A GOLDEN OPPORTUNITY FOR CALIFORNIA

Outcomes or Outrage?

OUTCOMES
Leadership
Vision
Strategic Plans
Information Technology
Goals & Targets & Outcomes
Public Information

OUTRAGE
Waste & Inefficiency
Obsolete Technology
System Failures
Higher Taxes
Poor Service
Public Outrage

Where are we going?

How will we know when we get there?

The Senate Advisory Commission on Cost Control in the State Government

April 2001

1078-S

OUTCOMES OR OUTRAGE:

A GOLDEN OPPORTUNITY
FOR
CALIFORNIA

How is California Measuring Up?

Senate Advisory Commission on Cost Control in State Government
Milton G. Gordon, Chair

April 2001

April 2001

Honorable John Burton
Chair, Senate Rules Committee
State Capitol, Room 400
Sacramento, California 95814

Dear Senator Burton:

The Senate Advisory Commission on Cost Control in State Government transmits its
report on utilizing Performance Measurements in California State Government. This
study was undertaken by a Task Force of the Commission. The product of the Task
Force was reviewed and approved by the Commission.

The Performance Measurements Task Force was chaired by John M. Basler and included
Commissioners Werner P. Austel, Louis W. Barnett, A. Alan Post, and Fredric S. Freund.
The Commission wishes to thank Norma Dillon, Executive Director of the Commission,
Jan Stork and Cheryle Hart, Commission Assistants, and Nancy Lambros, Senate Rules
Project Assistant, for their contributions in the research and preparation of this report.

Very truly yours,

MILTON G. GORDON, Chair
Senate Advisory Commission on
    Cost Control in State Government

MGG:njd:nl

THE SENATE ADVISORY COMMISSION ON COST CONTROL IN STATE GOVERNMENT

Performance Measurements Task Force

Werner P. Austel
Louis W. Barnett
John M. Basler
Fredric S. Freund
A. Alan Post

Senate Advisory Commission on Cost Control in State Government

Milton G. Gordon, Chair

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I. INTRODUCTION

This report on Performance Measurements is the fourth in a series of reports conducted by the Commission on the business operations of California State Government.

The first report of the series entitled "State Procurement Practices" focused on procurement in State Government. This study revealed that no information is tracked on dollar volumes by vendor and by specific product. No one knows where the money goes–with any degree of precision. For example, how much money is being spent buying Hewlett Packard products? How many HP Pavilion 8260s have been purchased? Consequently, it is not possible to get volume discounts if you don't know the volumes. **Estimated annual savings of $3 billion** are cited in this report by the use of efficient and modern procurement practices and the development of a procurement information system to track volumes of purchases by vendor and by specific product. Professional procurement personnel could then negotiate advantageous purchasing contracts through volume discounts.

The second report entitled "California's Budget Process: Improving Quality, Cost-Efficiency, Effectiveness, and Accountability in State Government" evaluated the budget process in the State of California. With inadequate detailed financial data available and few program outcomes to ensure effectiveness of actual expenditures, it is difficult to allocate the budget dollars to get the most benefit from available resources; in short, to get the most "bang for the buck." Unfortunately, the existing budget process has also created a long-standing mindset in experienced state employees that you either spend your budget dollars or you lose them next year. The budget process does not encourage State organizations to operate most efficiently.

The third and most recent report was concerned with the utilization of information technology in managing operations of the State. California was given a C+ grade by the highly regarded *Governing*[1] magazine in the use of information technology. This reasonably acceptable grade was achieved primarily because the State has established a Department of Information Technology. It was attained without respect to serious and persistent deficiencies in the State's technology systems. **There is no long-range strategic plan for information technology for the State.** Each agency has many systems on disparate platforms to help managers run their jobs. These systems are fragmented and do not interconnect, so summarization of data for the entire State is impossible. Accountability for performance is difficult without a comprehensive financial management system that also tracks efficiencies and unit costs in addition to line items required by the Department of Finance. With no long-range plan, it is unlikely that this unacceptable situation will be soon corrected.

This fourth report in the series evaluates the current use of **performance measurements** in California State Government and reviews efforts of several states and private

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[1] "Grading the States," *Governing*, February 1999, Special Issue.

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businesses and comments on Federal government efforts. The value of measuring performance and its use in the private sector has been described. The Cost Control Commission believes that setting targets in costs, efficiency, services, program outcomes, and quality and then measuring the actual performance against these targets would result in significant improvement in every aspect of the State's operations. It is clear that no business or government can operate successfully without a business plan with specific performance targets that become commitments resulting in complete accountability. At one time among states, California was regarded as the model for public administration. This is no longer the case. It is hoped that this report will encourage the Governor and the Legislature to restore the State of California to the eminent position it once held.

California Government Lags Behind the Other States

The State of California has fallen far behind other states in the management of state operations. For example, in February 1999, the magazine *Governing* issued a special report grading the 50 states on government management performance. **Only the state of Alabama received a worse grade than California.** Many State departments have fallen behind the other states in management. The same attention, effort, and urgency that were given to shore up education in California, must also be given to improve the management of our State's operations. California does not have a statewide coordinated and integrated strategic plan with goals and measures of success for its multiple operations that are tracked over time, as do many other states. Nor, does it have a management information system on a state level that monitors levels of service, program outcomes, and cost effectiveness on a unit cost basis. There is no activity-based cost accounting system for all State operations. Nor, does California have a program to inform the citizens as to what is being done to improve government services, quality of life, economic conditions, and resource utilization.

Information age citizens will soon demand electronic services and detailed performance results. The recently released Little Hoover Commission report clearly stated the problem facing the leadership in California: "The State of California – the birthplace of the technological revolution – is nearly last among the states in harnessing the technology to better serve the public."[2] Information technology not only provides information to manage operations, but also provides the ability to make business processes more efficient. Alan Greenspan, Chairman of the Federal Reserve Board, considers technology the engine driving the increasing productivity in our country. The U.S. Department of Commerce considers that more than 40 % of the U.S. economic growth in 1998 came about as the result of information technology.[3]

Unless the leadership of California – the Governor and Legislature – create a vision for the State looking decades ahead, our children and grandchildren are doomed to have a backward State government that lags well behind the rest of the nation.

Opportunities for Progress and Public Education of Government Effectiveness

The potential for eliminating waste and making more money available for programs or tax cuts is huge. This can be done without terminating employees. At the same time, there is great potential and opportunity to demonstrate and provide assurance to the public that the outcomes of governmental programs are effective and in the public's best

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[2] Little Hoover Commission, "Better Government, Engineering Technology – Enhanced Government," November 2000, p. i.
[3] Ibid.

interest. For example, California's Department of Parks and Recreation established a quality improvement program as a result of its strategic planning process and reduced its administrative expenses from 17% of its total budget to 10.2% over a 5-year period. At the same time, the same organization improved service to its clients, based on valid statistical data obtained from questionnaires. If we assume, for the purpose of getting some sense of the magnitude of potential for savings, that the same percentage of administrative savings achieved by the California Department of Parks and Recreation would apply to the entire State, then the potential savings to California State Government would be $6 billion annually.

Unfortunately, the general public is not aware of what that organization has done to reduce cost and improve service. There are several other organizations that have also done an excellent job of putting together performance plans and are tracking results. Similarly, the general public does not appear to be aware of these efforts and performance or of recently approved legislation requiring outcome measurements for specific programs. A good example is AB 1913 (Cardenas), Chapter 353, Statutes of 2000. Included in this act is the requirement to track specific program outcomes. However, there is no organized tracking and reporting system, such as a friendly user web site, that would permit any citizen or elected representative to review the outcomes of the dollars being spent.

Citizens' View on Government Waste

The attitude of California's citizens toward the waste of tax dollars in California is indicated in a number of surveys. One such survey indicates that 93% of the respondents in California believe that California government wasted money. [4] Over half of California citizens indicated they thought California government wasted *a lot of money*, and 35 % stated that California government wasted *some money*.

Indifferent Attitude in the Past

It is most unfortunate that in the past, the Administration and the Legislature did not dedicate time and effort to implement modern management methods at the State level. There were ample recommendations made by different organizations, including the Little Hoover Commission, the Legislative Analyst's Office, and the Senate Cost Control Commission. In the previous administration, the Governor required all organizations to develop strategic plans and performance measures. Most of these studies were rudimentary. There was no overarching strategic plan for the entire State providing guidance and direction to the organizations outlining specific agency priorities. Neither was there any centralized support, training, or oversight to ensure proper implementation. There was no quality program established to require organizations to reengineer business processes. There was no uniform reporting method or process developed so that the

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[4] "National Survey by National Elections Studies," University of Michigan, 1998.

Administration and the Legislature could determine the outcomes and effectiveness of programs.

Although there was an approved trial approach to performance-based budgeting, the attitude toward this trial is best portrayed by the lack of support, training, and attention given to it by the Administration and the Legislature. The task was left entirely in the hands of the organizations that participated in the trial. Even though the LAO reported in 1996 that the pilot departments were "energized,"[5] no action was taken to further the efforts of performance-based budgeting for the State. Yes, reports were required as part of the trial, but virtually no attention was paid to the reports. The legislation that authorized this trial had a sunset provision that terminated the program on January 1, 2000.

California Lacks a Statewide, Integrated Management Information System

There is no uniform management information system available to help the State develop, publish, or obtain data required to manage and monitor the various operations for service, cost effectiveness, or outcomes. There is no central place where performance measures are recorded so that the Administration, Legislature, or the public can view the outcomes, efficiencies, or quality of service of a specific group or program. Lacking central leadership, agencies are proceeding independently. There are organizations that currently have, or are developing, management information systems using outside vendors. This requires investment of huge amounts of money with no data outputs on a statewide basis.

There appears to be a disagreement between those responsible for the California State Accounting and Reports System (Cal Stars) and other State organizations. Cal Stars believes that its system can provide needed management information if requested to do so. On the other hand, other organizations believe that Cal Stars is not able to provide activity-based information as well as other needed measures for cost effectiveness, service, and program outcomes. Therefore, not all agencies use Cal Stars or supplement it with other systems without integration.

The State Controller's disbursement system is a technologically obsolete system handling 30 million warrants annually. Based on these warrants the system prints checks; however, it provides no substantive detail on where the money goes, nor does it identify individuals who spent the funds.

State Organizations See the Value of Performance Measures

There are a number of State organizations that have or are developing strategic plans with specific performance measures. We have found "heroes" who have been actively working on ways to improve the performance of their operations with service, quality,

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[5] California Department of Consumer Affairs (DCA), "Performance-Based Budgeting, Update," February 1997.

unit costs, and outcome measures. In our interviews, individuals commented that there appears to be a shift in attitude in some managers. A number of new appointees are interested not only in developing strategic plans, but also in establishing performance measures that indicate whether or not those strategic plans and goals are being achieved. These individuals also see great value in having a comprehensive, integrated, and overarching strategic State plan. The plan must include a vision, goals, and benchmark indicators of success that have been agreed to by the Governor and the Legislature. This will provide a focus on mandates, priorities, and actions required to attain the vision of the strategic plan. It will also provide for a standard to measure the success of the processes and outcomes of State Government in achieving the vision for California.

California State managers and employees want to be successful in their work. These measures would provide information needed to perform well and to feel successful in knowing they are doing their best to serve the people of California. We have found that managers want to know how their organizations are doing and are frustrated by the lack of data and the lack of recognition for good performance. Managers want measurements because it enables them to identify problems, work with their people in developing solutions, and then implement corrective steps – all on the basis of facts. It also provides them with a tool to evaluate whether or not their corrective steps are effective.

III. VALUE OF MEASUREMENTS

Some of the values to be gained by measuring performance are described in the following excerpt from "Reinventing Government".[6]

- What gets measured gets done.

- If you don't measure results you can't tell success from failure.

- If you can't see success you can't reward it.

- If you can't reward success you are probably rewarding failure.

- If you can't see success you can't learn from it.

- If you can't recognize failure you can't correct it.

- If you can demonstrate results you can win public support.

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[6] Klaus Hilgers, Epoch Consultants, Inc., Excerpt from "Reinventing Government," Gaebler & Osborne, Copyright, and "Measure of Success: Improving and Using Metrics," epoch@gte.net.

Detractors may say that government is different from the private sector and therefore performance measures, as used in business, are not applicable to government. However, the fact is, in the State of California, performance measures are being used and being planned in various organizations. Several agencies have utilized detailed performance measures and have produced and published documented outcomes.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation (DPR) was involved in the performance-based budgeting trial. In addition, under the previous administration, it was required to decrease its dependency on the General Fund and meet its budget requirements through a combination of reducing expenses and increasing revenues through increased park fees. Usually when expense cuts are mandated, external and internal services suffer since there are not enough people to do the work. Morale problems also occur since people feel that the cuts are arbitrary and unfair. This did not happen because of management's thoughtful and business-like approach to the problem.

First of all, DPR's strategic plan is comparable to private business plans and measurements. In fact, its entire approach in managing operations is very similar to the way private businesses manage. DPR has an extensive and complete strategic plan that includes its vision, values, core processes, outcomes, measures, and targets. Performance measures have been tracked as well as charted using trend lines beginning in 1994. Unit costs per public attendee on a district basis are used as well to compare each district's cost effectiveness.

However, equally as important as the development of the strategic plan was the implementation of DPR's quality program to examine its business processes. This has been the foundation for its management's success in reducing expenses and improving services. In fact, DPR is the only California State organization that received the coveted Baldrige Quality Award. The department won this award in 1994, 1995, and 1997. In 1999 it also received the Arthur Anderson's "Best Practices" Award. This award was originally established by President Reagan to encourage business and government in the United States to become more competitive with Japan's quality products and services.

With this focus and attention on quality, DPR's management flow-charted its business process so that it could be reengineered. DPR took this very important and essential step rather than arbitrarily cutting expenses, which some organizations do when confronted with a budget reduction. Improving the quality was the underlying value that helped to achieve its strategic business plan and budget. By flow-charting its business processes, DPR was able to eliminate redundancies, reduce transaction steps, and stop work that did

not contribute to its mission statement. DPR did not terminate or lay off staff but reduced administrative staff through normal attrition.

A management information system was developed that now provides management with data to help determine how successful it is in meeting targets. DPR has a very basic type of activity-based system that is directly related to its performance-based budgeting data. In addition, DPR is currently rolling out Microsoft's Access system, so there is real-time financial data that is no more than two weeks old. For service performance it uses statistically valid surveys. These measures, as reported for fiscal year 1999-2000, demonstrate improvements in overall performance.[7]

An essential element of DPR's success is the specific contract signed by key managers committing them to achieve or exceed their commitments. Recognition for achievement and financial rewards motivate continued improvement of performance. In Chart 1 DPR illustrates the data collection strategy to provide outcome measures compared to contract commitments.
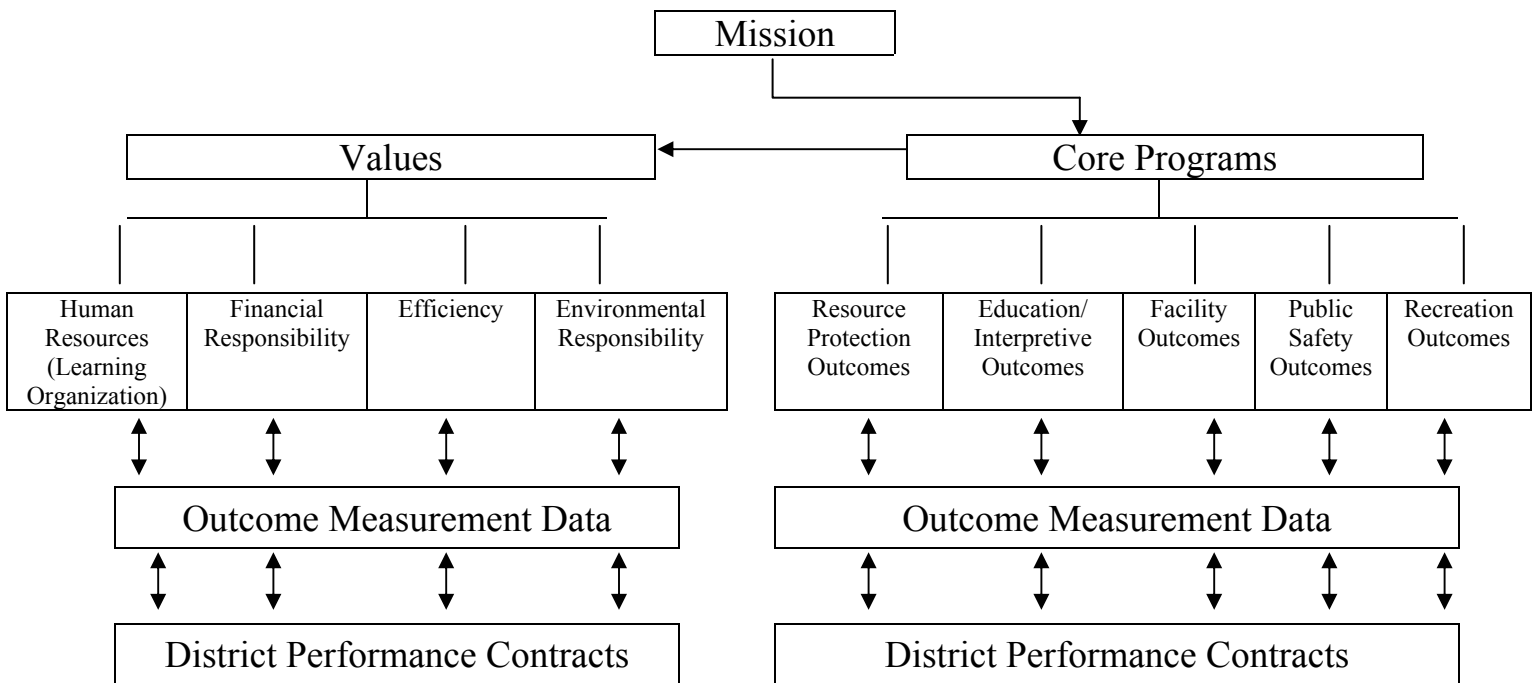
Mission Deployment and Data Collection Strategy

Chart 1

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[7] State of California Department of Parks and Recreation, Performance-Based Budget, Memorandum of Understanding with the California Legislature, Fiscal Year 1999-2000.

HEALTH AND HUMAN SERVICES AGENCY DATA CENTER

The Health and Human Services Agency Data Center (HHSADC) provides reimbursable data processing services and is dependent upon the revenue it receives from its customers. The Data Center receives no funding from the General Fund or any Federal funds. Although it may be impractical to do so, other organizations within Health and Human Services Agency have the option to go elsewhere to have data processing work done. As a result of this policy, the Data Center is very conscious of providing good service at competitive prices. Not only does management monitor and track service and unit costs, it periodically hires an outside vendor to perform an analysis of its costs and services as compared with private firms doing similar work.

The Data Center is currently redoing its strategic plan and performance measurements with input from clients. Management will have goals, objectives, and outcomes and will provide this information to customers. HHSADC will use the "Balanced Score Card" approach.[8] The Data Center is using an outside consultant (Gartner Group) for assistance and will use commercial off-the-shelf software to provide the management information system needed for its performance measurement plan.

One of the comments made by a contributor was the difference in attitude about costs, service, and overhead compared to the attitude in a State organization where the person formerly worked. Within the current organization there is greater concern about both administrative and operating costs as well as services. For example, currently the person is a Staff Services Manager III (SSM) with non-management reporting directly. This relationship is described as a flat management structure. In contrast, the contributor's previous job was also an SSM III; however, it had two levels of management reporting. Specifically, an SSM I reported to the SSM II, and an SSM II reported to the SSM III. All of the non-management people reported to the SSM I. In addition, there were two levels of management between the SSM III and the non-management positions. Currently, the contributor is still an SSM III, but all of the non-management personnel report directly to this position.

The Data Center does not use Cal Stars. It has several systems that interact to provide both the financial line items required by the Department of Finance and the unit cost information needed to charge clients. Currently, it has the ability to show unit costs by organizational structure and types of services or programs. The Data Center is currently reviewing PeopleSoft's activity-based budgeting system. The PeopleSoft's system has several advantages over the Data Center's current multiple systems. It would provide an additional level of activity, it would do away with the multiple systems currently being used, and it would enable managers to have real-time information by accessing their PC. It would also enable the financial staff to create different "what if" scenarios rather than go to mainframe technicians to program the different scenarios. For example, if the Data Center wants to see what the impact would be of increasing rates for a specific service, this can be done by merely accessing the appropriate program through a PC.

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[8] PeopleSoft Balanced Scorecard, June 1999.

HEALTH AND HUMAN SERVICES DATA CENTER - TRAINING CENTER

The Health and Human Services Data Center (HHSDC) Training Center is also dependent upon the quality and cost of its services for revenue. Currently, 95% of its clients are from other agencies and 5% from other governmental groups such as the Federal government, counties, cities, and the State of Nevada.

