Legislative Fiscal Division
Room 110 A, Capitol

January 2007

60th Legislative Session

Getting to Performance

Most managers can articulate how much money was spent, but can they tell you what they bought?

EXHIBIT 10

Four Good Reasons to Measure Performance

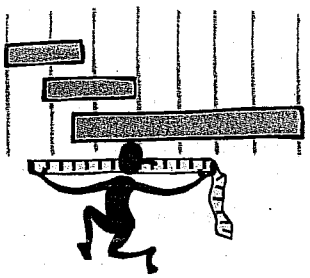
"Why measure performance?" Here are four good reasons to consider:

1—**Enhance Accountability**—Performance criteria allow decision makers and citizens to fully gauge the effectiveness of government programs.

2– **Improve service delivery**—Performance results can aid in determining whether public programs and policies are effective.

3– **Return on Investment**—Information can provide an assessment of the level of goods and services that can be bought with given resources.

4– **Inform Citizens**—Can be used to explain to the public what is being done with their tax dollars.



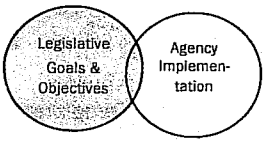
LFC Interim Work: Aligning Legislative Intent & Implementation

During the 2007 interim the Legislative Finance Committee (LFC) directed the staff of the Legislative Fiscal Division (LFD) to develop a number of performance management tools to provide options to the legislature to incorporate performance management into the budget process.

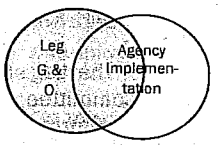
The legislature establishes policy and fiscal guidelines that may or may not be adequately articulated in HB 2 or statute. When the goal of the legislature is not clear, debates arise regarding what the legislature intended to do.

Using the appropriate performance tool may assist in mitigating the number of debates that arise over intent. The tools will increase the ability of the agencies to effectively implement legislative goals and objectives.

Think of it as two circles that need to line up and over lap. Depending on the success of policy implementation the legislative goals and actual implementation may line up like this:



By changing the way legislative intent is articulated through HB 2 or other bills, alignment of goals and implementation has a good chance of improving:



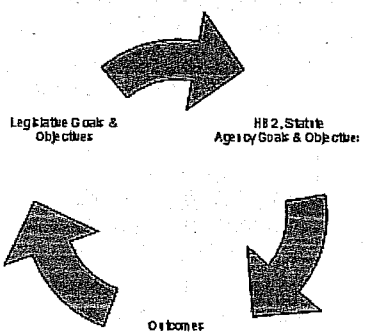
This process, if adopted, can establish a continual process as shown in the figure to the right.

When the legislature establishes goals and objectives, those can be clearly articulated through HB 2 (or a companion bill) and tagged for follow up during the interim or before the 2009 legislative session.

The role of leaders is to set direction. To do this they must ask and answer:

- Where do we want to go ?
- How are we going to get there ?

Ask the questions, apply the tools, measure success and ask again. Once around the circle and a basic performance management system has been created.



What can performance measurement do?

When performance information is made available to the legislature, the options to use the information may include:

- o Re-establish program goals and/or performance measures
- o Adjust the level of funding to the program to account for new goals, or overcome current obstacles
- o Eliminate ineffective programs
- o Request interim reporting to keep current with program performance

At-A-Glance
The Tools

Profile: Basic Agency Statistics Compiled by the LFD

Template: Summary of historical funding, 2009 biennium general budget request, status towards goals and agency defined issues

New Evaluation Process: Information on proposals that expand a function or add a new function to state government,. Including, justification, goals, performance criteria, funding, FTE, obstacles and risk

Performance Reporting— A 2 page, spreadsheet based reporting process to provide management level data regarding the progress of key initiatives.

Changes to Subcommittee Process

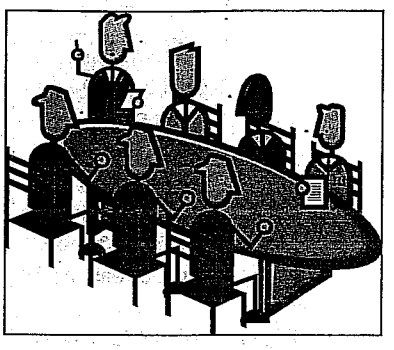
The most obvious change to the subcommittee process will be the agency presentation. Affectionately known as the "dog-and-pony" show. In the past the presentations were developed and delivered based on what the agency wanted to provide to the committee. Now, the process is based on what the legislature requires to make sound decisions.

