of Labor has reduced concerns when revising indicators by continuing to measure and report old indicators along with the new indicators, phasing out the old indicators over a number of years and enabling users to see the relation between the old and new.

Revised targets (i.e., projections as to the future values of individual indicators) should be permitted if legislative action significantly alters the funding that the agency had expected would be available when the targets were established. Also, major changes in federal contributions and eligibility rules can occur at almost any time. For states with two-year budgets, flexibility in altering targets for the second year seems even more appropriate. Between the time that targets are set and the second year of a biennium, two or three years will elapse—enough time to justify a modified target. Even then, the requesting agency should provide convincing explanations of why changes in targets are needed.

The executive branch and its agencies might, for internal purposes, allow more flexibility than the legislature in updating performance indicators and targets during the year. This could provide agency management with more appropriate performance indicators and more up-to-date targets for internal use.

Considering Cross-Program Linkages and Overlapping Responsibility for Outcomes

A common problem for states is that often more than one program in an agency—and/or more than one state agency—provides services relating to the same outcomes. For example, many state programs in multiple agencies, including programs within departments of health, social services, education, and corrections, address substance abuse and juvenile delinquency. Each agency tackles a part of the problem, and from a different perspective. Another example is teenage pregnancy. Numerous state agencies, many local agencies, and the private sector—including social service agencies, health agencies, education agencies, churches, and parents—play roles in addressing teenage pregnancy.

Some states have considered making organizational changes to bring together such programs. However, in most instances, reorganization does not solve this problem. Most programs have multiple outcomes, which no single organizational structure can sort out without some degree of overlap.

Another problem reported by the states is that programs with overlapping outcome indicators are likely to impose different and conflicting requirements on grantees and contractors from whom they require data. Data *users* can become confused by different variations of related outcome measurements. Agencies will need to establish ways to coordinate data collection efforts to avoid confusion and to reduce the cost of data gathering.

RECOMMENDATION: A central state agency, such as an office of management and budget, should periodically examine state agencies' missions and outcome statements and identify related, overlapping responsibilities for important state outcomes. One of these agencies should be assigned as the "lead" agency for each outcome. This agency would have the responsibility of coordinating the selection of outcome indicators and service delivery activities.

Such coordination among agencies and their programs should help reduce major overlaps and unnecessary expense—and also enable the agencies and programs to share experiences, successes, and problems in both measuring outcomes and delivering services.

A working group or oversight group might be established to identify outcome indicators common to the programs and to help establish how data would be collected and who would do it. Such efforts, however, should not inhibit individual agencies and their programs from using variations of, or additional, outcome indicators that they believe are appropriate. In some instances, joint action, and perhaps joint solicitations for service delivery, might be prepared to simultaneously serve the needs of more than one program.

The Oregon Progress Board and operating agencies developed a report, the *Blue Book*, that identifies which agencies can affect the values of each of the state's outcome indicators (called "benchmarks" by the Board). The report identifies the "primary" state agencies, a lead agency for the benchmark indicator, and agencies that have "secondary" linkages.[16]

The Oregon Department of Housing and Community Services started integrating its food bank program with other programs (such as schools and the Department of Agriculture) that shared the common goal of feeding needy people. As a result, the food banks now have access to three times the food they had before.

Minnesota holds meetings of top-level agency officials on specific problem areas common across particular agencies. For example, the Minnesota Department of Corrections has an internal team approach, focusing on specific objectives and then determining what is measurable. This creates a cross-team effort to help break down divisional walls. The team draws on examples and ideas from other departments, encouraging individuals to focus on the concepts and approach of performance measurement as applied to their own operations and reducing the perceived threat of such measurement.

In 2000, the New Mexico Senate required, as part of the state's annual agency strategic planning process, that strategic plan performance indicators "be coordinated among the state agency on aging, human services department, department of health, and the children, youth and families department."

This concern about multiple agencies having overlapping responsibility for outcomes seems almost certain to become important for both the legislature and the executive branch in states applying governing-for-results principles. This has been evident in budget deliberations.

[16] See, for example, Oregon Progress Board and Oregon Department of Administrative Services, 1999.

RECOMMENDATION: State governments and their agencies should consider forming "performance partnerships" among different agencies, different levels of government, and, as appropriate, the private sector.[17]

For example, the Texas Natural Resource Conservation Commission, in addressing its air quality activities, found that intra-agency partnerships could most effectively control pollution when a number of its own components, including its permitting, monitoring, and enforcement offices, could work in greater concert. Overlapping outcomes of the component bureaus and divisions provided the motivation and structure for the partnerships.

Oregon created a "Community Solutions Team." Such teams are intended to reach out to those who have an active role in achieving the desired result. For example, for its school-to-jobs programs, the business community was asked to promise jobs to students who complete the program.

Iowa has established "Enterprise Planning Teams" (EPTs) in each of the governor's six key policy areas (education, health care, environment, workforce and economy, safe communities, and accountable government). The EPTs report on their progress in monthly meetings with the governor, the lieutenant governor, and the heads of agencies that contribute to each policy area. Every third month, the meeting addresses the key performance indicators that the team had chosen to monitor.

Outcome overlap is an important issue that inevitably will arise in a governing-for-results environment. The concept of "performance partnerships" seems a reasonably attractive approach for dealing with this issue. Because improving outcomes often requires actions by many organizations, states should consider forming partnerships with other levels of government and with elements of the private sector. *Outcome values, in such situations, are in effect the responsibility of multiple programs, multiple agencies, multiple governments, and multiple sectors.* While it is important that individual state agencies and their programs single out their own contributions and be held accountable for those contributions to overall state outcomes, it is also important that state governments and their citizens recognize that overall responsibility is often shared. The higher-level government (in this case, the state) needs to overcome any temptation to "supervise" the effort rather than making the joint effort a true partnership.

A number of state managers expressed considerable concern over a closely related issue: certain programs' inability to show significant improvements in statewide outcomes, over which agency managers felt they had limited control (given their programs' limited resources). The agency managers pointed out that they often were able to serve only a small portion of the state's total need with the resources available. This was the case in programs such as those aimed at reducing juvenile delinquency, drug abuse, child abuse, and teenage pregnancy.

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[17] Here "private sector" is not meant to include private organizations working under contract with the state. The nature of that relationship is discussed later in the section on performance contracting.

States need the aggregate data, which represent the statewide need and which, when tracked over time, indicate the extent of the state's progress in meeting that need. States also need to track how well their programs are addressing the parts of the problem that they can affect, such as the outcomes for those clients that the program attempts to help. The program clearly has responsibility for the latter but probably has much more limited responsibility for the statewide outcomes.

RECOMMENDATION: State program managers should attempt to track *both* aggregated statewide outcomes and outcomes for those areas their programs have resources to address. State elected officials need to recognize that while their program managers have considerable control over the latter, they are likely to have only limited control over statewide outcomes.

Should States Beginning the Process Use Pilot Agencies or All Agencies?

A number of state officials raised this question in interviews. Most states appear to have started their governing-for-results efforts in all or at least in most of their agencies. Florida, however, has used the pilot approach, as have California and Virginia.

The argument for piloting is that the governing-for-results process is sufficiently unclear and foreign to the state that it is desirable to first test the process in a few agencies. An argument for across-the-board introduction is that it is better to treat all agencies equally, with no agency feeling picked on or treated more favorably than others. The across-the-board approach appears to permit earlier implementation. A key official in Louisiana, which is introducing governing-for-results across the board, pointed out that enough is now known about the process to enable new agencies to pick up the essentials more quickly than was possible in the 1990s. A major advantage of across-the-board implementation is that it causes all agencies to start focusing on outcomes. Inevitably, however, agencies will implement at different speeds and need varying amounts of assistance and time.

The advantage of using the pilot approach is that a failure in the process will not affect all agencies in the state. The personnel in the pilot agencies become experts who can oversee and train other agencies, helping the agencies new to the process to avoid pitfalls. We take no definitive position on this issue but lean toward across-the-board implementation now that states have access to considerable information on the process from other states.

SECTION

10

Improving the "Technical" Side of Performance Measurement

A number of technical issues typically arise in implementing performance management. These issues are discussed below, with recommendations for handling them.

Confusion over Governing-for-Results Terms

Probably the single most frequent technical problem that managers have in a results-oriented process is distinguishing among the various categories of performance indicators. Most programs in the past focused primarily on what are commonly labeled "outputs" and "costs." Outputs represent activities completed by the public agency. The label "outcomes" is now commonly used in the United States to refer to *results that occur outside the program* (presumably resulting at least partly from the program's activities). Managers and staff unfamiliar with this new results orientation often have trouble, at least initially, in making the distinction between outputs and outcomes.

Compounding the problem, managers feel more comfortable reporting outputs, over which they have considerably more control, than they are to being held accountable for the behaviors, actions, attitudes, and conditions of their customers, over which they have considerably less control. To alleviate this problem, public agencies can further break down outcomes into "intermediate" outcomes and "end" outcomes. *End outcomes are those outcomes that are ultimately sought by the government and public, such as improved health, safety, and well-being.*

Intermediate outcomes are changes occurring outside the government that are expected to lead to the end outcomes, but are not the end outcomes sought. For example, if an agency provides programs to encourage expectant mothers to eat better and avoid hazardous activities (such as smoking, drinking, and taking drugs), success in reducing the amount of those activities would be an intermediate outcome. The resulting health of the baby and mother are the end outcomes. Data on both types of outcomes are important to agencies and the legislature.

Similarly, an environmental protection program might adopt a strategy of encouraging certain industries to alter their practices to reduce the amount of hazardous waste generated. Success in getting these businesses to reduce their generation of hazardous waste would be an intermediate outcome. Improvements in water and air quality, with accompanying healthier people and wildlife, would be end outcomes.

Intermediate outcomes are advantageous for agency managers in that they usually occur earlier than end outcomes, which sometimes may not take place for years. In general, intermediate outcomes also are more directly influenced by agency activities than are end outcomes. Nevertheless, it is vital that meaningful end outcomes be included so that users of the information recognize that, ultimately, it is the ends that are important.

Currently, performance reports, plans, and budgets often mix outputs, intermediate outcomes, and end outcomes together, with the vast majority of performance indicators being outputs, not outcomes. This can dilute the attention given to outcomes and overload these documents with data that are only marginally useful, at least for officials outside the program.

RECOMMENDATION: A central state agency, such as an office of management and budget, should develop clear and thorough definitions that aid agency personnel in distinguishing between outputs, intermediate outcomes, and end outcomes. These definitions should be disseminated to all agencies.

Program managers should be asked to label each of their indicators and group them as outputs, intermediate outcomes, and end outcomes. Program personnel, other executive branch officials, and legislative personnel should be familiarized with the categories so they better understand the relative importance of the various indicators.

Agency and program managers, central budget and planning offices, and the legislature should make certain that the important outcome indicators are included in program and agency submissions, whether performance reports, budget proposals, annual business plans, or strategic plans. Each state agency should consider including a glossary of these terms with its performance reports to help readers better understand the data's significance.

Over the long run, outcomes are likely to be of much greater interest to the legislature than outputs (though outputs will remain important to agency managers for internal use). Outcomes, not outputs, are likely to be of interest to the public.

Exhibit 11 is a sample of outcome indicators used by the five states visited for this study.

Related to this is the need for clear-cut, thorough *definitions for each performance indicator*. Too often, performance indicator labels have been incomplete, obscure, or imprecisely worded—and not easily understood by persons outside the program.

RECOMMENDATION: State agencies and their programs need to define each performance indicator clearly and thoroughly so that users of the performance information, both within and outside the agency, have a clear understanding of what each indicator measures.

For example, the Minnesota Department of Corrections, as it began tracking and comparing indicators across its prison facilities on the "number of disruptive incidents," found that institutions were defining "disruptive incident" differently. At one institution, an incident would be recorded if three inmates were arguing loudly. At another, an incident would not be recorded unless it was a full-blown riot. The department was developing and implementing consistent definitions for this and other key indicators.

EXHIBIT 11 Examples of Outcome Indicators

STATE AGENCIES	SAMPLE INDICATORS
Florida	
Department of Children and Families	Percentage of clients successfully completing treatment who are readmitted for substance abuse services during 12 months following discharge.
Department of Transportation	Transit ridership growth compared to population growth.
Department of Revenue	Percentage of sales tax returns filed substantially error-free and on time.
Department of Environmental Protection	Percentage of visitors to state parks who felt safe during their stay.
Department of Labor and Employment Security	Percentage of Unemployment Compensation claimants who were placed in jobs or obtained employment as a result of services received.
Department of Law Enforcement	Average number of days to complete physical evidence analysis requests.
Department of Corrections	Percentage of inmate random drug tests that were positive.
Minnesota	
Department of Corrections	Recidivism rate for offenders released from DOC-operated correction facilities.
Department of Children, Families, and Learning	Percentage of school children eligible for free or reduced-price school meals.
Department of Health	Percentage of kindergartners who were adequately immunized by the age of two.
Pollution Control Agency	Number of days when ambient-air-quality standards for sulfur dioxide were exceeded.
Labor and Industry Department	Percentage of cited health hazards abated within 60 days of citation.
Commerce Department	Percentage of consumers and licensed individuals/entities satisfied or very satisfied with the overall service provided by the conflict resolution program.
Department of Administration	Ratio of annual operating expenses to earned premium.
North Carolina	
Department of Transportation	Accidents per 100 million vehicle miles.
Department of Public Safety	Percentage of reported crimes solved.
Department of Human Services	Percentage of disabled persons employed one year after successful completion of vocational rehabilitation services.

Exhibit 11 Examples of Outcome Indicators (*Continued*)

STATE AGENCIES	SAMPLE INDICATORS
Department of Health	Rate of death from cancer per 100,000 population (age-, race-, and sex-adjusted levels).
Department of Environment and Natural Resources	Percentage of targeted fish and wildlife species exhibiting ideal population levels.
Department of Economic Development	Percentage of businesses that started up two years ago and received assistance that are still in business two years later.
Department of Education	Percentage of students passing the NC Competency Test by high school graduation.
Oregon	
Employment Department	Per capita income as a percentage of U.S. per capita income.
University System	Percentage of adults age 25 and over who have completed a baccalaureate degree.
Department of Human Resources	Teenage pregnancy rate per 1,000 females ages 10 to 17.
Office of Health Plan Policy and Research	Percentage of Oregonians without health insurance.
Department of Transportation	Percentage of limited-access highways in urban areas that are congested at peak periods.
Department of Education	Percentage of eighth graders who achieve established skill levels in reading and math.
Department of Fish and Wildlife	Percentage of wild salmon and steelhead populations in key sub-basins that are at target levels.
Texas	
Public Utility Commission	Percentage of households with telephone service in place.
Workforce Commission	Percent of businesses inspected not in violation of child labor law.
Department of Insurance	Percent of claims paid by guaranty associations on insolvent companies within 60 days of claim date.
Department of Human Services	Percent of long-term care clients served in the community.
Department of Health	Percent of AIDS patients diagnosed two years ago and living 24 months or more.
Department of Parks and Wildlife	Percent of fish and wildlife kills or pollution cases resolved successfully.
Department of Mental Health and Mental Retardation	Percent of adult customers receiving mental health community services whose functional level stabilized or increased.

Controversy over Who Should Select the Performance Indicators

Who should be responsible for selecting the individual performance indicators for each program? Should it be central staff personnel, such as those in an office of management and budget? Should it be the program managers? Should it be the legislature, or some combination of the above? We found considerable differences among states and within agencies in how indicators were chosen. Often, indicator selection initially was made by technical specialists (such as planners or budget analysts) with little input from the program managers, central executive branch offices, or the legislature. At times, problems had arisen because the legislature's views differed from those of the executive branch.

Frequently, the initial selection of outcomes and outcome indicators has been made solely by agency technical staff. For example, North Carolina central staff reported that when programs first selected their outcome indicators, planning and special analytical personnel made the selections. Later, program managers and higher-level officials became involved, developing indicators that they found more useful.

RECOMMENDATION: Because selection of outcomes and indicators is a critical part of governing-for-results, the selection should include input from the governor's office and the legislature, as well as program managers. The initial identification should usually be made at the program/agency level, with subsequent review by the governor's office and the legislature. These outcome indicators should be compatible with the key outcome indicators included in strategic plans.

When a new program is established by the legislature or governor, its desired outcomes should be identified (using the above process to subsequently select the particular indicators to be used to measure progress).

The legislature and governor's office should each have a role in identifying the outcomes sought by the programs they are funding. Information on outcomes sought by the legislature should act as important guidance to program managers and central executive branch officials selecting the specific indicators by which progress is to be measured.

Since political differences often exist between the executive and legislative branches, the set of performance indicators should cover *both* those outcomes that the legislature identifies and those that executive branch personnel consider important. Any resulting increase in data collection cost is probably worthwhile in order to cover all perspectives and avoid unnecessary conflict between the two branches. The executive branch should periodically ask legislators and appropriate staff to identify which outcomes the legislative branch would like to see tracked so the legislature can later review the outcome information from state agencies.

Florida's practices provide an example of a process in which the legislature plays a particularly active role. Agency personnel propose indicators when the agency is first brought into the process or for new programs. The governor's budget office reviews the proposed indicators and recommends indicators to the legislature. The appropriate legislative policy committee selects the indicators and passes them on to the fiscal committees. (Some indicators are included in legislation.)

Elected officials may be reluctant to articulate all intended outcomes and, in particular, to identify possible negative consequences of programs. Agency management should be responsible for providing comprehensive coverage of all important outcomes, including tracking of potential negative outcomes.

Program managers deliver the services and usually collect most, if not all, the performance data. They should be considered as having the major role in formulating the specific measurable *indicators* and *data collection procedures* needed to track the outcomes.

RECOMMENDATION: To maximize the likelihood that the indicators selected are meaningful and focused more on outcomes, training should be provided to all parties involved in the selection process, including program managers and their staff, central state staff, legislative staff and, to the extent feasible, legislators and governors.

An example of the problems that can arise if adequate communication and training are not provided to participants comes from the Florida Department of Children and Families. The agency used the indicator "percent of patients who had received substance abuse treatment who relapsed" as a basic outcome indicator. One member of the legislature felt this was not a true outcome because the outcome of rehabilitation programs should be that "no one relapses." After agency staff provided detailed briefings on the complexities of substance abuse treatments to this legislative member, they were able to justify use of the recidivism indicator.

Another example is provided by Minnesota, whose legislature adopted an incentive system for state universities based on five performance indicators. Unfortunately, little consultation had occurred between the university system, the Department of Finance, and the legislature. Neither the university system nor the Department of Finance could agree on how to interpret the law's definition of the indicators. Problems could have been avoided had the parties interacted sufficiently before the legislation was passed.

The Need for New Data Collection Procedures

A focus on results means that, for many state programs, significant outcome data will *not* be immediately available. In other instances, outcome data may be available, particularly for selected state programs and programs that the federal government had provided funding and had specified outcome data needs.

In the area of education, states have for many years required testing of students at various grade levels and in various subject areas. In other areas, indicators have also been available (e.g., the incidence of various diseases, mortality data, unemployment counts, and some limited water and air quality data). The federal Job Training Partnership Act (JTPA) has long required that local programs collect data on client employment and earnings as of 13 weeks after completion of supported local training programs. Under the new Workforce Investment Act of 1998, service agencies are required to follow up on clients at about 26 weeks. The data are reported by the local programs to the state and federal government. Because of the federal government's increasing focus on outcomes (in large part due to passage of the Government Performance and Results Act of 1993), additional pressure for outcome data is growing.

However, for a majority of state programs, states have had little outcome information, at least on a regular basis. A major missing element has been data on *customer satisfaction* with particular services. Customer satisfaction is viewed as a significant outcome by many elected officials. A major gap in outcome measurement has been a lack of data on *what happened to clients after they received public services.* Such information is usually vital in determining whether a state service has led to any significant improvement in the condition of the state's customers.

State agencies may lack outcome data from the local agencies that they fund. For the most part, outcome measurement data have not in past years been either collected by local agencies or transmitted to the state government. A notable exception in recent years has been state requirements that school districts report outcome data, such as test scores and dropout rates.

RECOMMENDATION: State agencies and their programs should consider sponsoring regular customer surveys (administered by a state or local agency) to obtain information both on customer satisfaction with the services and on the outcomes of those services. For the customer survey process to be of maximum use, programs should seek not only information on the client's condition but *also link the information to information on the type and amount of services the customer received and to any explanatory information relating to changes in the customer's condition.* This will enable programs to identify activities that appear to be related to improvements in customer outcomes.

Customer surveys usually should include open-ended questions that ask respondents to indicate their *reasons for dissatisfaction* with the service they received. State agencies should also ask respondents to provide their *suggestions for improving the service* at the end of each questionnaire. These reasons for dissatisfaction and suggestions should be analyzed and fed back to program personnel as a way to provide important clues on how to improve services.

Since cost is a concern, many state programs can choose to survey only a random sample of customers. To make the outcome information from surveys more timely and thus more useful to operating managers, agencies should consider spreading their samples throughout the year.

Mail surveys are probably the most practical. Second (and perhaps third) mailings of questionnaires or postcard reminders may be needed to achieve credible response rates (responses from at least 50 percent of those surveyed). Telephone surveys, which the JTPA used, are another option. The Workforce Investment Act of 1998 appears to continue to encourage these surveys. The targeted response rate of 50 percent, while not ideal, seems adequate for most outcome measurement purposes and should be achievable without major expense. When an agency first initiates a survey, some initial investment is required to design the questionnaire and sampling plan so that they are unbiased. In most cases, this should not be costly as long as the questionnaires do not become overly complex. The cost of repeating the survey at regular intervals should be considerably lower. The cost of regular surveys and other outcome measurement procedures can be considered a basic part of agencies' and programs' administrative function.

State (as well as local and federal) agencies have been particularly negligent in developing procedures for following up on clients after they have left services, such as the various health and social services, to find out the extent to which lasting outcomes have occurred. For example, most health and social service programs provide services to individual clients for a limited period of time, after which the client is expected to be in an improved condition (or at least in a better condition than if the service had not been provided).

RECOMMENDATION: For state programs that seek sustained improvements after the service has been completed, agencies should follow up at a specific interval of time afterward in order to identify the extent to which the improvement was actually sustained.

Such client follow-up information should be of interest to program staff, letting them know how customers are doing and, perhaps, giving clues about how the agency can improve its efforts.

The North Carolina's Division of Vocational Rehabilitation (NCDVR) surveys its customers to obtain post-service information on clients' employment and earnings. This work has been supported in part by federal dollars. Reports summarizing the data are sent to all supervisory people and program specialists in the division. The results are distributed within three months of the data collection year. A copy of the questionnaire is included in appendix B, and a sample of the resulting report is presented in exhibit 12.

The NCDVR findings are reported for the entire state and are also broken out for each of its four regions, for each of its 34 unit offices, and by disability type (e.g., sight, hearing, orthopedic amputation, mental illness, alcohol/drug autism, mental retardation, other physical learning disabilities, and tuberculosis). Unit managers receive findings on their own units. The data are presented for each response category for each question. In addition, an overall average score for each question is calculated, as is an overall average rate of customer satisfaction across all questions.

NCDVR administers its questionnaire by mail. It has been achieving about a 65 percent response rate with the help of a postcard reminder. Individual responses are shared with unit managers and counselors if the client gives permission. The data are compiled quarterly. The questionnaire is mailed to all closed cases 30 days after closure. (However, a 30-day follow-up is too soon after closure to identify long-term outcomes.)