Its strategy and mission is to provide high quality courses and instruction at low cost. The Training Center obtains feedback from students to determine how well the center is performing. It also compares training costs with outside vendors. Chart 2 provided by the Training Center, tracks the student's response to both the quality of instruction and course content. This chart tracks it on a yearly basis for the last 10 years. In order to be cost competitive with outside industry, it also makes periodic comparison studies. One study made 5 years ago indicated that the Center's training costs were 23% lower than the private sector. Currently, it is 26% lower. With this data, both the quality of courses and instruction have improved, and costs have remained competitive. Over the last 5 years enrollment has increased by 25%. Incidentally, the Training Center has a course on measurements available to State employees.

HHSDC Training Center

Course and Instructor Average Evaluation Scores by Fiscal Year
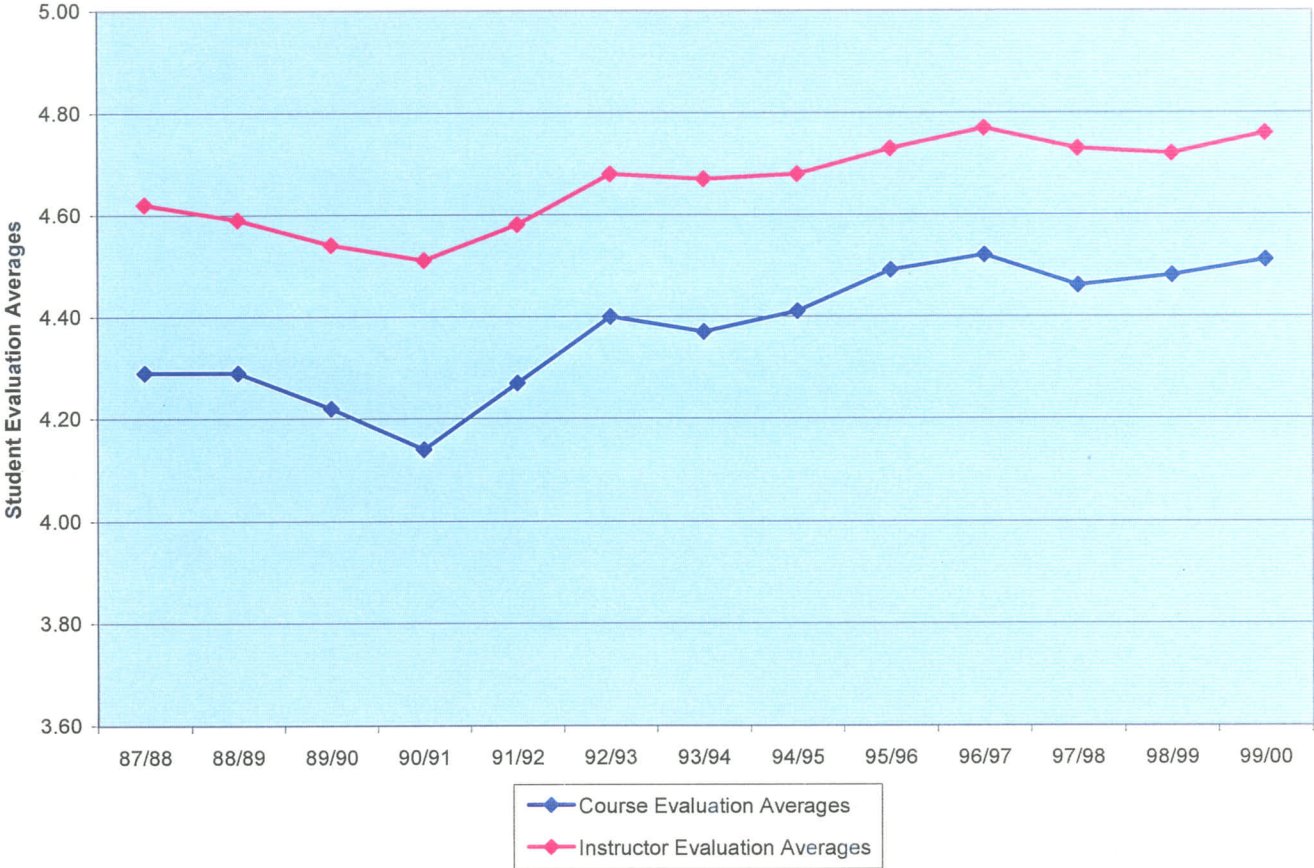
Chart 2

DEPARTMENT OF GENERAL SERVICES

The Department of General Services (DGS) was involved in the Performance-Based Budgeting trial. The April 5, 2000 letter and enclosure from Interim Director Cliff Allenby to Senator Steve Peace provides a 33-page report on its current performance measures. These performance measures cover quality, efficiency, satisfaction, and cost.

A good example of DGS' measurement is an objective of the Office of State Publishing (OSP) which is stated in the above report: "Provide Custom Printing and Express Services at rates equal to or less than alternative sources." Associated with this objective is a chart that shows a comparison between its costs and vendors since 1995. This is illustrated in Chart 3, which compares specific printing jobs with vendor quoted prices.

OSP/Private Vendor Rate Comparison

	OSP values
2nd Half 95-96	-7.9%
1st Half 96-97	-7.1%
2nd Half 96-97	1.1%
1st Half 97-98	-4.9%
2nd Half 97-98	-5.1%
1st Half 98-99	7.0%
2nd Half 98-99	0.3%
1st Half 99-00	3.9%

Chart 3

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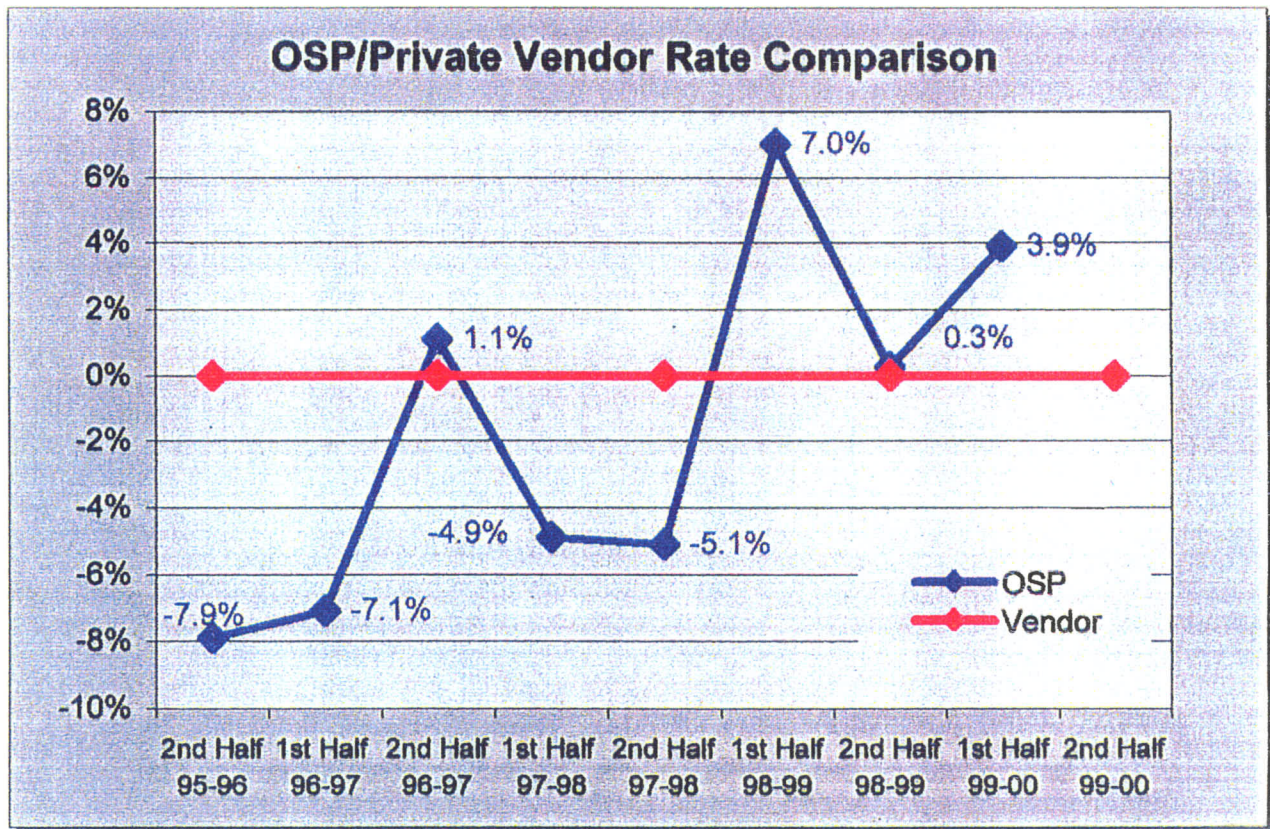
Another good example of performance measures from the above report is illustrated in Charts 4 and 5 from DGS. The charts show how the Telecommunication Division is tracking customer satisfaction and unit costs and comparing the unit costs to private rates. This is an important approach because improving unit costs without improving customer satisfaction is not doing the job effectively.

TD Customer Satisfaction

100%					
81%				80%	
80%					
80%					
77%		78%	78%		80%
60%				Actual	
				Objective	
40%					
FY 94-95	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00
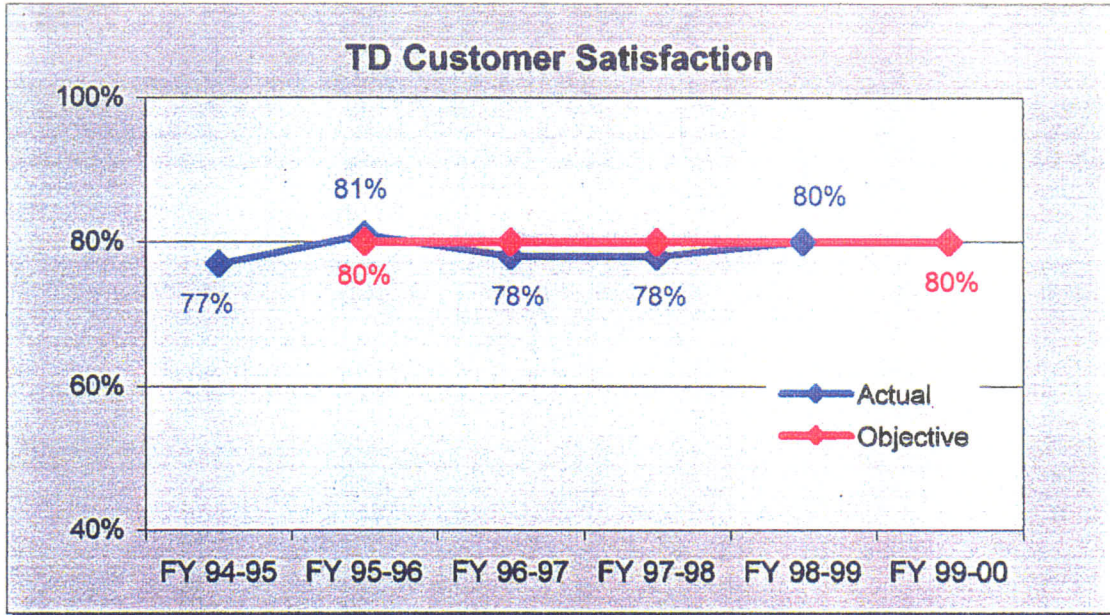
Chart 4

SERVICE	TD RATES (A)	PRIVATE RATES (B)	SAVINGS (A-B)
Radio Services/Repair Maintenance per unit, per month	$ 10.71	$ 11.63	$ (0.92)
Radio Services/ Engineering Design per hour	$ 91.00	$ 97.00	$ (6.00)
CALNET Data Service per month	N/A	N/A	N/A
CALDEX Basic Services per month	N/A	N/A	N/A

Chart 5

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THE OFFICE OF FISCAL SERVICES

The Office of Fiscal Services (OFS) has been conducting a trial of an activity-based accounting system that has been on line since July 1998. It is using the software provided by Oracle. In this trial, OFS is determining the most meaningful and helpful information needed by managers to monitor performance. Chart 6 illustrates how one management group has identified the cost activities it wants to track. The chart identifies the function or service area and the unit costs associated with each activity. The system is now available for use.

OFFICE OF FISCAL SERVICES
DGS ACCOUNTING SECTION
1999/00 DISBURSEMENT ACTIVITY DETAIL
(Final FY 1999/00 Data)
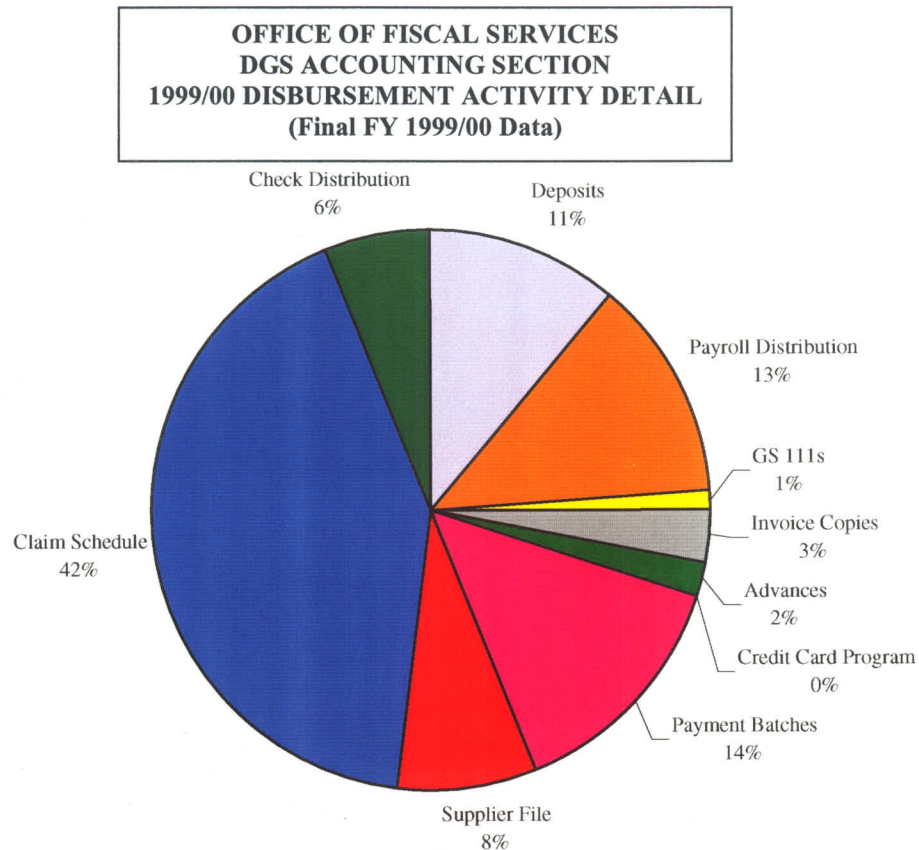
Summarized Disbursement Activities	Total Hours	Pers. Years Equivalent	Total Cost	Avg Cost Per Hour
Claim Schedule	8,449	5.5	465,051	55.05
Check Distribution	1,191	0.8	61,855	51.94
Deposits	2,208	1.4	114,606	51.92
Payroll Distribution	2,544	1.6	137,488	54.05
GS 111s	167	0.1	8,855	53.18
Invoice Copies	717	0.5	41,192	57.49
Advances	479	0.3	32,136	67.09
Credit Card Program	31	0.0	2,157	69.58
Payment Batches	2,903	1.9	225,131	77.56
Supplier File	1,593	1.0	129,619	81.38
Grand Total	**20,279**	**13.1**	**1,218,090**	**60.07**

Chart 6

OFS, along with others mentioned, are real heroes. These agencies are performing within organizational limitations to provide management with information that can help all staff do a better job. All participants are to be commended for their efforts.

CALIFORNIA CONSERVATION CORPS

The California Conservation Corps (CCC) was also involved in the Performance-Based Budgeting trial and has developed strategic plans along with measurements of outcomes. The CCC also became actively engaged in improving the quality of its processes. The CCC reengineered and redesigned several of its support processes. Flow charts were developed, and cross-organizational teams were used to identify areas for improvement. Some of the reengineering efforts were successful. For example, the Reimbursable Contract Group reduced the cycle time from 34.5 days to 9.5 days. One of the things that was encountered was that other agencies, such as General Services, Controller's Office and Department of Finance, limited CCC's ability to make substantial process improvements. CCC could not make any changes in some processes without the other organizations making changes too. It could only make significant changes in those processes over which it had complete control.

The CCC has eliminated one level of management. The Regional Field Division level has been eliminated and the district directors now report directly to the chief deputy director.

DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (CalTrans) has developed an extensive measurement system over the last several years. Construction and highway maintenance are very measurable and can be benchmarked with ease with other states and even with the private sector. Fortunately, the present leadership of CalTrans is dedicated to further development of the measurement system and to increasing accountability down through the organizational structure. The district measurement items are more detailed and provide competition for excellence between districts. We found a positive and supportive climate for performance measurement. The field managers have experienced the value of data in running their operations. We also found considerable pride in the organization.

CalTrans has created an information system designed to produce the data output reports to support its operations. Charts 7-15, developed by CalTrans, describe and display some examples of result measures used in CalTrans.

Results Measures Used in CalTrans

Maintenance Management System

- **What is MMS?**
    - **–Records cost/production for inventoried items for each district**

- **Why MMS?**
    - **–Benchmarking**
    - **–Tool for trends analysis**
    - **–Measures costs related to Level of Service (LOS)**

Chart 7

LOS Supports Management Decisions

- **Provides actionable information**

- **Determines needs**

- **Helps focus resources on greatest needs**

- **Encourages planning and work consolidation**

Chart 8
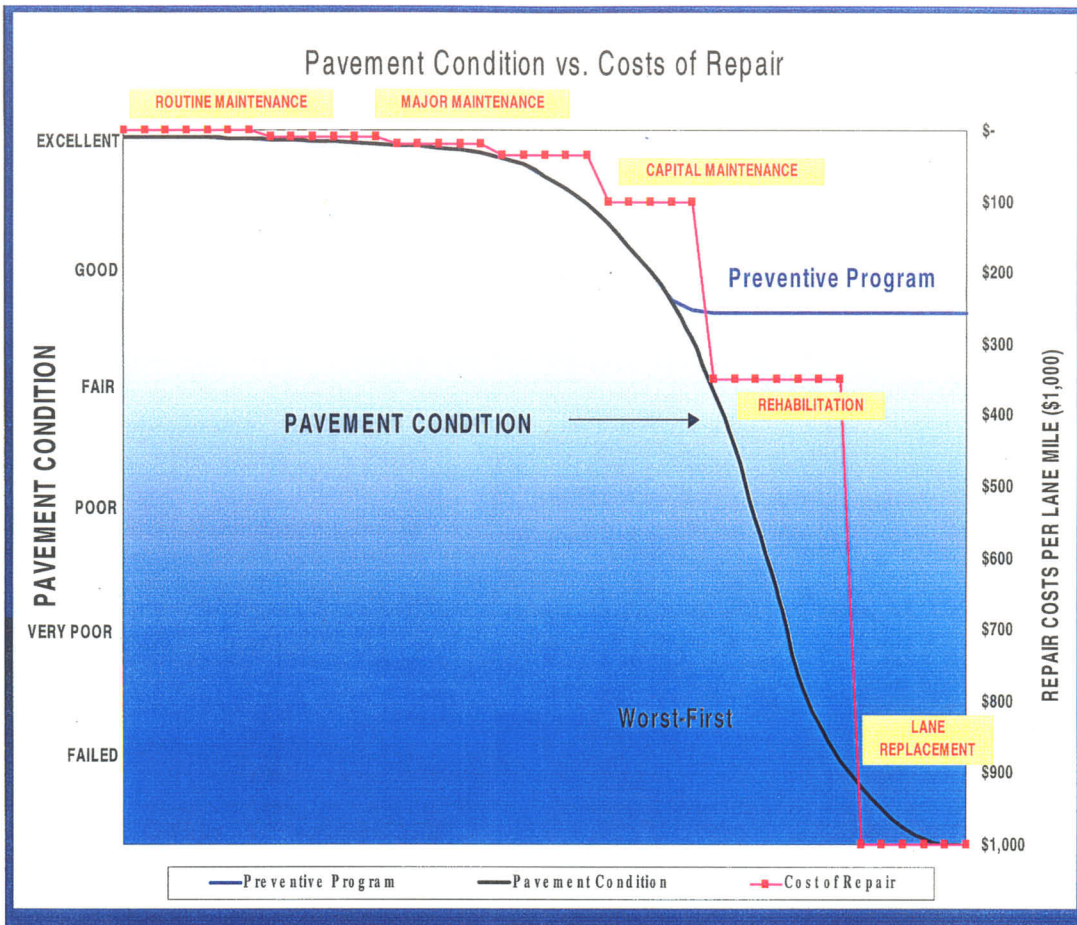
Chart 9
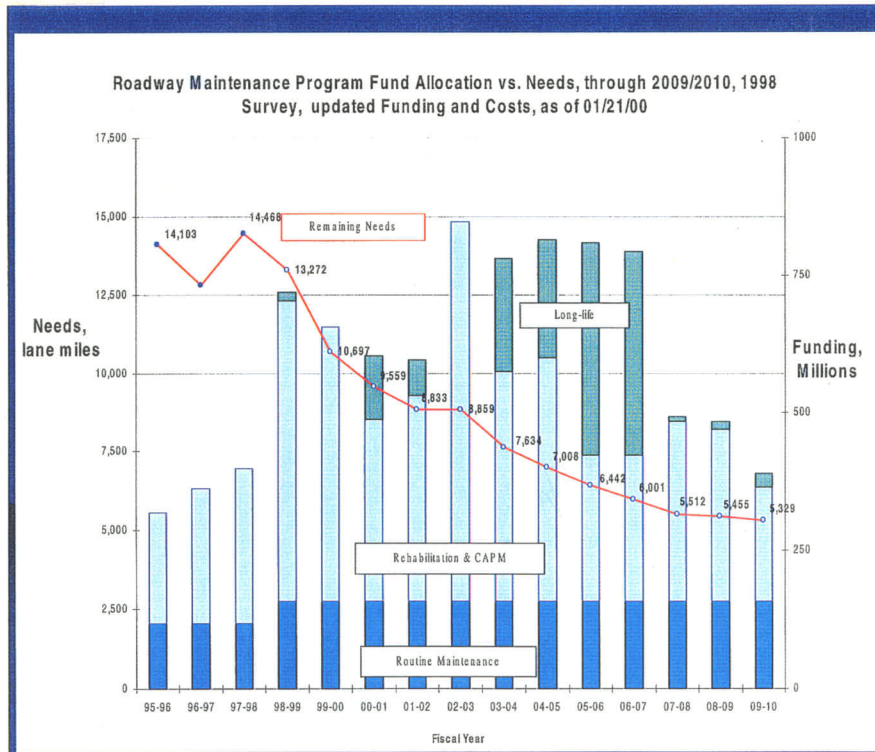
Chart 10