The process could look" somewhat like this:

1. Agency level overview based on the Template. (see below)
2. Discussion on Goals and Objectives, including results from the 2007 biennium and plans for the 2009 biennium.
3. Discussion of agency wide issues raised by the agency or the LFD.

As the subcommittees work through agency programs, the same framework can be followed. At the program level the agency will also provide a discussion on the decision packages. LFD staff will raise the issues and/or comment as appropriate through the process.

At points in the process the new evaluation information will come into play. Then the agency provided justifications, goals and objectives of specific projects will be the center of discussion. This is the point where performance becomes policy.



The Template

At the request of the Legislative Finance Committee a brief summary of information for agencies, divisions, and programs to use for informational presentations to the joint appropriations subcommittees was developed. The idea of the templates is to shorten and direct the informational presentations made by agencies, reducing the "dog and pony" shows and focusing the discussions on the budgetary issues, goals, and objectives. Another purpose of the templates is to provide comparable, standardized budgetary information to the joint appropriation subcommittees, the House Appropriations Committee, and Senate Finance and Claims. An overview of what the budgetary unit does, how services are provided, the statutory authority, base year revenues and expenditures from all sources, historical revenues and expenditures from House Bill 2, 2007 new program implementation, FTE, and corrective action plans, 2009 biennial budget, and the related goals and objectives for the budget, budget issues and significant issues expanded are included within the document. If additional information is needed to address budgetary issues, committee members may request agency personnel provide the information.

New Evaluation Process

The executive budget normally contains proposals to expand current state services or add new services to the menu. In the past , these requests did not receive additional attention unless the LFD staffer raised issues with the proposal.

In order to highlight where expansion may be take place a new evaluation process was developed. For selected proposals, additional information was provided by the agencies to the LFD. The LFD staff edits it only for clarity and brevity. This information is listed under the decision package description. This information includes a justification, goals, performance criteria (objectives), milestones, FTE, funding, obstacles and risks. (see right sidebar) This information should provide the legislature with insight into what the agency is wishing to accomplish and how that accomplishment will be measured beyond the amount of funding expended. Sometimes the information does not provide this and the legislature may wish to seek clarification.

While established for selected proposals, the legislature has the ability to ask for the information on any proposal.

Goals: Good, Bad and Ugly

As defined (see side bar), a goal is the end result to which all efforts are focused. There are a number of types of goals—some goals are good and some are not.

The agency or program goals are a policy decision that can be adjusted by the legislature. What does the legislative body want the agency to accomplish?

Whether it is at the agency or program level, goals should be concise language demonstrating what the effort is all about and it should be measurable. For this exercise, the goal should address the upcoming biennium. This type of goal sets the stage for anticipated outcomes.

What is the effort all about?

Think about "feel good" goals—those flowery descriptions that don't really tell you what the effort is all about—but it sounds nice. Those types of goals can not be measured.

Then there are the real "gems", that are documented in the budget analysis. LFD staff have written issues about this type of response.

As part of the appropriations process, the legislature has the options to accept, eliminate or re-vise the goals.

Performance Criteria—Objective Measurements toward the Goals.

In order to determine progress towards the measurable goal (s), performance criteria or objectives must exist. Again—this is a policy issue for the legislature to determine.

There are different types of measurements which are debated in academic journals. The type of objective utilized is up to the legislature.

Think of objectives as stepping stones to the goal. How does the legislature wish to measure progress? Is it:

- Percentage increase in the accuracy of a permitting process over the biennium ?
- The return on investment in economic development in terms of jobs per year per region?
- Incremental change in the suicide rate for males between the ages of 15 and 24 annually?

Keep in mind the SMART acronym: Specific Measurable Accountable Reportable and Time-bound. If the criteria does not meet the SMART test, it may need to be changed in order to be effective.

How is progress to be measured?

Digging Deeper

The template, the profile, and the new evaluation information are not designed to replace the questioning process utilized by committees to have their questions answered. Another dimension of questioning can be added in this process.

Sample questions were developed by LFD staff in six topic areas, they are:

Goals

Expectations

Performance Management

Improvement

Citizens

Human Resources

The sample questions are listed on the front page of the Quick Reference Tool drafted by the LFD. They include questions to tie policy and budget, such as "How would outcomes change if the funding was increased (or decreased) by 5 percent?"

Agencies can articulate how it would be spent—but they may or may not be able to articulate what the change in funding would produce in terms of an outcome.