Another example comes from the University of North Carolina (UNC), which obtains feedback from sophomores, graduating seniors, and alumni one year after graduation. The questionnaire for students asks respondents to rate specific aspects of their college experience, such as the quality of instruction; the extent to which their college education contributed to their knowledge, skills, and personal growth in a number of areas (such as mathematics, computers, and writing); and to rate a number of institutional services, such as the library, peer counseling, food services, and health services.

The UNC survey of alumni asks respondents to provide information on their earnings since graduation and their ratings of the undergraduate education they received, including their overall evaluation of the quality of instruction in their major and other subject areas. A copy of the 1997-98 graduating senior evaluation questionnaire is provided in appendix B. The university, which has undertaken the alumni survey by telephone, estimates that it costs approximately $12 to $15 per completed questionnaire. The university is considering administering the future surveys of sophomores and seniors through e-mail.

The Minnesota Department of Employment Services uses a quarterly customer survey to provide outcome data. Every person using the services of a workforce center is asked to

EXHIBIT 12 North Carolina Division of Vocational Rehabilitation Services Customer Satisfaction Report Sample

Vocational Rehabilitation Customer Satisfaction: Statewide and Regional Ratings for Status 26 Cases Only

ITEM	STATE-WIDE	EAST	SOUTH CENTRAL	NORTH CENTRAL	WEST
1. Polite all or most of the time	98	98	98	98	98
2. Phone calls returned same or next day	91	91	90	90	92
3. Scheduled appointments as soon as thought they should all or most of time	95	95	95	94	96
Average: VR Staff	95	95	94	94	95
Involvement and Choice					
4. Counselor and I together made rehab. goals decisions	89	89	89	86	90
5. Counselor and I together made decision about services I received	79	79	82	76	79
6. Understand each step in rehab. plan always	75	76	75	73	75
7. Understand rights as VR participant always	74	74	75	71	75
Average: Involvement and Choice	79	79	80	76	80
Services					
8. VR staff helped make changes in a job so I could work	64	65	65	61	63
9. VR services helped me gain job skills	77	77	78	75	78
10. VR staff helped me find a job	60	56	62	58	63
11. Satisfied to somewhat satisfied with job I got with help from VR	95	96	96	97	92
12. VR helped me decide types of jobs best for me	61	59	62	60	64
13. Know I can go back to VR for more help if I need it	85	80	86	85	89
14. Experience with VR services good most of time	94	94	94	94	94
15. Someone from VR talked with me about the Client Assistance Program (CAP)	48	50	49	48	46
Average: Services	72	71	73	71	73
Average: All Elements	79	80	80	78	80

complete the questionnaire on the first day of a quarter. The questionnaire, jointly developed by the branch responsible for the work and by the deputy commissioner, asks customers about their satisfaction with the service and to provide suggestions for improvement.

A final example is provided by Oregon's Division of Motor Vehicles (DMV). Since 1996, it has been mailing surveys to customers who received services from a regional office. For its May 1999 survey, it received a 60 percent return from some 400 mailed surveys. The questionnaire asks customers to rate the following items as excellent, good, fair, or poor: employee courtesy, employee helpfulness, employee efficiency, ability to answer questions, time waiting to be served, and the quality of the telephone service. Customers are asked for comments, all of which are reported anonymously. The DMV's July 1999 Performance Measurement Report showed that the service ratings (the percentage of customers giving ratings of good or excellent) had improved from 77 percent in the first quarter of FY 1996 to 85 percent in the second quarter of FY 1999. The customer ratings of waiting times improved from 26 percent to 58 percent. This focus on customer satisfaction seems likely to have been an important factor in the improved ratings.

In these examples, survey data are only one of the sources of information used by the state agency, though a very important one. Other data, such as that available through agency records or other sources, are usually needed to provide a comprehensive perspective on outcomes for any particular program. For example, UNC's outcome indicators also include university record data on the percentage of freshmen who graduate within six years of their original UNC matriculation and data relating to faculty quality, such as the number of faculty grant proposals that led to awards. UNC also intends to add indicators of campus safety.

SECTION

11

Analysis of the Information: The Need for Explanations

Governmental agencies need more in-depth evaluation and analysis activity to complement the performance measurement process.

Outcome information from regular performance measurement provides executive branch and legislative officials with documentation on progress toward results. Such data, however, provide little information as to *why* the results occurred. Governmental agencies need more in-depth evaluation and analysis activity to complement the performance measurement process.

RECOMMENDATION: The legislature and governor's office should ask agencies to explain substantial variations from the targeted performance level on individual indicators. The executive branch should also ask its agencies to establish within-year targets (such as quarterly targets) to report actual results against targets soon after the end of each quarter and to explain substantial variations for each such reporting period.

Texas has initiated this process. Agencies are required to explain the variation if it exceeds plus or minus 5 percent of any targeted level. Agencies provide quarterly reports comparing actual to projected targets for key indicators. This information is provided to the Governor's Office of Budget and Planning and the Legislative Budget Board. Exhibit 8, presented earlier, is an example of a report from one Texas agency.

For *outcome* indicators, the states should probably use a wider variation range, such as plus or minus 10 percent, because of uncertainties in many indicators' values. Some agency staff felt that having to explain small variations, such as plus or minus 5 percent (even if the actual values were *better* than expected), would take a considerable amount of their time. Another option would be to individually determine the range of variation for each outcome indicator or for various categories of indicators, such as "plus or minus 5 percentage points for outcome indicators that are obtained from customer surveys."

Explanatory information gives users of performance information a more complete perspective on what has happened and why, a perspective that performance data by themselves may not provide.

Having the opportunity to explain variations will give agency personnel more confidence that the performance information they provide are less likely to be misused (especially when performance levels are worse than expected). This, hopefully, will motivate agency managers to provide comprehensive and accurate performance data.

A key problem for agency personnel is the perception that the legislature is holding them accountable for outcomes that are driven by outside forces over which they have little or no control.

RECOMMENDATION: States and their agencies should consider adding to their performance reports a rating for each outcome indicator that shows the extent to which the agency has influence over the results. For example, three such rating categories might be "substantial influence," "some influence," and "little influence."

Including such ratings—although they are subjective—will alert higher-level agency officials, the legislature, and the governor's office of the extent to which agency and program staff believe they are able to affect particular outcomes.

Agencies should be able to influence, at least somewhat, the outcomes reported for each of their outcome indicators. Agencies will almost always have considerably more influence over intermediate outcomes than end outcomes.

So far, we do not know of any state that has formally included such information as part of its outcome measurement process. These ratings of extent of influence necessarily will be subjective, initially made by program managers but preferably subject to review by higher-level agency and central executive branch review. Written explanations for the ratings would likely be needed in some cases.

An important way for an agency to reduce the likelihood of being blamed unfairly for outcomes caused by outside factors is for it to provide explanatory information with its performance reports for indicators whose values fall substantially short of expected outcomes. An example of such a procedure is the Texas analysis-of-variation reports required by the state legislature, as described above.

We found few situations in which agencies and the programs were systematically examining the outcome data, particularly deficiencies, to identify reasons contributing to the outcomes.

Another approach is that of Florida's Department of Environmental Protection (FDEP). As described in the section on using performance information, FDEP requires that programs with deficient performance prepare corrective action plans in which the program officials discuss the problem, analyze potential causes, and identify possible solutions.

RECOMMENDATION: State agencies should, shortly after each performance report is prepared, focus on those outcome indicators whose level indicates substantial deficiencies compared to expectations and therefore requires a performance improvement, such as a corrective action plan within a specified time period. The agencies should monitor such plans until the performance levels have become satisfactory.

Programs with such deficiencies should consider steps such as establishing task forces to look into reasons for the deficiencies and to identify potential corrective actions.

For some program issues, more in-depth, systematically collected information will be needed. *Systematic, in-depth evaluation* of a program can require substantial time, effort, and cost. The federal government sometimes provides states with funds for in-depth program evaluations. In addition, some state legislators occasionally include program evaluation requirements for particular programs in which they are interested, such as welfare reform programs. Some states, such as Minnesota, have legislative offices that undertake such evaluations for the legislature.

We found little formal, systematic program evaluation activity in state executive branches. In-depth evaluation appears to be most common in health, transportation, and human service agencies, probably because of the availability of federal funding or federal requirements. As far as we have been able to determine, few, if any, states have central executive branch offices explicitly responsible for program evaluation (such as in a budget and planning office).

Because such in-depth evaluations can be quite costly and require considerable time to complete, some agencies undertake less elaborate evaluation efforts to find reasons for problems, such as analyzing accident data on state highways in order to identify causes and how such causes might be corrected.

RECOMMENDATION: Agencies and their programs should establish procedures for undertaking "quick-response evaluations." These might include such procedures as small-scale surveys of various stakeholders (such as customers and other persons affected by the program) and service provider personnel (whether state employees, local governments, or contractors) to identify service problems and reasons for them.[18] Focus groups are also a useful tool for this exploration.

RECOMMENDATION: To complement the performance measurement process, state agencies, particularly large ones, should develop an annual evaluation agenda that establishes priorities for in-depth evaluation. Such evaluations might be done internally, if resources are available, or through contracts. Evaluation candidates should be selected based on the importance of the program, when important decisions are needed, and the need for additional knowledge about program effectiveness, as well as the cost.

An example of quick-response evaluations is provided by Washington's Department of Ecology evaluation of its motor vehicle–emission control program as it related to low-income motorists. The concern was that such owners might not be able to afford the repairs needed. A team comprising department staff, an area pollution-control authority, a county government representative, and members of the Salvation Army, with assistance from the automotive repair industry, examined the problem. The Salvation Army screened low-income motorists who applied for aid and arranged for up to $450 in repairs for eligible vehicle owners. In addition to preventing a financial burden on families, the repairs achieved significant reductions in hydrocarbon and carbon monoxide emissions.[19]

Many state audit offices undertake performance audits, a form of evaluation aimed at developing information on the effectiveness of programs and identifying reasons for the

[18] Information on procedures and uses for surveys of citizens/customers are contained in a number of published reports, such as Miller and Kobayashi, 2000; and Hatry, Marcotte, van Houten, and Weiss, 1997.

[19] Washington State Department of Ecology, 1999, p.51.

results. These are done in addition to the traditional financial and compliance audits.[20] The Minnesota Legislative Auditor produces some eight to ten program performance audits annually. Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) also does a substantial number. A number of other states, including Arizona, Kansas, Mississippi, and Oregon, have also focused major effort on performance audits.

In the past, performance audits have been hampered by the lack of outcome data available from executive branch agencies, and state agencies conducting the audits have had to develop what they could with their limited resources. In the future, as state agencies increase their regular collection of outcome information, performance audits should be better-equipped to undertake outcome-based auditing.

RECOMMENDATION: As agency outcome data become more available, legislative audit agencies should make use of these data to strengthen their efforts to evaluate state programs.

Another gap in evaluation is systematic assessments of past legislative initiatives. The only examples we found were those of the Texas Criminal Justice Policy Council, which provides periodic reports to the legislature on its criminal justice initiatives. Examples include its reports on the use of progressive sanction guidelines for juveniles referred to juvenile probation agencies and on the effectiveness of rehabilitation programs for offenders.[21] These assessments should be "big picture" reviews that summarize the findings on the effectiveness of such legislative initiatives.

RECOMMENDATION: Operating agencies should provide the state legislature with clear, concise, visually attractive reports analyzing the outcomes of major legislative initiatives implemented in recent years.

[20] A compendium of state audit offices and legislative offices that undertake performance-type evaluations appears in "Ensuring the Public Trust: How Program Policy Evaluation Is Serving State Legislatures," National Conference of State Legislatures, Spring 2000.

[21] See, for example, Criminal Justice Policy Council, 1999.

SECTION

12

Training and Technical Assistance Needs

On-the-job training is essential, but more formal training and occasional technical assistance usually are also needed to enable personnel to implement successful governing-for-results practices.

Governing-for-results contains a number of elements that are somewhat foreign to many elected and appointed state officials and other employees, both in the executive branch and in the legislature. The notion of outcome-based performance measurement and the use of such information are somewhat new. While these elements have received considerable publicity in recent years, most employees need to learn and understand more about them. On-the-job training is essential, but more formal training and occasional technical assistance usually are also needed to enable personnel to implement successful governing-for-results practices.

Most states implementing a performance measurement process have provided some form of centrally sponsored training efforts on performance management. Some central offices have provided limited technical assistance to their agencies. Such efforts are often sponsored by the central budget office or through a state university.

For example, North Carolina has used the North Carolina Institute of Government and the University of North Carolina at Chapel Hill to train managers in performance measurement. The Institute of Government offered 14 one-day training sessions to state management personnel. The sessions started with a performance measurement primer on concepts and then moved to material tailored to participants' particular functions.

Texas has used the Governor's Center for Management Development at the Lyndon B. Johnson (LBJ) School of Public Affairs for similar training. Its two-day course teaches managers statutory performance measurement requirements as well as the uses of performance data for internal management. Managers also get the opportunity to walk through their agency's strategic plan and suggest ways to tie their own program's plan to their agency's strategic plan.

Minnesota used its Department of Administration's Management Analysis Division to train state personnel in performance measurement, offering a one-day overview of performance measurement. While participants were primarily mid-level managers and budget personnel from the executive branch, some legislative personnel have also been trained. Management Analysis Division staff were also available to give executive agencies technical assistance on performance measurement issues.

An unusual approach has been used in Louisiana, where a key legislator, the primary author of the state's governing-for-results legislation, held training sessions with agency budget analysts. He felt this would contribute considerably to a culture change in the executive branch by showing the importance of the process to the legislature.

Such efforts, however, have reached only small proportions of state management personnel. States have primarily left it to the state agencies to meet their own training needs using their existing budgets. Some agencies have contracted with consultants to provide necessary training.

The need for training does not end with initial implementation of a performance management process. Personnel turnover occurs and new performance management approaches appear, for which agency personnel need training.

RECOMMENDATION: The state legislature and the executive branch should encourage operating agencies to provide training in results-based performance management to a substantial proportion of operating agency management/supervisory staff. This training should include key "technical" issues (e.g., distinguishing outputs from outcomes, and the pros and cons of the various types of data collection procedures, such as customer surveys and trained-observer ratings). The training should also address how to use outcome information to improve programs.

RECOMMENDATION: The legislature should consider initially providing agencies with supplemental funds for manager training. However, in later years, such training can be treated as a basic part of managerial work and, as with other staff training, be funded out of each organization's budget. Agencies should be encouraged to provide such training.

RECOMMENDATION: Training in performance management should be included in the state's basic management/supervisory courses. Most, if not all, supervisory courses should include a component that discusses performance management, including outcome measurement and the use of outcome information.

RECOMMENDATION: Formal training can usually be obtained from universities and consultant firms for a fee. An option is to use staff who have been through a successful implementation effort elsewhere in the state government, whether in their own or other departments, to provide ongoing training.

In the mid-1990s, Oregon used its own staff to provide training and technical assistance to other state agencies, with considerable success. The Texas LBJ course described above has used instructors loaned by state agencies for a specified amount of time to conduct training.

Perhaps just as important as providing training to executive branch personnel is making it available to legislators and their staffs. Training is needed to help them interpret the information they receive and learn how to use it to inform policy and appropriation efforts.

RECOMMENDATION: Training opportunities should be provided to legislators and their staffs on "legislating-for-results." Training curricula and materials need to be developed.

The Minnesota example cited above is one of the few that we found of legislative personnel, in this case legislative staff, being provided formal training opportunities. In Florida, OPPAGA, a legislative office, has conducted several training sessions for legislative staff and members. A special curriculum for legislators, and a parallel curriculum for legislative staff—curricula that can be adapted by all states—should be developed.

SECTION

13

Data Quality Control

Once performance data begin to be used for major purposes, such as making resource allocation, budget, and policy decisions, users become very concerned about the accuracy and reliability of that data.

Once performance data begin to be used for major purposes, such as making resource allocation, budget, and policy decisions, users become very concerned about the accuracy and reliability of that data. Outcome information tends to be considerably more uncertain than activity and cost data—and is typically more widely disseminated outside the agency and to the public and media. Thus, achieving a reasonable degree of accuracy is a major concern. As agency program managers begin to find outcome data useful in making program decisions throughout the year, they will be motivated to seek accurate data.

Who should be responsible for quality control? State governments have a number of options. Independent audits are highly desirable, but state audit agencies do not have resources to audit the large quantities of outcome data coming from state agencies and their programs. State audit agencies, at best, are likely to be able to audit only a small portion of the outcome data in any given year. In most states, these organizations do not have much experience auditing outcome information, since historically their main focus has been financial data and management or organizational issues.

RECOMMENDATION: State agencies and those of their programs responsible for providing performance data should be assigned the primary responsibility for data quality. To encourage accuracy, agencies and their programs should report annually on the steps they are taking for data quality control. Program managers could be expected to attest to the accuracy of the information.

The Minnesota Department of Corrections accepted the principle that those providing the data should also be the users of the data. The department believes that if the people who are providing the data need it for their operations, they will put more effort into ensuring that the data are entered accurately and completely.

We know of no examples of state governments requiring agencies to formally attest to the quality of their outcome information; however, this approach is being considered in the federal government by the Department of Education.

RECOMMENDATION: The executive branch, and each executive branch agency, should establish its own quality control process for performance information. If a state has internal auditors, these offices might be used for this purpose. However, the executive branch should place the major responsibility for quality control on the agency and its originating programs.

In Florida, each agency has an inspector general (IG) appointed by the department head. The IGs have been asked to examine each performance indicator to assess how the indicator was developed, how data were collected, and the data's validity, reliability, and appropriateness. The IG also assesses data processing and calculations to see if they were done correctly. In addition, the legislature's OPPAGA reviews the performance indicators and is influential in their selection, and can conduct its own validation of agency performance measures.

RECOMMENDATION: Each year, the state audit/legislature audit office should examine a sample of data collection procedures. This will help motivate agencies to focus on data quality. The legislature should establish a process in which an organization external to the executive branch, such as a state audit office or equivalent, annually examines a sample of key performance indicators from the state agencies to certify that the data and data gathering processes appear to provide reasonably accurate outcome information. The focus of data quality reviews should be on outcome indicators, rather than on output indicators. The reviewing organization should follow up to make sure the agency makes the needed corrections.

At least a small sample of outcome indicators from each major state agency probably should be examined annually. Smaller state agencies might be surveyed on a random, rotating basis. An annual review of a sample of indicators is also applicable to states with a two-year budget cycle.

Texas has instituted such a process. The Legislative Budget Board annually recommends agencies and indicators for audit to the State Auditor's Office (SAO). The SAO selects the agencies to examine based on the amount of money appropriated, indications from previous audits of agencies with potential data quality problems, and the past frequency with which it has reviewed the agency's performance indicators. The SAO examines a combination of key outcome, output, and efficiency indicators.

The SAO determines whether each indicator should be classified as "certified" (if reported performance is accurate within plus or minus 5 percent and it appears that controls are in place); "certified with qualification" (when performance data appear accurate but the controls over data collection and reporting were not adequate); "inaccurate" (when the actual performance was not within 5 percent of reported performance); or "factors prevented certification" (if documentation was unavailable and controls were not adequate to ensure accuracy).[22]

[22] See the Texas State Auditor's Office, Legislative Budget Board, and Governor's Office of Budget and Planning, 1999.

Having such a process for reviewing a random sample of key indicators each year has the advantage of putting agencies on notice that their indicators will periodically be examined for accuracy. For example, the Texas Department of Transportation finance director made the following statement in a 1997 memo to division directors: "Please keep in mind that the fiscal year 1997 performance measure audit is just around the corner and no one knows which measures will be selected by the Legislative Budget Board. Please be organized and prepared in the event you are audited. The fiscal year 1996 review went well because the above-mentioned divisions reported accurately and were organized and prepared at the time of the audit."

Regardless of who performs them, quality control reviews should include elements such as the following: Data are reported accurately and properly, data and files are properly maintained, the program and/or agency has a review process prior to submitting its final numbers, and definitions based on the detailed definition of each performance indicator are used consistently. Indicators that the review body does not "certify" should be reexamined the next year.

The governor's office and legislature should expect that any deficiencies will be corrected. In Texas, legislators and legislative staff have, on occasion, asked personnel what the agency was doing to gain State Auditor's Office certification of indicators, and they can require corrective action plans.

No audit process can adequately examine all of the many performance indicators each year, even if the audit focuses only on outcome rather than efficiency or output indicators. Outcome data are most likely to be subject to large uncertainties. Requiring outcome data to be accurate within plus or minus 10 percent of projections should be adequate for many, if not most, state decisions. (Clearly, however, plus or minus 10 percent is not adequate for financial/expenditure data.)

PART FOUR

SECTION

14

Special Issues for the Legislature

Throughout this report, we have provided recommendations for state legislatures. Here we discuss a few additional issues regarding the legislature's role.

Including Performance Indicators in Legislation Creating New Programs

It is important that the executive branch and other stakeholders, such as local governments, private nonprofit service agencies, and the public, understand that the legislature is committed to governing-for-results and that it intends to hold agencies and itself accountable for program outcomes.

RECOMMENDATION: When new programs are created, the legislature should require that performance indicators, particularly outcome indicators, be established by the program; data on those indicators should be provided regularly for review by fiscal and policy committees.

The Problem of Overlapping Agency Responsibility for Important Outcomes

As discussed briefly earlier, it is inevitable that sometimes more than one program, and more than one agency, will affect important outcomes.

RECOMMENDATION: States should require that a cross-referenced index of agency programs and outcome indicators be created, showing which agencies have a role in achieving the outcomes. The index should identify a primary or coordinating agency for each outcome indicator.

Exhibit 1 illustrates such a cross-referenced report. It is an excerpt from Oregon's *1999 Benchmark Blue Book: Linking Oregon Benchmarks and State Government Programs*, a joint report by the Oregon Progress Board and Department of Administrative Services, released in May 1999.

Adequacy of Performance Indicators Coverage

While it is usually up to the executive branch to develop the specific outcome and output indicators that its agencies will track and report, the legislature needs to ascertain that it is getting the information that it needs.

RECOMMENDATION: The legislature should periodically review agencies' indicators to ensure that the set includes the outcome indicators for which legislators need data. The legislature should also ascertain that agencies are providing timely information on those indicators.

Adequacy of Quality of the Data Provided to the Legislature

Many legislators do not trust the performance information provided by agencies. Some legislators expressed the belief that agencies do not have any incentive to be truthful. Ultimately, the responsibility for data quality resides with the agency providing the data. However, the legislature can provide for some external review of the data. A key problem is that the amount of performance data collected by state agencies in a governing-for-results system inevitably will be greater than can be annually reviewed or audited for quality.

RECOMMENDATION: States should ask each agency to provide central executive branch and legislative staff with descriptions of its efforts to check data accuracy as part of its annual performance reports (a procedure that the federal government has begun to use).

RECOMMENDATION: States should provide an external data quality control activity, such as Texas's certification process, in which an external office examines a sample of the performance indicators provided to the legislature each year to ascertain whether the data are credible. It should report annually to the legislature on its findings.

The Texas State Auditor's Office has established such a procedure and has developed a handbook describing its quality controls and procedures.[23]

Help in Interpreting Performance Data

Typically, legislators and their staffs find the outcome information that they receive challenging. By itself, such information is usually not easy to interpret. Furthermore, outcome

[23] See the Texas State Auditor's Office, Legislative Budget Board, and Governor's Office of Budget and Planning, 1999.

information alone only reveals the extent to which outcome progress is or is not being made, not why the outcomes have occurred or what should be done to make improvements.

Outcome information becomes more useful if legislators are provided with supplementary interpretative information. What do the data mean? What is their significance? Which of the many data provided by the executive branch warrant attention and, possibly, action? Typically, legislators in the midst of legislative sessions lack both the time and expertise to carefully examine agency performance reports.