Bridge Health Index

3rd Quarter, ending 3/31/00
Percentage of Bridges with BHI above 80

	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	District 10	District 11	District 12	State Total
9/30/99	87.61%	88.09%	94.87%	93.14%	95.02%	91.25%	97.91%	96.42%	92.00%	93.50%	96.67%	98.85%	94.81%
12/31/99	88.30%	87.92%	94.97%	92.96%	95.02%	91.24%	97.87%	96.43%	92.00%	93.49%	96.67%	98.85%	94.80%
3/31/00	88.30%	87.92%	94.97%	93.45%	95.16%	91.82%	98.04%	96.43%	92.00%	93.50%	96.67%	98.85%	94.96%
98/99 Avg.	87.45%	82.76%	94.93%	90.09%	94.03%	90.07%	97.47%	96.01%	92.00%	93.43%	96.49%	98.27%	93.72%

- **Bridge condition is evaluated every two years.**
- **The objective of this measure is to maintain bridges in an optimal condition to minimize long-term expenditures and maximize the return on the investment.**

Chart 11

Striping LOS & Resource Allocation

Striping Level of Service and PYs Expended
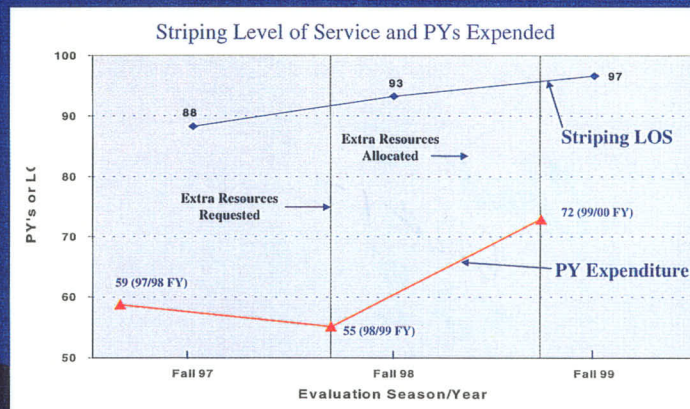
- **Target LOS of 100 was established and extra resources were requested**
- **Fall LOS scores are used. Fall 2000 score (available later this year) should show improvement with the extra resources received**

Chart 12

Traffic Signals LOS & Resource Allocation

Traffic Signal History
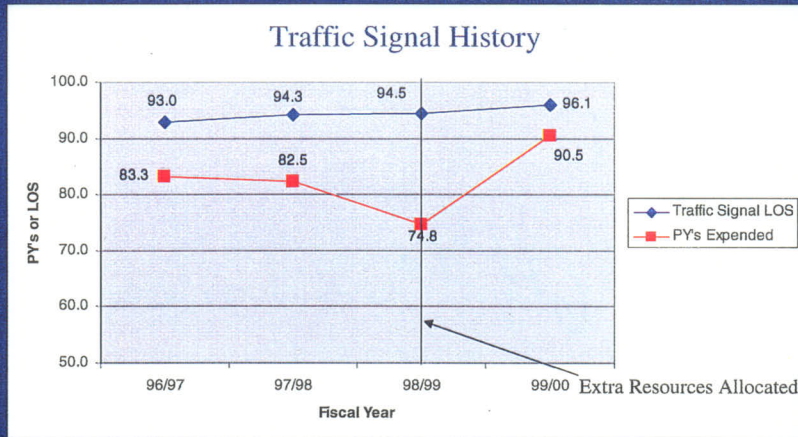
- **LOS indicated future performance drops because of recent expenditure decreases. Funding secured to meet Traffic Signals & other priority needs.**
- **Increase in LOS shows that new resources were used properly**

Chart 13

Roadside LOS Trends

Fall 1997 - Spring 2000

Landscaping Vegetation Litter/Debris
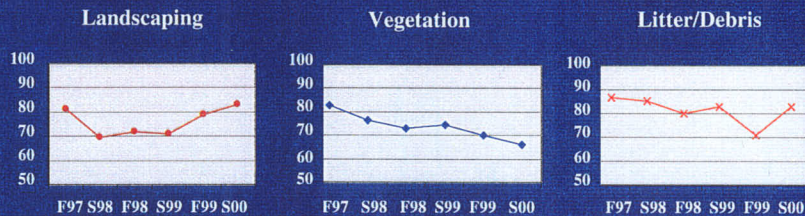
LOS scores show:

↳ Redirection of forces from one area (Vegetation) to another (Landscape)

↳ Additional resources are needed *or* overall LOS will continue to go down

Increased littering by motorists:

↳ Difficult to achieve sustained LOS improvement

↳ One year increase in pilot efforts was not enough to change the trend

Overall Roadside

Chart 14

21
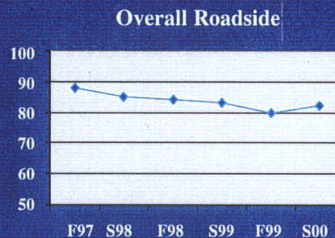
The FUTURE of Performance Measures

- **Increase the Use of**
    - **−Customer Surveys**
    - **−Level of Service 2000**
    - **−Short & Long Range Work Plans**

- **Budget to Meet Future Needs**
- **Improve our Decision Making Process**

Chart 15

CalTrans also measures consumer satisfaction with many service elements. This was done in an extensive and scientific survey conducted in 1998 and 1999 by the Survey Research Center at California State University at Chico and prepared for CalTrans. Areas measured include maintenance response, safety, pavement conditions, traffic flow, bridge conditions, travel amenities, and visual appeal. The survey of licensed California drivers involved a sample of 3,500. It included a number of questions to help the department determine acceptable levels of service from the consumer's point of view. This survey provides an excellent model for other state organizations to use in measuring service satisfaction. Several examples from that survey are illustrated in Charts 16-20.

OVERALL SATISFACTION COMPARISON

- ● CALIFORNIA 1996
- ● CALIFORNIA 1998
- NATIONAL 1995

79% 74%

Chart 16

MAINTENANCE RESPONSE

● 1996　● 1998

	1996	1998
ACCIDENT CLEAN-UP	7.59-8.08	7.39-8.11
DETOURS	6.65-7.67	6.32-7.59
DISASTER RESPONSE	7.11-8.02	7.18-7.90
HAZARD SIGNS	7.38-7.99	7.27-8.07

Chart 17

SAFETY

● 1996　● 1998

	1996	1998
ICE & SNOW REMOVAL	7.64-8.11	7.24-8.14
CHAIN CONTROLS	7.91-8.41	7.72-8.47
DEBRIS REMOVAL	7.33-8.07	7.04-7.50
SAFETY BARRIERS	7.33-8.07	7.32-8.00
SHOULDERS & TURNOUTS	7.21-7.64	7.13-7.81
SIGN VISIBILITY	7.29-8.01	7.16-7.99

Chart 18

23

PAVEMENT CONDITIONS

● 1996   ● 1998

	1996	1998
SMOOTH ROAD SURFACES	5.89-7.28	5.60-6.95
SURFACE TRACTION	6.57-7.35	6.33-7.37
MARKING VISIBILITY	6.79-7.47	6.55-7.45
REMOVAL OF MARKINGS	6.49-7.44	6.53-7.30
POTHOLE REPAIR	5.63-6.77	5.31-6.57
PAVEMENT RESURFACING	6.27-7.07	6.03-7.05

Chart 19

REGIONAL RESPONSE COMPARISON

● 1996   ● 1998

NATIONAL MEAN RATING: 3.44

	1996	1998
EASTERN CALIFORNIA	3.79	3.67
NORTH VALLEY	3.84	3.72
SACRAMENTO	3.73	3.61
SAN JOAQUIN	3.76	3.85
BAY AREA	3.56	3.54
COAST	3.78	3.73
LOS ANGELES	3.77	3.64
SAN DIEGO	3.96	3.90

Chart 20

24

The Cost Control Commission urges CalTrans to make this information available to the public. This would improve public awareness and improve the image and reputation of the department and the State.

The following is an example of what three other states are doing. The states all received better overall grades than the C- received by California in *Governing* magazine's "Grading the States" issue.[9] Missouri is one of four states that received the highest grade of A-. Oregon received a B- and Florida received a C+. Even Florida is much further 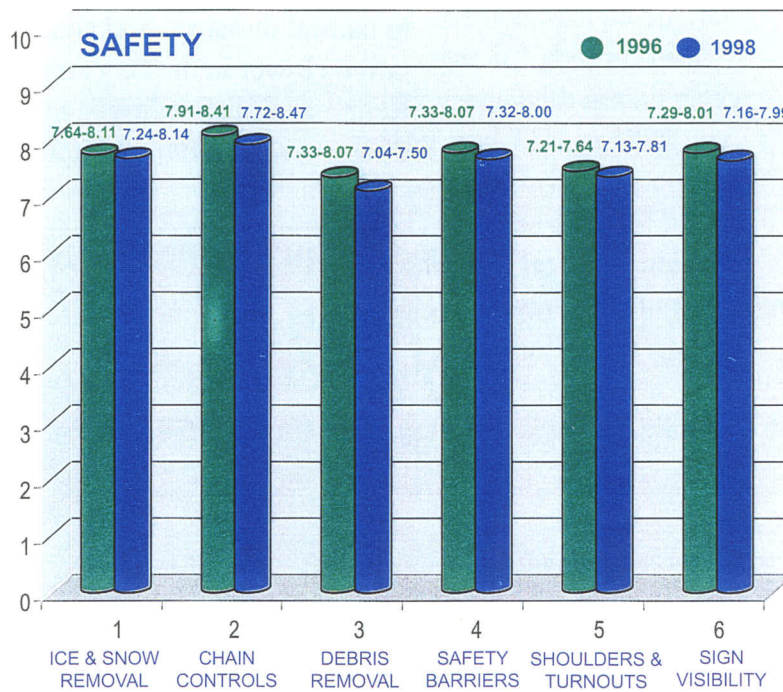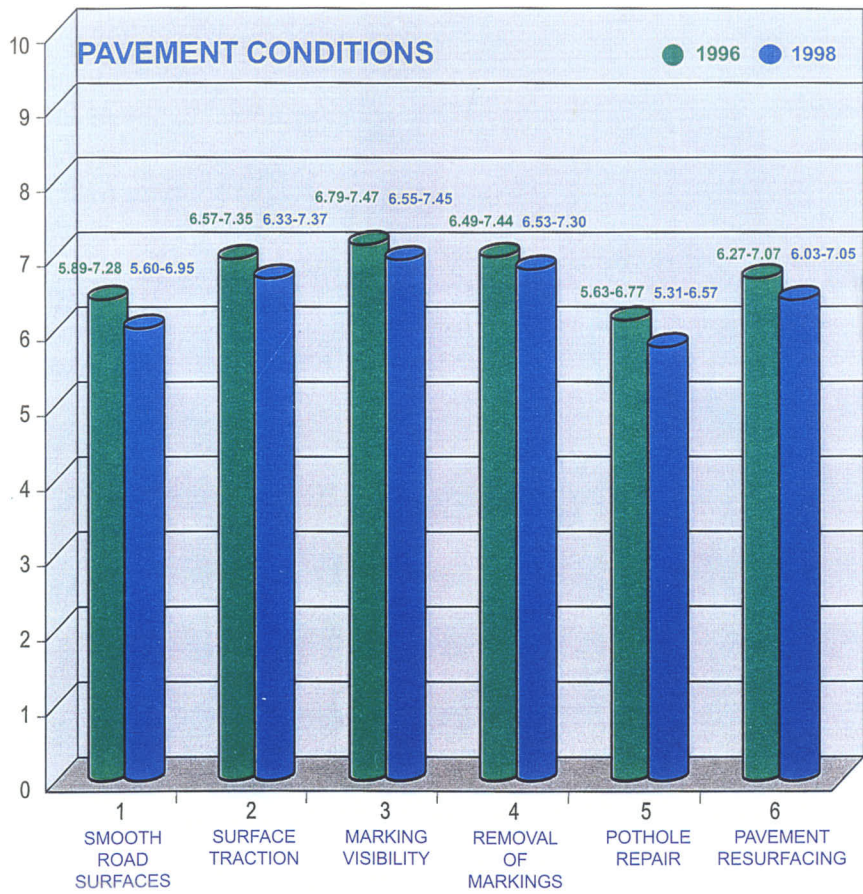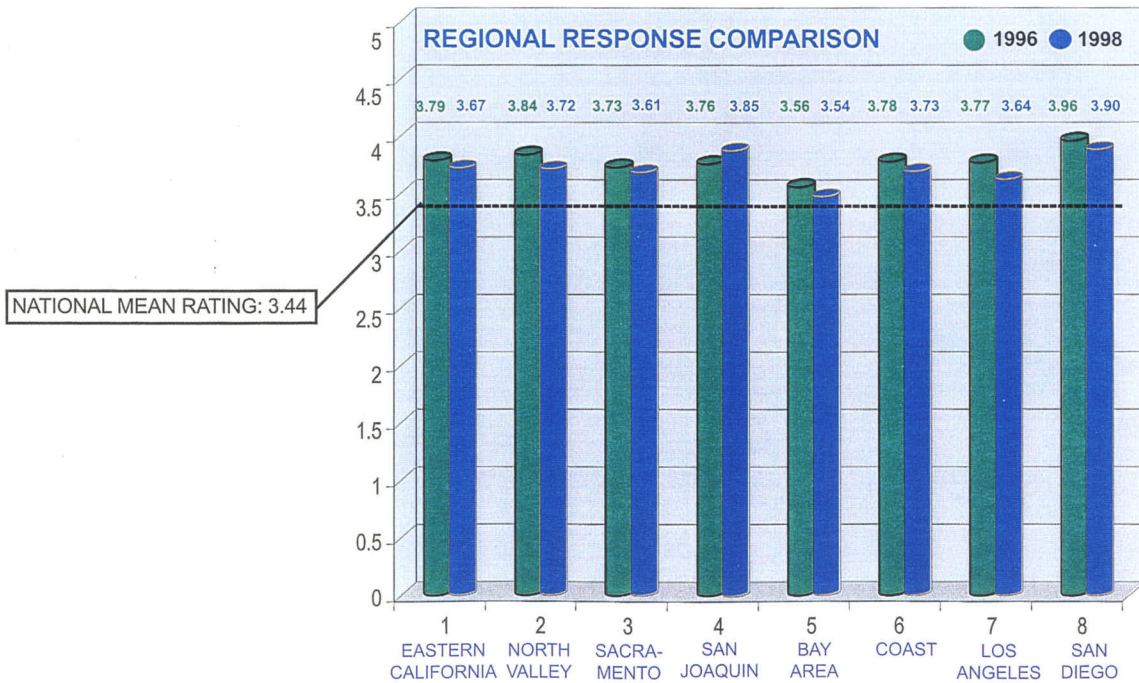ahead of California in its strategic planning and implementation process as well as recognizing that a new accounting system needs to be established.

STATE OF MISSOURI

The Late Governor Championed the Strategic Plan

Missouri has measured results for 20 years. Under the leadership of the late governor, the program has been reenergized and greatly enhanced. Missouri is one of the four states that received an A- from the *Governing* publication. Its strategic plan is called the "Show Me Results."

The late governor established five subcabinet teams to develop and implement plans and initiatives. The teams were formed because of the recognition that the agencies needed to work together to drive significant improvement in the results. These groups review the efforts and performance from an interagency perspective. They also make sure that state government performance is becoming more efficient and more responsive to the needs of the people in the state.

Overview of Strategic Plan

The five areas of the **Missouri Strategic Plan** are:

1. **Prosperous Missourians:** Thriving firms, farms, families, and communities.
2. **Educated Missourians:** Children ready to learn, successful students, and workers with high skills.
3. **Healthy Missourians:** Healthy babies, decreased impact of disease, and clean air and drinking water.
4. **Safe Missourians:** Protection against crime, family violence, and alcohol and drug related injuries.
5. **Responsible Government:** Sound management and stewardship of the state's resources.

Each of the above areas is further defined. The results, and what will be measured and tracked, is also included. For example, the following section shows how the goal

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[9] "Grading the States," *Governing*, February 1999, Special Issue.

"Prosperous Missourians: Thriving firms, farms, families, and communities" is specifically defined and measured:

1. **Prosperous Missourians:** Thriving firms, farms, families, and communities.

- Result: Increased number of jobs paying greater than $10/hour.
    Tracking information: Total Jobs

- Result: Increased number of dollars of new investment in Missouri firms and farms.
    Tracking information: New Capital Expenditures per Manufacturing Firm Change in Farm Asset Value

- Result: Increased productivity of Missouri firms and farms.
    Tracking information: Productivity of Firms (Dollar Value of Shipments Per Payroll Hour) Productivity of Farms

- Result: Decreased percentage of Missourians obtaining public income support.
    Tracking information: Public Income support (AFDC/TANF)

- Result: Increased percentage of Missourians with health insurance.
    Tracking information: Missourians With Health Insurance

- Result: Increased access to high quality child care for working families.
    Tracking information: Child care (This is still being developed.)

- Result: Increased percentage of Missourians with incomes above 100% of the poverty level.
    Tracking information: Incomes Above 100% of the Poverty Level

- Result: Decreased number of communities with a high concentration of poverty.
    Tracking information: Communities (This is still being developed.)

For each of these goals there is a chart and a data table showing the results for 10 years. Chart 21 is an example of one result related to the goal of "Responsible Government." It shows the state's operating expenditures as a ratio to personal income. The conclusion is a decreased ratio of state government operating expenditures to Missouri personal income.