At-A-Glance Key Terms

Justification—why the proposal is needed, what situation will it address

Goal – the end result toward which all your efforts are focused

Performance Objectives – specific, measurable, accountable, reportable, time bound criteria that determine progress towards the goals

Milestones— provides a timeline of the significant events associated with the proposal.

FTE– Addresses who will do the work. If new FTE is not being requested, workload is addressed.

Funding—Identifies funding source and the appropriateness of that source.

Obstacles – what issues need to be navigated to get to the goal

Risks – what one could reasonably expect if progress towards the goal was not positive

Additional performance management terms are included on the quick reference tool.

POWER OF LANGUAGE

Legislative Fiscal Division

Performance Management
Lead Contacts

Barbara Smith
basmith@mt.gov
444-5347

Kris Wilkinson
kwilkinson@mt.gov
444-5834

Taryn Purdy
tpurdy@mt.gov
444-5383

The power of the written word in HB 2 or a companion bill can articulate the goals and objectives of the legislature. This clarifies the intent of an appropriation.

Language is inserted at the end of HB 2 to provide clarification. Such as:

Item X includes funding for an annual report regarding the scope and funding utilized to restore fisheries in Montana.

Or consider this:
"Funding for Energy Ombudsman Services may be used only to fund case management-type staff at human resources development councils whose purpose is to assist low-income customers in seeking emergency energy assistance. The department shall provide an annual report to the members of the 2005 legislative joint appropriations subcommittee on health and human services on the successes, failures and impact that this effort has on assisting low income families to move toward self sufficiency in meeting their home heating needs."

The subcommittee also has the option of requesting a companion bill to implement HB 2. These bills must be requested by the 75th day of session. A companion bill can be used to:

- Change the nature of an appropriation if a measurable goal is achieved. (i.e. OTO coverts to the base)
- Articulate the goals and objectives of a particular program and establish reporting requirements for the program.
- Condition receipt of 2009 appropriation authority based on achieving milestones in year one.

Most managers can articulate how much money was spent, but can they tell you what they bought?

SINE DIE ??

The old saying goes: " Out of sight, out of mind." As part time legislators, this is a risk of the process. There are ways to maintain legislative presence in the "off-season". This includes:

- Reports to interim committees on a routine basis
- Reports to the Legislative Finance Committee on specific financial issues
- Legislative Audit activities and reports
- Execution of a joint resolution to study a particular issue

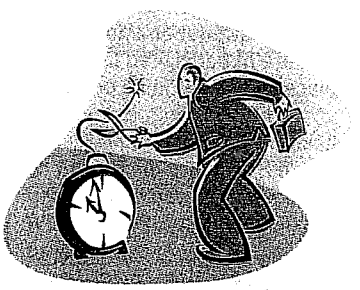
Yet, reports are not always clearly defined when requested. There are a number of examples in statute that require a biennial report to the legislature. What does that really mean? Does each member of the legislative body need the report? Or should the report be directed to a specific committee for a specific purpose? Or does it go to a shelf in the legislative library?

In requesting reports consider:

- Who should get the report
- Who should follow up on the outcomes of the report; and
- What the report should include.

Defining what is in the report can assist in translating multiple pages into a simple 2—page management level document. This process was utilized with the LFC during the 2007 biennium and resulted in the ability legislators to receive pertinent information in a timely manner, allowing for discussion, further research to address shortfalls or expand improvements.

Know what you want, and ask for it. The agency then has the framework to report and not guess at what is wanted.



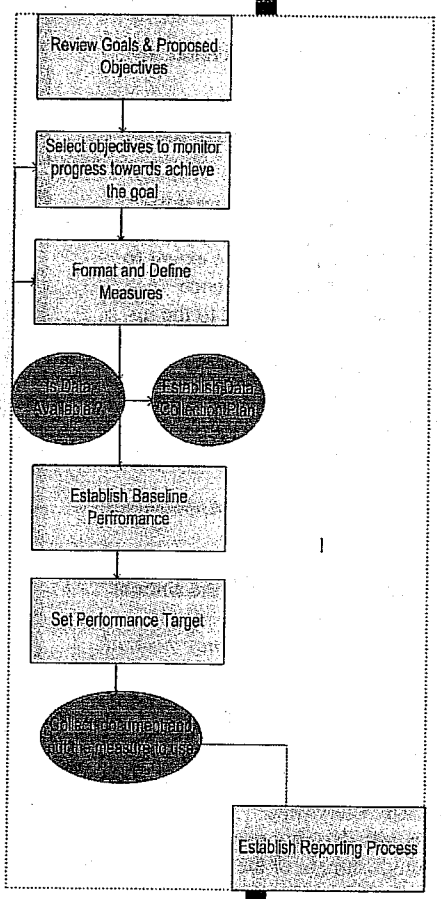
Getting to Performance

Quick Reference Tool

Legislative Fiscal Division
Room 110
Capital

The Process

Green : Legislative Policies
Purple: Agency Activities



The Questions

Goals
What are the program's mission and goals?
How often does the program set or re-set goals?