RECOMMENDATION: The legislature should establish a process in which legislative analysts examine the outcome information received from the executive branch (such as in annual agency performance reports) and provide the appropriate legislators with the key information and highlights and, when possible, interpretations.

RECOMMENDATION: The legislature should request that the executive branch agencies provide explanations for outcome indicators whose actual values for the reporting period were substantially worse or substantially better than had been projected. ("Substantially" might, for example, be defined as being more than 10 percent above or below the projected value.)

Texas requires that its agencies provide explanations for any variation that exceeds 5 percent of projections, whether the actual data are above or below the targeted value. Louisiana's recent legislation requires the same process.

Those interpreting performance levels should remember that performance above or below targeted levels can have many causes. For example, poor outcomes can indicate that the program has done a poor job, a problem needs to be corrected, the program did not have sufficient resources, the target was poorly chosen, or the performance level was affected by other factors outside the control of the program. *Obtaining explanations is important to deciding what, if anything, needs to be done next.*

One finance committee member felt strongly that legislators needed more analytical input from both legislative and executive branch personnel to help them interpret performance information. He felt that agencies needed to tell a story as to what the important data elements mean, reasons for unexpected performances, and what corrective actions were being undertaken or considered.

Need to Educate Legislators in Governing-for-Results

Legislators' understanding of outcome information is vital for the success of governing-for-results. Otherwise, legislators will be forced to make funding and policy decisions based solely on costs and anecdotes.

Legislative staff in a number of states report that new members of the legislature are given very little orientation on performance budgeting and performance-based legislating. The appropriation process can be intimidating to new members; they need orientation.

A further complication has been the introduction of term limits in some states. This is creating a shortage of experienced legislators, which increases the need for education in governing-for-results.

RECOMMENDATION: Education on the state's performance measurement process should be made available to all legislators and legislative staffs. The legislature should also hold formal, extensive briefings for new legislators on the performance information provided by executive branch agencies and on the state's results-based budgeting process.

Legislators and their staffs need to become informed as to what performance information they can and should expect, how such information can be used, and likely limitations of that information (what the performance data do not tell).

SECTION

15

Costs

The potential for additional costs from results-based government is a major concern. Because so much of results management seems integral to what agencies and their managers, and legislators and their staffs, should be doing, it is hard to sort out what added costs are needed or have been incurred. It is equally difficult to sort out the costs of *not* functioning in a governing-for-results mode when end outcomes are not measured or observed.

At present, it appears that most states implementing governing-for-results have provided few additional funds to the executive branch for performance measurement and performance management. It has been assumed that these activities are part of regular, ongoing administrative and managerial tasks, so no additional funds have been appropriated. Even in Texas, where the legislature now requires customer surveys, the agencies had not requested additional funds, although some agencies may need to contract out for the surveys. In Louisiana, however, the legislature provided additional funding for extra staff for the Office of Budget and Planning and some agencies. Other agencies absorbed the cost.

At present, most state agencies have *not* introduced significant new performance measurement procedures needed for outcome measurements. For example, in most human services programs, major outcomes for state customers are improvements in their condition or status *after they have completed the service.* This usually needs to be measured by obtaining feedback from clients perhaps six months to a year or more after they have completed services.

Such customer tracking is an added task for most programs. The Federal Job Training Partnership Act program set a major precedent for such tracking, requiring that local agencies through the states undertake telephone interviews of clients 13 weeks after they completed training to identify employment and earning outcomes. The new Workforce Investment Act requires similar feedback six months after entry into employment.[24] Many state activities, however, are not subsidized by federal funding.

Nor are most state agencies yet seeking feedback from customers on their satisfaction with services. The added costs of customer surveys to obtain this data do not appear to be large for any single agency, especially if the surveys are administrated by mail or if

[24] Workforce Investment Act of 1998, Section 136, Performance Accountability System, Public Law 105-220, August 7, 1998.

sampling can be used. However, if many agencies undertake customer feedback surveys to obtain outcome data, the costs will not be trivial.

The central training that most states have provided to a limited number of state personnel has not been costly. However, the primary responsibility for most training in performance measurement and performance management appears to fall to individual agencies. Apparently, state agencies have not explicitly sought the added funds that may be required for the appropriate amount of training and for full coverage of agency employees.

One purpose for which additional funds have been requested is *incentive payments* for agencies or agency personnel that have met or exceeded their targets. Lack of adequate incentive funds has been a bone of contention for agencies in Florida and Texas. These complaints have arisen in states whose legislation included language that monetary incentives *could* be provided.

Cost of Implementing Report Recommendations

As with the basic state implementation activities, most of the recommendations in this report represent practices or procedures that are related to ongoing executive or legislative activities and should not entail much added financial cost.

The key costs for states and their agencies in a full implementation of governing-for-results are for data collection procedures, such as those to obtain customer satisfaction ratings and to follow up on customers after they have completed services, that states, for the most part, have not been undertaking; and for redesign of data processing systems to facilitate data collection and links between budgets and outcomes. Some states may also need additional staff to review and analyze agency performance data, which could entail having legislators provide additional staff to examine agency performance reports and develop recommendations for legislators (as is done in Florida and Texas).

The other added continuing cost that states are likely to incur is for training, both for new employees and new legislators, and refresher and updating training for other state personnel.

SECTION

16

Final Observations

Exhibit 13 is a list of key components that appear desirable for a state governing-for-results process.

Some final observations are presented below:

1. While the outcome data themselves may be the subject of political debate, it appears that a governing-for-results process has not, at least thus far, become a political issue in states. Both political parties appear to have been supportive (though not necessarily equally supportive). In both Texas and Oregon, the states with the longest experience with governing-for-results, a continuous governing-for-results process has occurred despite major political changes. In Texas, for example, both a Democratic governor (Ann Richards) and a Republican governor (George W. Bush) have provided strong support.
2. Legislative commitment has been very important for introducing and sustaining the governing-for-results effort. However, most legislators seem less than enamored with performance data and do not seek them out. Nevertheless, from the little evidence available, it appears that when agencies provide clear and meaningful outcome data (such as information on infant mortality, traffic injuries, juvenile delinquency, and numbers of fish kills caused by pollution), these data will get legislators' attention.
3. The extent of interest and initial implementation of governing-for-results elements in most state governments have been surprisingly strong.
4. Major limitations thus far in governing-for-results have been the lack of integration of lower-level state agency managers and nonmanagerial employees (all of whom have roles in helping produce good outcomes) into the process, and the scarce use of performance information by agency managers, who often appear to be merely responding to requirements from above without considering the information as being interesting and useful for the agencies themselves.
5. The initial years of implementation of governing-for-results in the states have been characterized by the production of voluminous numbers of indicators, most of which draw on existing data and have been indicators of amount of activity, counts of the program's physical products, and "intermediate outcomes," such as response-time data. This information is likely to be

useful internally to program managers. However, more substantive indicators of outcomes have been slow to come.

Despite the slow speed of implementation of governing-for-results (which seems inevitable), a number of states and their agencies have begun to develop excellent models that appear to have potential for making governing-for-results a reality and for delivering on its promise to improve the outcomes for a state's citizens.

Much has been done. But states need to go much further.

EXHIBIT 13 Checklist of Governing-for-Results Key Components

1. Agencies prepare multiyear strategic plans and review them annually.
2. Agency and program goals are translated into measurable outcome indicators.
3. Customer input is used to help identify the relevant outcomes for each program.
4. Operating managers and their personnel obtain data on each indicator on a regular basis (usually at least quarterly) and report these to both higher-level officials and program personnel.
5. Programs provide explanatory information along with their performance reports, especially for outcomes that fall substantially short of expectations.
6. Officials review the findings from each performance report in "How Are We Doing?" sessions.
7. Budget preparation and budget reviews, within both the executive and legislative branches, explicitly consider past and projected budget-year outcomes.
8. Programs contributing to the same outcome, both different programs within an agency and programs in different agencies, are identified, and these programs coordinate their efforts.
9. Incentives are provided to personnel and agencies for sustained high levels of outcomes. Nonmonetary rewards are provided, such as recognition awards to groups and individuals or increased flexibility to agencies. Monetary awards are used when objective performance measurements, agreed on by all parties, are a significant part of award determination.
10. Contracts and grants to organizations providing services to state government customers include outcome targets with incentives linked to exceeding or meeting those targets.
11. State agencies encourage local governments and their agencies to implement governing-for-results, such as by providing recognition awards to high-performing local governments and by providing outcome data for each individual local jurisdiction.
12. Adequate training is provided in the governing-for-results process and procedures to both current and new state employees, including legislators and their staffs.
13. Data quality is emphasized both within each agency and by regular external reviews of at least samples of the data collection procedures conducted by the state auditor, an arm of the legislature, and/or by agency internal auditors (where they exist).
14. Agencies provide and make readily accessible regular reports on achievement of key outcomes to citizens and citizen groups.

SECTION

17

List of Recommendations

This section presents the recommendations from the body of the report, using abbreviated wording. Recommendations are presented separately for each section.

Section 2. Recommendations for Strategic Planning

2.1. The state legislature and/or governor should require that each agency prepare and maintain a strategic plan.
2.2. Strategic plans should be linked to the budgeting process and to capital expenditure requests.
2.3. State agencies should develop annual action plans to implement the strategic plan.
2.4. Strategic plans should be made available to those who helped prepare them and to citizens throughout the state.
2.5. The legislature and governor should encourage agencies to use strategic planning to review their service delivery approaches and to innovate.
2.6. Agencies should seek input from the legislature for their strategic plans; legislative staff should review draft strategic plans and provide recommendations to the agencies that prepared the plans.

Section 3. Recommendations for Performance-Based Budgeting

3.1. Budget requests should be justified based on the outcomes sought, even if only qualitatively.
3.2. State agencies should begin to develop ways to systematically analyze outcome data.
3.3. State legislative staff should review outcome information provided by the executive branch and provide summary highlights to legislative committees.
3.4. A cross-referenced index should be developed by executive and legislative staff to identify different agencies and programs that contribute to the same outcomes.
3.5. Program managers should provide out-year estimates for outcomes expected to occur in years beyond the budget year.

Section 4. Recommendations for Agency and Employee Incentives

4.1. States should emphasize nonmonetary incentives.
4.2. States should provide greater latitude to agencies that consistently achieve or exceed desired outcomes.

4.3. States should use outcome data to compare service delivery units and reward high-performing units and those that show significant improvement.
4.4. Agency managers should review performance reports in "How Are We Doing?" sessions, identify what is or is not working well, and initiate improvement plans if needed.
4.5. To demonstrate the importance of results information, legislators should review agency performance information, possibly during budget appropriations reviews, and should question important shortfalls and unusually high outcomes.
4.6. State officials should avoid punitive action when outcomes fall short of expectations and should first seek explanations.

Section 5. Recommendations for Performance Contracting

5.1. State agencies should use performance-based contracts with local service providers and include performance indicators that are in the agencies' outcome measurement systems.
5.2. When initiating performance contracting, provider representatives should be asked to help identify the performance indicators to be used.
5.3. Training and technical assistance should be provided to state personnel and to the provider community on the performance contracting process.
5.4. Payment schedules should be linked to performance, where practical. The legislature should consider including a hold-harmless clause for the first year of performance contracting of a service.
5.5. State agencies should obtain outcome-related data from providers and should then give providers regular feedback on the outcome indicators, including how other providers offering similar services have done.
5.6. Past performance should be used as a major factor in deciding later awards.
5.7. Providers who do not meet performance targets should provide reasons for the failure and submit planned remedies for improving.
5.8. State agencies should consider providing outcome information relating to specific providers to the public.
5.9. State agencies that use performance contracts should standardize their language and formats and provide training to help providers understand the contracts.

Section 6. Recommendations for Interfacing with Local Government

6.1. State agencies should require that local public agencies they fund collect needed outcome information or at least cooperate in its collection.
6.2. States should consider the following approaches:
   a. Providing monetary incentives to local governments as "seed money" for implementing and reporting outcome information to their citizens;
   b. Providing support for technical assistance and training to local governments and providing support to local government for implementing comparative performance measurement consortia;
   c. Supporting efforts to identify "best practices" in local service delivery;
   d. Encouraging local agencies to develop "citizen charters" that specify levels of service and outcomes that customers can expect from particular citizen services;
   e. Reporting data publicly on individual outcome indicators for each state-supported local government service; and

f. Providing recognition awards based on outcomes achieved to the top performers and to the most improved local government agencies.

Section 7. Recommendations for Communication with Citizens

7.1. States should prepare annual "State of the State" reports that focus on outcomes and what has and has not been accomplished.
7.2. Each state agency should issue an annual report on its accomplishments, focusing on outcomes.
7.3. Reports to citizens should contain breakout information on outcomes for each community (e.g., each county and, perhaps, each major city).
7.4. State agencies should form performance partnerships that include citizen representation. These partnerships should choose the outcome indicators that should be tracked, set performance targets for the near future, and identify the responsibilities of each partner in achieving the outcomes.
7.5. State agencies should consider using "citizen charters" to identify the service levels and service quality that agency customers can expect to receive, make these obligations known to customers, and subsequently report on achievement of these obligations.
7.6. States should obtain feedback from citizens and customers about their satisfaction with state services and seek suggestions for improvements.
7.7. States should include achievement of outcomes, such as customer satisfaction, as a significant part of the criteria for selecting winners of performance incentives.
7.8. Agencies should post their latest performance reports at locations where customers are served.

Section 8. Recommendations for Using Performance Information

8.1. Agencies should provide breakout data, such as outcomes by key demographic characteristics, by location within the state (e.g., county or region), and by specific operating unit (e.g., each facility, park, local office, prison, or state hospital).
8.2. Agencies should provide explanatory information along with their performance reports, especially for outcomes that do not meet expectations.
8.3. Operating managers should obtain and review performance reports on a regular basis (e.g., at least quarterly) throughout the year.
8.4. State agencies should compare performance data for individual organizational units, identify problems with low-performing units, and target resources where they are most needed.
8.5. State managers should use their outcome measures to help test new practices and policies by measuring conditions before and after a change or by randomly assigning the program's workload to comparison groups.
8.6. Agency managers should use their regular outcome data for tracking low-performing programs and activities. Low-performing programs should be asked to provide improvement plans and should be tracked closely until consistent improvements occur.

Section 9. Recommendations for Improving Implementation

9.1. The legislature, top state executives, and agency officials should allow at least three to five years for full implementation of a performance measurement system.
9.2. Officials should include indicators of any potentially important side effects.

9.3. The legislature and governor's office should allow agencies to change performance indicators and targets when justified, such as when major changes in policies or funding occur or when agencies report consistently improved indicators.
9.4. A central state agency should periodically examine the missions and outcome statements of state agencies to look for agencies that share responsibility for outcomes and have overlapping responsibilities.
9.5. State agencies with common outcomes should form "performance partnerships," perhaps also including relevant local agencies or private organizations.
9.6. State program managers should track both aggregated statewide outcomes and that segment of these outcomes over which they have more direct control (e.g., the outcomes for the clients they actually were able to serve).

Section 10. Recommendations for Improving the "Technical" Side of Performance Measurement

10.1. A central state agency should thoroughly define the categories of performance indicators—outputs, intermediate outcomes, and end outcomes—to promote understanding of the significance of each indicator. Agencies should group their indicators by these categories.
10.2. State agencies and their programs should clearly and thoroughly define each individual indicator to promote understanding of what each indicator measures.
10.3. The governor's office and the legislature, as well as program managers, should help select outcomes and indicators. The outcomes sought by a new program should be identified when the program is established.
10.4. Training should be provided to all parties involved in selecting outcomes and indicators.
10.5. Customer feedback should be sought to identify customer satisfaction with services and to identify changes in their condition that indicate improvements in customer outcomes. Such information should be linked to information on the type and amount of service.
10.6. Agencies should conduct postservice follow-up surveys for programs intended to sustain long-term improvements, in order to identify whether benefits are, in fact, lasting.

Section 11. Recommendations for Analysis of the Information: The Need for Explanations

11.1. Agencies should provide explanations to the legislature and governor's office for substantial variations from targeted levels of performance.
11.2. Agencies should consider categorizing their outcome indicators as to how much influence the agency has over the results. Categories might include "substantial influence," "some influence," and "little influence."
11.3. State agencies should develop corrective action plans for correcting performance deficiencies identified by the latest performance report.
11.4. Agencies should establish procedures for "quick-response evaluations," to identify the reasons for service performance problems.
11.5. State agencies should sponsor in-depth evaluations for major program issues. The agencies should prepare annual evaluation plans, prioritizing their evaluation needs relative to their evaluation resources.

11.6. Legislative audit agencies should use agency performance data to help them evaluate state programs.
11.7. Operating agencies should produce clear, concise, visually attractive reports on the outcomes of major legislative initiatives.

Section 12. Recommendations for Training and Technical Assistance Needs

12.1. The state legislature and the executive branch should encourage operating agencies to provide training to their managers and staffs in results-based performance management and how to use the information to improve programs.
12.2. The legislature should provide initial funding for training on results-based performance management; however, later on, the training should be funded out of each organization's individual budget.
12.3. Each state's basic management/supervisory courses should include training in performance management, including outcome measurement and the use of outcome information.
12.4. Staff who have had experience with successful implementation of performance management in state agencies should be used as a training resource.
12.5. Training opportunities should be provided to legislators and their staffs on "legislating-for-results." Training curricula and materials need to be developed.

Section 13. Recommendations for Data Quality Control

13.1. State agencies and their programs should have primary responsibility for data quality and should report annually on their steps to ensure data quality.
13.2. The executive branch and each agency should establish a quality control process for performance information.
13.3. An organization external to the executive branch, such as a state audit or legislative office, should "certify" that the data and data gathering processes for key performance indicators are accurate, at least on samples of agency indicators.

Section 14. Recommendations Regarding Special Issues for the Legislature

14.1. The legislature should require that new programs establish performance indicators. Fiscal committees should regularly review program outcomes.
14.2. The legislature should cross-reference agency programs against outcome indicators to show each agency's role in achieving the outcomes. When multiple agencies share responsibility for an outcome, a primary/coordinating agency should be identified.
14.3. The legislature should identify outcome indicators for which it needs data and make sure that agencies provide timely and accurate information for those indicators.
14.4. The legislature should ask each agency, as part of its annual performance report, to describe what is being done to ensure data accuracy.
14.5. The legislature should ask an external office, such as the state auditor's office, to report annually on a sample of performance indicators to ascertain whether the data are credible.

14.6. Legislative analysts should examine outcome information received from the executive branch each year and highlight and interpret key information for legislators.

14.7. The legislature should ask agencies to explain why actual values for outcome indicators are substantially worse or substantially better than projections.

14.8. Legislators should receive at least brief training on the state's performance measurement process, including what types of information legislators can and should expect, how the information can be used, and what its limitations are. New legislators should receive such training as soon as possible.

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APPENDIX

A

Governing for Results
Legislation in the States

A Report to the Urban Institute

BY

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National Conference of State Legislatures

Denver, Colorado

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This report was compiled by staff of the National Conference of State Legislatures (NCSL) in partial fulfillment of the requirements of the agreement between The Urban Institute and NCSL under the Alfred P. Sloan Foundation Prime Grant # 98-6-12 and Urban Institute Subcontract # 98-6-12-NCSL.

The National Conference of State Legislatures serves the legislators and staffs of the nation's 50 states, its commonwealths, and territories. NCSL is a bipartisan organization with three objectives:

- To improve the quality and effectiveness of state legislatures,
- To foster interstate communication and cooperation,
- To ensure states a strong cohesive voice in the federal system.

The Conference operates from offices in Denver, Colorado, and Washington, D.C.

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Contents

Introduction

About this Report

This report summarizes state statutory requirements for managing for results for the 33 states that have enacted broad statutory authorization for strategic planning, performance reporting, performance management or performance budgeting or any combination thereof. Detailed tables categorize the substance of the state statutes in order to facilitate comparison of state initiatives. Data are current through the end of 1999. The report also lists non-statutory initiatives in the field for a number of states to the extent that information for doing so is available.

The report consists of six sections:

- Section 1 consists of one table that summarizes the contents of the enabling or controlling legislation in any way related to governing for results in the 33 states where NCSL has found such statutes. The table includes legislation that has been repealed, and the count of 33 states includes the states that have repealed legislation summarized here.
- Section 2 consists of three tables that identify the states that require agency strategic planning as part of their results-based government efforts and summarize principal characteristics of the state strategic planning requirements.
- Section 3 consists of five tables that provide state-by-state details of specific statutory requirements for performance measurement or reporting.
- Section 4 consists of one table that reports statutorily-required involvement of citizens in state strategic planning or performance measurement.
- Section 5 consists of two tables that summarize statutory provisions for agency and employee performance incentives and disincentives.
- Section 6 consists of one table that summarizes non-statutory state initiatives in strategic planning and performance measurement.

Contents of Tables and Summary of Findings

The tables in this report summarize state legislation in a format intended to facilitate comparisons of state intentions and design in governing for results. However, as the summary table 1-1 makes evident, state legislation includes more differences than similarities. For that reason it is important to consult the notes to tables. Each table has notes attached for every state whose name or abbreviation is followed by an asterisk. The notes of one table may repeat the information in the notes to another table. Such repetition is the result of a conscious editorial decision to make each table's notes full and complete.

Section 1: States with Broad Governing for Results Statutes

Table 1-1, Statute Summaries, summarizes the governing for results legislation in 33 states. The purpose of this table is to provide a general summary of the nature of the state legislation calling for strategic planning, performance measurement, performance reporting and performance budgeting, or any of those processes.

This table is intended to be as inclusive as possible of state efforts in the general topic area and for that reason includes summaries of legislation that has been repealed in Minnesota and South Dakota. The fact of the repeals is not repeated in following tables.

The legislation summarized here should be understood as expressing intent rather than as necessarily descriptive of actual state activities. Asterisks indicate notes, which follow the text of the table. The principal characteristics of state programs for managing by results are broken out in detail in the following tables in this report.

Section 2: Statutory Requirements for Agency Strategic Planning

Table 2-1, Parties Responsible for Developing Agency Strategic Plans, shows who has the principal responsibility for developing individual agency strategic plans. Nineteen states require agencies to prepare strategic plans. Eight states require another state agency—usually the state budget office or a legislative research office—to provide technical assistance. Georgia authorizes agencies to use private consultants for assistance.

Table 2-2, Required Contents of Agency Strategic Plans, itemizes statutory requirements for the contents of strategic plans. All 18 states that statutorily require agency strategic planning have required some specific contents for strategic plans, and in fact the requirements are so uniform as to suggest states began with a common model. With few exceptions, the states call for mission statements, strategies, goals or objectives and measures of performance. Only seven states, however, require agencies to articulate the links between their strategic plans and a state strategic plan.

Table 2-3, Agency Required to Oversee/Facilitate the Development of Agency Strategic Plans, lists the entities that oversee or assist with development of agency strategic plans, where applicable. Sixteen of the 18 states that require agency strategic planning specify an executive-branch agency—usually the state budget office—to oversee strategic planning; Vermont and Florida leave oversight in the governor's hands, and Maine gave the responsibility to a Commission on Performance Budgeting that includes legislators, agency personnel, and a representative of the judiciary. Only 10 states involved the legislature in such oversight, with most of them assigning responsibility to the legislative fiscal office or a budget committee. Louisiana assigned the responsibility to the chairs of the standing committees with jurisdiction over the agency in question.