State Operating Expenditures
Result: Decreased ratio of state government operating expenditures to Missouri personal income
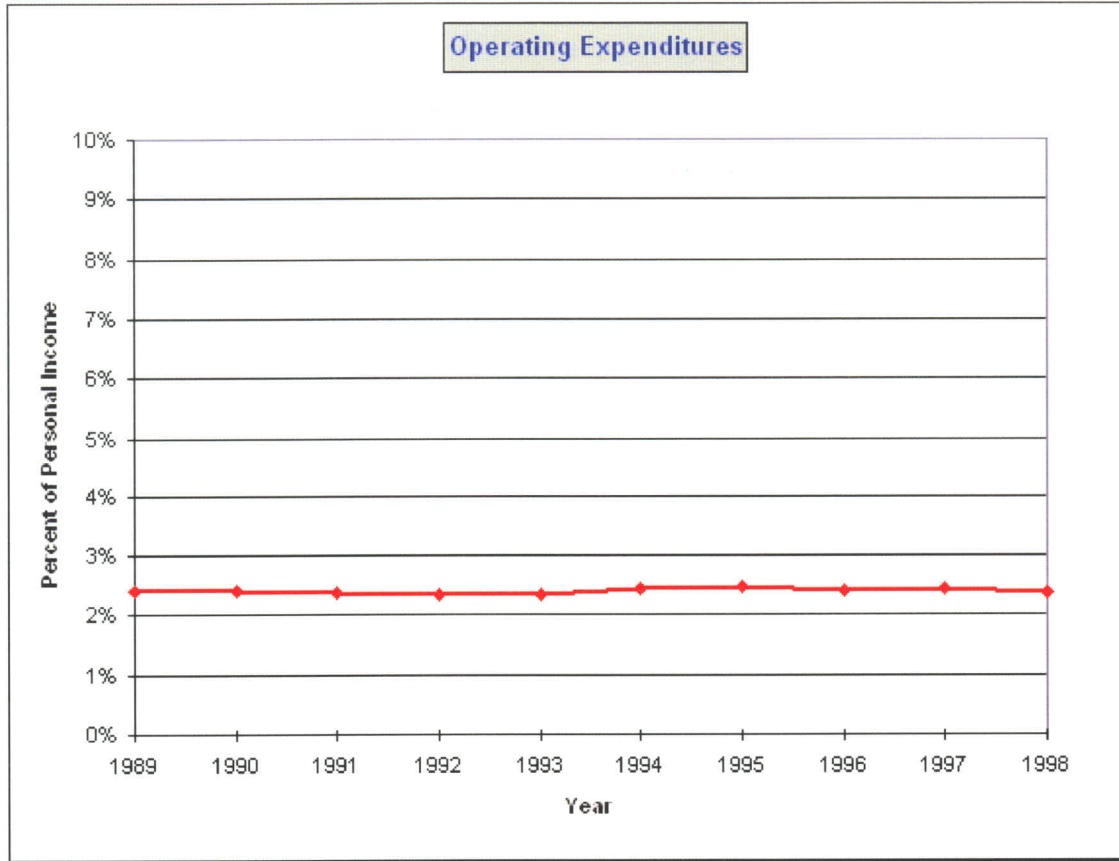
Missouri Data: Data are percentage of state government operating expenditures as a percentage of Missouri personal income, excluding 24 hour institutions.

Chart 21

Appendix 1 is the material for the above that is available on Missouri's web site (http://www.state.mo.us/). This web site shows all of the goals and performance results. Appendix 1 also shows the benchmark statements for all of the goals. Also included are examples of how efforts are made to link agencies to specific "Show Me Results."

Governor Institutionalizes the Strategic Plan Process

In 1995, Missouri's governor adopted and established an integrated strategic planning process for all agencies to follow and implement. The Cost Control Commission has included a portion of the "Missouri Integrated Strategic Model and Guidelines," December 1999. The document is an excellent model of how planning could be done in the State of California (Appendix 2).[10] Page 72 lists all of the items that need to be considered when developing a plan for a large organization. Pages 73-88 are critical and foundational concepts that the leadership have to establish to provide guidance to all state employees. Those interested in obtaining a complete copy can contact the Cost Control Commission at (916) 322-0270.

The statements made in the beginning of Executive Order COMAP 94-04 demonstrate the governor's values underlying the planning document. These value statements are important because they provide a clear and simple picture of what he expected from the people in his administration.

Commission on Management and Productivity
Implementation Order
COMAP 94-04

"WHEREAS, Missourians are entitled to a government that focuses its actions on the vital interests of the citizens, reduces bureaucracy, and ensures that the public receives full measure from every dollar invested in their government; and

WHEREAS, the citizens of Missouri are entitled to a government that is fully accountable and responsive to the people through clearly defined goals, objectives, strategies, and the measurement of performance, and whose employees serve the public by striving for continuous improvement in customer service and by thinking and acting strategically; and

WHEREAS, the citizens of Missouri are entitled to a government that maintains a frame of reference for agency programming and the allocations of resources; and provides standards and benchmarks for measuring tangible outcomes and processes; and

WHEREAS, the citizens of Missouri are entitled to a government whose agencies are working collaboratively to effectively address challenges facing our society by closely coordinating their responses to policy concerns…"

This executive order also made it very clear that the allocation of state resources will be linked in order to increase accountability. It states that greater emphasis in the budget process would be on benefits and results rather than activities and workloads.

From our point of view, an additional statement should address improving the quality of work processes. Although the words "reduces bureaucracy" and "striving for continuous improvement" are used, the importance of core process improvements cannot be overstated if service and cost performances are to be improved. And, because of all of

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[10] "Missouri Integrated Strategic Planning Model and Guidelines," December 1999, p. 1.

the interagency linkages, many of the processes need to be addressed at the state executive level. A single agency may not be able to improve a process by itself.

In the late governor's strategic planning document,[11] he recognized the importance and power of establishing a shared vision as a means of the leadership providing clarity of direction to the agencies. One of the functions of Missouri's leadership is to identify and promote a vision for Missouri's future, as well as broad results for government's service to the citizens. When all state agencies are moving in the same direction, they increase their productivity.

Missouri's adopted the following:

Missouri's Shared Vision

"Missouri will be a statewide community, in which state government encourages and supports the pursuit of dreams, security, justice, and opportunity, while working to protect individual rights and freedoms.

"Missouri State Government shall work with its proud citizens to offer the best quality of life, including:

- Health, safety, and needed support.
- World-class schools that lead to good jobs.
- Good homes in vibrant towns and neighborhoods.
- A vigorous economy.
- A productive and respected natural environment.
- The opportunity to succeed.

"Missouri State Government will be more accountable to Missouri citizens, putting people before bureaucracy. We will rely on integrity, effectiveness, and common sense to exceed the public's expectations of responsiveness and excellence, and provide value and dividends for every dollar invested. The measure of success will be results for our customers.

"Missouri State Government, in partnership with private citizens, will move forward with confidence and hope, staking out a successful and secure future."

The governor's order established the Missouri Interagency Planning Council which provides leadership in implementing the integrated strategic planning process and coordinates with the legislature to ensure the strategic plan will be the basis for appropriation requests by state agencies.

This Missouri Interagency Planning Council has the following responsibilities:

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[11] Ibid, p. 5.

- Assist the departments by promoting the use and refinement of the strategic planning model and the strategic planning manual.
- Facilitate effective coordination and integration of departmental responses to issues that cross organization boundaries.
- Serve as a clearinghouse for the departments by providing technical assistance, advice, and training in the area of strategic planning.
- Resolve planning process questions.
- Recommend to the governor methods for improving planning effectiveness and efficiency.

Not only does Missouri display its results on its web site for public access, the state also published the "Show Me Results" in its Fiscal Year 2001 Budget (http://www.state.mo.us/bp/execsum.htm). The "Show Me Results" are in a separate section in the front of the Budget.

Two years ago, Missouri installed a commercial off-the-shelf system created by American Management Systems for its budgeting process. This system now provides managers with the capability to establish activity-based cost accounting for operations. The system is called *Statewide Advantage for Missouri (SAM)*. The comptroller's department has the capability of downloading this information when it prepares the Comprehensive Annual Financial Report for the State of Missouri. It is now in the process of installing the human resource model for the state.

It is very important to point out that in Missouri's 1994 fiscal year, the governor, by Executive Order, established the Commission on Management and Productivity (COMAP) to make a major review of state government and to evaluate its strengths and weaknesses and to prescribe reform. The commission's responsibility was to develop recommendations that would significantly improve the effectiveness, efficiency, and quality of Missouri's state government. As a result, strategic planning for the state as a whole was intensified, along with performance measures.

Six task forces of the commission were established. One was the Council on Efficient Operations (COE). It developed these goals:

Right Size State Government

- Develop and institutionalize a continuous improvement process in Missouri state government.
- Identify, select, and create opportunities to improve the functions, processes, and operations of state government.
- Develop methodologies, case tools, and a handbook for examining and reviewing improvement opportunities.
- Identify and prioritize improvement initiatives that have major statewide impact on one or more departments.

Provide Value for Taxpayers

- Introduce and encourage competition, consolidation, and privatization as a means to reduce costs and improve effectiveness.
- Provide recognition by communication improvement activities and results to the legislature, governor, and public.
- Formulate philosophy, values, and principles that guide improvement efforts.

Cut Red Tape

- Assist state agencies by sponsoring statewide efficiency projects.
- Reduce and eliminate unnecessary rules and regulations.
- Streamline government operations and processes.
- Report efficiency opportunities, improvement recommendations, and barriers to the governor, speaker of the house, president pro tempore of the Senate, and departments (http://www.comap.state.mo.us/index.htm).

Another commission task force established was the Automation Task Force. The Automation Task Force has the responsibility to develop strategies to improve existing information technology and to create a plan to establish an infrastructure that supports innovative management solutions. The need for statewide strategic technology planning and implementation to improve the state's operation was only too evident. The Office of Information Technology (OIT) was established as recommended by this task force. OIT's responsibilities are briefly described on its web site (http://www.oit.state.mo.us/): "The Office of Information Technology's priorities will be implementing an ongoing strategic Information Technology (IT) planning process which addresses statewide acquisition, implementation, and application of information technology; integrating state government mainframe computing resources; and consolidating the state telecommunication networks to improve management planning, operation, and expansion of available functions."

The director of Performance Management in Missouri's Center for Performance and Innovation described how the governor was personally involved in leading his people. The director often met with the governor and his cabinet to discuss specific performance results. Strategic planning, operational improvements, performance measures, and information technology were all subjects of discussion in such meetings. The governor was personally engaged in the process of improving government operations and was the champion for change.

STATE OF OREGON

Governor Initiated the Program in 1989 and Chaired the Monitoring Board

Oregon started its uniform, integrated, and cohesive strategic plan and performance measurement system in 1989. This program was initiated and led by the governor. More than 150 business, government, legislative, and community leaders were involved in developing a vision for the future of Oregon. This group developed goals and benchmarks (or objectives) as indicators for success. The final strategic plan was called "Oregon Shines." A monitoring board, called "Oregon Progress Board," was created to track the progress that the government was making towards achieving these goals and objectives. The governor chaired this board which was made up of nine leading Oregon citizens.

Strategic Plan Updated by the Current Governor in 1996

In April of 1996, the governor put together a 46-member citizen task force to work with the Oregon Progress Board and evaluate the state's movement towards achieving the original goals of "Oregon Shines" and to update the strategic plan. This task force obtained input from various experts in the related subject areas, researchers, and opinion polls. It examined the Oregon benchmarks that are used as key indicators for how the state is doing. Meetings were held with business and community leaders to listen to their concerns. The citizens' task force also held meetings to listen to state agencies, interest groups, and other interested citizens regarding the effectiveness of the Oregon benchmarks. This resulted in an updated strategic plan called "Oregon Shines II."

Currently there are 92 measures of successes or objectives, referred to as benchmarks, for the "Oregon Shines" strategic plan (Appendix 3). The benchmarks are available to view on its web site (http://www.econ.state.or.us/opb/). Oregon also has a Blue Book linkage report that shows all of the agencies working on a specific benchmark. This enables the legislature to see all of the agencies that impact a specific benchmark.

The current governor again chairs the Oregon Progress Board. Reporting to him is the executive director of the Oregon Progress Board who has the responsibility to head up this effort for the governor.

One of the modifications that the governor is now working on is to create legislation that will permit legislators to sit on the board with the volunteer citizens. This will further enhance the participation of the legislature in the strategic planning.

Benchmarks are utilized in the budget process. The dollars needed are categorized as primary or secondary and are linked to the benchmarks. Funds designated as "Primary dollars" are those which are used to improve the outcome of the benchmarks. "Secondary dollars" are those that are needed for the agency to function on an existing

baseline. This has enabled Oregon to establish a new process for reviewing how an agency has utilized its appropriations.

Before a new budget is established, each agency is now required to come before the Ways and Means Committee to report what has been accomplished with the budget allocation as related to its established benchmarks.

Overview of Oregon's Strategic Plan

Chart 22 shows the vision for Oregon in terms of goals and benchmark areas.