Expectations
What outcomes are expected from the use of taxpayers' funds?
How would outcomes change if the funding increased by 5 percent?
How would outcomes change if the funding decreased by 5 percent?
What is the largest cost driver in this program? Why?

Performance Management
What performance indicators are used to track progress towards expected outcomes?
Who monitors the performance indicators?
How often are performance indicators monitored?
How are performance indicators used in management decision making?
What were the outcomes in the last two completed fiscal years?
How did the actual outcomes compare to the targets?
Were outcomes unexpectedly good or bad?
Were there any unintended consequences identified?
How do these outcomes compare to other states or similar state programs?
Was there any early indication of outcomes that could have been used to change the course of the program?

Improvement
What would it mean to do a better job?
What is currently being done to improve deficiencies?
When do you expect the deficiencies to improve?
What legislative actions (budget & policy) are being pursued that would assist in achieving improved outcomes?
What is the single greatest obstacle to greater success in this program?

Citizens
Which citizens of Montana are affected by the program or agency ?
What do the affected citizens think of this program?
What other programs and agencies (State& Federal) are partners in producing desired outcomes?
For which citizen groups were the outcomes less than desired?

Human Resources
What are the employment statistics in this program?
What keeps the program from being fully staffed?
How as the turnover rate changed
What is the near-term retirement impact on this program?

17-7-111(3)©, MCA *The plan must consist of* statement of goals and objectives for each program of the agency. The goals and objectives must include, in a concise form, sufficient specific information and quantifiable information to enable the legislature to formulate an appropriations policy regarding the agency and its programs and to allow a determination, at some future date, on whether the agency has succeeded in attaining its goals and objectives.

The Terms

Accuracy - The documentation about the measure is adequate and calculations are mathematically correct, reasonable and consistent. Inaccuracy is reflected in mathematical errors, data entry errors, or a lack of understanding of the measure.

Appropriateness – The connection between the programs/services of the agency and the nature of the measure is clear.

Goal - A broad statement of the long-term results needed to accomplish the organization's mission and achieve its vision. The ends to which all efforts are expended

EXAMPLE: To enhance the independence, well-being and personal responsibility of customers.

Input – The amount of resources used to conduct an activity, produce an output (i.e., product or provide a service)

Input Measure - Describes the amount of resources used to conduct an activity, produce a product or provide a service.

EXAMPLE: Number of teachers employed

Justification: An explanation as to why a something is needed or required, right and reasonable.

Obstacles: A potential event or activity that could impede progress towards the goal

Outcome - A result achieved by activity or set of activities; the extent to which a service or activity has impacted its intended audience

Outcome Measure - Describes the results achieved compared to the intended purpose, or progress toward achieving an objective; the extent to which a service or activity has impacted its intended audience. Outcome measures describe effectiveness and often focus on things such as quality, timeliness, efficiency, or the degree to which something has been deployed throughout an organization or client population.

EXAMPLE: Percentage of juveniles convicted of a new misdemeanor or felony within a year of being placed on probation

Output - Product or service; completed work

Output Measure - Describes the amount of work completed, the amount of product produced, or the amount of services provided.

EXAMPLE: Number of training sessions held for emergency medical technicians

Performance Criteria / Objective - Meaningful indicators) used to determine performance; a criterion or value used to determine the magnitude or degree of something. This could be an input, output or outcome measure.

Reliable - Measures something the same way every time

Risk –Potential affect on the state if an activity does not occur.

Strategies - Actions that support the accomplishment of the strategic plan and deliver the results needed to accomplish goals and objectives

EXAMPLE: Package and market employer incentives through public/private partnerships.

Target - The specific level of performance set by the legislature for the organization to achieve

EXAMPLE: + 3% by July 1, 2007

Understandability – Whether an average user could easily understand the measure as written.

Valid - Measures what you intended to measure; produces an accurate outcome

SMART: Specific, Measurable, Accountable, Reportable and Time-bound

DUMB: Doesn't Utilize Measurable Benchmarks