Section 3: Statutory Requirements for Performance Measurement and Reporting

Table 3-1, Information Required to be Measured and Reported. Every state with broad governing for results legislation requires specific information to be reported. Twenty-eight of the 32 states require general information such as mission statements, strategies, goals and/or objectives. Twenty-one require performance measures in some form, sometimes only specifying performance measures without further detail, but 13 require outcome measures, 11 require output measures, and eight require efficiency measures. Only two states require that inputs be included in reports, but 12 less explicitly require agency financial information. Other kinds of specific requirements include organizational charts, reports on the validity of measures and data, baseline data, identification of the population served and a discussion whether a function could be more effectively served by another agency or by privatization.

Table 3-2, Entities that Receive Strategic Plans and/or Performance Reports. Twenty-one of the 33 states with legislation require submission of strategic plans and performance reports to specified legislative and executive agencies. Three states—Idaho, Montana and Oregon—specify that the information is to be made available to citizens. The information in this table does not include a requirement for governors to include strategic plans or performance data in recommendations to the legislature, which is reported in table 3.5.

Table 3-3, Uses of Performance Information/Reports, reports on the purposes of reporting performance information as expressed in law. The most frequently expressed purpose is to inform legislative budget decisions (24 states) and to facilitate evaluation of agencies and programs (14 states). Nine states mentioned the purpose of a broad evaluation of state government, and seven the purposes of agency self-evaluation. Other stated purposes are to inform the citizens better, further the restructuring of government, and facilitate the development of a state strategic plan. Overall, this information indicates that states have intended results-based government principally as a budgeting tool.

Table 3-4, Entity Required to Review Performance Data Collection/Measurement Process, indicates the legislative or executive agency charged with monitoring the performance measurement or information collection process. Generally states have specified both an executive agency (usually the governor or the state budget office) and a legislative agency to perform this function. In Maine and Utah, commissions with legislative and executive membership (and in Utah, private citizens) are responsible for reviewing and making recommendations on improvements to the process. Ten of the 33 states with a statutory basis for governing by results have not specified an agency to play this role in the process.

Table 3-5, Inclusion of Performance Information in the Budget Process, shows that in 22 of the 33 states with relevant legislation, performance-related data appear in the executive budget instructions, agency budget requests, or governor's budget proposal or document. Only six states require such information in budget legislation—Florida, Louisiana, Maine, Mississippi, New Mexico and Texas. In all, 27 of the 33 states specify some form of presentation of performance information to the legislature for use in the budget process.

Section 4: Statutory Requirements for Citizen Involvement in Governing for Results

Table 4-1, Required Citizen Involvement in Governing for Results, indicates that only six states—Connecticut, Hawaii, Idaho, Oregon, Utah and Wyoming—provide for a citizen role in the results-based process beyond the usually open nature of legislative budget hearings and the public availability of records. The roles vary from ensuring that information will be made public (as in Idaho's and Montana's legislation) to citizen participation in various planning boards and commissions (Hawaii and Utah) to broad participation in public meetings, hearings and workshops (as in Oregon).

Section 5: Statutory Provisions for Incentives and Disincentives

Table 5-1, Statutory Provisions for Incentives shows the nine states whose statutes allow for incentives or rewards to agencies or employees for achieving desired performance. Only Florida and Texas are known to have made use of their statutory authorization for incentives.

Table 5-2, Statutory Provisions for Disincentives, identifies the five states that may penalize agencies for falling short of performance goals. No state is known to have made use of its statutory authority for disincentives.

Section 6: States that Lack Broad Governing for Results Legislation

Table 6-1, Non-Statutory Initiatives in Strategic Planning and Performance Measurement, covers the 17 states that do not have broad enabling legislation for governing by results. It focuses on executive-branch initiatives in governing for results. The information listed in this table was current as of the end of 1999, but it is subject to change as executive offices change hands and as priorities change within administrations. This information was compiled from published documents and interviews with legislative and executive staff. The information available tends to be less formally structured than that contained in statutes and more subject to change.

1. States with Broad Governing for Results Statutes

STATE	Table 1-1. Statute Summaries
Alabama	*Ala. Code §41-19-3 - §41-19-12.* The governor is required to create a four-year strategic plan to be submitted to the legislature biennially. The plan must include long-range revenue and spending forecasts, capital expenditure needs, reductions in the cost of government and a pilot project for implementing performance-based budgeting in one or more state agencies. Agencies are to submit goals and objectives, plans for implementation, the relationship of service programs to other agencies' programs; operations plans; and quarterly performance reports. Agencies also must submit evaluations of alternatives to existing or proposed program policies and statements of legislation needed to implement proposed programs. The Department of Finance is required to submit summaries of performance reports to the legislature.
Arizona*	*Arizona Rev. Stat. §35 –113 through §35-122C* establish program budgeting for state government, provide for transition to a biennial budget (to allow for better agency performance review), detail the requirements for budget reports, require agency strategic plans, and require the creation of a "Master List of Government Programs,"* including mission statements and performance expectations. *§41-1275* creates the Program Authorization Review process, a regular though not annual agency review process. The process includes program performance reviews and results in executive and legislative recommendations on retaining, eliminating or modifying the program under review.
Arkansas	*Act 222 of Arkansas Code* requires implementation of a performance-based program budgeting and strategic planning pilot program in at least three agencies. A subcommittee is to be appointed by the Legislative Council to help implement the programs. The subcommittee must recommend a statewide performance-based budget system to become effective July 1, 2001; report the findings of its work and recommendations to the Legislative Council; make a recommendation on the relationships and roles of the various legislative service agencies and the Office of the Governor in the new system; recommend the timetable required for state implementation; recommend a method and assign the responsibility for verification of data collection; recommend a method and assign the responsibility for evaluation of the success of programs; determine incentives and disincentives to be available for agency performance; and provide an estimated cost of implementing the program. The legislation also requires the selected agencies to develop goals, strategies and performance measures in consultation with the Governor's Office, the Bureau of Legislative Research and the Legislative Auditor by September 1, 1999, for inclusion in the budget requests for the 2001-2003 biennium.
California	*Cal. Government Code §11800 ff* is the Performance and Results Act of 1993; *§11810 ff* is the State Government Strategic Planning and Performance and Review Act of 1994. The Performance and Results Act calls for a performance budgeting pilot project to be administered by the Department of Finance with a report to the Joint Legislative Budget Committee; for budgets for the pilot agencies to be submitted in traditional form and in a form that displays financial performance by program and element, and for the Act to expire on January 1, 2000. The Strategic Planning Act states that "Strategic planning is a prerequisite for effective performance reviews and . . . budgeting," requires a survey of agency strategic planning, mandates strategic planning for most state agencies and programs, and instructs the Department of Finance to prepare a plan for conducting performance reviews for agencies that are required to complete strategic plans.
Connecticut	*Public Act 93-387 of 1992* charges the Connecticut Progress Council (a group of legislative, executive and business/industry representatives), with developing a long-range vision for the state, and with defining benchmarks to measure progress in achieving the vision. The Act outlines specific issue areas that must be addressed and it requires that the Council submit the benchmarks to the Office of Policy and Management and to the legislature on a biennial basis for use in developing and reviewing the budget. In addition, the Office of Policy and Management, in consultation with the agencies, must develop specific biennial goals and objectives and quantifiable outcome measures for budgeting purposes, beginning July 1, 1993. The goals, objectives and measures are to be reviewed and evaluated annually in a report to the Joint Appropriations Committee and to the committee with jurisdiction over the

(*Continued*)

Table 1-1. Statute Summaries (*Continued*)

STATE	
Connecticut (*Continued*)	agency of interest. Starting on July 1, 1995, the reports were to include an evaluation of the progress of agencies in achieving their benchmarks. *Sec. 4-73* requires program objectives and performance measures to be included in the governor's budget recommendation.
Delaware	The *Delaware Governmental Accountability Act of 1996* requires the Budget Director and Controller General to revise the budget document to include for each agency: a mission statement; a performance measure for each Internal Program Unit; departmental organizational charts; a section in the budget book providing details on agency background and accomplishments; and a section in the budget book describing the link between the proposed allocation of services and what programs and/or services each agency will be able to accomplish. The annual budget submission must reflect the above elements and the Director of each agency must discuss the agency's mission statement, performance measures and funding requests with the Joint Finance Committee during budget hearings.
Florida	*Fla. Stat. §186.021-§186.022* requires that a state agency strategic plan be a statement of the priority directions an agency will take to carry out its mission within the context of the state comprehensive plan and any other statutory mandates and authorizations given to the agency. Each state agency strategic plan must identify infrastructure needs, capital improvement needs, and information resources management projects or initiatives that involve more than one agency, that have an outcome that impacts another agency, or that exceed $500,000 in total cost over a 1-year period. In addition, each plan must specify performance objectives, be coordinated with the state comprehensive plan, have a 5-year outlook, and provide the strategic framework within which an agency's legislative budget request is developed. The agency's budget is to be designed to further the agency's strategic plan. *Fla. Stat. §216.0166 ff* requires submission of performance-based budget requests and sets procedures and schedules for doing so. *§216-0235* lists contents required in an agency's performance-based program budget request. *§11.513* requires the Office of Program Policy Analysis and Government Accountability to conduct a program evaluation and justification review of agencies one year after they begin operating under a performance-based program budget. *§216.163(10)* itemizes possible incentives and disincentives for agency performance. In 1999, House Bill 1 (*Laws of Florida, Chapter 99-377*) added a requirement for agency unit cost measurement and reporting to the performance reporting process. *Statutes 1997 chapter 286.30* (repealed) provided that the Florida Commission on Government Accountability to the People (nine citizens and six public employees) would serve as a citizen board that would make recommendations on agency productivity and would report annually to the governor and legislature on agency achievement of performance standards, and on ways to improve the efficiency and effectiveness of government.
Georgia	*Ga. Code Ann. §45-12-175 & 177*, the "Budget Accountability and Planning Act of 1993," requires strategic planning, program evaluation, continuation budget reports, outcome (results) based budgeting and various cost savings measures. *§28-5-5* established the Budgetary Responsibility Oversight Committee (BROC) and specifies its duty is to consult with the Governor and the Office of Planning and Budget (OPB) concerning the development and implementation of the strategic planning process, the development of outcome measures for program evaluation, and the implementation of related actions. The statute authorizes the Committee to review and evaluate a number of documents, including information on new programs, the continuation budget report, the strategic plans for state and individual departments, and program evaluations. The legislation lays out the process and authorizes BROC to request a performance audit for any department. *§45-12-73 & 175* require a state strategic plan and state agency strategic plans. This is the primary function of the Strategic Planning Division of the OPB.

STATE	
Georgia (*Continued*)	*§45-12-178* requires the governor, through the OPB, to assist the General Assembly in establishing an ongoing review and evaluation process. The statute outlines the roles of the OPB, the Department of Audits and Accounts, and the Research Office of the BROC in the process and what information evaluations must include.
Hawaii	*Hawaii Rev. Stat. §37-61 through §37-94 (1998)*, "The Executive Budget Act of 1970," created a program-planning-budgeting system (PPBS) that remains the basic structure for state planning, budgeting, and reporting, though elements have not been equally developed. *§37-64* sets out general principles that the governor is responsible for long-range planning; that planning is focused on programs, not agencies; that resource allocation decisions are to be made at the lowest program level; that objectives shall be stated for every level of program; that program effectiveness shall be assessed, and that the core of program planning will be "systematic analysis in terms of problems, objectives, alternatives, costs, effectiveness, benefits, risks and uncertainties." *§37-67* requires the Department of Budget and Finance to develop procedures to guide agencies and assist them with developing long-range plans, program and financial plans, program budget requests and performance reports and to assure the availability of information needed for effective policy-making. *§37-69* provides a detailed list of the contents required to be included in the governor's annually updated six-year program and financial plan. *§37-70* calls for reporting of program costs, effectiveness and activity data as well as program objectives. *Act 230 of the 1998 Hawaii Legislature* creates a special committee charged with developing and overseeing the implementation of a performance-based budgeting system to incorporate quantitative or qualitative indicators to assess the state's budget performance. The committee is to develop models for transforming the state's budgeting and accounting systems. The committee, which will include legislators, the Legislative Analyst, cabinet officers and citizens, must establish pilot projects in three agencies of its choice by December 31, 1999, and is to report annually to the legislature on progress through 2001.
Idaho	*Idaho Code §§ 67-1901, 67-1902 and 67-1903* are designed to improve management practices and the confidence of citizens in the capability of state government by developing and effectively utilizing long-term strategic planning techniques, key performance standards or goals and measures and improved practices in publicly reporting their progress. The sections aim to improve program effectiveness and accountability by promoting a new focus on results, service quality and customer satisfaction. In addition, the legislation is designed to help program managers improve service delivery by requiring that they plan to meet program objectives, and by providing them with information about program results and service quality. The statutes also aim to improve oversight review and decision making by providing objective information, data and statistics on achieving statutory and other public policy objectives, and on the relative effectiveness and efficiency of program implementation and spending. *§67-1902* required agencies submit a strategic plan with at least a 4-year perspective by September 1, 1995 with specific contents. The legislation specifies who should be consulted in development of the plan, and requires the plan to be updated annually. Information must be reported in a manner that readily allows comparison of the results of the agency's activities and operations to the plan. The annual performance plan, required under *§67-1903*, must be consistent with the agency's strategic plan. All strategic plans are available to the public. *§67-1903* requires that agencies submit an annual performance plan as part of the budget request, addressing a number of specific points. The plans, which must contain an historical, comparative report of its performance and plans compared to its performance standards and measures, and disclose the immediately prior four historical fiscal years and the next four fiscal years of its strategic plan, are to be submitted both to the legislature and the public. Reports must be presented in a uniform and consistent manner and in appropriate summary type format and in language that can be easily reviewed and readily understood by the average citizen. *§67-3507* requires that a section of the executive budget document consist of the annual performance plans required in section *§67-1903*.

(*Continued*)

Table 1-1. Statute Summaries (*Continued*)

STATE	
Idaho (*Continued*)	*§67-457* authorizes the Office of Performance Evaluations, created in 1994 by the Joint Legislative Oversight Committee, to conduct performance evaluations of any state agency as directed by the Committee.
Illinois	*Ill. Rev. Stat. ch. 15 §20/38.1* requires the inclusion of performance data in the governor's budget submission, beginning July 1, 1992, which is to present a comparison of department objectives with actual accomplishments for the current fiscal year, projections for the budget year and information for the three prior fiscal years. (The estimates and projections must be formulated according to the various functions and activities and where possible, according to the work units for which the department is responsible.)
Iowa*	*Laws of the 77th General Assembly, 1997 Session, CH 209 §23* says that the general assembly will consider requiring that all programs be included in the Iowa "Budgeting for Results" program. The legislation states that departments are to collect information as determined by the Department of Management in conjunction with the Legislative Fiscal Office, to measure the effectiveness of a program in achieving its desired results, and it requires the governor and legislature to use the reports in making budget and policy decisions.
Kentucky	*H.B. 502 Free Conf. Comm. Report of the 2000 Regular Session* requires each cabinet officer to develop a four-year strategic plan according to the governor's goals and to submit it to the legislature with the 2002-2004 budget request. Plans are to include goals, strategies (called "objectives" in the legislation) for meeting the goals and associated performance indicators. The Auditor of Public Accounts is to report on the flow of budgeting information in state government. The Budget Director is to implement a performance budgeting pilot program including three to six agencies; each of them is to submit a performance-based budget for the 2002-2004 budget along with its regular budget request. The auditor is to monitor and evaluate the project and report to the governor and legislature in early 2002.
Louisiana	*H.B. 2476 of the 1997 Regular Session of the Louisiana Legislature*, principally codified in *La. Rev. Stat. Ann. §39.31* and *§87.1 ff,* created the "Louisiana Government Performance and Accountability Act." It requires each state department and agency to participate in strategic planning; that agencies' key objectives and key performance indicators be included in appropriations acts; that agencies report progress toward performance indicators quarterly to the legislature and executive branches; and that the Legislative Auditor audit and verify performance report data. The legislation also creates a system of performance rewards and penalties. The Act defines the roles of various legislative and executive branch officials in administering and validating the process.
Maine	*Maine Rev. Stat. Ann. tit. 5 §§1710K – 1710Q* requires strategic planning and performance budgeting for all state agencies, and it established the Commission on Performance Budgeting to monitor, track and guide performance budgeting in state government and to periodically report to the legislature and the governor on recommendations for improvements. The legislation also specifies the Commission's staffing and required meetings, outlines the contents and deadlines for agency strategic plans, requires interagency coordination of strategic plans, requires the governor submit a "prototype" budget bill for legislative review, requires state agencies to develop budgets consistent with strategic plans, requires biennial revisions to agency strategic plans, and requires identification of agency strategies, goals and measurable objectives in the budget bill and budget document for subsequent biennia.
Minnesota*	*Minn. Stat.§16A.10* states that the purposes of performance reporting are to: (1) provide information so that the legislature can determine the extent to which state programs are successful; (2) encourage agencies to develop clear goals and objectives for their programs; and (3) strengthen accountability to Minnesotans by providing a record of state government's performance in providing effective and efficient services. However, *Minn. Stat. §§15.90 through 15.92* were repealed in 1999* (the requirement to provide performance data in budget documents was not repealed).

STATE	
Minnesota (*Continued*)	*§4A.01* calls for development of an integrated long-range plan for the state that will stimulate public interest and participation in the future of the state, and established the Office of Strategic and Long-range Planning (known as "Minnesota Planning"), which produces *Minnesota Milestones*.
Mississippi	*Miss. Code §27-103-153 through §27-103-159* requires that annual appropriation bills include performance targets based on agencies performance measures set for each program in an agency. Agencies are to submit five-year strategic plans with their budget requests annually. The Department of Finance and Administration is directed to establish an innovation incentive program whereby agencies which develop and implement innovative cost saving measures can receive both public commendation and monetary reward in recognition of their efforts. The legislature is to provide for staff to compare actual performance of each agency and its programs with targeted performance levels set in appropriations bills.
Montana*	*HB 2* in 1993 and 1995 encouraged the governor to begin and then to expand a performance-based budgeting pilot. *HB 2 of the 1999 Legislative Session*, the General Appropriations Act, requires each department, the Montana university system, and when appropriate, each division of each department, to place its specific and measurable goals, benchmarks, and objectives for both years of the 2001 biennium on their respective Internet Web sites, or when appropriate, on the state's site. And beginning July 1, 1999, and every six months afterwards, each department and the university system must report their progress toward meeting goals, benchmarks, and objectives, as well as what changes (if any) were made to ensure that those goals, benchmarks, and objectives were attained (§ 8).
Nevada*	*Nev. Rev. Stat. §353.205* requires the governor to submit a mission statement and measurement indicators for each program in the biennial budget submission to the legislature. *§345.070* requires the Director of Administration to issue an annual report on state agencies to the legislature.
New Mexico	*Chapter 140, Laws of 1994*, called for creation of the New Mexico Horizons Task Force to develop a process of state strategic planning. The 1999 legislation that follows is one of the recommendations the task force made in its report, *New Mexico in Transition: The Promise of Strategic Planning* (December 1994). *N. M. Stat. Ann. §§ 6-3A-1 – 6-3A-8*, the Accountability in Government Act enacted in 1999, states that each agency required to submit a performance-based program budget request is required to submit an annual list of programs, a compilation of performance measures, and baseline data and outputs. The legislation directs the state budget division to develop guidelines to agencies for preparing their performance-based budget requests and contains a provision for the enactment of incentives and disincentives. The purpose of the legislation is to "provide for more cost-effective and responsible government services by using the state budget process and defined outputs, outcomes and performance measures to annually evaluate the performance of state government programs." Agencies will gradually come under the provisions of the Act, which is to be fully implemented by the end of FY 2004. *Senate Joint Memorial 4 of the 2nd Special Session of 2000* provided further guidelines for coordination of legislative and executive oversight of the development of performance measures, set program goals and performance measures for selected agencies, established reporting requirements, and directed the state budget division to coordinate performance measures among a number of agencies concerned with social services and health.
North Carolina	*N.C. Genl. Stat. §143-10.3* directs the Office of State Budget and Management (OSBM) to implement a strategic planning process for state government, which is to include state goals. Agencies are to develop goals and objectives consistent with the state goals and the governor's budget must reflect them. Agencies are also to prepare comprehensive operations plans, performance measures and indicators of program impact, and are to periodically review performance in conjunction with

(*Continued*)

Table 1-1. Statute Summaries (*Continued*)

STATE	
North Carolina (*Continued*)	OSBM. OSBM is charged with implementing statewide comprehensive performance measures and indicators across all agency lines. Statutes provide details for structuring performance measures and reviews, and require uniformity of process across agencies. The Budget Director is required to report to the general assembly on the progress of implementing performance measurement.
Ohio*	*Ohio Rev. Code Ann. §126.13*, enacted in 1996, authorized state agency pilot projects in program performance reporting. The Director of Budget and Management was to select the agencies to provide reports, which were to be submitted with the agency's budget request.
Oklahoma	*Okla. Stat. Title 62 §41.44* established an initiative for all departments, agencies, boards and commissions to prepare, submit and operate their budgetary system in a program format. The purpose of the program budgeting initiative is to better prioritize state funding needs, reduce program duplication and enhance budgeting information necessary to improve the efficiency of state operations. The original language of the Act in *Senate Bill 1127 of the 1994 Oklahoma Legislature* specified pilot programs; the language was subsequently amended to make it applicable to all state agencies. *§41.7c* specifies that agency budget work programs are to include mission statements and program objectives.
Oregon	*Or. Rev. Stat § 285A.150 ff* creates the Oregon Progress Board, and directs it to develop a long-term strategy to address economic, social, cultural, environmental, and other needs/aspirations of Oregon people. These include issues of education, workforce, public-private cooperation, environmental quality, infrastructure, funding and taxation, and any issues the Board wants to add. The Board is to hold public hearings to ensure participation of a broad cross section of the state's population and must submit a final version of its strategy to the legislature. It must include recommendations on necessary statutory changes, fiscal policy changes, changes in allocation of lottery revenues, actions to be carried out by local government, businesses, citizens and organizations, and goals for Oregon's progress over the next 20–30 years, including measurable indicators of attainment. The plan must also include a strategy for Oregon's long-term economic progress, goals for Oregon's progress, measurable indicators, an implementation plan and benchmarks. Analyses of issues and trends of strategic significance are also required in the Board's mandatory biennial reports to the public. The Act provides for legislative review of goals with power of revision.
Rhode Island*	*R.I. Genl. Laws §35-3-24.1* requires that the governor submit performance objectives for each program in the budget for the ensuing fiscal year, estimated performance data for the fiscal year in which the budget is submitted, actual performance data for the preceding two fiscal years, and appropriate standards against which program performance can be measured, beginning in 1997.
South Carolina	*S.C. Code of Laws §1-1-810* requires departments to submit annual accountability reports to the legislature and governor (submission date not specified), covering a period from July 1 to June 13. *§1-1-820* outlines the required contents of the reports, and *§1-1-840* authorizes the governor or legislature to call upon any department at any time to submit an accountability report.
South Dakota	*S.D. Codified Laws Ann. §4-7-35* required the governor to implement a performance-budgeting system for all state government programs, incorporating strategic planning and performance measurement. The statute authorized the governor to phase-in the system over a maximum of two years, but required that all programs be included in the FY 1997 budget proposal (*repealed in 1999*). *§4-7-37* and *§4-7-38* required the legislature (through the Executive Board of the Legislative Research Council) and the judiciary to implement a performance budgeting system for all programs under their purview (*repealed in 1999*).
Texas*	*Tex. Government Code Ann. §2056.001 ff* (1991) calls for agency strategic plans, outlines required contents and instructs the Office of Budget and Planning and the Legislative Budget Board to work with agencies on outcomes, outputs, unit costs and cost effectiveness measures. The two offices are then to compile a state strategic plan, making use of the agency strategic plans. Auditors review an

STATE	
Texas (*Continued*)	agency's "faithfulness" to its strategic plan in performance audits. Provisions in various appropriations bills ("riders"), however, have added to the requirements of governing-for-results. The provisions call for performance milestones, incentives and negative incentives or redirection, benchmarking at the agency and state government levels, customer satisfaction assessment, pilot projects in activity-based costing, analyses of performance in relation to outcomes, outputs, and efficiency goals, plans for the review of agency administrative rules and a paperwork reduction act.
Utah	*Utah Code Ann. §36-18-1*, originally enacted in 1990 and since amended, created the Utah Tomorrow Strategic Planning Committee to recommend an ongoing, comprehensive strategic planning process for the state. The Committee has the broad power to undertake related activities it considers necessary. The Committee includes legislators, governor's appointees, local government officials, members of the public, and non-voting members at the pleasure of the committee.
Vermont	*Vt. Stat. Ann. tit. 32, §307(c)* requires the budget include a strategic plan for each state agency and outlines the required contents of the plans.
Virginia	*Va. Code § 2.1-391* outlines as duties of the Department of Finance, the continuous review of state government activities, focusing on budget requirements in the context of the goals and objectives determined by the governor and the legislature, and monitoring of the progress of agencies in achieving goals and objectives.
Washington	*Wash. Rev. Code § 43.88.090* requires the development of strategic plans and specifies their required contents and a process for creating a plan to integrate strategic plans with performance assessment procedures. The statute also requires each agency's budget proposal to be linked to the agency's mission, program goals and objectives. In addition, the governor is required in a gubernatorial election year, to invite the governor-elect or a designee to attend hearings in order to gain an understanding of the state's budget requirements. The purpose is for the governor-elect to be able to make recommendations (to be submitted in writing with the budget document) in connection with the budget.
Wyoming	*Wyo. Stat.. §§ 28-1-115 - 28-1-116* require agencies to develop strategic plans and submit them to the legislature to assist with legislative deliberations. By March 31 of each odd-numbered year, the governor is required to define state goals and objectives in education, regulatory and economic development, natural resources, health, human services, transportation, public safety, corrections and general government. The goals must be submitted to all members of the legislature. On or before September 1 of each odd-numbered year, agencies must submit a strategic plan for the governor's approval. Also see *§ 9-2-1014(a).*

TOTALS: States with broad governing for results legislation: 33
States with no broad governing for results legislation: 17

NOTES:

Arizona—The *Master List of State Government Programs* (Office of Strategic Planning and Budgeting) lists budget units, programs and subprograms. Its data on individual programs and subprograms include mission statements, strategic plans, descriptions of responsibilities and target clientele, program goals, key performance measures (almost entirely outputs measures), funding and agency FTE. This document is central to the state's strategic planning and performance reporting process.