Benchmarks and Oregon Shines Goals

```
                    ┌──────────────────────────────┐
                    │ Prosperous Oregon That Excels │
                    │    In All Spheres of Life     │
                    └──────────────────────────────┘

  ┌────────────────────┐   ┌────────────────────┐   ┌────────────────────┐
  │ Quality Jobs for All│   │ Safe, Caring and   │   │ Healthy, Sustainable│
  │     Oregonians     │   │ Engaged Communities│   │    Surroundings     │
  └────────────────────┘   └────────────────────┘   └────────────────────┘

┌──────────┐ ┌─────────┐ ┌─────────┐ ┌────────┐ ┌────────┐ ┌───────────┐ ┌────────────┐
│ Economic │ │Education│ │  Civic  │ │ Social │ │ Public │ │ Community │ │Environment │
│Performance│ │         │ │Involvement│ │Support │ │ Safety │ │Development│ │            │
└──────────┘ └─────────┘ └─────────┘ └────────┘ └────────┘ └───────────┘ └────────────┘
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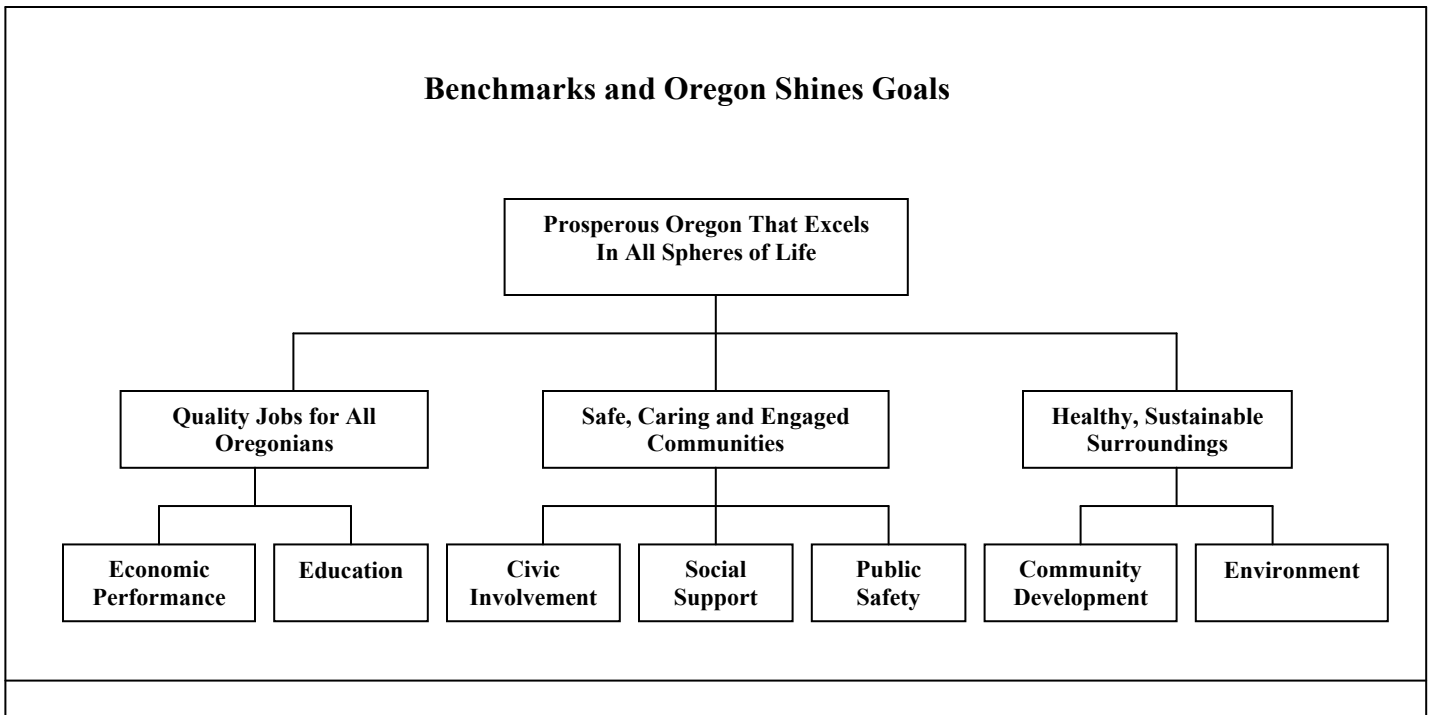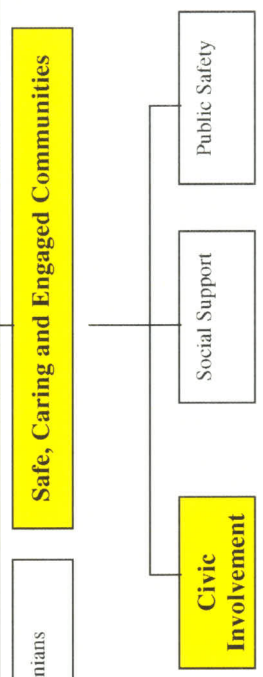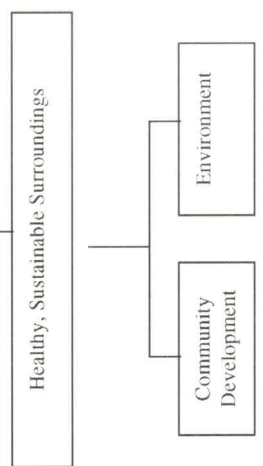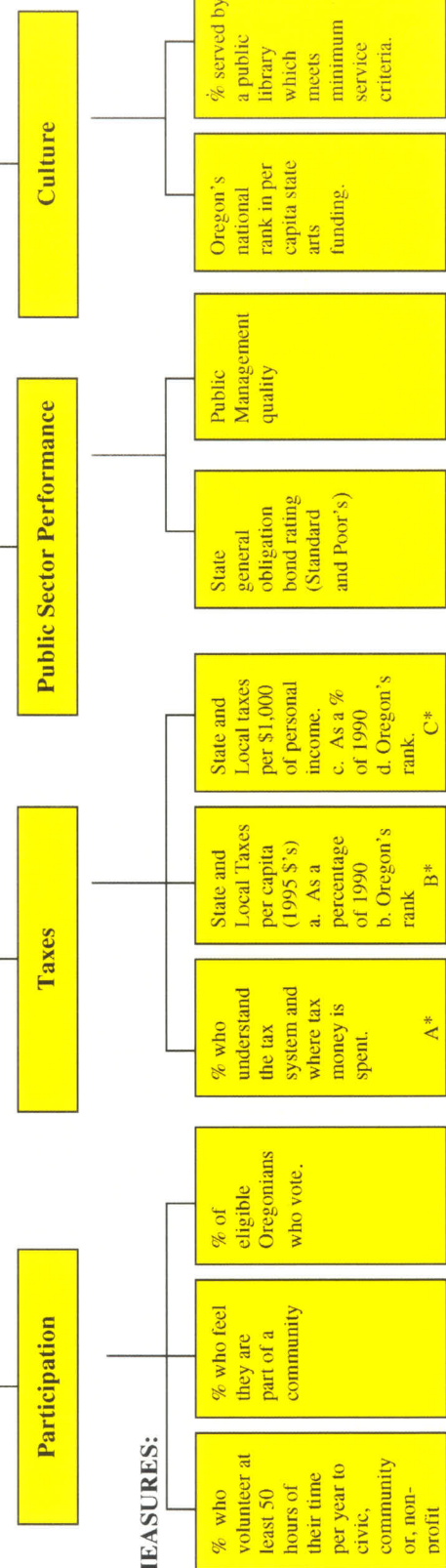
Chart 22

Chart 23 further illustrates the hierarchy of Oregon's strategic plan from its overarching vision statement down to an individual benchmark (taxes) and the related measurements tracked from 1989 to 1998 with objectives established for the year 2000 and 2010. The grade for current performance is also indicated.

Prosperous Oregon That Excels In All Spheres of Life

VISION: Prosperous Oregon That Excels In All Spheres of Life

GOALS: Quality Jobs for All Oregonians · Safe, Caring and Engaged Communities · Healthy, Sustainable Surroundings

BENCHMARK TOPICS: Economic Performance · Education · Social Support · Public Safety · Community Development · Environment · Civic Involvement

INDIVIDUAL BENCHMARKS: Participation · Taxes · Public Sector Performance · Culture

MEASURES:

- % who volunteer at least 50 hours of their time per year to civic, community, or non-profit
- % who feel they are part of a community
- % of eligible Oregonians who vote.
- % who understand the tax system and where tax money is spent. (A*)
- State and Local Taxes per capita (1995 $'s) a. As a percentage of 1990 b. Oregon's rank (B*)
- State and Local taxes per $1,000 of personal income. c. As a % of 1990 d. Oregon's rank (C*)
- State general obligation bond rating (Standard and Poor's)
- Public Management quality
- Oregon's national rank in per capita state arts funding.
- % served by a public library which meets minimum service criteria.

Taxes	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	Grade
*A. % who understand the tax system and where tax money is spent											25	50%	B-
*B. State and Local Taxes per capita (1995 $'s)	$1,801	$2,344	$2,348	$2,314	$2,323	$2,358	$2,322	$2,243	$2,454	$2,300			N/A
As a % of 1990	77%	100%	100%	98%	99%	101%	99%	6%	105%	98%			N/A
Oregon's rank	20th	19th	20th	22nd	24th	25th	27th						N/A
*C. State & Local taxes per $1,000 of personal income	$114	$120	$118	$119	$118	$117	$114	$105	$111	$102			N/A
a. As a % of 1990	95%	100%	98%	99%	98%	98%	95%	88%	93%	85%			N/A
b. Oregon's rank	23rd	13th	12th	12th	17th	18th	26th						N/A

Chart 23

<u>**Examples of Specific Benchmarks Under Topic Areas**</u>

The benchmarks have been tracked since 1980. Others have been tracked for a shorter period of time. Chart 24 is a display of reading and math skill levels back to 1991.
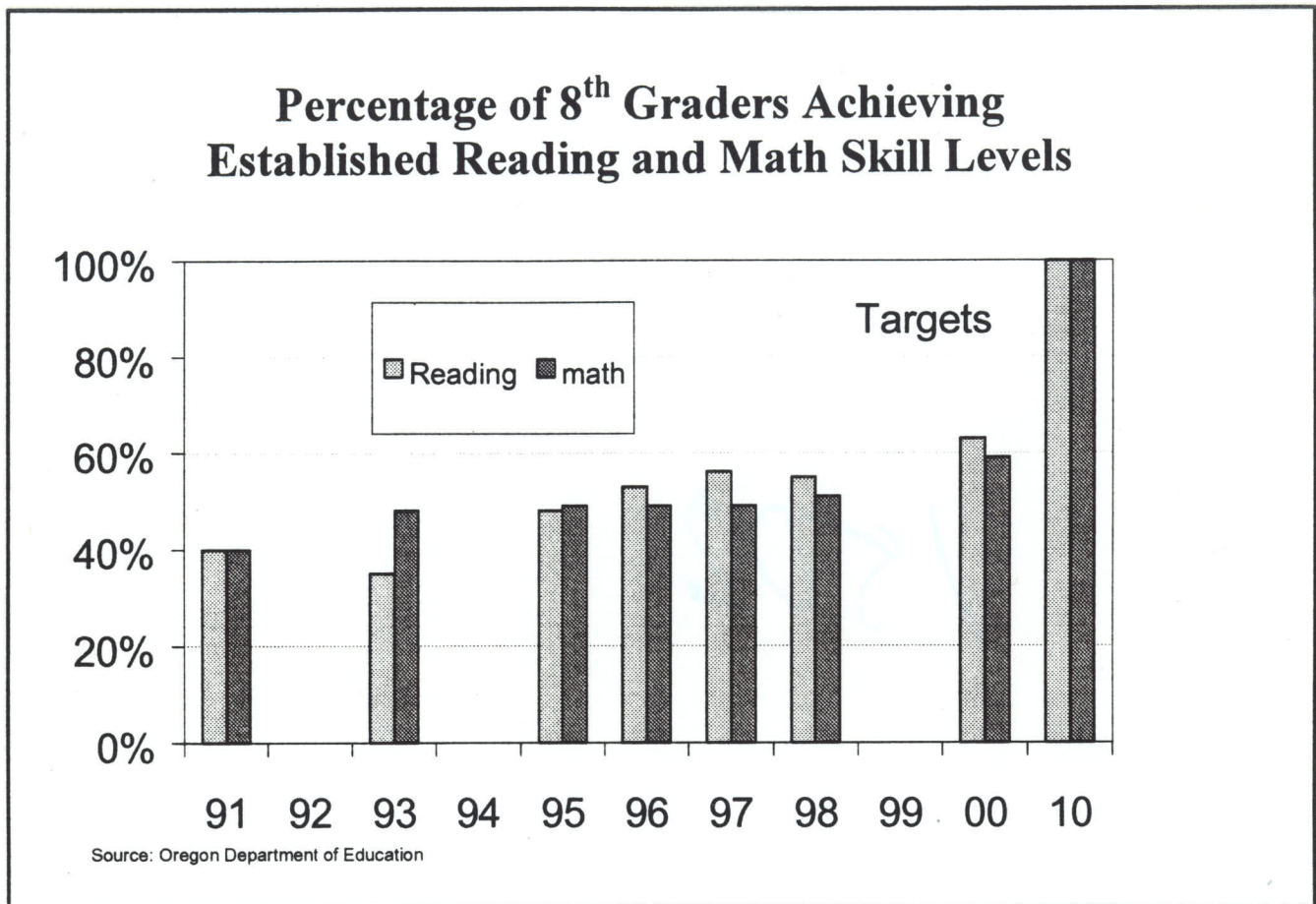
Eighth Grade Reading and Math Scores Improve

Percentage of 8$^{\text{th}}$ Graders Achieving
Established Reading and Math Skill Levels

	Reading	math

Targets

Source: Oregon Department of Education

Chart 24

STATE OF FLORIDA

Performance-Based Budgeting a Ballot Initiative

Florida's performance budgeting process started as an outcome of a commission's recommendation. Periodically, a commission is established to review Florida's constitution. The purpose is to make recommendations as to what changes are needed. As a result of the commission's review, a good budgeting practice bill was put on the ballot and was approved by the electorate. It had wide support from all the editorial boards in the state.

Office of Program Policy Analysis and Government Accountability

In 1994, the Florida Legislature passed a bill to enact good budgeting practices, and this required performance-based budgeting to be established. The agencies were scheduled sequentially over a 7-year period to make the change to the new format. At the same time the Office of Program Policy Analysis and Government Accountability (OPPAGA) was established under the oversight of the Joint Legislative Auditing Committee. The committee was created to help improve the performance and accountability of state government and act as a consultant to the legislature. One of its responsibilities is to make comprehensive performance evaluation and justification review of agencies operating under performance-based budgets. Another responsibility is to do performance audits and policy reviews of state government programs. An example of one of their reviews, Report No. 98-20, is included (Appendix 4). OPPAGA also produces "The Florida Government Accountability Report" (FGAR), an internet web site containing descriptive and evaluative information on major state programs (http://www.oppaga.state.fl.us). Visits made to this web site are recorded.

Governor Establishes New Budget Structure

In the past, the agencies were required to prepare business plans and establish measurements, with standards of performance for each measurement. Unit costs were not initially required but last year this information was required. In 1999, the governor established a new budget structure so that budget information is categorized by kinds of services that an agency provides. In conjunction, an amended budget law was also passed requiring all agencies to map core business processes in order to improve them. Once the core business processes are identified, Florida plans to redo its accounting structure so performance measures of service, program outcomes, and unit costs can be provided at the activity level under each category of service. This is the standard practice in the private sector. Identifying the result outputs – metrics – then determine the system data inputs required to produce the desired outputs.

VI. WHAT THE FEDERAL GOVERNMENT IS DOING

The Federal government is directed by the Government Performance and Results Act of 1993 (GPRA). The purposes of this act are to:

- Improve the confidence of the American people.
- Develop pilot projects in setting goals, measuring program performance against those goals, and reporting publicly on their progress.
- Promote a new focus on results, service quality, and customer satisfaction.
- Help Federal managers by providing them with information about program results and service quality.
- Improve congressional decision making by providing more objective information on achieving statutory objectives, and on the relative effectiveness and efficiency of Federal programs and spending.
- Improve internal management of the Federal government.

The act requires strategic planning with each agency to submit a strategic plan for program activities. Such a plan shall contain "a comprehensive mission statement, including outcome related goals and objectives for their major functions and operations for the agency."

The act requires annual performance plans and reports. Beginning with fiscal year 1999, the director of the Office of Management and Budget (OMB) requires each agency to prepare an annual performance plan concerning each program activity set forth in the agency budget. The plan has to establish performance goals expressed in an objective quantifiable and measurable form unless an alternative form is authorized. Annually, starting March 31, 2000, the head of each agency has to propose and submit to the President and the Congress a report on program performance for the previous fiscal year.

The General Accounting Office (GAO) oversees the progress agencies are making in implementing GPRA. Details in GPRA can be reviewed on its web site: http://www.whitehouse.gov/omb/mgmt-gpra/gplan2m.html).

The U.S. Chief Financial Council has a performance measurement committee and has a home page with important public financial management, budget, and accounting information (http://www.financil.gov/financenet/fed/cfo/gpra/gpra.ht).

VII. WHAT THE PRIVATE SECTOR IS DOING

SBC COMMUNICATIONS - PACIFIC BELL

Private sector companies have found they could not survive without a business plan with objectives, targets, and measures of success. Managers need this management tool. Financial officers, analysts, and security could not manage without this clear direction and information. Shareholders and investors require and even demand this information.

Every "mom and pop" store needs data systems to provide sales volumes for inventory management, cost of goods, cost of sales, profit margins, and payroll, etc. At the end of the year, tax returns must be filed along with other financial documents. Hopefully, at year-end a net profit remains after all the bills are paid.

We selected SBC to study for this report. The telephone service industry is probably the most measured of any. From the creation of the Bell System and ever since the divestiture, it is one of the most regulated companies in the world. These include the Federal Communications Commission, Security Exchange Commission, the Public Utilities Commission in every state, as well as the other Federal and state agencies overseeing all aspects of the company's operations; e.g., Equal Opportunity, Safety, Environmental Protection, and on and on.

The managers of the Bell Systems' operating companies grew up with measurements as a way of life. The amazing result was the whole complex organization moved toward a common goal. Measures drove appraisal, compensation, advancement, and continuing performance improvement. Competition between the various operating teams provided motivation and recognition for achievement. But most of all it resulted in quality, ever-improving service, and productivity improvement. One of the important targets was safety performance with zero lost-time accidents. Bell companies won many awards from the National Safety Council. The "Green Dragon" (a detailed management report) was published every month, providing results measures comparing all the Bell operating companies on the critical measured for each function. No one wanted to be at the bottom of the rankings.

Fortunately, the Uniform System of Accounts required by the Federal government has been used with substantial enhancements to provide extensive detail on costs. In addition, management information systems have been designed to track productivity and service data to allow creation of a myriad of reports to executives and line managers on performance results.

Pacific Bell is evolving its present system to an Enterprise Data Warehouse with results/reports generation capability. The data warehouse contains a huge repository of detailed information that is fed into the warehouse by a large number of legacy systems designed for the specific functions of the departmental organizations. If the data is

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contained in the warehouse, the departments can pull it out and display it in any special reports they need to manage operations. This integrated system is known as the Decision Support System (DSS) and will be the source of all "internal" and "external" performance metrics.

Pacific Bell has measured almost everything. Some examples are listed below:

- New Telephone Service
  a) Percentage installed in 5 days
  b) Percentage on time
  c) Percentage right the first time
  d) Customer Satisfaction Index

- Repair Service
  a) Receipt to clear trouble (hours)
  b) Percentage on time
  c) Percentage right the first time
  d) Trouble reports per 100 lines
  e) Customer Satisfaction Index

- Backlog of Orders

- Regulatory Appeals
  a) By category; i.e., installation, billing repair, total

- Employees per 100 lines

- Absenteeism

- Lost Time Accidents per 100 employees

- Time in Training

- Employee Turnover

- Employee Satisfaction Index

- Inventory Turnover

- Unit Costs by Activity

There are about 2800 items measured with summary reports for top management and specific results reports appropriate to each organization.

If the State of California had such an information system, the Governor, the director of Finance, the Legislature, or any qualified user could pull out and array the data to provide

results information to keep the "ship of state" on course through sound budgeting and decision making. This would allow for performance commitments along with accountability for results. A scorecard could also be shared with the citizens on the Internet. This could be a tool to regain public confidence in state government.

The Foundation for Performance Measurements

The Foundation for Performance Measurements, in addition to the private sector, is another valuable source of research on performance measurement.[12] Established by the consulting, skills development, and technology group METAPRAXIS, the Foundation is a membership organization dedicated to extending the scope of enterprise information beyond the conventional focus on internal, historic, financial, numeric, and short-term data.

It serves as a source of information, as a forum for research and debate, and as a link to tools and resources for organizations interested in developing practical new ways of measuring enterprise performance.

The Foundation links businesses that have successfully implemented new performance measures with those that are endeavoring to do so, or have yet to begin the process, and it links them with experts in the field. It brings together the following types of organizations:

- Leading corporations
- Public sector enterprises
- Institutional investors
- Business schools
- Professional bodies
- Consultants and auditors
- Information providers
- Software developers

Foundation members have job functions such as:

- General Management
- Strategic Planning, Financial Control
- Market Research, Human Resources
- Change Management, IT and Reengineering

The Foundation has prepared a management briefing on performance measurement information system options. The briefing, entitled "The Eight Commandments of Performance Measurement Information System," includes the following topics: choosing among small, mid-range, and large systems; implementation costs; enterprise-wide

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[12] The Foundation for Performance Measurements.

systems integration considerations; necessary steps; overcoming challenges; and information on specific software packages.

VIII. RECOMMENDATIONS

The future success of California rests directly on the clarity of the shared vision of the leaders of our State government to meet all the needs of all its citizens in the years ahead. This vision should be defined in a strategic plan for California and developed and executed under aggressive leadership of the Governor and the Legislature. This Commission recognizes that the current state of government operations has been inherited from previous administrations. However, the highest priority is to move California from the bottom to the top in management of its operations. The key is LEADERSHIP, LEADERSHIP, LEADERSHIP.

The current leadership has a GOLDEN OPPORTUNITY to begin to redirect the efforts of the entire State organization toward a clear vision of the future. These efforts must be enabled by a technology infrastructure and culture change aimed at success. The Cost Control Commission has included in Appendix 2 of this report portions of the "Missouri Integrated Strategic Planning Model and Guidelines," dated December 1999. This document provides a model framework for the integrated planning process that California needs to embrace.

RECOMMENDATION 1

Leadership, Leadership, Leadership

The Cost Control Commission urgently recommends that the Governor, the President pro Tempore of the Senate, and the Speaker of the Assembly initiate action to establish a Leadership Council which includes the Constitutional Officers of the State. This Council would be supported by the principal planning staff to **create a Shared Vision for California State Government in partnership with private citizens.** A shared vision will provide the foundation for building a strategic plan to guide the State toward the vision.

The Little Hoover Commission, in its recently released report, also stresses that "extraordinary and persistent leadership is needed." Furthermore, it is very explicit in what most be done first…**leadership must work together**! "But before any of these steps can be taken – in order for any of those efforts to be successful – **the Governor and legislative leaders must come together to define and commit themselves to a new operating paradigm for State government.** They must be willing to challenge the barriers to cooperation and to think beyond department lines." [13]

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[13] Little Hoover Commission, "Better Government, Engineering Technology – Enhanced Government," November 2000, p. iii.

RECOMMENDATION 2

Develop a Strategic Plan for California

The states that are making progress have an organization either reporting to the governor or/and the legislature, whose only purpose is to provide support for the leadership in establishing, integrating, and monitoring the State's strategic plan. Developing an overarching and integrated strategic plan for California will require a great deal of work, time, and effort. **However, it is essential that the Governor and the Legislature be dedicated and actively lead in the development of California's strategic plan.** This will provide a vision of what the citizens want California to look like in the future. It will provide direction to the agencies and enable them to align each agency strategic plan with the State's comprehensive strategic plan. It provides a context for the enactment of legislation. **Without this overarching strategic plan, agencies will be like the tentacles of an octopus without a head**: each one going on its own way and inadvertently colliding with one another, as is now the case.

RECOMMENDATION 3

Change the Thinking in State Government

Making a major change successfully in any organization requires involvement and buy-in by the employees. This is no easy task. How well it is accomplished will determine the success of the change. Leadership from the top, effective communications and feedback, participation in design, training, problem resolution, and effective integration of the change into the total organization to simplify and improve the work itself are all important to obtaining buy-in. Performance measurement can appear to be a threat to all employees, particularly if compensation and advancement are adversely affected. **However, program accountability for performance is essential for good government.** Measurements provide motivation and recognition for good performance. **A complete strategy with professional support must be developed and carried out continuously during the design and implementation phases of such a sweeping change.** Planners must take into consideration the concerns of the employees. Evaluation of progress and programs corrections is vital to ensure success. Leadership should recognize that a change of this magnitude might take five or six years.

RECOMMENDATION 4

Utilize Private Sector and Other States' Experience

California State Government should research the best practices of other states and large businesses utilizing strategic planning, performance measures, and information technology. Learning from experiences of others will enable California to avoid mistakes made by others and be more effective in developing and implementing a

strategic plan. **It is also important to listen to and learn from the experiences of the California agencies involved in the performance-based budgeting trial and activity-based budgeting**. These are the people who are motivated to improve government performance. They have been "turned on" by their experiences and are proud of their accomplishments.

RECOMMENDATION 5

Develop a Strategic Plan for Information Technology

The Department of Information Technology (DOIT) was created under SB 1 (Alquist) Chapter 508, Statutes of 1995, to develop a California Strategic Plan for Information Technology (IT). **There is no Strategic Plan for IT**. DOIT continues to assist the agencies in development of new systems for their exclusive use. Instead, **DOIT should develop statewide systems under a Strategic Plan for IT.** The Cost Control Commission continues to be concerned that the creation of statewide standards to ensure integration of systems is not being achieved.

The foundation for managing complex operations in the world of the future is clearly the easy availability of real-time data and management information. It is in this area that our State is far behind with no statewide activity-based cost accounting system nor management information system to provide managers at all levels the information they need to direct their operations, make sound decisions, or measure progress in meeting their objectives. As pointed out in many previous studies, State organizations run on disparate systems with different data files and no capability to interconnect. **These systems accumulate data as directed by each organization with no standards of design, and therefore, data cannot be summarized for the entire State.** Operation of these systems is very costly and inefficient and many new ones are under design.