Iowa—"Budgeting for Results" is an executive-branch state strategic planning initiative. It is not defined in statute, other than this reference to it in session law. The Iowa Department of Management has developed agency guidelines and a reporting mechanism under this initiative.

Minnesota—*Minn. Stat. §§15.90 through 15.92* set general requirements for agency performance reports, provided for filing the reports with executive and legislative officials, for the Commissioner of Finance to enforce the reporting requirement, and for the Legislative Auditor to review and comment on selected performance reports periodically. The statute also provided for employee committees within each agency to identify ways to improve agency service delivery and barriers to better service delivery, to participate in the development of outcome measures and incentive programs, and to develop solutions to agency problems shared by employees and employers.

Montana—There is no other legislation related to Section 8 of HB 2. This is the only place the legislature addresses the issue of performance-based budgeting, and although it

(*Continued*)

Table 1-1. Statute Summaries (*Continued*)

requires posting agency performance standards and reporting on the results of those goals, the legislature does not use the information to establish budgets. The PBB pilot project that began three biennia ago was virtually abandoned for the 1997-1999 budget cycle.

Nevada—The Administration's 1997-1999 version is called *Perspectives: A Biennial Report of Nevada State Agencies.* It includes a description of each state agency, a statement of its purpose, key long-term objectives, accomplishments and significant changes, as well as publications. It does not include quantitative performance measurements or strategic plans.

Ohio—The Director of Budget and Management has required the pilot programs to report goals and objectives, performance measures and targets for seven agencies.

Rhode Island—The state budget office interprets this statute to mean requiring only output measures, in addition to strategic missions, goals, objectives and explanatory information.

Texas—Riders are compiled by the House Appropriations Subcommittee on Performance-Based Budgeting, in *Review of the Riders to the Appropriations Bill that Comprise the PBB System of the State of Texas* (Austin, 1997), which was cited in Enrique Roberto Cuellar's, *A Comparative Analysis of Legislative Budget Oversight: Performance-Based Budgeting in the American States* (a dissertation submitted to the faculty of the graduate school of the University of Texas at Austin, 1998), 186.

2. Statutory Requirements for Agency Strategic Planning

Table 2-1. Responsibility for Developing Agency Strategic Plans

STATE	AGENCY	PRIVATE CONSULTANT	TECHNICAL ASSISTANCE OR TRAINING FROM ANOTHER AGENCY	OTHER	NOT APPLICABLE
AL*					■
AZ	■				
AR*	■		Bureau of Legislative Research and Auditor	■	
CA	■				
CT*					■
DE*					■
FL*	■				
GA*	■	■	Strategic Planning Division of the Office of Planning and Budget		
HI	■		Department of Budget and Finance		
ID*	■			■	
IL*					■
IA*	■				
KY	■		State Budget Director		
LA	■				
ME	■				
MN					■
MS*	■				
MT					■
NV					■
NM*	■		State Budget Division		
NC	■		Office of State Budget and Management		

STATE	AGENCY	PRIVATE CONSULTANT	TECHNICAL ASSISTANCE OR TRAINING FROM ANOTHER AGENCY	OTHER	NOT APPLICABLE
OH					■
OK					■
OR					■
RI					■
SC					■
SD	■				
TX*	■		Office of Budget and Planning and Legislative Budget Board		
UT*					■
VT*	■				
VA*					■
WA	■		Office of Financial Management		
WY	■				

TOTALS: States with a party responsible for developing agency strategic plans: 18
States with no requirement for the development of agency strategic plans (N/A): 14
States with no broad governing for results legislation: 17

NOTES:

Alabama—The governor is required to create a four-year strategic plan to be submitted to the legislature biennially. The plan must include long-range revenue and spending forecasts, capital expenditure needs, reductions in the cost of government and a pilot project for implementing performance-based budgeting in one or more state agencies. Agencies are to submit goals and objectives, plans for implementation, the relationship of service programs to other agencies' programs; operations plans; and quarterly performance reports. Agencies also must submit evaluations of alternatives to existing or proposed program policies and statements of legislation needed to implement proposed programs.

Arkansas—Legislation requires implementation of a performance-based program budgeting and strategic planning pilot program in at least three agencies. In consultation with the "appropriate interim committee," the governor's office and the staffs of the Bureau of Legislative Research and Legislative Auditor, the pilot agencies are required to determine the goals to be accomplished in their programs, strategies to be used to accomplish the goals and the measurements to be used in evaluation of the programs. (A subcommittee appointed by the Legislative Council for the purpose of helping implement the pilot programs is responsible for recommending a statewide system to become effective July 1, 2001.)

Connecticut—While not required by statute, agencies may choose to produce a strategic plan and the Office of Policy and Management has issued guidelines to promote agency use of strategic planning as a management tool.

Delaware—While statute does not require agency strategic plans, the Office of the Budget has developed strategic planning guidelines to assist agencies in identifying and achieving agency goals and objectives. The Office "requests" that all departments prepare a strategic plan and update them by October 1 of each year.

Florida—Agencies' strategic plans must comply with instructions issued by the Executive Office of the Governor, which must consult with the President of the Senate and the Speaker of the House of Representatives in preparing the instructions.

Georgia—Members of the Strategic Planning Division of the Office of Planning and Budget develop an annual state plan using guidance from the governor's staff and input from state agency representatives. In addition, the members facilitate strategic planning sessions in state agencies upon request and provide consultative services regarding results based budgeting, redirection of resources, organization development, trend analysis and implementing strategic planning throughout the organization. Agencies may also use private consultants to assist in developing a plan, or they may choose to develop a plan on their own.

Idaho—Agencies are required under *67-1902* to consult with the "appropriate" members of the legislature, and to solicit and consider the views and suggestions of those persons and entities potentially affected by the plan.

Iowa—The statute says that the general assembly will "consider" requiring that all programs be included in the Iowa "Budgeting for Results" program. Those that are

(*Continued*)

Table 2-1. Responsibility for Developing Agency Strategic Plans (*Continued*)

must collect information as determined by the Department of Management in conjunction with the Legislative Fiscal Office.

Illinois—While there is no requirement for a strategic plan, at least three agencies have voluntarily developed one.

Mississippi—Agencies are to submit five-year strategic plans as part of their annual budget request.

New Mexico—Legislation created the New Mexico Horizons Task Force to develop a process of state strategic planning. The "Accountability in Government Act," a recommendation of the task force, requires each agency to submit a performance-based program budget request and annual list of programs, compile performance measures, baseline data and outputs. The legislation directs the state budget division to develop guidelines for performance-based budget requests. Agencies will gradually come under the provisions of the Act, which is to be fully implemented by the end of FY 2004.

Texas—Legislation instructs the Office of Budget and Planning and the Legislative Budget Board to work with agencies on outcomes, outputs, unit costs and cost effectiveness measures.

Utah—No agency strategic plans are required, although Utah Tomorrow has established a vision statement and strategic planning process for ten broad public policy areas: culture, economic development, education, environment, free enterprise, government, health and safety, human services, infrastructure, and justice. It has begun the process of collecting baseline data and developing performance measures and goals for the ten areas.

Virginia—While there is no requirement for agency strategic planning, according to the legislation, goals and objectives are to be determined by the governor and legislature.

Table 2-2. Required Contents of Agency Strategic Plans

STATE	MISSION/ PURPOSE	STRATEGIES	GOALS/ OBJECTIVES	PERFORMANCE MEASURES	LINK TO STATE-WIDE PLAN†	OTHER	NOT APPLICABLE
AL*							■
AZ	■	■	■	■			
AR		■	■	■	N/A		
CA*				■	N/A		
CT*							■
DE*							■
FL*	■	■	■		■	■	
GA*	■	■	■		■	■	
HI*							
ID*	■	■	■	■	N/A	■	
IL						■	
IA*	■	■	■	■	■	■	
KY	■	■	■	■	■		
LA*	■	■	■	■	N/A	■	
ME	■	■	■	■	N/A		
MN							■
MS	No requirement						
MT							■
NV							■
NM*				■	N/A	■	
NC		■	■	■	■		
OH							■

STATE	MISSION/ PURPOSE	STRATEGIES	GOALS/ OBJECTIVES	PERFORMANCE MEASURES	LINK TO STATE-WIDE PLAN†	OTHER	NOT APPLICABLE
OK							■
OR							■
RI*							■
SC							■
SD*	■		■	■	N/A	■	
TX*	■	■	■	■	■	■	
UT*							■
VT*	■	■	■	■	N/A	■	
VA*							■
WA*	■	■	■	■	N/A	■	
WY*	■	■	■	■	■	■	

KEY: † – Indicates states with no requirement for a *state-wide* strategic plan.

TOTALS: States with a requirement for specific contents: 18
States with a requirement for agency strategic planning, but with no explicitly required contents (No requirement): 1
States with no broad governing for results legislation: 17

NOTES:

Alabama—There is no requirement for agency strategic plans, but for the governors 4-year statewide strategic plan, agencies must submit goals and objectives, plans for implementation, the relationship of service programs to other agencies' programs; operations plans; and quarterly performance reports. Agencies also must submit evaluations of alternatives to existing or proposed program policies and statements of legislation needed to implement proposed programs.

California—While not including specifics, legislation requires the Department of Finance to develop a plan that is to be the basis for conducting performance reviews of agencies based on their strategic plans.

Connecticut—While not required by statute, agencies may choose to produce strategic plans, and the Office of Policy and Management has issued guidelines to promote the use of strategic planning as a management tool. The guidelines suggest the inclusion of missions, strategies, goals/objectives and performance measures.

Delaware—While statute does not require agency strategic plans, the Office of the Budget has developed strategic planning guidelines to assist agencies in identifying and achieving agency goals and objectives. The Office "requests" that all departments prepare one.

Florida—Strategic plans must identify infrastructure needs, capital improvement needs, information resources management projects that involve more than one agency, that have an outcome that impacts another agency, or that exceed $500,000 in total cost over a one year period. In addition, each plan must specify performance objectives. Plans must have a five-year outlook, and serve as the framework for budget requests.

Georgia—Currently, state agencies have wide latitude in developing their strategic plans. The governor's Office of Planning and Budget (OPB) developed a strategic planning model for state government, and realized that variations in the size and scope of state agencies would require a flexible model. Because there was little consistency in the plans making meaningful comparisons difficult, the Office developed standard definitions and processes aimed to increase consistency among strategic plans while giving agencies as much autonomy as possible in developing them. In addition to the items in the table above, minimum requirements for the plan include: a general description of the process used to develop the strategic plan and the parties involved in its development; an issue specific "mini" strategic plan covering information technology (IT); a list of actions taken to implement the agency's preferred vision for the future; and the status of the strategic plan. (A new plan is not required each year, but the plan should be updated to account for any trends that have changed since its development.)

Hawaii—The Department of Budget and Finance, with the approval of the governor, was to develop procedures to guide agencies in preparing initial proposals with respect to long-range plans, program and financial plans, program budget requests and program performance reports.

Idaho—Also required are an identification of key factors external to the agency and beyond its control that could significantly affect the achievement of general goals and objectives, as well as a description of the program evalua-

(*Continued*)

Table 2-2. Required Contents of Agency Strategic Plans (*Continued*)

tions used in establishing or revising general goals and objectives (with a schedule for future program evaluations).

Iowa—The Iowa Department of Management has developed agency strategic planning guidelines, which require a mission, strategies, goals/objectives, performance measures and a link to the state strategic plan. Agency guiding principles and internal and external assessments are also required. However, legislation does not require all programs.

Louisiana—Strategic plans must also identify principal clients of a program and the benefits it will provide the clients; the means to avoid duplication of effort when more than one program is directed to a single goal, objective or strategy; documentation of the validity, reliability and appropriateness of each performance indicator; the methodology for verifying the performance indicators as relevant measures of each program's performance; and the way each performance indicator is used in management decision making and other agency processes. The original strategic plans were due July 1, 1998, and are to be updated at least every three years. Agencies are to file a detailed operations plan consistent with their strategic plan annually, which is to contain the agency's mission statement and its goals, objectives, performance indicators and activities.

New Mexico—Agency strategic plans are to consider internal and external assessments. Those for the state agency of aging, human services department, department of health and children, and the human services department are to be coordinated.

Rhode Island—While no agency strategic plans are required, performance information is required as part of an agency's budget request, which the state budget office interprets to mean strategic missions, goals, objectives and explanatory information.

South Dakota—Legislation (repealed) required the governor (through the Bureau of Finance and Management) to have a performance budgeting system in place for the FY 1997 budget proposal which was to incorporate strategic planning and performance measurements.

Texas—Agency strategic plans are used in construction of the state strategic plan. In addition to items indicated in the chart, agency strategic plans must identify the clientele of the agency, expected changes in the clientele, an analysis of the adequacy of the agency's resources to meet its needs, an estimate of future needs, an analysis of changes expected in agency services because of changes in state or federal law, and a description of capital improvement needs, prioritized if possible. Agencies that are subject to the strategic planning requirement must also engage in internal performance benchmarking to identify and develop agency-specific performance benchmarks linked to the state-level benchmarks developed by the governor in *Vision Texas*. Agencies are to report on the benchmarking process in the strategic plans they submit for the 1999-2004 period (strategic plans are updated biennially; each covers the proceeding five years). Certain agencies are required to carry out customer satisfaction assessments and report on the assessments in the 1999-2004 strategic plans.

Utah—Required contents are at the discretion of Utah Tomorrow. The Committee has begun the process of collecting baseline data and developing performance measures and goals in the policy areas of culture, economic development, education, environment, free enterprise, government, health and safety, human services, infrastructure, and justice.

Vermont—Strategic plans must also include an identification of the groups of people served; estimates of the changes in those groups expected during the term of the plan; an analysis of the use of resources to meet needs (including future needs and an analysis of additional resources that may be necessary to meet future needs); an analysis of expected changes in the services provided by the agency because of changes in state or federal law; strategies for meeting future needs and goals; a description of the capital improvement needs of the agency during the period covered by the plan; a prioritization, if appropriate, of the capital investment needs of the agency or program during the period covered by the plan; and any other information if required.

Virginia—There is no requirement for agency strategic planning, but according to the legislation, goals and objectives are to be determined by the governor and legislature.

Washington—Objectives must be expressed to the extent possible in outcome-based, objective, and measurable form unless an exception to adopt a different standard is granted by the Office of Financial Management and approved by the legislative Committee on Performance Review. In addition to the above items, each state agency plan must contain timelines for achieving goals.

Wyoming—Agencies are required to submit a strategic plan with a four-year prospective that contains the strategic approach within which the agency's budget request is developed. Agencies must state the relative priority that each current or proposed program bears with regard to all other programs and objectives within the agency. Performance measures are also required in the strategic plan. They must provide methods and criteria to measure the agency's performance in conducting its activities, which must comply with standards developed by the Governmental Accounting Standards Board (GASB).

Agencies must consider four questions in their plans: 1) the specific purpose of each program, function and activity; 2) the specific public benefit that does or should result from the programs, functions or activities; 3) alternative courses of action that would result in administration of the same program, function or activity in a more efficient or effective manner including: a) whether a program, function or activity could be implemented more effectively by another level of government or by a private entity; and b) whether there is sufficient public benefit to justify the funding necessary for the program, function or activity; consequences of discontinuing any programs; and 4) whether the methods, rules and policies employed by the agency to implement a program, function or activity are cost-effective, efficient and consistent with law and impose a minimum of regulatory burden.

Table 2-3. Agency Required to Oversee/Facilitate the Development of Agency Strategic Plans

STATE	LEGISLATIVE	EXECUTIVE	OTHER	NOT APPLICABLE
AL				■
AZ	Joint Legislative Budget Committee	Governor's Office of Strategic Planning and Budgeting		
AR*				
CA	Joint Legislative Budget Committee	Department of Finance		
CT*				■
DE*				■
FL*		Executive Office of the Governor	Technology Review Workshop; Criminal and Juvenile Justice Information System Council	
GA*	Budget Responsibility and Oversight Committee	Governor's Office of Planning and Budget		
HI		Department of Budget and Finance		
ID		Division of Financial Management		
IL				■
IA	Legislative Fiscal Office	Department of Management		
KY	Legislative Research Commission	Cabinet Officers & Auditor of Public Accounts		
LA	Chairs of standing committees with jurisdiction over the agency of interest	Commissioner of Administration		
ME*			Commission on Performance Budgeting	
MN				■
MS	Legislative Budget Office	Department of Finance and Administration		
MT				■
NV				■
NM*		State Budget Division		
NC		Office of State Budget and Management		
OH				■
OK				■
OR				■
RI				■

(*Continued*)

Table 2-3. Agency Required to Oversee/Facilitate the Development of Agency Strategic Plans (*Continued*)

STATE	LEGISLATIVE	EXECUTIVE	OTHER	NOT APPLICABLE
SC				■
SD*		Governor; Bureau of Finance and Management		
TX*	Legislative Budget Board	Governor's Office of Budget and Planning		
UT				■
VT	No requirement			
VA*				■
WA*	Committee on Performance Review	Office of Financial Management		
WY	Audit Division of the Legislative Services Office; Management Audit Committee	Department of Audit		

TOTALS: States with required "overseeing"/facilitating party: 17
States with no required overseeing/facilitating party (No requirement): 1
States with no requirement for agency strategic plans (N/A): 15
States with no broad governing for results legislation: 17

NOTES:

Arkansas—Legislation requires implementation of a performance-based program budgeting and strategic planning pilot program in at least three agencies. A subcommittee, which is to be appointed by the Legislative Council to help implement the programs, is responsible for recommending a statewide system to become effective July 1, 2001. The subcommittee's duties include making a recommendation on the relationships and roles of the various legislative service agencies and the Office of the Governor in the new system.

Connecticut—Agency strategic plans are not required by statute, but the Office of Policy and Management has promoted the use of agency strategic planning.

Delaware—While statute does not require agency strategic plans, the Office of the Budget has developed strategic planning guidelines to assist agencies in identifying and achieving agency goals and objectives. The Office "requests" that all departments prepare a strategic plan and update them by October 1 of each year.

Florida—The Technology Review Workgroup reviews strategic plans for the consistency of information resources management with state policies; and the Criminal and Juvenile Justice Information Systems Council reviews them with respect to public safety strategic information resources management.

Georgia—The law requires the chair of the Budgetary Responsibility Oversight Committee to maintain a list of programs the Committee is requesting be evaluated. The chair must provide the list, and any subsequent revisions to the list, to the Director of the Governor's Office of Planning and Budget and to the State Auditor. The Office of Planning and Budget and the head of each budget must provide information or reports as requested by the Committee.

Maine—The Commission, which is required to meet at least quarterly, is composed of 13 members: four from the joint standing committee dealing with appropriations and financial affairs, two from the joint standing committee with jurisdiction over state and local government matters, six members representing state departments and one member representing the judiciary.

New Mexico—Although there is no explicit statutory requirement for strategic planning, agencies have developed strategic plans with the assistance of the state budget division and the Joint Legislative Finance Committee.

South Dakota—While not calling for separate agency strategic plans, legislation requires that the governor implement a performance budgeting system that incorporates strategic planning, (through the Bureau of Finance and Management).

Texas—In a performance audit, the Comptroller, the Sunset Advisory Commission, the State Auditor or any other agency that conducts performance audits must review an agency's conformity with its strategic plan.

Virginia—There is no requirement for agency strategic planning, but according to the legislation, goals and objectives are to be determined by the governor and legislature.

Washington—The Office of Financial Management (OFM) is required to develop a plan to merge the budget development process with agency performance assessment procedures. The plan is to include a schedule to integrate agency strategic plans and performance measures into agency budget requests and the governor's budget proposal over three fiscal biennia. The plan is to identify agencies to implement the revised budget process in the 1997-1999 biennium, the 1999-2001 biennium, and the 2001-2003 biennium.

In consultation with the legislative fiscal committees, OFM is responsible for recommending statutory and procedural modifications to the state's budget, accounting, and reporting systems to facilitate the performance assessment procedures and the merger of those procedures with the state budget process. The plan and recommended statutory and procedural modifications were to be submitted to the legislative fiscal committees by September 30, 1996.

3. Statutory Requirements for Performance Measurement and Reporting

Table 3-1. Information Required to be Measured/Reported

STATE	FINANCIAL INFORMATION	MISSION, STRATEGIES, GOALS, OBJECTIVES	INPUTS	OUTPUTS	OUTCOMES	EFFICIENCY MEASURES	PERFORMANCE MEASURES (IN GENERAL)	OTHER
AL*		■	■	■	■	■		■
AZ	■	■		■		■		
AR*		■					■	
CA	■							
CT*		■			■		■	■
DE*		■					■	■
FL*	■	■		■	■		■	■
GA*	■	■			■			■
HI*	■	■			■	■		■
ID*	■	■		■	■		■	■
IL*	■					■		
IA*							■	
KY*								■
LA*	■	■	■	■	■	■	■	■
ME	■					■		
MN*		■			■		■	
MS			■			■		
MT*		■						■
NV*		■					■	
NM*	■	■		■	■		■	■
NC*		■		■	■	■	■	■
OH*		■					■	■
OK	■	■						
OR*		■					■	■
RI*	■		■			■		
SC	■					■		
SD*	■	■				■	■	■
TX*	■	■		■	■	■	■	■

(*Continued*)

Table 3-1. Information Required to be Measured/Reported (*Continued*)

STATE	FINANCIAL INFORMATION	MISSION, STRATEGIES, GOALS, OBJECTIVES	INPUTS	OUTPUTS	OUTCOMES	EFFICIENCY MEASURES	PERFORMANCE MEASURES (IN GENERAL)	OTHER
UT*		■					■	
VT			■	■				
VA*		■						
WA	■			■		■		
WY*	■	■				■		■
Column totals	12	28	2	11	13	8	21	18

TOTALS: States with a requirement for specific performance information to be measured or reported: 32
States with no broad governing for results legislation: 17

NOTES:

Alabama—Agencies are also to report the relationship of service programs to other agencies' programs, evaluations of alternatives to existing or proposed program policies, statements of legislation needed to implement proposed programs, administrative improvements made in the preceding year, further planned improvements and any needed changes in legislation to facilitate administrative improvements.

Arkansas—The legislation requires pilot agencies to develop goals, strategies and performance measures in consultation with the Governor's Office, the Bureau of Legislative Research and the Legislative Auditor by September 1, 1999, for inclusion in the budget requests for the 2001-2003 biennium.

Connecticut—After the Progress Council submits updated benchmarks to the Office of Policy and Management (and to the legislature), it must develop in consultation with the agencies, specific biennial goals and objectives and quantifiable outcome measures for budgeting purposes. The "statement of performance measures" that is required in the executive budget proposal, must include but not be limited to, an analysis of the workload, quality of service and effectiveness of programs.

Delaware—Agencies are also required to include an organizational chart for each department and two sections in the budget book about agency background and accomplishments, as well as a description of the link between the proposed allocation of services and what programs and/or services the agency will be able to accomplish.

Florida—Agencies must also submit baseline data and documentation of the validity, reliability and appropriateness of each performance measure.

Georgia—The Budget Accountability and Planning Act of 1993 required the FY 1999 Executive Budget to refocus budgetary accountability from funding activities to funding program results. The state strategic plan (composed largely by the governor) states that in results-based budgeting, state agencies identify programs, program purpose, customers, long-term goals, and annual desired results.

Georgia requires only that agencies report program results. Other types of input and activity measures are not included, so that policy makers can focus solely on program achievement. Policy makers then use the results of program evaluations to determine how programs can improve program efficiency and effectiveness. The above information must be submitted for periodic performance evaluations (see Table 7). Also required, is an assessment of the extent to which the program has performed in comparison to the program's mission, goals and objectives; comparisons with other applicable public and private entities as to their experiences, service levels, costs, and required staff resources; and recommendations concerning the program (including whether it should be continued as it is currently operated, continued with identified steps to remedy deficiencies, or discontinued).

The legislation states that consideration should also be given to possibility of privatization or consolidation with other similar programs and the extent to which the operation and administration could be decentralized.

Hawaii—Activity data also are required.

Idaho—An agency's annual performance plan, required under *67-1903*, must be consistent with the agency's strategic plan. Performance measures are required in the plans. In addition, agencies are required to describe the means that will be used to verify and validate measured values. They must also review the success in achieving the previous fiscal year's performance standards or goals, and provide brief narratives evaluating their results and explaining the continued value and need of each program or activity in order of priority.

Illinois—Statute requires the inclusion of performance data in the governor's budget submission, which presents a comparison of department objectives with actual accomplishments for the current fiscal year, projections for the budget year and information for three prior fiscal years.

(The estimates and projections must be formulated according to the various functions and activities, and where possible, according to the work units for which the department is responsible.)

Iowa—Legislation calls for data to "measure the effectiveness of a program in achieving stated desired results."

Kentucky—Authorizing legislation specifies that the State Budget Director will design the state performance budgeting pilot without specifying the nature of performance measures.

Louisiana—Strategic plans must also identify principal clients of a program and the benefits it will provide the clients; the means to avoid duplication of effort when more than one program is directed to a single goal, objective or strategy; documentation of the validity, reliability and appropriateness of each performance indicator; the methodology for verifying the performance indicators as relevant measures of each program's performance; and the way each performance indicator is used in management decision making and other agency processes. The original strategic plans were due July 1, 1998, and are to be updated at least every three years. Agencies are to file a detailed operations plan consistent with their strategic plan annually, which is to contain the agency's mission statement and its goals, objectives, performance indicators and activities.

Minnesota—Legislation had provided for agencies to submit separate performance reports that identified goals, objectives and outcome measures. And employee committees in each agency were to identify ways to improve agency service delivery and barriers to better service delivery. The requirement to submit separate performance reports was repealed. However, agencies must still provide for performance data in budget documents.

Montana—Agencies are to post goals, benchmarks and objectives for both years of the 2001 biennium on their Internet Web sites, and every six months beginning on July 1, 1999, they are to post their progress toward meeting the goals, benchmarks and objectives.

Nevada—The statute requires "measurement indicators" for each program.

New Mexico—The statute also requires an evaluation of the agency's progress in meeting its performance standards, baseline data, historic and proposed performance standards, the agency's response to any recommendations made in any performance audit of the agency in the past two years, as well as other information the budget division or the legislature might require. And if agencies are required to submit performance-based program budget requests, they must identify the legal basis for each program, its users, its purpose or the benefits to users, financial information, and performance measures that can be used to evaluate the program.

North Carolina—Departments are required to prepare operational plans biennially, under the direction of the Office of State Budget and Management, which contain performance measures and outcome indicators for performance evaluation. Program performance measures are to include an identification and description of the current level of performance, performance targets, potential future performance measures for development, a method of monitoring departmental, agency and institutional performance, and an assessment of programs that have reached their performance targets through the use of innovative management actions.

Ohio—Legislation authorizes pilot projects in program performance reporting. The legislation does not specify the contents of the reports or nature of the process. The Director of Budget and Management, however, has required the pilot programs to report goals and objectives, performance measures and targets for the seven agencies in the pilot.

Oregon—The state strategic plan, produced by the Oregon Progress Board, must include recommendations on necessary statutory changes, fiscal policy changes, changes in allocation of lottery revenues, actions to be carried out by local government, businesses, citizens and organizations, and goals for Oregon's progress over the next 20 –30 years. Goals, measurable indicators and benchmarks must be included.

Rhode Island—Legislation requires that the governor submit performance objectives for each program in the budget for the ensuing fiscal year, estimated performance data for the fiscal year in which the budget is submitted, actual performance data for the preceding two fiscal years, and appropriate standards against which program performance can be measured, beginning in 1997. (The state budget office interprets this statute to mean requiring only output measures, in addition to strategic missions, goals, and objectives, and explanatory information.)

South Dakota—The governor was required to have a performance budgeting system in place for the FY 1997 budget proposal, which was to utilize performance measurements. Under certain conditions, agencies must submit a "decision package" for each program, that includes descriptions of funding levels and documentation that allows for evaluation and comparison to other functions and funding levels by purpose, goals, objectives, consequences of not performing the function, measures of performance, alternative courses of action and costs and benefits. An agency is only required to prepare decision packages if the Joint Committee on Appropriations directs the agency to use the state's zero-based budget format in preparing its next fiscal year budget request. If, however, the agency doesn't request funding beyond the "minimum level" (defined in statute as less than 91 percent of the current year's funding), a decision package is not required of the agency.

Texas—Agencies must establish performance benchmarks and milestones for achieving targets within each annual budget and performance period. Benchmarks are to tie individual targets to an agency's mission and philosophy as detailed in its strategic plan. Agencies must measure and report customer satisfaction. Efficiency measures called activity-based costing (measurement of the cost of a unit of government service) were implemented on a pilot basis in the 1997-1999 biennium.

(*Continued*)

Table 3-1. Information Required to be Measured/Reported (*Continued*)

Utah—Legislation requires the Utah Tomorrow Strategic Planning Committee to recommend an ongoing, comprehensive strategic planning process for the state. Although there is no specific requirement for the information, the Committee has established a vision for the state and a strategic planning process for ten broad public policy areas—culture, economic development, education, environment, free enterprise, government, health and safety, human services, infrastructure, and justice. And it has begun the process of collecting baseline data and developing performance measures and goals for the ten areas.

Virginia—Goals and objectives are to be determined by the governor and legislature.

Wyoming—Agencies must report on whether the methods, rules and policies employed to implement a program, function or activity are cost-effective, consistent with law and impose a minimum of regulatory burden. Agencies are also required to report the relative priority that each current or proposed program bears with regard to all other programs and objectives within the agency. They must address the specific public benefit that does or should result from programs, functions and activities and alternative courses of action that would result in administration of the same program, function or activity in a more efficient or effective manner. (This includes whether a program, function or activity could be implemented more effectively by another level of government or by a private entity, whether there is sufficient public benefit to justify the funding necessary for the program, and the consequences of discontinuing any programs.)

Table 3-2. Entities That Receive Strategic Plans and/or Performance Reports†

STATE	LEGISLATIVE	EXECUTIVE	OTHER	NOT APPLICABLE
AL*	Legislature	Department of Finance		
AZ	Joint Legislative Budget Committee	Governor's Office of Strategic Planning and Budgeting		
AR*	No requirement			
CA	Joint Legislative Budget Committee; Assembly and Senate fiscal subcommittees	Department of Finance		
CT	Joint Appropriations Committee; Committee with jurisdiction over agency of interest			
DE				■
FL*	No requirement			
GA*	Budget Responsibility and Oversight Committee	Governor's Office of Planning and Budget; Department of Audit and Accounts		
HI		Director of Finance		
ID*	Joint Legislative Finance-Appropriations Committee	Office of Performance Evaluations	Citizens	
IL	Bureau of the Budget			
IA	Legislature	Governor		
KY	Legislative Research Commission	Governor		
LA	Joint Legislative Committee on the Budget, Legislative Fiscal Office; Legislative Analysts Office	Commissioner of Administration		
ME*	Joint Committee having jurisdiction over the agency of interest; Office of Fiscal and Program Review; Office of Policy and Legal Analysis	State Planning Office; State Budget Office		
MN*				■
MS	Joint Legislative Budget Committee			

STATE	LEGISLATIVE	EXECUTIVE	OTHER	NOT APPLICABLE
MT*			Citizens	
NV	Legislature			
NM	Legislature	Division of the Budget		
NC*		Office of State Budget and Management		
OH		Budget and Management		
OK				■
OR*			Citizens	
RI		Budget Office		
SC	Legislature	Governor		
SD	No requirement			
TX	State Auditor Legislative Budget Board, Legislative Reference Library, the Speaker of the House of Representatives, and the Sunset Advisory Commission	Office of Budget and Planning, the State Library, the Lieutenant Governor, the Comptroller		
UT	No requirement			
VT	No requirement			
VA	No requirement			
WA*	No requirement			
WY*	Audit Division of the Legislative Services Office, Management Audit Committee	Governor, Department of Audit		

†This table reflects the entity to which statutes require agency performance reports be submitted *prior* to any submission of performance information as part of the governor's budget proposal. Statutory requirements for submission of performance information to the legislature as part of the governor's budget proposal are outlined in table 3.5.

TOTALS: States with a required recipient of agency strategic plans and/or performance reports: 23
States with no required recipient of agency strategic plans and/or performance reports (No requirement and N/A): 10
States with no requirement for agency strategic plans and performance reports (N/A): 3
States with no broad governing for results legislation: 17

NOTES:

Alabama—Agencies are required to submit performance reports annually by November 1 to the Department of Finance, which is then responsible for summarizing the performance reports for submission to legislators annually.

Arkansas—A subcommittee to be appointed by the Legislative Council (to help implement a performance-based program budget and strategic planning pilot program in at least three agencies) is responsible for making a recommendation to the Legislation Council on the relationships and roles of the various legislative service agencies and the Office of the Governor in the new system.

Florida—The Office of Program Policy Analysis and Government Accountability receives and reviews agency strategic plans and performance reports, although there is no statutory requirement for it do so. Repealed legislation had provided that the Florida Commission on Government Accountability would review state agency performance using agency strategic plans, reports from auditors, public hearings, public testimony and its own assessments of agency progress in meeting missions, goals and objectives.

Georgia—The Budget Responsibility Oversight Committee (BROC) is authorized by law to review and evaluate strategic plans (which contain performance reports) for the state and individual departments as submitted by the Office of Planning and Budget (OPB). The BROC Research Office assists the Committee in this regard, upon request.

Idaho—Agency performance reports are submitted to the Joint Legislative Finance-Appropriations Committee and

(*Continued*)

Table 3-2. Entities That Receive Strategic Plans and/or Performance Reports (*Continued*)

Office of Performance Evaluations (OPE). When an evaluation is complete, OPE staff prepare a written report with findings and recommendations for improvement. The final report is published with responses, if any, from the evaluated state agency and the governor. In addition, annual reports must be submitted to the public. They must contain an historical, comparative report of an agency's performance and plans compared to its performance standards and measures, and must disclose the immediately prior four fiscal years and the next four fiscal years of the agency's strategic plan. Reports must be presented in a uniform and consistent manner and in appropriate summary type format and in language that can be easily reviewed and readily understood by the average citizen.

Maine—The legislative recipients are to receive finalized agency strategic plans for legislative review and comment by December 1, 1999. (Copies are to be submitted to the State Planning Office and the State Budget Officer.) The draft strategic plans were to be submitted to each legislative and executive party for initial review and comments by December 1, 1998. By September 1, 2001, each agency is required to identify programs within the agency that have the same or similar goals and objectives as other state agencies; consult with those agencies; coordinate strategies for achieving the goals and objectives so they are not in conflict; and submit revised strategic plans for review and comment to each of the above parties. In addition, each state agency, after consulting with the joint committee having jurisdiction over it, must update and revise its strategic plan biennially by December 1 and submit the plan to each legislative and executive party.

Minnesota—Amendments in 1999 have removed the requirement for agencies to submit separate full-length performance reports to the legislature other than in the form of indicators included with budget requests. Under the repealed legislation, reports were to be submitted to the Speaker of the House, President of the Senate, the Legislative Auditor's Office, the Legislative Librarian and the Commissioner of Finance.

Montana—Legislation requires each department, the Montana university system, and when appropriate, each division of each department, to place its specific and measurable goals, benchmarks, and objectives for both years of the 2001 biennium on their respective Internet Web sites, or when appropriate, on the state's site. And beginning July 1, 1999, and every six months afterwards, each department and the university system must report their progress toward meeting goals, benchmarks, and objectives, as well as and what changes (if any) were made to ensure that those goals, benchmarks, and objectives were attained.

North Carolina—The Budget Director is required to report to the legislature on the progress of implementing performance measurement. Agencies are to periodically review performance in conjunction with OSBM.

Oregon—Analyses of issues and trends of strategic significance must be reported in the Board's mandatory biennial reports to the public.

Washington—The Office of Financial Management (OFM) is required to develop a plan to merge the budget development process with agency performance assessment procedures. In consultation with the legislative fiscal committees, OFM is responsible for recommending any statutory and procedural modifications necessary to the state's budget, accounting, and reporting systems to facilitate the performance assessment procedures and the merger of those procedures with the state budget process. The plan and recommended statutory and procedural modifications were to be submitted to the legislative fiscal committees by September 30, 1996.

Wyoming—Performance reports, must be submitted to the governor by December 1 (with copies to the Legislative Services Office).

Table 3-3. Uses of Performance Information/Reports

STATE	AGENCY SELF-ASSESSMENT	INFORM LEGISLATIVE BUDGET DECISIONS	BOARD EVALUATION OF GOVERNMENT PROGRAMS	EVALUATION OF THE AGENCY OR AGENCY PROGRAMS	OTHER	NO REQUIREMENT
AL				■		
AZ		■	■	■		
AR		■		■		
CA		■		■		
CT		■				
DE*		■				
FL*		■	■			
GA		■	■	■		

STATE	AGENCY SELF-ASSESSMENT	INFORM LEGISLATIVE BUDGET DECISIONS	BOARD EVALUATION OF GOVERNMENT PROGRAMS	EVALUATION OF THE AGENCY OR AGENCY PROGRAMS	OTHER	NO REQUIREMENT
HI*		■		■		
ID*	■	■	■	■		
IL		■				
IA		■		■		
KY*						■
LA	■		■	■		
ME		■				
MN*		■				
MS		■				
MT*					■	
NV						■
NM*	■	■	■	■	■	
NC	■	■	■	■		
OH		■				
OK	■	■		■		
OR*					■	
RI		■				
SC						■
SD		■				
TX	■	■	■	■	■	
UT						■
VT		■				
VA						■
WA*	■	■				
WY*		■	■	■		
Totals	7	24	9	14	4	

TOTALS: States with a required use for performance information/reports: 28
States with no explicitly required use for performance information/reports: 5
States with no broad governing for results legislation: 17

NOTES:

Delaware—The information required under the Delaware Governmental Accountability Act is for the legislature's informational purposes. The legislature's purpose is to use the information to make better informed policy decisions, or to achieve a more efficient and effective allocation and utilization of state resources.

Florida—The Office of Program Policy Analysis and Government Accountability (OPPAGA) is required to consider agency performance budgeting measures as part of its analysis of agency performance. OPPAGA is to assess agency progress toward achieving the outputs and outcomes associated with each program and identify the circumstances contributing to the agency's ability to meet performance standards.

Hawaii—The Department of Budget and Finance must assure the availability of information needed for effective policy decision-making.

Idaho—Purposes are to improve program effectiveness and accountability by promoting a focus on results, service quality and customer satisfaction, and to help program managers improve service delivery. The statutes also aim to improve oversight review and decision making by providing objective information, data and statistics on achieving statutory and other public policy objectives, and on the relative effectiveness and efficiency of program implementation and spending. Performance evaluations are intended to help the legislature make policy and appropriation decisions and to improve agency performance.

(*Continued*)

Table 3-3. Uses of Performance Information/Reports (*Continued*)

Kentucky—Legislation calls for a performance budgeting pilot whose strategic planning component requires performance measures but does not specify their intended uses.

Minnesota—The purposes of the performance reporting requirement, which was repealed, were to generate information so the legislature could determine which programs were successful; to develop clear goals and priorities for state programs; to strengthen accountability to the public; to create appropriate incentives and systems to allow and encourage the best work by state employees. However, performance information is still required in the budget document.

Montana—Legislation requires agencies to post performance information on their Web sites.

New Mexico—The state's program is intended to integrate program assessment with the budget process, to provide incentives for agency effectiveness and efficiency, to lead agencies to recommend restructuring if needed, to inform citizens of the benefits of government programs and the progress agencies are making toward their performance goals, and generally to provide for more cost-effective, responsive and accountable government.

Oregon—The purpose of the legislation is to address the needs of Oregonians. The Joint Legislative-Finance Committee receives information contained in agency strategic plans with performance-based program budget requests.

Washington—Each state agency is required to adopt procedures for continuous self-assessment of each program and activity, using its mission, goals, objectives, and measurements.

Wyoming—The legislative Management Audit Committee with the assistance of the Audit Division of the Legislative Service Office and the Department of Audit may use the agency plans and annual statement of attainment as the basis for program evaluation and performance audits as authorized by law. The governor is required to submit a performance and program-based budget that reflects the goals and objectives specified in the agency plans.

Table 3-4. Entity that Reviews Performance Data Collection/Measurement Process

STATE	EXECUTIVE	LEGISLATIVE	OTHER	NO REQUIREMENT
AL	Department of Finance			
AZ	Governor's Office of Strategic Planning and Budgeting	Joint Legislative Budget Committee		
AR		Legislative Council		
CA	Department of Finance			
CT				■
DE				■
FL	Executive Office of the Governor	Office of Program Policy Analysis and Government Accountability		
GA	Governor's Office of Planning and Budget	Budget Responsibility and Oversight Committee		
HI	Department of Budget and Finance			
ID		Joint Legislative Oversight Committee		
IL	Bureau of the Budget			
IA	Department of Management	Legislative Fiscal Bureau		
KY	Auditor of Public Accounts			
LA	Commissioner of Administration	Legislative Fiscal Office		
ME*			Commission on Performance Budgeting	

STATE	EXECUTIVE	LEGISLATIVE	OTHER	NO REQUIREMENT
MN				■
MS				■
MT				■
NV				■
NM	Division of the Budget	Joint Legislative Finance Committee		
NC	Office of State Budget and Management			
OH	Budget and Management			
OK	Office of State Finance	Joint Legislative Committee on Budget and Oversight		
OR	Governor	Legislature		
RI	Budget Office			
SC				■
SD				■
TX	Office of Budget and Planning	Legislative Budget Board		
UT*			Utah Tomorrow Strategic Planning Committee	
VT				■
VA*	Department of Finance			
WA*	Office of Financial Management			
WY				■

TOTALS: States with an entity required to review performance data collection/measurement process: 23
States with no entity explicitly required to review performance data collection/measurement process (No requirement): 10
States with no broad governing for results legislation: 17

NOTES:

Maine—The Commission's responsibilities include providing guidance and advice to the legislature and governor regarding the methods and strategies used by the departments for collection and evaluation of information. It must recommend to the legislature and governor the most cost-effective method of annually validating measurable objectives.

Utah—The Utah Tomorrow Strategic Planning Committee is responsible for recommending an ongoing, comprehensive strategic planning process for the state. The Committee includes legislators, governor's appointees, local government officials, members of the public, and non-voting members at the pleasure of the committee. Utah Tomorrow has established a vision statement and strategic planning process for 10 broad public policy areas—culture, economic development, education, environment, free enterprise, government, health and safety, human services, infrastructure, and justice. It has begun the process of collecting baseline data and developing performance measures and goals for the 10 areas.

Virginia—The Department of Finance is responsible for the continuous review of state government activities, focusing on budget requirements in the context of the goals and objectives determined by the governor and the legislature, and monitoring of the progress of agencies in achieving goals and objectives.

Washington—The Office of Financial Management is responsible for developing a plan to merge the budget development process with agency performance assessment procedures. The plan is to include a schedule to integrate agency strategic plans and performance measures into agency budget requests and the governor's budget proposal over three fiscal biennia. The plan is to identify agencies to implement the revised budget process in the 1997-1999 biennium, the 1999-2001 biennium, and the 2001-2003 biennium. In consultation with the legislative fiscal committees, the Office is responsible for recommending statutory and procedural modifications to the state's budget, accounting, and reporting systems to facilitate the performance assessment procedures and the merger of those procedures with the state budget process.

Table 3-5. Inclusion of Performance Information in the Budget Process

STATE	BUDGET INSTRUCTIONS/GOVERNOR'S BUDGET PROPOSAL/AGENCY BUDGET REQUESTS/BUDGET DOCUMENT	BUDGET LEGISLATION	OTHER	NO REQUIREMENT
AL*			■	
AZ*	■			
AR*	■			
CA*	■			
CT*	■		■	
DE*	■			
FL*	■	■		
GA*			■	
HI*			■	
ID*	■			
IL*	■			
IA*			■	
KY				■
LA	■	■		
ME*	■	■		
MN*	■			
MS*	■	■	■	
MT*				■
NV	■			
NM*	■	■	■	
NC	■			
OH*	■		■	
OK*			■	
OR				■
RI*	■			
SC				■
SD*	■			
TX*	■	■		
UT				■
VT	■			
VA				■
WA*	■			
WY*	■			
Column Totals	22	6	9	6

TOTALS: States with a required use for performance information in the budget process: 27
States with no required use for performance information in the budget process (No requirement): 6
States with no broad governing for results legislation: 17

NOTES:

Alabama—There is no explicitly required use for performance information in the budget process, although the Department of Finance is required to submit summaries of performance reports to the legislature.