The State must develop a cost accounting activity-based system either as an adjunct or replacement for the current system or systems. The development of such a system must be a high priority for California. This system must provide the Administration, Legislature, and managers with information on how well the State is meeting the goals established by the State's Strategic Plan.

RECOMMENDATION 6

Reengineer Work Processes

Reengineering work processes is a vital prerequisite step prior to mechanization. Flow-charting a process takes expertise and detailed knowledge.

A central organization must initiate a statewide quality program which to provide training, leadership, and support in assisting agencies to improve their work processes.

This organization would look at processes that impact all State agencies and determine how these processes could be improved utilizing modern technology. A good example of what can be done is the State Controller's Automated Travel Reimbursement Process Study.[14] This study was done because the Department of Finance (DOF) and the State Controller's Office (SCO) recognized serious deficiencies in the State's travel reimbursement process. A number of departments were either considering or were attempting to reengineer the travel expense claim process. Agencies designing individual solutions would have been an inefficient and costly approach to solve a statewide problem.

Reengineering is especially critical when considering establishing a web site for the public. California State Government has introduced web sites. Providing a web site is an excellent idea for improving services to citizens. However, if a web site is only a front, it is merely another patch on the existing quilt work of processes further exacerbating the current employee frustration of costly paperwork and multiple transactions. **The objective of designing a web site must consider not only the customer but also the cost and quality effectiveness of supporting the web site.** Reengineering the accounting functions and the processes providing the delivery system behind the web site window is a critical first step to ensure an efficient, prompt, and quality service to the public.

Focusing on quality has several important outcomes. First, it improves employees' morale. It is frustrating for employees to work in an environment in which processes result in duplication of work, rework, and delays. Employees know that processes could be greatly improved. This has been a consistent theme identified in our interviews. Second, the duplication of work and rework is costly. **Quality improvement results in saving money in addition to improving service.**

RECOMMENDATION 7

Develop Measures for Each Organization

Management reports for each organization must be designed to provide managers with the information needed to run their jobs. Also, reports must provide data on results in achieving goals, targets, outcomes, and budget commitments. **Such reports are needed at all levels with summaries to the Governor and the Legislature**. Initially, for good government, these reports should be provided on a quarterly basis, then monthly, working toward the ultimate goal of real-time reporting. **Those leaders must provide feedback to the agencies in recognition for good performance and to pinpoint areas for improvement.**

Determining required outputs is necessary before system inputs can be specified. Inputs and outputs drive the design of management information systems. Flexibility in

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[14] Kathleen Connell, Controller of the State of California, Automated Travel Reimbursement Process Study, May 9, 1995.

provision of management reports can be provided by use of data warehouse concepts as described on page 34. Warehouse concepts also allow summarization of information on a statewide basis by the Governor and the Legislature. **The people that do the work process must be deeply involved in redesign of work processed and in design of results reports.** What do they need to know and when do they need to know it? Technology people must coordinate gathering of information and integration of inputs and outputs into the system designs.

RECOMMENDATION 8

Create a Public Information Program

The Cost Control Commission recommends a comprehensive Public Relations Program. This program would have official press releases and hold interviews with the media, highlighting performance achievements on efficiency and cost reduction, service satisfaction measurements, process streamlining, and new services.

The State's public information program must demonstrate performance results. It should show the public that California is making efforts to reduce waste, improve service, and ensure that money is used for proven, successful programs. California has introduced a web site and is providing limited information directly to the public (http://my.ca.gov). However**, the information should be significantly expanded**. As agencies' performance measures are developed and tracked, and outcomes are available, they should be displayed on the web. Missouri, Oregon, and Florida all have extensive program results available on web sites. **It is imperative that public use of the Internet to access State government is easy to use and is effective.**

A further public information effort would be to **include a simple, annual "Performance Report Card" mailed out with State tax forms.**

Cynicism is so rampant toward bureaucratic and wasteful government that the Cost Control Commission believes that the **leaders of the State must demonstrate, with facts, the following:**

1. **They have a plan for making California a better place to live.**

2. **They are implementing the plan.**

3. **They are working towards providing improved and efficient government services.**

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The Senate Advisory Commission on Cost Control in State Government would like to extend its gratitude to the following individuals who took time out of their busy schedules to provide input and insights for this study on performance measurements in California State Government. In addition to the people recognized below, some contributors chose not to be listed. This report would not have been possible without the cooperation and assistance of all participants.

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XI. PUBLICATIONS INDEX

No.	Date	Cost	Report
0271-S	Aug. 1987	$5.38	The Super Agencies
0293-S	Feb. 1988	$5.38	Report On Management Training
0386-S	Feb. 1989	$5.38	State's Regulation of Financial Institutions Re: Banking and Savings & Loans
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CALSTARS	http://www.dof.ca.gov/html/calstars/index.html
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Dept. of Parks and Recreation	http://www.parks.ca.gov
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Federal Communications Commission	http://www.fcc.gov/
Federal Reserve Board	http://www.bog.frb.fed.us/pubs/shop/
GARTNER GROUP	http://www3.gartner.com/Init
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Governing Magazine	http://www.governing.com/
Government Performance and Results Act of 1993	http://www.whitehouse.gov/omb/mgmt-gpra/gplan2m.html
Legislative Analyst's Office	http://www.lao.ca.gov
Malcolm Baldridge National Quality Award	http://www.quality.nist.gov/
Office of Management and Budget	http://www1.whitehouse.gov/OMB/
Pacific Bell	http://www.pacbell.com/

PeopleSoft	http://www.peoplesoft.com/
Senate Advisory Commission on Cost Control in State Government	http://www.sen.ca.gov/cost
Senate Home Page	http://www.sen.ca.gov
State of California	http://www.my.ca.gov
State of Florida	http://www.state.fl.us/
State of Florida - Office of Program Policy Analysis and Government Accountability	http://www.oppaga.state.fl.us/
State of Missouri	http://www.state.mo.us/
State of Missouri "Show Me Results"	http://www.state.mo.us/bp/execsum.htm
State of Missouri Council on Efficient Operations	http://www.comap.state.mo.us/index.htm
State of Oregon	http://www.state.or.us/
State of Oregon "Oregon Shines"	http://www.econ.state.or.us/opb/
U.S. Chief Financial Council	http://www.financenet.gov/fed/cfo/
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Appendix 1

State of Missouri "Show Me Results"

Show Me Results

Prosperous Missourians:

Thriving firms, farms, families and communities
1. Increased number of jobs paying greater than $10/hour.
2. Increased number of dollars of new investment in Missouri firms and farms.
3. Increased productivity of Missouri firms and farms.
4. Decreased percentage of Missourians obtaining public income support.
5. Increased percentage of Missourians with health insurance.
6. Increased access to high quality child care for working families.
7. Increased percentage of Missourians with incomes above 100% of the poverty level.
8. Decreased number of communities with a high concentration of poverty.

Educated Missourians:

Children ready to learn, successful students, and workers with high skills
9. Increased percentage of children entering school ready to learn.
10. Increased percentage of students who achieve targeted skill levels at various points before graduation.
11. Increased percentage of 18-year-olds with a high school diploma or GED.
12. Increased percentage of individuals ages 25 to 65 who have completed 14 years of education.

Healthy Missourians:

Healthy babies, decreased impact of disease, and clean air and drinking water
13. Increased percentage of pregnancies that result in healthy babies.
14. Decreased rate of infant mortality.
15. Decreased pregnancy rate for females under age 18.
16. Decreased impact of infectious and chronic diseases.
17. Improved air and drinking water quality in Missouri.

Safe Missourians:

Protection against crime, family violence, and alcohol and drug-related injuries
18. Decreased rates of crimes against persons.
19. Decreased rates of crimes against property.
20. Decreased incidence of family violence.
21. Decreased rate of alcohol- and drug-related injuries and deaths.

Responsible Government:

Sound management and stewardship of the state's resources
22. Decreased ratio of state government operating expenditures to Missouri personal income.
23. Improved protection of the public's investment in state-owned capital assets (roads, bridges and buildings).
24. Increased representation of minorities and women in upper level salary ranges in state government and in state purchasing.
25. Improved protection of Missouri's land and water resources.

Linking Agency Strategic Planning with Show Me Results

Planning Step	Show Me Results
Environmental Assessment and Issue Development	Study the sub-cabinet reports. Look for evaluation of trends and the description of conditions, opportunities or obstacles that may be helpful to your agency in the development and review of your strategic plan, particularly in identifying and developing strategic issues. Look particularly at question 7 in the sub-cabinet reports (What are the significant factors that could affect our ability to achieve the results?). This interagency environmental assessment may provide useful insights for your agency.
Identifying Outcomes and Outcome Measures	This should be the strongest and clearest link between agency plans and Show Me Results: In general, Show Me Results and SMR measures are excellent outcomes and outcome measures for agency strategic plans.
Writing Objectives	Study the sub-cabinet reports again. Look particularly at question 6 (What could we measure to tell us whether the approaches are working?). Many of these measures are great objective measures. Ask: Can my agency, alone or in partnership with others, write an objective that will drive improved performance in one of those measures? Consider question 7 again. Ask: Can my agency write an objective that will address one of these significant factors? See the next page for some examples of writing objectives that are linked to SMRs.

Examples of the Link between Agency Objectives and Show Me Results

Crimes against persons and property

The Safe Missourians sub-cabinet report lists measures that could tell us whether our approaches for this result are working, including the recidivism rate for youth in the care and custody of DYS and the percent of youth actively attending school or working at the time of discharge from DYS.

➢ Reducing recidivism and increasing the percentage of youth who are in school or working at the time of discharge are excellent objectives for DSS.

DNR (an agency not on the Safe Missourians sub-cabinet) has an issue related to the preservation, use and enjoyment of Missouri's natural and cultural resources. The outcomes for this issue include opportunities for safe outdoor recreation.

➢ DNR has objectives that are measured by the number of crimes against persons and property in state parks and historic sites.

14 years of education

According to the Educated Missourians sub-cabinet report, one of the key approaches to achieving this result is having a seamless system for 10-14 years of education. Measures that could tell us if this approach is working include the number of students completing core curriculum in high school, attending college, and successfully completing freshman year.

➢ Percent of students completing core curriculum in high school, attending college, and successfully completing freshman year could be objectives in DESE's strategic plan or DHE's, or both.

Infectious diseases

According to the Healthy Missourians sub-cabinet report, one of the significant factors that could affect our ability to reduce the rates of infectious diseases is immunization status.

➢ DSS could set an objective to increase the immunization rate for influenza and pneumococcal disease among nursing home residents (or among Medicaid recipients in nursing homes)

➢ DPS could write a similar objective about immunization rates in VA nursing homes. (Note: this might not be a strategic objective for DPS as a whole, but might be appropriate for a divisional plan.)

Chronic diseases

One of the key impact measures for reducing chronic disease risk factors is current adult and high school smoking. One of the factors that could positively impact the result is cooperation and collaboration within and among state agencies.

➢ DOH, DMH, DESE, DSS could jointly adopt a target for reducing teen smoking.

Public income support

Workforce preparation, increased access to dependent care/preventive health and increased access to transportation are key approaches to achieving this result described in the Prosperous Missourians sub-cabinet report. Many state programs fall under these approaches.

➢ The DSS strategic plan includes an objective to increase work activity participation of non-custodial parents in the Parents' Fair Share program. This is a good objective that measures and targets improvement in program effectiveness and supports the SMR.

Productivity of firms and farms

The Prosperous Missourians report indicates that state programs that address the result largely fall into two broad categories: personnel productivity (examples include DESE vocational rehabilitation and DED customized training programs) and product-based productivity (examples include MDA plant industries and animal health programs and DED Centers for Advanced Technology).

➢ MDA's strategic plan includes objectives that support product-based productivity, including objectives on increasing the sale and market share of Missouri wine.

Minority and female employment and procurement

Many state agencies have included the SMR and measure as an outcome and outcome measure in their plan and included an objective that shows their department's contribution to the statewide result.

➢ Suggested departmental objective: To increase the percentage of minority and female employees in upper level salary ranges in the Department of _____.

Appendix 2

Missouri Integrated Strategic Planning
Model and Guidelines
December 1999

Missouri

Integrated Strategic

Planning

Model and Guidelines

DECEMBER 1999

TABLE OF CONTENTS

COMMISSION ON MANAGEMENT AND PRODUCTIVITY
IMPLEMENTATION ORDER
COMAP 94-04

WHEREAS, Missourians are entitled to a government that focuses its actions on the vital interests of the citizens, reduces bureaucracy, and ensures that the public receives full measure from every dollar invested in their government; and

WHEREAS, the citizens of Missouri are entitled to a government that is fully accountable and responsive to the people through clearly defined goals, objectives, strategies, and the measurement of performance, and whose employees serve the public by striving for continuous improvement in customer service and by thinking and acting strategically; and

WHEREAS, the citizens of Missouri are entitled to a government that maintains a frame of reference for agency programming and the allocations of resources; and provides standards and benchmarks for measuring tangible outcomes and processes; and

WHEREAS, the citizens of Missouri are entitled to a government whose agencies are working collaboratively to effectively address challenges facing our society by closely coordinating their responses to policy concerns;

THEREFORE, I, Mel Carnahan, Governor of the State of Missouri, adopt for the State of Missouri the integrated strategic planning process as outlined in the model set forth in the Commission on Management and Productivity Organizational Planning Committee Report.

Integrated strategic planning shall be the basis for program implementation and the allocation of state resources. Beginning with 1996-1997 budget year, the planning and budgeting processes shall be linked in such a manner as to increase accountability by placing greater emphasis on benefits and results rather than activities and workloads.

I further establish the Missouri Interagency Planning Council which will provide leadership in implementing the integrated strategic planning process in the executive branch and coordinate with the legislature to ensure the strategic plan is the basis for appropriation requests by state agencies.

The Council shall:

- assist the departments by promoting the use and refinement of the strategic planning model and the strategic planning manual developed by the COMAP Organizational Planning Committee;

- facilitate effective coordination and integration of departmental responses to issues that cross organizational boundaries;

- serve as a clearinghouse for the departments by providing technical assistance, advice, and training in the area of strategic planning;

- resolve planning process questions; and

- recommend to the Governor methods for improving planning effectiveness and efficiency.

The Council shall consist of not less than 20 members. A chairperson will be designated by me:

- one member shall be appointed from each of the sixteen executive departments;
- one member of the House staff shall be appointed by the Speaker of the House;
- one member of the Senate staff shall be appointed by the President Pro Tem of the Senate;
- one member shall be the Assistant Director for planning for the Office of Administration;
- one member shall be appointed from the Governor's Office; and
- such others as the Governor may decide.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Missouri, in the City of Jefferson, on this 22nd day of March, 1995.

_____
Governor

PRINCIPLES

To successfully implement an ideal Integrated Strategic Planning Process for state government, the following should occur:

- The Integrated Strategic Planning Process should be customer (citizen) focused. Agencies should clearly identify their customers and customer expectations. Strategies for continuous improvement in service delivery, evaluation of customer satisfaction, and specific measurement of outcomes (results) should flow from implementing the planning process.

- The Integrated Strategic Planning Process should be founded on a state Shared Vision.

- The Integrated Strategic Planning Process should integrate state agency planning, resource allocation, and program implementation around the Shared Vision.

- State agencies should work cooperatively towards shared outcomes.

- State agencies' planning processes should be based on a common planning model that includes common terminology and action calendars. However, recognizing the differences in size, administrative capability, statutory authority and stakeholder involvement, each agency must have the flexibility to tailor planning methods and approaches to meet the individual needs of the agency.

- The Integrated Strategic Planning Process must be an ongoing process which leads to a review of agency programs and directs agency budget and legislative priorities in the annual legislative process.

- State government should measure success through the Integrated Strategic Planning Process by progress towards attainment of the Shared Vision, as well as the cost and achievement of outcomes and objectives. The Process should delineate these outcomes and objectives and track progress on these measures.

- Our employees are Missouri state government's most valued resource. The Integrated Strategic Planning Process is a means by which state employees can exercise leadership in customer service and problem solving. Agencies are encouraged to promote employee involvement in the planning process - particularly in the internal assessment and strategy design phases.