Arizona—Agency budget requests must contain selected performance measures of the budget unit for the previous fiscal and budget years.

Arkansas—A subcommittee is to be appointed by the Legislative Council to help implement pilot programs in at least three agencies. The subcommittee is responsible for recommending a statewide performance-based budget system to become effective July 1, 2001. The budget requests for the 2001-2003 biennium submitted by the selected agencies must contain performance-based appropriations for those selected programs.

California—The Performance and Results Act calls for a performance budgeting pilot project to be administered by the Department of Finance with a report to the Joint Legislative Budget Committee. Budgets for pilot agencies must display financial performance by program and element and must be submitted in traditional form.

Connecticut—For budgeting purposes, the Office of Policy and Management, in consultation with the agencies, must review and evaluate biennial goals, objectives and measures on an annual basis in a report to the Appropriations Committee and to the committee having jurisdiction over the agency of interest. In the report the committees also are to receive an evaluation of the progress agencies have made toward achieving their benchmarks. In addition, program objectives and performance measures must be included in the governor's budget recommendation.

Delaware—The Budget Director is required to submit annual budget documents and supporting information to the legislature by January 30 of each year. The Budget Director and Controller General must revise the budget document to include for each agency: a mission statement; a performance measure for each Internal Program Unit; departmental organizational charts; a section in the budget book providing details on agency background and accomplishments; and a section in the budget book describing the link between the proposed allocation of services and what programs and/or services each agency will be able to accomplish. The annual budget submission must reflect the above elements and the Director of each agency must discuss the agency's mission statement, performance measures and funding requests with the Joint Finance Committee during budget hearings.

Florida—Legislation requires submission of performance-based budget requests and sets procedures and schedules for doing so. Specific contents are required to be included in the requests. The agency budget requests are designed to further agency strategic plans and they provide the framework for developing the requests. Judicial agencies submit their budgets directly to the legislature with a copy to the governor.

Georgia—The Budget Accountability and Planning Act of 1993 required the FY 1999 Executive Budget to refocus budgetary accountability from funding activities to funding program results. Under the Act, a primary responsibility of the Strategic Planning Division of the Office of Planning and Budget is to assist in implementation of outcome (results) based budgeting and various cost saving measures. Members of the division attempt to link strategic planning to budgeting and program evaluation so that state government can function in a more holistic and integrated manner. Members of the division develop implementation materials, provide training, offer consultation and work across agencies and divisions to help ensure broad based buy-in and participation during the development process.

Hawaii—Legislation created a special committee charged with developing and overseeing the implementation of a performance-based budgeting system to incorporate quantitative or qualitative indicators to assess the state's budget performance. The committee is required to develop models for transforming the state's budgeting and accounting systems. The committee, which is to include legislators, the Legislative Analyst, cabinet officers and citizens, must establish pilot projects in three agencies of its choice by December 31, 1999, and is to report annually to the legislature on progress through 2001.

Idaho—The budget document must include annual agency performance plans, consisting of an historical, comparative report of its performance and plans, compared to its performance standards and measures, and disclose the immediately prior four historical fiscal years and the next four fiscal years of its strategic plan.

Illinois—Statute requires the inclusion of performance data in the governor's budget submission, which presents a comparison of department objectives with actual accomplishments for the current fiscal year, projections for the budget year and information for three prior fiscal years.

Iowa—Legislation states that departments are to collect information (in conjunction with the Legislative Fiscal Office) to measure the effectiveness of a program in achieving desired results, and it requires the legislature (and governor) to use reports in making budget and policy decisions.

Maine—The Commission is charged with providing guidance and advice to the legislature and governor regarding the implementation of performance-based budgeting and the methods and strategies used by the departments for collection and evaluation of information. In addition to

(*Continued*)

Table 3-5. Inclusion of Performance Information in the Budget Process (*Continued*)

evaluating the structure and system of performance budgeting, the Commission is required to receive and review performance budgeting information on a periodic basis from the legislature and governor; to research trends among other states in the implementation of performance budgeting; to recommend to the legislature and governor the most cost-effective method of annually validating measurable objectives and of conducting audits of performance budgets; and to report periodically to the legislature and governor on recommendations for improvements to the performance budgeting process. By December 31, 1999, the governor must present a “prototype” budget bill and budget document in a performance-based format utilizing performance measures and indicators that reflect legislatively approved appropriations and allocations for fiscal years 1999-2000 and 2000-01. The legislature then will make recommendations to the governor for changes or modifications to the prototype budget bill and budget document for use in the 2002-2003 biennial budget submission. By September 1, 2000, each state agency must prepare and submit to the Bureau of the Budget their budget requests for the 2002-2003 biennium. The requests must be derived from the agency strategic plans.

Minnesota—The requirement to provide performance data in budget documents was not repealed with other performance reporting requirements in 1999.

Mississippi—Legislation requires that annual appropriation bills include performance targets based on agencies performance measures set for each program in an agency. Agencies must also submit five-year strategic plans with their budget requests annually.

Montana—1993 and 1995 legislation encouraged the governor to begin to expand and performance-based budgeting pilot. Fourteen programs in 13 agencies made use of performance budgeting in the 1999 biennium, but the legislature did not communicate any intent to the governor on whether to continue performance-based budgeting in its 1997 legislation, and the governor submitted no budgets using this methodology for the biennium that ends in 2001.

New Mexico—The Joint Legislative Finance committee receives performance information with performance-based budget requests.

Ohio—Performance information also is reported in *The State Government Finance Book.*

Oklahoma—Agency budget work programs are to include mission statements and program objectives, and budget information is to be presented in a program format.

Rhode Island—Legislation requires that the governor submit performance objectives for each program in the budget for the ensuing fiscal year, estimated performance data for the fiscal year in which the budget is submitted, actual performance data for the preceding two fiscal years, and appropriate standards against which program performance can be measured beginning in 1997.

South Dakota—The governor was required to have all programs included in a performance budgeting system for the FY 1997 budget proposal.

Texas—Agencies must establish performance benchmarks and milestones for achieving targets within each annual budget and performance period.

Washington—The statute states that it is the policy of the legislature that each agency’s budget proposals be directly linked to the agency’s stated mission and program goals and objectives. Consistent with this policy, agency budget proposals must include integration of performance measures that allow objective determination of a program’s success in achieving its goals.

The Office of Financial Management (OFM) is to develop a plan to merge the budget development process with agency performance assessment procedures. The plan is required to include a schedule to integrate agency strategic plans and performance measures into agency budget requests and the governor’s budget proposal over three fiscal biennia. The plan must identify agencies to implement the revised budget process in the 1997-1999 biennium, the 1999-2001 biennium, and the 2001-2003 biennium.

In consultation with the legislative fiscal committees, OFM is responsible for recommending statutory and procedural modifications to the state’s budget, accounting, and reporting systems to facilitate the performance assessment procedures and the merger of those procedures with the state budget process. The plan and recommended statutory and procedural modifications were to be submitted to the legislative fiscal committees by September 30, 1996.

Wisconsin—While not in statute, two state agencies (the Department of Transportation and the TEACH Board) were required to submit their 1999-2001 budget requests using performance based budgeting. The governor’s budget also required the Department of Health and Family Services to specify performance expectations for counties receiving aid for developmental disabilities, substance abuse, mental health and child welfare.

Wyoming—*W.S. 28-1-116* requires the governor to submit a performance and program-based budget that reflects the goals and objectives specified in the agency plans. Financial resources necessary to implement the policies and goals of each agency program must be clearly identified as a part of each biennial or supplemental budget request. Any state program, function or activity not included in the agency’s strategic plan will not receive funding for the subsequent budget period.

4. Statutory Requirements for Citizen Involvement in Governing for Results

Table 4-1. Required Citizen Involvement in Governing for Results

STATE	REQUIRED ROLES FOR CITIZENS IN GOVERNING FOR RESULTS
AL	No requirement.
AZ	No requirement.
AR	No requirement.
CA	No requirement.
CT	In developing the vision for the state, the Connecticut Progress Council was required to conduct public hearings, public meetings and workshops to insure the participation of a broad cross-section of the state's population. A public hearing was also required on the state's proposed benchmarks.
DE	No requirement.
FL*	No requirement.
GA	No requirement.
HI	Legislation created a special committee to develop models for transforming the state's budgeting and accounting systems and to establish pilot projects in three agencies of its choice by December 31, 1999. The committee is to include citizens (in addition to legislators, the Legislative Analyst and cabinet officers).
ID*	Annual reports must be submitted to the public, must include historical data, and must be designed and written in ways that make them useful to the average citizen.
IL	No requirement.
IA	No requirement.
KY	No requirement.
LA	No requirement.
ME	No requirement.
MN	No requirement.
MS	No requirement.
MT	Public availability of information.
NV	No requirement.
NM	No requirement.
NC	No requirement.
OH	No requirement.
OK	No requirement.
OR	To try to ensure the participation of a broad cross-section of Oregonians, the Progress Board is required to hold publicized public hearings, public meetings and workshops in the course of developing its strategy for the future. The Board is encouraged to review its proposed strategy in light of public testimony, and is required to summarize public comments and its responses to them for the legislature. And membership of the Board, which itself is intended to reflect the diversity of Oregonians, is to report its strategies as well as analysis of issues and trends of strategic significance directly to the voters.
RI	No requirement.
SC	No requirement.
SD	No requirement.
TX	No requirement.

(*Continued*)

Table 4-1. Required Citizen Involvement in Governing for Results (*Continued*)

STATE	REQUIRED ROLES FOR CITIZENS IN GOVERNING FOR RESULTS
UT	The Utah Tomorrow Strategic Planning Committee, which was created to recommend an ongoing, comprehensive strategic planning process for the state, is required to include members of the public, in addition to legislators, governor's appointees and local government officials.
VT	No requirement.
VA	No requirement.
WA	No requirement.
WY	The public has the opportunity to review agency strategic plans each odd-numbered year prior to submittal (September 1).

TOTALS: States with a required role for citizens in governing for results: 6
States with no required role for citizens in governing for results (No requirement): 27
States with no broad governing for results legislation: 17

NOTES:

Florida—No provision exists at this time, but legislation that was repealed provided that the Florida Commission on Government Accountability to the People would serve as a citizen board to would make recommendations on agency productivity, and would report annually to the governor and legislature on agency achievement of performance standards and ways to improve the efficiency and effectiveness of government. The Board would review state agency performance using agency strategic plans, reports from auditors, public hearings, public testimony and its own assessments of agency progress in meeting missions, goals and objectives.

Idaho—One purpose of the state's governing-for-results legislation is to improve management practices and the confidence of citizens in the capability of state government, through improved practices in publicly reporting agency progress. And the statute also states that the effort aims to improve program effectiveness and accountability of government through customer satisfaction.

5. Statutory Provisions for Incentives and Disincentives

Table 5-1. Statutory Provisions for Incentives†

STATE	AGENCY		EMPLOYEE			OTHER	NO REQUIREMENT
	CARRY FORWARD UNSPENT BALANCES	ADDITIONAL FLEXIBILITY IN BUDGET MANAGEMENT	BONUSES TO EMPLOYEES	PUBLIC RECOGNITION	MERIT SYSTEM		
AL							■
AR						■	
AZ							■
CA*		■				■	
CT							■
DE							■
FL*	■	■	■			■	
GA					■		
HI							■
IA							■
ID							■
IL		■					
KY							■

	AGENCY		EMPLOYEE				
STATE	CARRY FORWARD UNSPENT BALANCES	ADDITIONAL FLEXIBILITY IN BUDGET MANAGEMENT	BONUSES TO EMPLOYEES	PUBLIC RECOGNITION	MERIT SYSTEM	OTHER	NO REQUIREMENT
LA*	■	■				■	
ME							■
MN*							■
MS*				■		■	
MT							■
NC							■
NM*						■	
NV							■
OH							■
OK							■
OR							■
RI						■	
SC							■
SD							■
TX*		■	■	■		■	
UT							■
VA							■
VT							■
WA							■
WY							■

† Two kinds of incentives sometimes suggested as desirable, agency flexibility in position management and in salary management, were not authorized in any state statutes reviewed for this report.

TOTALS: States with a requirement for employee and/or agency rewards or incentives for achieving desired results: 9
States with no requirement for employee and/or agency rewards or incentives for achieving desired results (No requirement): 24
States with no broad governing for results legislation: 17

NOTES:

California—Fifty percent of savings resulting from agency innovations are to be reinvested in agency programs.

Florida—Possible incentives are retention of up to 50 percent of unexpended, unencumbered balances for use for non-recurring purposes including (not limited to) lump-sum bonuses, employee training, technology, and other means of enhancing productivity.

Louisiana—An agency may also receive a recommendation for increased funding for the next fiscal year.

Minnesota—Legislation required the development of incentive programs, but the legislature repealed these and other performance-focused statutes in 1999.

Mississippi—Agencies that develop and implement innovative cost saving measures can receive both public commendation and monetary reward in recognition of their efforts.

New Mexico—The governor or the Joint Legislative Finance Committee may recommend incentives and disincentives. The “Accountability in Government Act” includes a provision for their enactment. Agencies will gradually come under the provisions of the Act, which is to be fully implemented by the end of FY 2004.

Texas—All rewards and incentives are dependent upon recommendations of the governor and the Legislative Budget Board. Possible agency incentives include increased funding, exemption from reporting requirements, accolades, awards, bonuses, expanded authority and expanded authority, including in contracting.

Table 5-2. Statutory Provisions for Disincentives

STATE	BUDGET CUTS	REDUCED BUDGET FLEXIBILITY	ADDITIONAL REPORTING REQUIREMENTS	PUBLIC TESTIMONY	OTHER	NO REQUIREMENT
AL						■
AZ						■
AR					■	
CA						■
CT						■
DE						■
FL*		■	■	■	■	
GA						
HI						■
ID						■
IL					■	
IA						■
LA*		■	■		■	
ME						■
MN						■
MS						■
MT						■
NV						■
NM*					■	
NC						■
OH						■
OK						■
OR						■
RI					■	
SC						■
SD						■
TX*					■	
UT						■
VT						■
VA						■
WA						■
WY						■

TOTALS: States with a requirement for agency and/or employee penalties or disincentives for not achieving desired results: 5
States with no penalties (No requirement): 28
States with no broad governing for results legislation: 17

NOTES:

Florida—Penalties may include quarterly reports to, or appearances before, the governor, cabinet or legislature, or each of them; elimination or restructuring of a program; reduction of the number of positions in a program; restrictions on spending authority, or reduction to managerial salaries.

Louisiana—Penalties may include increased performance reporting requirements, a performance audit, a management audit, restructuring or elimination of an agency, outsourcing responsibilities or activities, and other remedial or corrective actions at the decision of the Joint Legislative Budget Committee.

New Mexico—The governor or the Joint Legislative Finance Committee may recommend penalties. The "Accountability in Government Act," includes a provision for the enactment of incentives and disincentives. Agencies will gradually come under the provisions of the Act, which is to be fully implemented by the end of FY 2004.

Texas—All penalties or disincentives are dependent upon recommendations from the governor and the Legislative Budget Board. Possible agency disincentives include transfer of functional responsibilities to another entity, placement in conservatorship, a management audit, or other remedial or corrective actions.

6. States That Lack Broad Governing for Results Legislation

Table 6-1. Non-Statutory Initiatives in Strategic Planning and Performance Measurement

STATE	NATURE OF INITIATIVE
AK	The governor's annual budget proposal includes agency mission statements, statements of major goals and strategies, and key performance measures. It reports on the agency performance measures set in the previous year's budget proposal. The measures are output measures.
CO	Colorado state government has no government-wide requirement for formal performance measurement. The principal example of setting performance goals and expectations of outcomes is in connection with the Department of Revenue. The governor and legislature appropriate funds for the department in broad categories, rather than narrow line items, and through a Memorandum of Understanding allow the department to retain unspent funds at the end of a fiscal year. Governor Bill Owens, who took office in 1999, has announced a program called "New Century Colorado" to produce efficiencies in state government. The plan envisions the development of agency strategic plans for certain government-wide areas of activity. The plan does not indicate that statewide performance measurement, reporting and budgeting are among its goals.
IN	Indiana's "Commitment to Quality" program is a management-improvement initiative. A network of state employees, "State Employees for Effective Indiana Government" has provided expertise to agencies in the areas of leadership, communication, conflict management, continuous improvement, statistical process control, measuring results, and strategic planning. The State Employees for Effective Indiana Government have produced a training manual on strategic planning, which includes elements on performance measurement. Budget instructions require productivity data, but the legislature is reported to use little of the data.
IA	*Laws of the 77th General Assembly, 1997 Session, CH 209 §23* says that the general assembly will consider requiring that all programs be included in the Iowa "Budgeting for Results" program. Budgeting for Results is an executive-branch state strategic planning initiative. The legislation states that departments are to collect information as determined by the Department of Management in conjunction with the Legislative Fiscal Office, to measure the effectiveness of a program in achieving its desired results, and it requires the governor and legislature to use the reports in making budget and policy decisions. The Iowa Department of Management has developed agency guidelines and a reporting mechanism under this initiative.
KS	The governor's budget recommendations include mission statements, goals and objectives for state agencies and performance measures. The measures reported tend to be customer satisfaction ratings or output measures such as numbers of customers served workload indicators, measures of the percentage of tasks completed without error (or error rates) and caseloads. Objectives and performance measures are not closely linked in all cases.

(*Continued*)

Table 6-1. Non-Statutory Initiatives in Strategic Planning and Performance Measurement (*Continued*)

STATE	NATURE OF INITIATIVE
MD	Maryland's performance budgeting project, "Managing for Results," is in its preliminary stages. Originally the legislature directed the governor to link the budget and agency performance. In June 1997, the governor's budget instructions for composing the FY 1999 budget included information on "Managing for Results." The project is being phased in over three years. For the FY 1999 budget, agencies were instructed to include mission and vision statements and key goals in their budget submissions. In the second year of the phase-in, for the FY 2000 budget, considered in 1999, the governor has instructed agencies to take objectives to the program level. They are to add key goals, key performance indicators and a mission for each program.
MA	Since 1993, performance requirements have been renewed annually in the appropriation bill.
MI	The governor includes output measures in the budget submission; there is no other performance-related budget activity.
MO	Governor Mel Carnahan created the Commission on Management and Productivity (COMAP) in March 1995. Its purposes are to improve the management and increase the productivity of state government, encourage strategic planning, and provide mechanisms for setting performance targets, reporting on progress toward performance targets, and link state agency performance to the state budgeting process. Agency strategic plans are linked to the statewide strategic plan and include goals, outcomes, outcome measures, and strategies for achieving objectives. Agency budgets are supposed to be linked to strategic plans. Missouri's Show Me Results gives details of the state's progress toward statewide benchmarks.
NH	*incomplete*
NE	*incomplete*
NJ	An Executive Order of May 20, 1999, requires state departments and agencies to utilize policies, whenever possible, that comport with the goals outlined in a "sustainability report" called "Living with the Future in Mind," a benchmarking report for the state as a whole. The order also encourages departments and agencies to exchange information and establish practices that will encourage the achievement of the goals. Finally, the order requires that state departments and agencies will report to the Governor annually on New Jersey's progress toward reaching sustainability goals. Some performance indicators are reported in the Governor's budget recommendations.
NY	None
ND	At the request of a 1994 budget interim committee, the Office of Management and Budget prepared a pilot program-based performance budgeting project for consideration in the 1995 Legislative Assembly. Under the pilot project, agency budget requests include information in support of statewide and agency goals, objectives and strategies. Agency program budget requests include goals, objectives and strategies, as well as outcome, output, efficiency, effectiveness and explanatory measures. The 1995 legislature appropriated funds on a program basis for nine pilot agencies, and the program budgets were continued in the 1997 and 1999 legislatures. Interim committees extensively reviewed the progress of the pilot project in 1996 and 1998. The pilot program was discontinued by legislative direction in 1998 (Section 20, S.B. 2015, 56th Legislative Assembly). In 1998, the Interim Budget Committee on Government Finance recommended legislation to create a legislative budget committee that would monitor agency performance by using performance measures when appropriate (S.B. 2031); the bill did not pass.

STATE	NATURE OF INITIATIVE
PA	Budget instructions require agencies to include program measures for new programs and expansion requests for current programs. Measures include goals, outcomes, and expected results and are to be specific measures of intended accomplishments. These are submitted as part of agency budget requests, and are included in the governor's budget proposal.
TN	No concerted effort. Legislature is considering legislation in the 2000 session.
WV	Budget instructions to agencies for the FY2001 budget include a request for performance measures, but the Budget Office has not provided detailed guidelines or rules for the measures and they are included at agency discretion.
WI	Budget instructions to agencies for the 1999-2002 biennium note that the Legislature has required the Department of Transportation and the Technology for Achievement in Education Board to submit budget requests for the biennium using performance-based budgeting and that the Governor has encouraged all other agencies to develop performance measures and include the measures in their budget submissions.

APPENDIX

B-1 Example of Customer Survey: Division of Vocational Rehabilitation Services

N.C. Department of Health and Human Services

(If questions, please call 1-800-689-9090 toll free)

Vocational Rehabilitation Staff

1. Were staff at the Vocational Rehabilitation Office polite to you?

   1 All the time — 2 Most of the time — 3 Some of the time — 4 Hardly ever — 5 None of the time

2. Were your phone calls to the Vocational Rehabilitation Office returned to you:

   1 Same day — 2 Next day — 3 2 or 3 days later — 4 More than 3 days later — 5 Never

3. Did Vocational Rehabilitation staff schedule appointments as soon as you thought they should?

   1 All the time — 2 Most of the time — 3 Some of the time — 4 Hardly ever — 5 None of the time

Your Involvement and Choice

4. Who made decisions about your rehabilitation goals?

   1 Counselor and I together — 2 I, alone — 3 Counselor, alone — 4 I don't know

5. Who made decisions about which services you received from Vocational Rehabilitation?

   1 Counselor and I together — 2 I, alone — 3 Counselor, alone — 4 I don't know

6. Did you understand each step in your Vocational Rehabilitation Plan?

   1 Always — 2 Sometimes — 3 Hardly ever — 4 Never

7. Did you understand your rights as a Vocational Rehabilitation participant?

   1 Always — 2 Sometimes — 3 Hardly ever — 4 Never

Your Services

8. Did Vocational Rehabilitation staff help make any changes in a job so that you could do the work?

   1 Yes — 2 No — 3 Not needed

9. Did Vocational Rehabilitation services help you gain job skills?

   1 Yes — 2 No — 3 Not needed

10. Did Vocational Rehabilitation staff help you find a job?

    1 Yes — 2 No — 3 Not needed

11. If you got a job with help from Vocational Rehabilitation, were you satisfied with the job?

    1 Very satisfied — 2 Somewhat satisfied — 3 Somewhat dissatisfied — 4 Very dissatisfied

12. Did someone from Vocational Rehabilitation help you decide the types of jobs that would be best for you?

    1 Yes — 2 No — 3 Not sure

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(Please continue on back)

13. Did you know that you may go back to Vocational Rehabilitation for more help, if you need it?

[1] Yes [2] No [3] Not needed

14. Would you say your experience with Vocational Rehabilitation services was good:

[1] All the time [2] Most of the time [3] Some of the time [4] Hardly ever [5] None of the time

15. Did anyone from Vocational Rehabilitation talk with you about the Client Assistance Program (CAP)?

[1] Yes [2] No [3] Not sure

16. If you received services that you were not satisfied with, please describe them in the space below.

17. What steps did you take to remedy your dissatisfaction?

18. If you have anything else you would like to say about the Vocational Rehabilitation Agency, please write in the space below.

19. If it is not all right to discuss your responses with your Counselor, please initial here (_______).

Thank you for your help with this survey.

APPENDIX

B-2 Example of Customer Survey: University of North Carolina Graduating Senior Survey

1997-98 Graduating Senior Institutional Evaluation Form

Name of Institution

Dear Graduating Senior,

As you approach graduation, we ask that you take a few minutes to help us evaluate our institutional performance. This evaluation form contains questions that are being asked of all graduating seniors in the 16-campus University of North Carolina system so that we can compare responses across campuses. It may also contain some campus-specific questions that will help your campus evaluate its performance in other areas.

Your answers to all questions are very important. Look for them to be summarized in one or more campus publications and/or on the World Wide Web or a similar medium. Be assured, however, that your answers will never be released to the public in a form that would permit anyone to know they are yours.

It is very important that you provide your student ID number, even though this is voluntary. It permits us to link your responses to other information in your student record such as your age, major field of study, and the number of hours you have taken at this institution or at other colleges. By using your student ID to obtain this information, we are able to keep this questionnaire short. Again, all of your responses will be kept confidential.

Report ID number here: ___ ___ ___ - ___ ___ - ___ ___ ___ ___

Thank you for taking the time to complete this form.

Sincerely,

(Chancellor)

(President Molly Corbett Broad)

Section A - Faculty Contributions

Please evaluate how well faculty members **in your major department** do each of the following?

		Excellent	Good	Fair	Poor
1.	Set high expectations for you to learn	4	3	2	1
2.	Respect the diverse talents and ways of learning of you and your classmates	4	3	2	1
3.	Encourage you to be an actively involved learner	4	3	2	1
4.	Encourage student-faculty interaction, in and out of the classroom	4	3	2	1
5.	Give you frequent and prompt feedback	4	3	2	1
6.	Encourage you to devote sufficient time and energy to your coursework	4	3	2	1
7.	Develop opportunities for you to learn cooperatively with fellow students	4	3	2	1
8.	Care about your academic success and welfare	4	3	2	1
9.	In general, how would you evaluate your instructors on these eight measures?	4	3	2	1

Section B - Help Outside the Classroom

Based on your last two years on this campus, how would you evaluate each of the following. (If you have not had enough experience with a service to evaluate it, please mark the box "Don't know/did not use" and then skip to the next service.)

		Don't know/ did not use	Excel-lent	Good	Fair	Poor
1.	Academic advising **in your major**					
	a. access to advisor	___	4	3	2	1
	b. sufficient time with advisor	___	4	3	2	1
	c. accurate information about degree requirements and course sequencing	___	4	3	2	1
	d. knowledge of campus policies and procedures	___	4	3	2	1
	e. academic advising services overall	___	4	3	2	1
2.	Library services					
	a. hours of operation	___	4	3	2	1
	b. staff responsiveness	___	4	3	2	1
	c. access to databases and collections	___	4	3	2	1
	d. library services overall	___	4	3	2	1
3.	Technology services					
	a. access to the Internet	___	4	3	2	1
	b. hours of operation for computer center, labs, and help desks	___	4	3	2	1
	c. access to up-to-date facilities	___	4	3	2	1
	d. access to trained staff for help	___	4	3	2	1
	e. technology training classes	___	4	3	2	1
	f. technology services overall	___	4	3	2	1
4.	Career-related counseling/information services					
	a. access to counselors in the campus career center	___	4	3	2	1
	b. helpfulness of career counselors	___	4	3	2	1
	c. evaluation of your personal interests and skills	___	4	3	2	1
	d. scope and quality of career information	___	4	3	2	1
	e. career-related software support	___	4	3	2	1
	f. career advising from faculty	___	4	3	2	1
	g. career-related counseling/information services overall	___	4	3	2	1
5.	Employment search assistance					
	a. resume' preparation	___	4	3	2	1
	b. interview preparation and skills	___	4	3	2	1
	c. gaining access to job listings (i.e., career fairs, databases, etc.)	___	4	3	2	1
	d. assisting with employer contacts	___	4	3	2	1
	e. help in finding internships, co-ops, and part-time jobs	___	4	3	2	1
	f. employment search assistance overall	___	4	3	2	1

Section C - Knowledge, Skills, and Personal Growth

1. To what extent do you think your college education contributed to your knowledge, skills, and personal development in each of the following areas?

	Don't know	Very much	Somewhat	Very Little	Not at all
a. writing skills	___	4	3	2	1
b. listening skills	___	4	3	2	1
c. speaking skills	___	4	3	2	1
d. comprehension skills (understanding written information)	___	4	3	2	1
e. using mathematics skills	___	4	3	2	1
f. applying scientific methods of inquiry	___	4	3	2	1
g. enhancing analytic skills	___	4	3	2	1
h. developing computer skills	___	4	3	2	1
i. ability to function as part of a team	___	4	3	2	1
j. ability to work with people from diverse backgrounds	___	4	3	2	1
k. recognizing and acting on ethical principles	___	4	3	2	1
l. appreciating racial equity	___	4	3	2	1
m.appreciating gender equity	___	4	3	2	1
n. personal growth	___	4	3	2	1

2. Did your major include a co-op, internship, practicum, student teaching, or other field experience? ___ Yes ___ No
If yes, how would you evaluate this experience in terms of its contribution to your personal and professional growth?
___ Excellent ___ Good ___ Fair ___ Poor

Section D - Other Offices that Serve You

Based on your last two years on this campus, how would you evaluate each of the following services? (If you have not had enough experience with a service to evaluate it, please mark the box "Don't know/did not use" and then skip to the next service.) For those services which required interaction with university offices or units (secretaries, tutors, counselors, office workers, etc.), please rate how responsive the staffs in those offices or units were to your needs.

			Evaluation of Service Area				Evaluation of Staff Responsiveness			
		Don't know/ did not use	Excel-lent	Good	Fair	Poor	Excel-lent	Good	Fair	Poor
1.	Registration process	___	4	3	2	1	4	3	2	1
2.	Financial aid services	___	4	3	2	1	4	3	2	1
3.	Campus food services	___	4	3	2	1	4	3	2	1
4.	Campus health services	___	4	3	2	1	4	3	2	1
5.	Campus counseling (not career) services	___	4	3	2	1	4	3	2	1
6.	Business services/cashier/student accounts	___	4	3	2	1	4	3	2	1
7.	Campus residence life programs for students living in university-owned housing	___	4	3	2	1	4	3	2	1
8.	Opportunities to participate in campus recreational and other extra-curricular or co-curricular activities	___	4	3	2	1				
9.	Opportunities to participate in community service projects	___	4	3	2	1				
10.	Opportunities to develop leadership skills	___	4	3	2	1				

Section E - Your Conclusions

1. All things considered, how would you characterize the intellectual environment on this campus?
___ Very strong ___ Strong ___ Average ___ Weak ___ Very weak
2. All things considered, how would you evaluate the quality of instruction?
a. in your major? ___ Excellent ___ Good ___ Fair ___ Poor
b. overall? ___ Excellent ___ Good ___ Fair ___ Poor
3. All things considered, how would you evaluate the overall education that you are receiving at this institution?
___ Excellent ___ Good ___ Fair ___ Poor
4. If you could start over again, would you still choose to attend this institution? ___ Yes ___ No ___ Not sure

Section F - Your Plans for Next Year

Please indicate the best description of your plans following graduation by filling in the **one** most appropriate.

___ I don't know yet.
___ I have accepted a job.
___ I plan to continue in my current position.
___ I will be going to a graduate or professional school full-time next year.
___ I will be going to a graduate or professional school part-time next year **and** working part-time.
___ I will take more undergraduate courses.
___ I am still seeking employment.
___ I am not currently seeking employment **and** do not plan to attend school next year.
___ I am entering military service.
___ Other (Please specify.) ______________________________

Section G - Additional Comments (Please elaborate on any answers that require it.)

____
____
____
____

UNC-GA Planning/GSS.AF003/7-21-97

APPENDIX

C-1

Excerpt from the Texas General Appropriations Act for FY 2000 and 2001

DEPARTMENT OF INSURANCE

		For the Years Ending August 31, 2000		August 31, 2001
A. Goal: ENCOURAGE FAIR COMPETITION Encourage fair competition in the insurance industry.				
Outcome (Results/Impact):				
Percent of Agent License Filings Completed Within 15 Days		92%		92%
Percent of Statutory Rate and Form Filings Completed Within 90 Days		80%		80%
Number of Automobiles Covered by Voluntary Policies as a Percent of Total Private Passenger Automobiles in Underserved Markets		60%		60%
Percent of Market Assistance Program (MAP) Applications Eligible for Referral Resulting in the Issuance of a Residential Property Insurance Policy		50%		50%
A.1.1. Strategy: PROMOTE COMPETITION Collect and analyze market data, provide information to consumers and industry, and process rates, forms and other required filings.	$	11,112,510	$	11,112,510
Output (Volume):				
Number of Inquiries Answered		343,500		346,800
Number of Rate Guides Distributed		325,000		400,000
Number of Life/Health Insurance Filings Completed		24,500		24,500
Number of HMO Form Filings Completed		3,600		3,600
Explanatory:				
Total Number of Licensed Agents		176,000		176,000
Number of Licensed HMOs		72		74
A.1.2. Strategy: PROMOTE UNDERSERVED COVERAGE Identify underserved markets and create incentives and implement requirements for insurers to write in underserved markets.	$	308,714	$	308,714
Explanatory:				
Total Number of Market Assistance Program (MAP) Applications Eligible for Referral		90		90

A513-S12-01-01-P01 VIII-31 05-21-99

DEPARTMENT OF INSURANCE
(Continued)

A.2.1. Strategy: INVESTIGATION/ENFORCEMENT Respond promptly to complaints against insurers, agents, and other regulated entities; assist consumers in recovering valid claims; investigate apparent patterns of unlawful or questionable trade practices in the insurance industry; and bring enforcement actions as appropriate.	$ 4,919,399	$ 4,919,399
Output (Volume):		
Number of Complaints Resolved	23,750	24,750
Dollar Amount Returned to Consumers Through Complaint Resolution	24,000,000	26,000,000
Number of Contested Cases Closed	120	120
Efficiencies:		
Average Response Time (Days) to Complaints	38	38
A.2.2. Strategy: INSURER FRAUD Investigate potential insurer fraud and initiate legal action when appropriate.	$ 928,850	$ 928,850
Output (Volume):		
Number of Referrals of Alleged Insurer Fraud to Attorney General, District Attorney, or Other Appropriate Agency or Law Enforcement Authorities	65	70
Total, Goal A: ENCOURAGE FAIR COMPETITION	$ 17,269,473	$ 17,269,473
B. Goal: INSURANCE INDUSTRY FINANCIAL HEALTH Encourage the financial health of the insurance industry through monitoring and regulation.		
Outcome (Results/Impact):		
Percent of Companies Subject to Statutorily Mandated Examinations Intervals That Received a Comprehensive On-Site Examination During the Fiscal Year	32%	28%
Special Deputy Receiver Receivership Asset Recovery Expenses as a Percent of the Total Dollars Collected by Special Deputy Receivers	30%	30%
Average Number of Days From Company "At Risk" Identification to the Date of Solvency-Related Regulatory Action	42	42
Percent of Companies Rehabilitated After TDI Solvency-Related Intervention	18%	19%
B.1.1. Strategy: INSURERS FINANCIAL CONDITION Analyze the financial condition of insurers, identify weak companies, and rehabilitate, liquidate or take other action against financially weak companies.	$ 11,883,361	$ 11,883,361
Output (Volume):		
Number of Entities Receiving TDI Solvency-Related Intervention	25	22
Number of Holding Company Transactions Reviewed	750	750
Number of Actuarial Exams Completed	80	80
Number of On-Site Examinations Conducted	175	175
Efficiencies:		
Average State Cost per Examination	24,312	24,312
Explanatory:		
Dollar Amount (Millions) of Insurance Company Insolvencies	11.18	13.42
Number of Estates Placed in Receivership	5	6
C. Goal: DECREASE INDUSTRY LOSS COSTS Decrease insurance industry loss costs.		
Outcome (Results/Impact):		
Percent of Fire Inspections That Meet Inspection Requirements	90%	90%
Percent of Windstorm Inspections that Result in an "Approved" Status Code	40%	40%

DEPARTMENT OF INSURANCE
(Continued)

C.1.1. Strategy: LOSS CONTROL PROGRAMS Inspect insurance loss control programs offered to policyholders, and assure compliance with filed property schedules and windstorm construction codes.	$ 3,062,790	$ 3,062,790
Output (Volume):		
Number of Windstorm Inspections Completed	51,000	51,000
Number of Inspections of Insurer Loss Control Programs Completed	240	240
Number of Fire Safety Oversight Inspections Completed	1,200	1,200
Efficiencies:		
Average Cost Per Windstorm Inspection	32.5	32.5
C.1.2. Strategy: PROVIDER/CONSUMER FRAUD Investigate possible provider fraud and consumer fraud and refer violations for prosecution when appropriate.	$ 1,138,924	$ 1,138,924
Output (Volume):		
Number of Referrals of Alleged Consumer and Provider Fraud to Attorney General, District Attorney or Other Appropriate Agency or Law Enforcement Authorities	75	75
Total, Goal C: DECREASE INDUSTRY LOSS COSTS	$ 4,201,714	$ 4,201,714
D. Goal: REDUCE LOSS OF LIFE AND PROPERTY Reduce Loss of Life and Property Due to Fire.		
Outcome (Results/Impact):		
Percent of Referred SFMO Criminal Investigations Resulting in Enforcement/Legal Action	60%	60%
Percent of Registrations, Licenses, and Permits Issued, After Receipt of a Completed Application, Within 20 Days to Fire Alarm, Fire Extinguisher, Fire Sprinkler, and Fireworks Firms, Individuals and Other Entities	95%	95%
D.1.1. Strategy: FIRE PROTECTION Provide fire prevention and fire safety presentations, and enforce regulations related to fire safety through investigation, analysis of evidence, inspection of property, and licensing of the fire protection and fireworks industry.	$ 3,660,449	$ 3,660,449
Output (Volume):		
Number of Fire Investigations Completed	350	350
Number of Registrations, Licenses, and Permits Issued to Fire Alarm, Fire Extinguisher, Fire Sprinkler and Fireworks Firms, Individuals, and Other Regulated Entities	9,500	8,700
E. Goal: INDIRECT ADMINISTRATION		
E.1.1. Strategy: CENTRAL ADMINISTRATION	$ 4,381,947	$ 4,381,947
E.1.2. Strategy: INFORMATION RESOURCES	$ 4,165,176	$ 4,165,176
E.1.3. Strategy: OTHER SUPPORT SERVICES	$ 1,866,637	$ 1,866,637
Total, Goal E: INDIRECT ADMINISTRATION	$ 10,413,760	$ 10,413,760
Grand Total, DEPARTMENT OF INSURANCE	$ 47,428,757	$ 47,428,757

APPENDIX

C-2 Excerpt from Louisiana 1999-2000 General Appropriations Act

H.B. NO. 1 **ENROLLED**

Forestry - Authorized Positions (286) $ 16,334,239

Program Description: *Promotes sound forest management practices and provides technical assistance, tree seedlings, insect and disease control, and law enforcement for the state's forest lands. Conducts fire detection and suppression activities using surveillance aircraft, fire towers and fire crews. Also provides conservation education and urban forestry expertise.*

Objective: To contain wildfire destruction to an average fire size of 12 acres or less.

Performance Indicator:

Average fire size (acres)	12

Objective: To assist owners of small forest tracts by meeting 95% of their demand for pine seedlings, and 80% of their demand for hardwood seedlings while assisting them with 25,000 acres of tree planting and 25,000 acres of prescribed burning.

Performance Indicators:

Acres of tree planting assisted	25,000
Acres of prescribed burning assisted	25,000
Percentage of pine seedling demands met	95%
Percentage of hardwood seedling demands met	80%

Objective: To conduct workshops to train 1,500 educators in the value of trees and forestry.

Performance Indicator:

Number of educators trained	1,500

Objective: To encourage sound forest practices to the extent that 85% of forest lands are grown under best management practices.

Performance Indicator:

Percentage of forest under best management practices	85%

Soil and Water Conservation - Authorized Positions (10) $ 2,462,179

Program Description: *Oversees a delivery network of local soil and water conservation districts that provide assistance to land managers in conserving and restoring water quality, wetlands and soil. Also serves as the official state cooperating program with Natural Resources Conservation Service of the USDA.*

Objective: To obtain a cumulative reduction in the soil erosion rate of 13%.

Performance Indicator:

Cumulative percent reduction in soil erosion	13%

Objective: To increase the beneficial use of agriculture waste to 28%.

Performance Indicator:

Percent of agricultural waste utilized for beneficial use	28%

Objective: To restore 20,000 acres of farmed wetlands and assist in the protection of 35 additional miles of shoreline and 55,000 acres of marshland.

Performance Indicators:

Acres of agricultural wetlands restored during year	22,000
Acres of marsh protected during year	55,000
Miles of shoreline treated for erosion control	315

Objective: To improve the water quality of streams by establishing vegetative buffers on 35 miles of streams, restoring 5,000 feet of riparian habitat, implementing nutrient management systems on 20,000 acres of cropland, and implementing 115 animal waste management systems.

APPENDIX

D

Departments, Agencies, and Organizations Visited by the Urban Institute

Florida

City of Orlando
- Office of Finance

City of Tallahassee
- Department of Management and Administration

Department of Children and Families
- Communications Office
- Office of Standards and Evaluation
- Office of Internal Audit
- Office of Contracted Client Services
- Office of Economic Self-Sufficiency
- Office of Mental Health and Substance Abuse

Department of Community Affairs
- Division of Community Planning
- Coastal Management Program
- Division of Housing and Community Development
- Office of Strategic Planning/Quality Management
- Office of the Inspector General

Department of Corrections
- Office of Education
- Community Corrections Program
- Office of Quality Assurance/Inspector General
- Research and Data Division

Department of Environmental Protection
- Executive Office
- Division of Administrative Services
- Division of Marine Resources
- Bureau of Marine Resource Regulation and Development

Department of Juvenile Justice

Department of Labor and Employment Security

Department of Law Enforcement
- Office of Planning and Research
- Office of the Inspector General

Department of Management Services

Department of Revenue
- Executive Director
- Office of Research and Analysis
- General Tax Administration Program

Department of Transportation
- Office of State Highway Engineer
- Office of Policy Planning
- Transportation Commission

Florida League of Cities

Florida State University
- Institute of Science and Public Affairs

Florida Tax Watch

Hillsborough County

Department of Management and Budget

Office of Planning and Budget
- Technology Review Workgroup

Office of Program Policy Analysis and Government Accountability

Office of the Auditor General

Senate Finance Committee

State University System
- Office for Accountability/Legislative Liaison
- Office of Budget
- Office of Planning
- Office of Internal Audit

12 legislators

9 legislative staff

Minnesota

Children’s Defense Fund

Citizen’s League

City of Minneapolis
- Finance Department

City of St. Paul

Dakota County

Department of Administration
Management Analysis Division
Department of Children, Families, and Learning
Office of Mission Effectiveness
High School Follow-Up Survey
Early Childhood and Family Initiatives
Department of Corrections
Office of Planning and Research
Field Services Division
Adult Services Support Unit
Department of Economic Security
Support Branch
Research and Statistics Office
Department of Finance
Department of Health
Office of Planning and Evaluation
Center for Health Statistics
Environmental Health Division
Department of Human Services
Children's Initiative Program
Assistant Commissioner
Aging Initiative Program
Executive Information System
Performance Measurement and Quality Improvement
Refugee Assistance Program
Family Investment Program
Continuing Care
Department of Planning
Department of Revenue
Revenue Tax Division
Department of Trade and Economic Development
Information and Analysis Office
Small Business Development
Department of Transportation
Office of Maintenance
Office of Investment Management
Office of Quality
Office of Management Data
Hennepin County
Office of Planning and Development
League of Minnesota Cities and City Managers
Materials Management Division
Metropolitan Council
Office of the Legislative Auditor
Olmstead County
Pollution Control Agency
Ramsey County
Scott County
8 legislators
13 legislative staff

North Carolina

Department of Administration
Office of State and Local Government Affairs
State Purchasing Office
Department of Commerce
Community Assistance Division
Office of the Secretary
Industrial Recruitment Commission
Department of Crime Control and Public Safety
Office of Staff Development and Organizational Effectiveness
Division of Alcohol Law Enforcement
State Highway Patrol
Department of Environment and Natural Resources
Planning and Budget
Solid Waste Management
Environmental Assistance Division: Pollution Prevention
Soil and Water Conservation Division
Division of Air Quality
Office of the Chief of Staff
Department of Health and Human Services
Child Support Enforcement Section
Women's and Children's Health
Division of Social Services, Family for Kids Program
Division of Child Development
Human Services and Educational Policy
Planning and Developmental Vocational Rehabilitation Services Division
Budget and Analysis Division
Department of Public Instruction
Office of Accountability and Assessment
ABCs Program
North Carolina Partnership for Children
Smart Start Program
North Carolina Legislative Fiscal Research Office

Office of the State Budget Officer
Office of State Planning
Progress Board
State Personnel Office
Office of Employee and Management Development Division
The University of North Carolina
Program Assessment and Public Service
3 legislators
12 legislative staff

Oregon

Department of Administrative Services
Budget and Management Division
Department of Health
Immunization Program
Department of Housing and Community Services
Office of the Director
Department of Human Resources
Adult and Family Services Division
Mental Health and Developmental Disability Services Division
Department of Human Services
Department of Transportation
Driver and Motor Vehicle Services
Central Services Division
Economic Development Department
Office of the Director
Forestry Department
Office of Forest Resources Planning
Governor's Office of Community Development
Governor's Office of Education and Workforce Policy
Land Conservation and Development Department
Rural Community Services
Urban Community Services
League of Oregon Cities
Legislative Fiscal Services
Office of the Auditor, Portland, OR
Office of the Mayor, Portland, OR
Office of Research, Portland, OR
Office of the State Auditor
Oregon Progress Board
Oregon City/County Management
The Oregonian
State Police Department
Strategic Direction and Performance Office
TRI-MET
Water Resources Department
12 legislators
3 legislative staff

Texas

Cancer Council
Criminal Justice Policy Council
Department of Economic Development
Planning Division
Office of Corporate Expansion and Recruitment
Office of Tourism Research
Economic Information Clearinghouse
Department of Human Services
Office of Programs
Office of the Chief Financial Officer
Department of Insurance
Office of Strategic Planning and Performance Measurement
Consumer Protection Program
Division of Fraud
Department of Licensing and Regulation
Office of the Director
Education Agency
Internal Operations Department
Governor's Office
Office of Budget and Planning
Health Department
Health and Human Services Commission
Legislative Budget Board
Mental Health and Mental Retardation Department
Natural Resource Conservation Commission
Field Operations Division
Policy and Regulations Division
Office of Environmental Policy, Analysis and Assessment
Office of the Comptroller of Public Accounts
Office of the State Auditor

Parks and Wildlife Department
Office of Administrative Resources
Public Utilities Commission
Administrative Services Division
University of Texas, Austin
School of Public Affairs
School of Social Work
Water Development Board
Office of Project Finance and Construction Assistance
Workforce Commission
Office of Planning
Workforce and Economic Competitiveness Council
3 legislators
13 legislative staff

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