- The Integrated Strategic Planning Process must become a sustained and highly valued part of state government functioning to be practical and worthwhile to both the legislative and executive branches. Incentives which consistently and fairly recognize exemplary practices of state agencies and legislative leaders toward attainment of the shared vision are imperative.

- While there will be immediate short-term benefits from implementing an Integrated Strategic Planning Process, the Process will require a number of years to become fully institutionalized.

CONCEPTUAL FRAMEWORK

If done effectively, this Integrated Strategic Planning Process can:

- Focus the mandates, priorities and actions of state government on attainment of the shared vision - **Clarity of Direction;**

- Provide a valued and integrated planning process for agency programming and allocation of state resources through the legislative process - **Clarity of Structure;** and

- Provide a standard for measuring the success of the processes and tangible outcomes of state government in reaching the Shared Vision for Missouri and its citizens - **Clarity of Measurement.**

Linked to Legislative and Budget Process
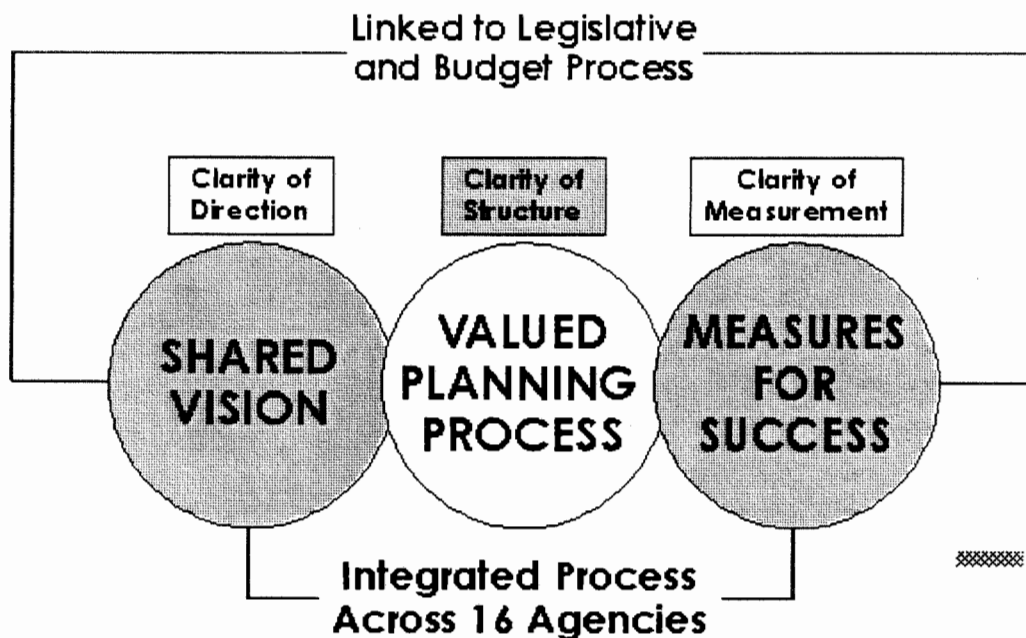
| Clarity of Direction | Clarity of Structure | Clarity of Measurement |

SHARED VISION · **VALUED PLANNING PROCESS** · **MEASURES FOR SUCCESS**

Integrated Process Across 16 Agencies

CLARITY OF DIRECTION

Integrated Planning Process

STATE LEADERSHIP

Shared Vision

Show Me Results

Assessments & Mandates

Vision
Mission
Values

AGENCIES

Strategic Issues

Goals

Desired Outcomes
_____
Outcome Measures

Objectives
_____
Objective Measures

Strategies

Budgeting

Implementation

Results

Measuring Success
and
Customer Satisfaction

Clarity of Direction - One of the functions of Missouri's leadership is to identify and promote a vision for Missouri's future, and broad results for government's service to the citizens. When all state agencies are moving in the same direction, they increase their productivity.

State Leadership

An Integrated Planning Process for state government will be most successful if it is grounded in a vision for Missouri and its people. It must ultimately reflect the vision of Missouri's citizens and be supported by Missourians.

Development of a Shared Vision will set direction for the state in areas that can be reflected in the goals and objectives of state agencies. A Shared Vision will help the state position itself to take full advantage of emerging opportunities in order to meet the most critical issues and challenges facing the state over the next five, ten, and twenty years.

MISSOURI SHARED VISION

Missouri will be a statewide community, in which state government encourages and supports the pursuit of dreams, security, justice, and opportunity, while working to protect individual rights and freedoms.

Missouri state government shall work with its proud citizens to offer the best quality of life, including:

- health, safety, and needed support;
- world-class schools that lead to good jobs;
- good homes in vibrant towns and neighborhoods;
- a vigorous economy;
- a productive and respected natural environment; and
- the opportunity to succeed.

Missouri state government will be more accountable to Missouri citizens, putting people before bureaucracy. We will rely on integrity, effectiveness, and common sense to exceed the public's expectations of responsiveness and excellence, and provide value and dividends for every dollar invested. The measure of success will be results for our customers.

Missouri state government, in partnership with private citizens, will move forward with confidence and hope, staking out a successful and secure future.

Show Me Results

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Thriving firms, farms, families and communities

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24. Increased representation of minorities and women in upper level salary ranges in state government and in state purchasing.
25. Improved protection of Missouri's land and water resources.

CLARITY OF STRUCTURE

Integrated Planning Process

STATE LEADERSHIP

Shared Vision

Show Me Results

Assessments & Mandates

Vision
Mission
Values

AGENCIES

Strategic Issues

Goals

Desired Outcomes

Outcome Measures

Results

Measuring Success
and
Customer Satisfaction

Objectives

Objective Measures

Strategies

Budgeting

Implementation
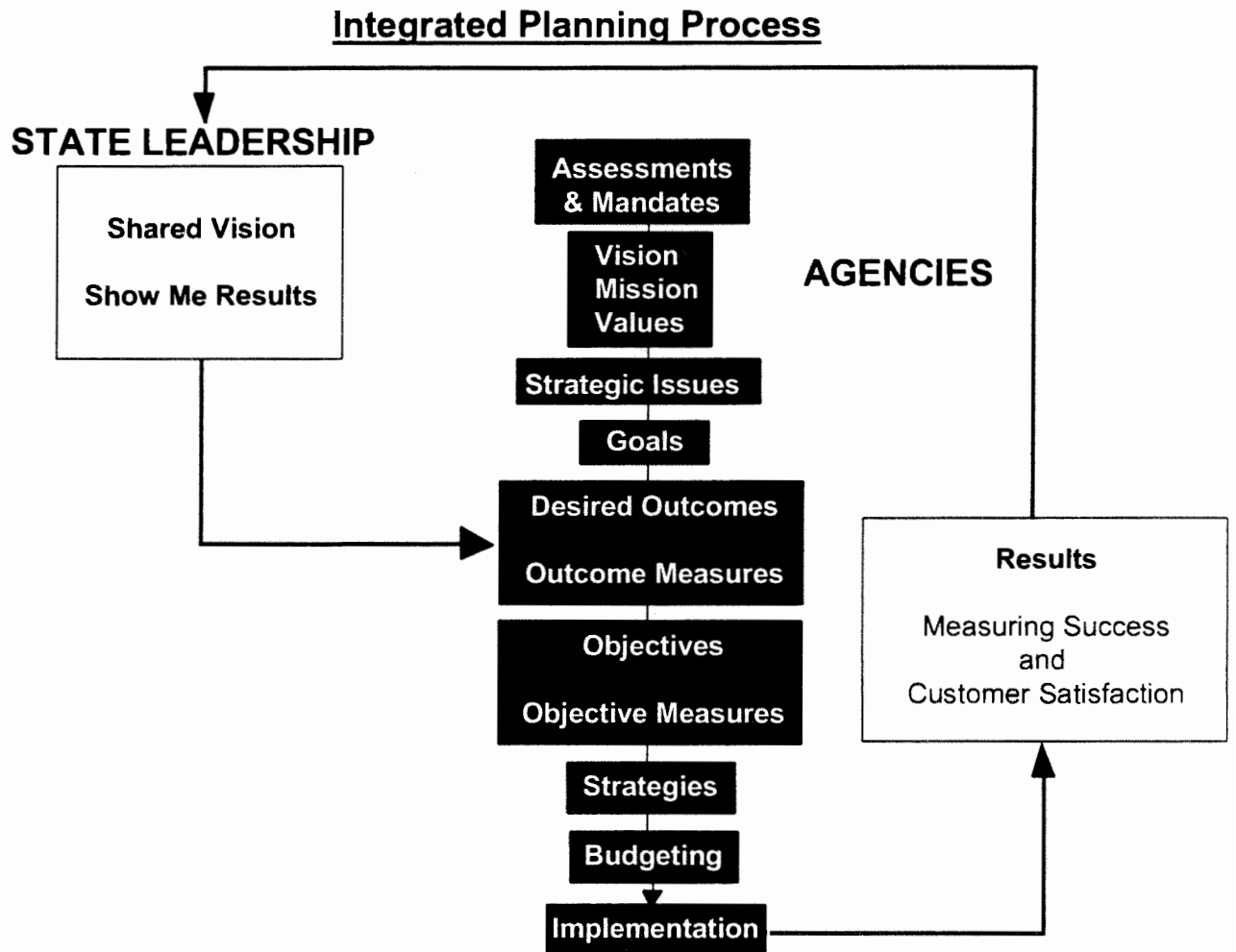
Strategic Planning Model
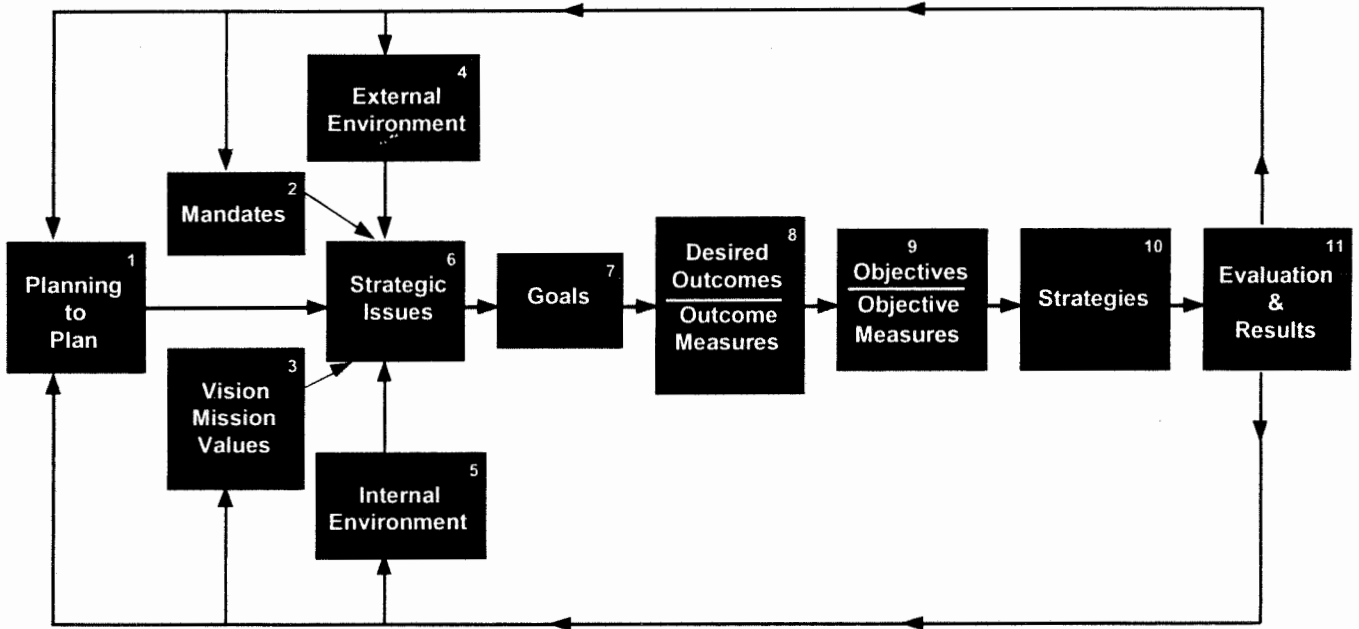
Each year, the executive branch will plan for at least three to five years into the future. A thorough annual review of the plan should be conducted to determine what modifications might be needed in response to environmental changes such as legislative mandates and customer expectations/needs. Such modifications keep the agency's plan dynamic and responsive to the citizens.

The 11-step model to strategic planning will provide the clarity of structure to the individual agency planning process, as well as the integrated planning process of the 16 state agencies. This approach gives the necessary guidelines to do strategic planning, based on a common calendar and common terms, while allowing flexibility within each step to accommodate internal organizational differences.

1. *Planning to Plan:* This first step represents the advance work necessary before the actual planning process can begin. The purpose of this step is for each agency to agree internally on the overall strategic planning effort and on key planning steps that each agency will undertake. Agencies should examine the State's vision to see how their strategic plan ties to this vision.

2. *Mandates:* Each agency is influenced by constitutional and/or legislative mandates. At an early stage in the process, agencies should review and evaluate the role and relevance of these mandates as they pertain to day-to-day business and future activities.

3. *Vision, Mission and Values:* Determining the agency vision, mission and values is critical to establishing the agency strategic direction.

4. & 5. *External and Internal Environment Assessment:* External and internal assessment is an evaluation of key factors that influence the agency. Detailed evaluation of trends, conditions, opportunities and obstacles directs the development of each element of the strategic plan. This type of assessment may be quantitative but may also include qualitative issues. External factors may include economic conditions, population shifts, technological advances, geographical changes and statutory changes. Internal factors may include management policies, resource constraints, organizational structure, automation, personnel, and operational procedures.

6. & 7. *Strategic Issues and Goals:* Before agency goals can be determined, strategic issues must be determined. Strategic issues are those internal or external challenges to the agency's vision, mission, mandates, policies, way of doing business or culture. Strategic planning focuses on achievement of the best "fit" between the agency and its environment. A statement of a strategic issue should be described succinctly, and the factors that make the issue a fundamental policy question should be listed. Goals identify the direction in which the agency wants to move to address its strategic issues.

8. *Desired Outcomes:* Outcomes are end points or public benefit results for which a level of success can be determined.

9. & 10. *Objectives and Strategies:* Objectives are specific targets for improved performance designed to indicate the success or impact of a program or approach. An agency's business operations are determined through objectives (what success does an agency want to achieve) and strategies (how will those objectives be accomplished). Allocation of resources (budgeting) and quantification of services and products (outputs) are tied to implementation of strategies. The objectives and strategies reflect your department's contribution toward achievement of the desired outcomes.

11. *Evaluation and Results:* Accountability to the citizens of Missouri is vital if government is to successfully establish the private-public sector partnerships necessary to achieve desired outcomes. Evaluating and reporting annually on progress toward desired outcomes and objectives promotes accountability. Such evaluation also assists the agency in refining objectives and strategies, thereby improving both effectiveness and efficiency.

PLANNING TO PLAN: Description of how the organization will develop its strategic plan.

The plan-to-plan is a project plan that describes how the organization will develop its strategic plan. First, a decision must be made as to who will be included in the process and at what point they will become involved. Participants in the planning process must then understand the purposes, philosophies, methods and expected benefits of strategic planning.

To achieve success developing a strategic plan, you need two *P's*: *P*lanning and *P*eople. The key variables are the sequencing of elements or steps, and the participation of relevant people.

Achieving all the benefits of strategic planning requires a planning process that is well thought out and organized.

There is a logical order to the elements in the strategic planning process. Generally, planners must complete one element before moving to the next, even though they may occasionally need to go back and make changes to earlier steps.

The strategic planning process must involve the right people. Improvements in effectiveness, decision making, teamwork and quality all depend on achieving a high level of ownership; the people who implement the plan must feel it is their plan.

A strategic plan-to-plan outlines the sequence of the strategic planning steps, lists the participants invited to each step in the decision making process, describes the types of decisions they will make, and describes when and where they will make those decisions.

If the plan-to-plan is skipped, the process will likely falter. Participants will discover they have insufficient information to make key decisions, or they will find that key people are not participating in the decision making process.

Criteria for Planning to Plan:
An effective plan-to-plan will:

- Define top management's commitment to the strategic management process.

- Set the planning horizon.

- List the people who will contribute to each step of the process.

- Outline the major steps or tasks in the strategic planning process.

- Set the sequence and timetable of events.

- Identify strategic planning barriers and ways to overcome them.

MANDATES: Authorization or command to implement policy flowing from state and federal statutes.

Mandates prescribe what must be or should be done under the organization's policies, as well as under federal and state regulations. In order to set the course for the future of the organization, mandates need to be taken into account as either authorization for or constraints on what you can achieve and how it can be achieved.

A clear understanding of what your mandates are and their implications for action and resources is needed. Are you really as authorized or constrained as you think you are? Be cautious. Do not overemphasize one aspect of your organization's mandates at the expense of others.

VISION: Description of the ideal, future state of the organization or program.

Vision defines the agency's sense of future direction, its dream for an ideal state, or why it should be doing what it is doing. The vision should be meaningful enough to instigate and inspire action and achievement among agency staff. All of the actions of the department and its employees should be directed toward this vision.

Example Vision Statements:

The Department of Mental Health established a vision of "Lives Beyond Limitations: Missourians shall be free to live their lives and pursue their dreams beyond the limitations of mental illness, developmental disabilities, and alcohol and other drug abuse."

The Department of Correction's vision is "In partnership with all Missourians, we create safer communities through a balanced correctional system of prison and community based sanctions."

The Department of Agriculture's vision is "To be a leader of a dynamic, sustainable, prosperous agriculture."

MISSION: A statement of the agency purpose and reason for being.

The mission statement provides the basis for determining the general direction of the agency, the business of the agency, the products provided to agency customers, and the focus needed among agency personnel. The mission statement's capacity to clarify purpose, give direction and detail who is to be served can eliminate unnecessary conflict in the agency. To properly develop a mission statement, the agency should analyze the needs of its customers and stakeholders, including the public, the legislature, and anyone else who receives the agency's products and services. Attention to customer and stakeholder concerns is crucial because the key to success in public organizations is satisfaction of their concerns.

The mission statement is an invaluable tool in directing, planning, and implementing agency efforts. It provides the basis for future action. The mission 1) reveals the image the organization seeks to project, 2) reflects the organization's self-concept, 3) indicates the principal services or products provided, and 4) identifies the primary customer needs that the agency, program, or subprogram will attempt to satisfy. That is, the mission describes products or services and customers. The

mission is part of the organization's identity. It is all encompassing; it is rarely changed and it is the ultimate rationale for the existence of the agency, program, or subprogram.

Criteria for Mission Statements:
A good mission statement will:

- Identify the overall purpose for the existence of the agency, program, or subprogram as established in statute, rules, session law (e.g., appropriations bill), or executive order.

- Identify the basic needs or distinct problems that the agency, program, or subprogram is designed to address.

- Identify clients/customers or users (both internal and external) of an agency, program, or subprogram.

- Help identify client/customer requirements, services/products provided to meet these requirements, and processes/resources used to satisfy the requirements.

- Help identify the expectations of stakeholders.

Questions for Evaluating Mission Statements:

- Is it clear and understandable to all personnel, including rank and file employees?

- Is it brief enough for most people to keep it in mind?

- Does it clearly specify what business the organization is in?

- Is it broad enough to allow flexibility in implementation, but not so broad as to permit a lack of focus?

- Is it a means by which managers and others in the organization can make decisions?

One of the benefits of a mission statement is to provide those who are unfamiliar with the agency a general understanding of its overall purpose, of the basic needs which it addresses, and of its customers.

Example Mission Statements:

The mission statement of the Department of Conservation is: "To protect and manage the fish, forest, and wildlife resources of the state; serve the public and facilitate their participation in resource management activities; and provide opportunity for all citizens to use, enjoy, and learn about fish, forest, and wildlife resources."

The mission statement of the Department of Health is: "The Missouri Department of Health is responsible for protecting and promoting the health of Missourians by assessing health status and needs, developing policies and priorities, and assuring that the state is responding appropriately."

The mission statement of the Department of Social Services is: "To maintain or improve the quality of life for the people in the State of Missouri by providing the best possible services to the public, with respect, responsiveness and accountability, which will enable individuals and families to better fulfill their potential."

VALUES: The principles of the organization - what it stands for and believes in.

Values represent the fundamental principles and philosophy of the agency and guide the agency's behavior. Values articulate basic management policies and should define a customer-oriented approach for producing and delivering government services. A statement of values might include such topics as respect for individuals (customers and employees), ethical and professional standards, and quality services.

Values provide a foundation of beliefs for the mission. Values serve as a test or criteria for judging the quest and guide decisions and the selection of strategies. They are common beliefs that can be embraced by the whole organization. When implemented, they can be powerful instruments for changing organizational culture and motivating employees.

Criteria for Expressing Values:

Value statements express the organization's philosophy about three things:

> **People** - the way customers should be treated and the conditions under which employees can be highly productive;
>
> **Process** - the way in which the organization is managed, decisions are made, and products or services are provided; and
>
> **Performance** - expectations concerning the organization's responsibilities and the quality of its products and services.

Summary:

Values should be constructed so that decisions about the kinds of structures, systems, and skills required will help make the vision a reality. An agency's values should be compatible, comfortable, and convincing for everyone inside the organization as well as for customers and stakeholders outside the organization.

There is a great deal of leeway in the articulation of an organization's values. Length and format may vary. Sometimes values are expressed in terms of responsibilities--an organization's responsibilities to its customers, its employees, its environment (the community in which it operates or the physical environment as a whole), and its shareholders/stakeholders. In other cases, principles are expressed in terms of the quality or excellence of management, products, and services.

Example Values Statements:

The Office of Administration has established the following values statements: "We are PROUD of our leadership role in providing EFFECTIVE and RESPONSIBLE government to the citizens of the State of Missouri. We will perform our responsibilities with INTEGRITY and PROFESSIONALISM. We will be RESPONSIVE to the needs of our customers. We recognize the importance of PERSONAL GROWTH and ORGANIZATIONAL DEVELOPMENT and will seek ways of constantly extending our capabilities. We VALUE the DIVERSITY of our workforce and will continue our efforts of recruitment, promotion, and retention toward this goal."

The Department of Elementary and Secondary Education has established the following value statements: "We promise to greatly EXCEED CUSTOMERS' EXPECTATIONS. We LISTEN to those we serve in order to IMPROVE our operations and ADAPT to changing needs. We forge PARTNERSHIPS to improve our services. We VALUE EACH EMPLOYEE'S CONTRIBUTION to achieving the mission."

The Department of Public Safety has established the following value statements: "We believe every person should be treated with HONESTY, RESPECT, and COURTESY. We believe our employees should be PROFESSIONAL, ETHICAL, COMPASSIONATE, and CARING. We believe our employees' INTEGRITY and VALUES must be above reproach. We believe services should be delivered RESPONSIBLY and in a manner that maximizes allotted resources. We believe in developing PARTNERSHIPS with other agencies and the community to enhance QUALITY OF LIFE and PUBLIC SAFETY. We believe in ACCOUNTABILITY, and cherish the TRUST the citizens of Missouri have placed in us. We believe in LAW AND ORDER, and accept the responsibilities associated with its enforcement.

CLARITY OF MEASUREMENT

Integrated Planning Process

STATE LEADERSHIP

Shared Vision

Show Me Results

AGENCIES

Assessments & Mandates

Vision
Mission
Values

Strategic Issues

Goals

Desired Outcomes
_____
Outcome Measures

Objectives
_____
Objective Measures

Strategies

Budgeting

Implementation

Results

Measuring Success
and
Customer Satisfaction
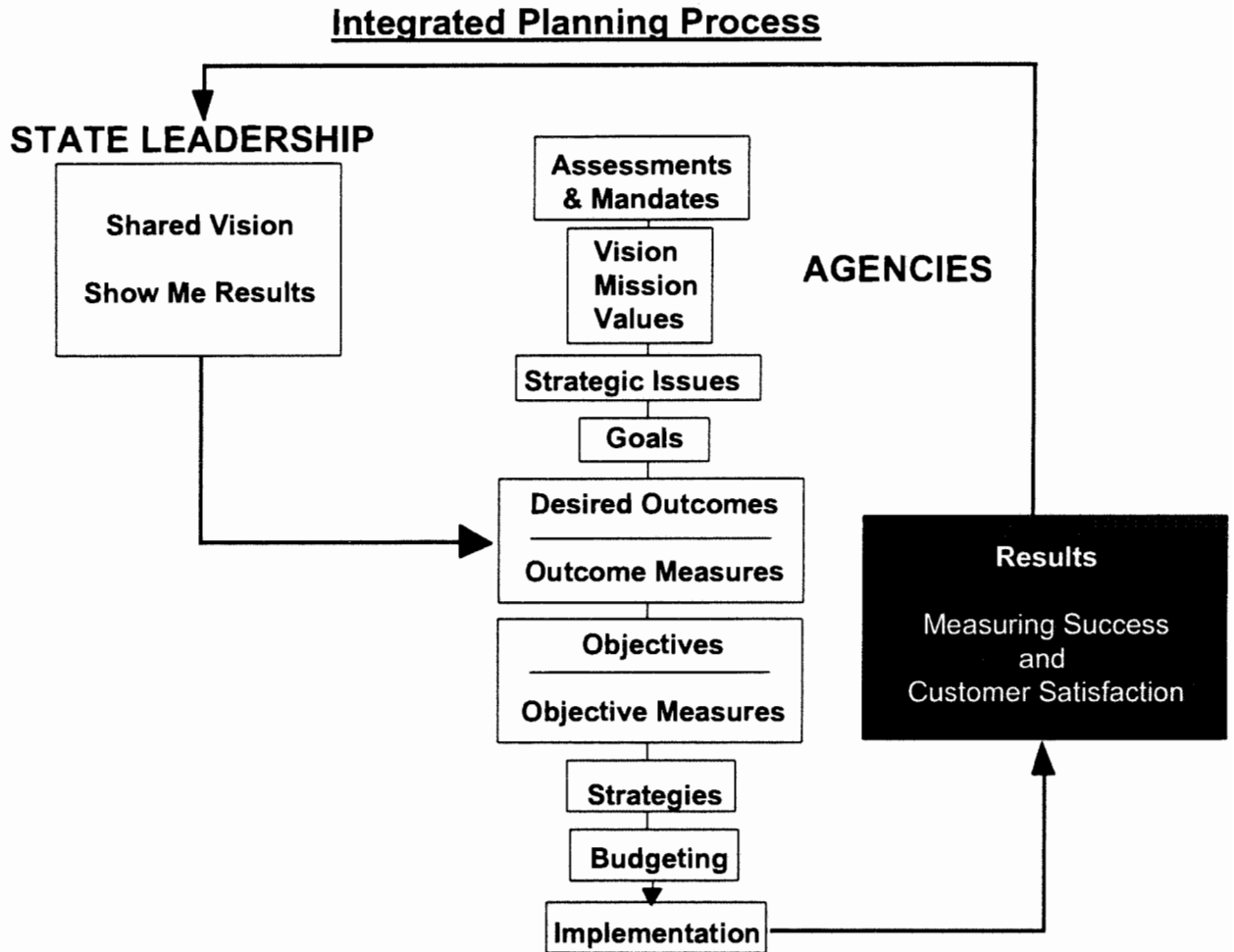
Clarity of Measurement - Our citizens have a right to know exactly what their government is achieving. If government is vague when addressing performance, counting only inputs and activities, the result is often erratic performance. The Integrated Strategic Planning Process promotes specific measurement of outcomes, objectives, and customer satisfaction, rather than just inputs and activities. Strong emphasis is placed on customer satisfaction. Linking agencies' desired outcomes and objectives with outcome measures and objective measures is essential to Missourians receiving full measure for each dollar invested in their government.

Appendix 3

Achieving the Oregon Shines Vision:
1999 Benchmark Performance Report,
Chapter 3, Benchmark Tables

ECONOMY

Business Vitality	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
1. Percentage of Oregonians employed outside the Willamette Valley and the Portland tri-county area	26.0%	25.8%	26.1%	26.1%	25.8%	25.5%	25.3%	25.1%	24.7%		26%	26%	F
2. Percentage of professional services exported (imported) relative to Oregon's industry demand		(16%)	(19%)	(17%)	(17%)	(14%)	(11%)	(11%)			(7%)	5%	B+
3. Oregon's national rank in new companies		12th	22nd	13th	7th	11th	4th	8th	7th	7th	5th-10th	5th-10th	A
4. Oregon's national rank in traded sector strength		33rd	36th	35th	38th	38th	36th	40th	36th	33rd	20th-25th	20th-25th	D
5. Oregon's national rank in business closings (1st = least business closings)		18th	16th	32nd	31st	39th	37th	28th	46th	13th	20th-25th	20-25th	B+
6. Net job growth	-8,711	43,276	-2,116	23,552	40,842	58,529	54,637	54,439	55,927		50,000	50,000	A
7. Oregon's national rank in economic diversification (1st = most diversified)	13th			4th		11th		15th					N/A
Economic Capacity	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
8. Industry research and development expenditures as a percentage of gross state product			0.6%		0.7%		0.9%				2.1%	3.5%	C-
9. Oregon's national rank in venture capital investments	4th	4th	25th	11th	4th	16th	12th	29th	14th	22nd	1st-5th	1st-5th	F
Business Costs	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
10. Oregon's rank among seven Western states in business taxes as a percentage of gross state product (1st = lowest business taxes)	26th	15th	10th	13th	15th	2nd		1st					N/A
11. Oregon's national rank in health care costs (1st = lowest costs)											20th-25th	20th-25th	A
12. Oregon's national rank in workers' compensation costs (1st = lowest cost)		44th		30th		20th		18th		14th	15th-20th	15th-20th	A
13. Percentage of permits issued within the target time period or less													C
a. Air contaminant discharge			57%	57%	68%	66%	62%	73%	50%		67%	78%	F
b. Wastewater discharge				41%	32%	25%	36%	37%	60%		41%	49%	A

Income	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
14. Per capita personal income as a percentage of the U.S. per capita income	99%	91%	91%	91%	92%	93%	94%	95%	96%	95%	100%	110%	C+
15. Average annual payroll per covered worker (all industries, 1995 dollars)	26,304	24,695	24,847	25,279	25,240	25,368	25,837	27,021	27,341		26,304	27,266	A
16. Percentage of Oregonians in the middle income range	38%	38%	38%	38%	38%	38%	38%	38%			39%	40%	D
17. Percentage of covered Oregon workers with earnings of 150% or more of poverty at a rate for a family of four)		30%	30%	30%	31%	31%	31%	31%			32%	34%	B
18. Unemployment rate (civilian labor force, annual average)	8.3	5.5	6	7.5	7.3	5.5	4.8	5.9	5.8		5.0	5.5	F
International	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
19. Number of international cities of over 1 million population (outside Canada and Mexico) served by direct or non-stop flights to and from any Oregon commercial airport	1	4		5	5	5	3	3	3	4	5	6	D
20. Percentage of Oregonians who speak a language in addition to English				17%		16%		14%		14%	17%	20%	F

EDUCATION

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
Kindergarten - 12													
21. Percentage of children entering school ready-to-learn									58%		65%	80%	N/A
22. High school dropout rate	6.6		6.5	5.8	5.7	6.6	7.4	7.2	6.7†		5.0	4.0	F
23. Percentage of 8th graders who achieve established skill levels													B-
a. Reading			40%		35%		48%	53%	56%	55%	63%	100%	B-
b. Math			40%		48%		49%	49%	49%	51%	59%	100%	C+
24. Percentage of 3rd graders who achieve established skill levels													A-
a. Reading			52%		59%		61%	70%	79%	78%	82%	100%	A-
b. Math			35%		51%		50%	53%	63%	67%	73%	100%	A-
25. Percentage of high school students completing a structured work experience					9%	13%	21%	14%	15%		65%	100%	D
Post Secondary	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
26. Percentage of Oregon adults (25+) who have completed a college degree	18%	23%		25%		26%		29%		29%	33%	45%	B-
27. Percentage of Oregon adults (25+) completing high school or equivalent	76%	85%		82%		89%		91%		91%	94%	100%	B
28. Percentage of Oregon adults (25+) who have completed some college	39%	53%		53%		58%		60%		62%	68%	89%	B-
29. Percentage of Oregon adults (25+) completed associate degree						4%		4%		3%	6%	10%	F
Skill Development	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
30. Percentage of all adult Oregonians with intermediate literacy skills													N/A
a. Prose		41%									48%	55%	N/A
b. Document		36%									46%	55%	N/A
c. Quantitative		39%									47%	55%	N/A
31. Percentage of Oregonians who report they use a computer to create, edit documents/graphics, to analyze data						50%		58%		60%	61%	70%	A
32. Percentage of labor force receiving at least 20 hours of skills training in the past year						35%		30%		37%	79%	100%	C
† See Endnotes													

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CIVIC ENGAGEMENT

Participation	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
33. Percentage of Oregonians who volunteer at least 50 hours of their time per year to civic, community or, nonprofit activities				30%				33%		29%	35%	50%	D-
34. Percentage of eligible Oregonians who vote		55%		70%		56%		60%		50%	70%	84%	F
35. Percentage of Oregonians who feel they are a part of their community						36%		41%		36%	45%	60%	D

Taxes	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
36. Percentage of Oregonians who understand the Oregon tax system and where tax money is spent				11%	12%	18%	19%	21%	19%		25%	50%	B-
37. State and local taxes per capita (1995 dollars)	$1,801	$2,344	$2,348	$2,314	$2,323	$2,358	$2,322	$2,243	$2,454	$2,300			N/A
a. As a percentage of 1990	77%	100%	100%	98%	99%	101%	99%	96%	105%	98%			N/A
b. Oregon's rank	20th	19th	20th	22nd	24th	25th	27th						N/A
38. State and local taxes per $1,000 of personal income	$114	$120	$118	$119	$118	$117	$114	$105	$111	$102			N/A
a. As a percentage of 1990	95%	100%	98%	99%	98%	98%	95%	88%	93%	85%			N/A
b. Oregon's rank	23rd	13th	12th	12th	17th	18th	26th						N/A

Public Sector	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
39. Public management quality										B-			B-
40. State general obligation bond rating (Standard and Poors)	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA	AA	AA	AA+	AAA	AA

Culture	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
41. Oregon's national rank in per capita state arts funding	41st	41st	40th	39th	41st	44th	54th	54th	53th		39th	31st	F
42. Percentage of Oregonians served by a public library which meets minimum service criteria	73%	86%	83%	83%	86%	84%	85%	88%	89%		90%	99%	A-

SOCIAL SUPPORT

Health	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
43. Pregnancy rate per 1,000 females age 10-17	24.7	19.7	19.3	17.9	18.2	18.9	19.2	18.8	18.0		15.0	10.0	C
44. Percentage of babies whose mothers received early prenatal care (beginning in the first trimester)	77%	76%	77%	79%	79%	79%	79%	80%	81%		90%	95%	C
45. Infant mortality rate per 1,000	12.1	8.3	7.2	7.1	7.1	7.1	6.1	5.6			6.0	5.6	A
46. Percentage of two-year-olds who are adequately immunized						67%	74%	72%	73%		90%	90%	C-
47. Annual percentage of new HIV cases with an early diagnosis (before symptoms occur)		72%		78%	80%	73%	78%	72%	76%		85%	98%	C
48. Percentage of adults who do not currently smoke tobacco		78%	79%	79%	78%	79%	78%	76%	79%		81%	90%	C
49. Premature Mortality: Years of potential life lost before age 70 (rate per 1,000)	76.4	64.3	60.0	59.2	61.7	61.9	61.4	59.6			57.4	49.3	A
50. Percentage of adults whose self-perceived health status is very good or excellent					63%	63%	62%	60%	59%		65%	72%	F
51. Percentage of families for whom child care is affordable				69%		67%		70%		67%	70%	75%	F
52. Number of child care slots available for every 100 children under age 13		14		15	15	16	16	19	20	21	21	25	A

Social Support Table Continued on Next Page

Protection	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
53. Percentage of 8th grade students who report using:													D+
a. Alcohol in the previous month		23%		26%		30%		30%		26%	26%	21%	B-
b. Illicit drugs in the previous month		14%		11%		19%		22%		19%	15%	12%	F
c. Cigarettes in the previous month		12%		15%		19%		22%		20%	15%	12%	F
54. Number of children abused or neglected per 1,000 persons under 18		11	10	11	11	10	10	10	12		9	6	F
55. Reported elder abuse rate per 1,000							12	14	15		12	12	F
56. Percentage of infants whose mothers used:													A
a. Alcohol during pregnancy (self-reported by mother)		5%	5%	4%	3%	3%	3%	2%	2%		2%	2%	A
b. Tobacco during pregnancy (self-reported by mother)		22%	21%	20%	19%	18%	18%	18%	16%		15%	12%	A
Poverty	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
57. Percentage of Oregonians with incomes below 100% of the Federal poverty level	11%	11%		13%		15%		12%		12%	11%	9%	C
58. Percentage of Oregonians without health insurance		16%		18%		14%		11%		11%	9%	4%	B+
59. Number of Oregonians that are homeless on any given night				7,607	5,196	7,262	6,141	6,819	7,130	7,050	5,196	5,196	D+
60. Percentage of current court ordered child support paid to families	44%	50%	47%	50%	54%	60%	68%	68%	68%	68%	72%	80%	A
Independent Living	**1980**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**2000**	**2010**	**GRADE**
61. Percentage of seniors living independently			97%	97%	97%	97%	97%	98%	98%		98%	98%	A
62. Percentage of Oregonians with a disability able to live on their own with adequate support										91%			N/A
63. Percentage of Oregonians with a disability living in households with incomes below the federal poverty level				20%		20%		20%		22%			N/A

PUBLIC SAFETY

Crime	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
64. Overall reported crimes per 1,000 Oregonians	133.6	139	138.3	138.7	139.5	145.9	150.5	141.8	150.2		133.6	106.9	F
65. Total juvenile arrests per 1,000 juvenile Oregonians per year	48.3	46.5	48.8	52.1	53.8	57.3	58.6	62	59		46.5	37.2	F
66. Percentage of students who carry weapons			26%		32%		19%		19%		15%	9%	B
67. Percentage of paroled offenders convicted of a new felony within three years of initial release		38%	38%	34%	34%	33%	30%	31%	30%		28%	27%	A
68. Percentage of counties that have completed a strategic cooperative policing agreement								31%		72%	100%	100%	N/A

Emergency Preparedness	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
69. Percentage of Oregon counties with the capability to respond to an emergency, and to assist communities to recover fully from the effects		50%	44%	56%	64%	83%	86%	92%	97%		94%	100%	A

COMMUNITY DEVELOPMENT

Growth Management	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
70. Percentage of miles of limited-access highways in urban areas that are congested during peak hours							48%	54%	53%		49%	49%	F
71. Percentage of Oregonians served by public drinking water systems that meet health-based standards						49%	50%	55%	88%		75%	95%	A
72. Percentage of Oregonians with sewage disposal that does not meet government standards			5%			3%	2%		1%		0%	0%	A

Infrastructure	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
73. Percentage of Oregonians who commute during peak hours by means other than a single occupancy vehicle		29%		30%		30%		33%		29%	23%	31%	D-
74. Vehicle miles traveled per capita in Oregon metropolitan areas (per year)	5,782	7,733	7,809	7,696	7,776	7,854	7,982	8,105	8,175		8,156	7,938	F
75. Percentage of Oregon households with personal computers at home that send and receive data and information over telecommunications				10%		13%		24%		35%	40%	80%	A-
76. Percentage of roads in fair or better condition													
a. State	57%	70%		73%	83%	80%	78%	78%	77%	77%	77%	90%	A
b. County									75%				N/A

Housing	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
77. Percentage of households that are owner occupied	65%	67%		70%		62%		67%		68%	68%	69%	C
78. Percentage of low income households spending more than 30 percent of their household income on housing (including utilities)													D
a. Renters		59%		68%		71%		69%		70%	55%	55%	F
b. Owners		38%		n/a		38%		38%		38%	32%	32%	C-

ENVIRONMENT

Air

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
79. Percentage of Oregonians living where the air meets government ambient air quality standards	30%	54%	51%	58%	100%	100%	100%	100%	100%		100%	100%	A
80. Carbon dioxide emissions as a percentage of 1990 emissions		100%	112%	125%	124%	132%	117%	119%			100%	100%	F

Water

	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
81. Percentage of Oregon wetlands in 1990 still preserved as wetlands		100%	100%	100%	100%	100%	100%		100%	100%	100%	100%	A
82. Stream water quality index													
a. Percentage of monitored stream sites with significantly increasing trends in water quality		8%					21%	32%	52%		25%	25%	A
b. Percentage of monitored stream sites with significantly decreasing trends in water quality		20%					8%	2%	0%		5%	0%	A
83. Percentage of assessed groundwater that meets drinking water standards	87%	95%		95%		94%		94%		95%	94%	94%	A
84. Percentage of key rivers meeting instream water rights													A
a. 9 or more months of year	53%	39%	50%	56%	72%	61%	94%	94%			60%	65%	A
b. 12 months a year	47%	44%	39%	22%	22%	28%	35%	70%			35%	40%	A

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Environment Tables Continued on Next Page

Land	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
85. Percentage of Oregon agricultural land in 1970 still preserved for agricultural use		98%		98%		97%	97%	97%	97%		97%	97%	A
86. Percentage of Oregon forest land in 1970 still preserved for forest use		92%	90%	92%	92%	92%	91%	91%	92%		92%	92%	A
87. Pounds of Oregon municipal solid waste landfilled or incinerated per capita				1,519	1,501	1,516	1,511	1,570	1,640		1,506	1,495	F
88. Percentage of identified hazardous waste sites that are cleaned up or being cleaned up		67%	68%	71%	70%	67%	66%	69%	69%	68%	67%	56%	A
a. Tank sites		66%	67%	71%	69%	66%	65%	69%	69%	68%	67%	55%	A
b. Other hazardous substances		97%	75%	79%	76%	73%	70%	69%	71%	74%	70%	69%	A
Plants and Wildlife	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
89. Percentage of wild salmon and steelhead populations in key sub-basins that are at target levels		48%	39%	30%	20%	11%	2%	2%	2%		13%	35%	F
90. Percentage of native fish and wildlife species that are healthy			76%	76%	76%	76%	75%	75%	72%	72%	77%	80%	F
91. Percentage of native plant species that are healthy			83%	86%	88%	86%	88%	85%	85%	85%	90%	95%	C-
Outdoor Recreation	1980	1990	1991	1992	1993	1994	1995	1996	1997	1998	2000	2010	GRADE
92. Acres of state-owned parks per 1,000 Oregonians	35	31	31	31	30	30	29	29	29		35	35	F

Appendix 4

The Florida Legislature
Report No. 98-20

Office of
Program Policy Analysis
And Government Accountability

Review of the Provision of Administrative Services
in Florida's Health and Human Services Agencies

Review of the Provision of Administrative Services
in Florida's Health and Human Services Agencies

Abstract

- In Fiscal Year 1996-97, the Agency for Health Care Administration and the Departments of Children and Families, Elder Affairs, Juvenile Justice, and Health reported spending $277 million for administrative services, excluding administrative costs for agencies' program contractors.

- Managers in the four new agencies reported that the divestiture of programs from the former Department of Health and Rehabilitative Services has improved delivery of administrative services without large increases in staff.

- However, further consolidating administrative services within the Department of Health would improve the efficiency of services and should result in cost avoidance of at least $460,000 annually and equivalent FTE savings.

- Department of Children and Families administrators see similar internal consolidation as feasible but could not estimate potential cost savings.

Purpose

The Joint Legislative Auditing Committee requested that the Office of Program Policy Analysis and Government Accountability (OPPAGA) examine administrative services in Florida's five health and human services agencies. The committee requested that OPPAGA determine

- estimated baseline costs and the number of full-time equivalent employees of administrative and support service functions of the Agency for Health Care Administration and the Departments of Children and Families, Elder Affairs, Juvenile Justice, Health, and any other closely related agency;

- a suggested approach for merging all or part of the identified functions into a single entity;

- governance and control options for any post-merger entity including an option for privatization;

- OPPAGA's best estimate of potential savings and FTE reduction as a result of a merger; and,

- if OPPAGA believes this approach may be feasible for other state agencies and institutions.

In addressing these issues, our report considered three questions.

1. How much does it cost to provide administrative services in Florida's health and human services agencies?

2. How did the divestiture of programs from the former Department of Health and Rehabilitative Services (DHRS) and establishment of four new agencies affect the provision of administrative services?

3. Could changing the manner by which agencies provide administrative services result in cost savings and full-time equivalent (FTE) reductions?

Background

Prior to 1991, most of Florida's health and human services programs were administered by a single state

agency, DHRS. In Fiscal Year 1990-91, DHRS was the single largest employer of state workers, with 37,000 FTE employees and an annual budget exceeding $7.4 billion. DHRS administered a broad range of programs, including the state's Medicaid program; alcohol, drug abuse, and mental health programs; public health services; child protective investigations; services to families and elders; public assistance; and juvenile justice programs.

Since 1991, the Legislature has transferred many of these programs from DHRS and created four new agencies to achieve more effective program management. (See Exhibit 1.) By 1997, five separate agencies were responsible for administering most of Florida's health and human services programs. Each agency's mission and a representative list of its programs are compiled in Appendix A.

Exhibit 1
The Legislature Established Four New
Health and Human Services Agencies
During the Years from 1991 to 1997

Agency	Year Established
Department of Elder Affairs (DOEA)	1991[1]
Agency for Health Care Administration (AHCA)	1992
Department of Juvenile Justice (DJJ)	1994
Department of Health (DOH)	1997
DHRS renamed the Department of Children and Families (DCF)	1997

[1] Effective January 1, 1992

Source: OPPAGA

At the time it was created, each agency established the infrastructure to accomplish its mission as a separate governmental entity, including development of the agency's various administrative services. For purposes of this review, administrative services included services such as finance and accounting, personnel administration, management information systems, and purchasing. A list of these categories is presented in Appendix B. The review did not include costs associated with agency leadership and management control, such as executive direction, inspector general, general counsel, and other similar functions. The review also did not include positions established through county health departments that are not subject to authorization in annual legislative appropriations. The law specifically excludes the county health departments from the provision that limits authorized positions to positions authorized in the appropriations act.[1]

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[1] Section 216.341, F.S., provides that the limitations on appropriations provided in s. 216.262(1), F.S., shall not apply to county health department trust funds.

Questions and Answers

Question 1: How much does it cost to provide administrative services in Florida's health and human services agencies?

In Fiscal Year 1996-97, Florida's health and human services agencies reported spending $277 million for administrative services, which represented 2% of these agencies' total appropriations.

To identify the administrative costs incurred by Florida's five health and human services agencies, we examined financial data for Fiscal Year 1996-97, the most recent year for which complete data were available. We further worked with the agencies to place these costs in six functional categories: administrative support; general services; personnel administration; management information systems; planning and budgeting; and finance and accounting.

Our review did not include the costs for administrative services incurred by agency contractors. Agencies monitor and review the reasonableness and necessity for these costs through their contracting processes.

Agencies' Administrative Costs Varied. As shown in Exhibit 2, the agencies reported spending $277 million for administrative services in Fiscal Year 1996-97. The level of expenditures varied by agency. The Department of Children and Families and the Department of Health incurred most of the expenditures for administrative services. Of the $277 million in total reported expenditures for administrative services, $243 million or 88% were expended by these two agencies. The percentage of agency appropriations spent on administrative services ranged from 5.7% to less than 1%.

Exhibit 2
Overall the Agencies Spent $277 Million of Their
Fiscal Year 1996-97 Appropriations for
Administrative Services

Agency	Legislative Appropriations (in millions)	Administrative Services Expenditures (in millions)	Expenditures as Percentage of Appropriation
DCF\DOH[1]	$ 4,255	$243	5.7%
DJJ	480	23	4.9%
AHCA	6,912	9	0.1%
DOEA	194	2	1.2%
Total	**$11,841**	**$277**	**2.3%**

[1] DOH's budget remained combined with DCF's budget through June 30, 1997; therefore, expenditures could not be reported separately. DOH's expenditures include $9.6 million for the Medical Quality Assurance Program which the Legislature transferred to DOH from AHCA effective July 1, 1997. OPPAGA adjusted the appropriations figures for DCF/DOH and AHCA to reflect this transfer.

Source: 1996-97 General Appropriations Act and agency data

Exhibit 3 shows that the percentage of agency positions assigned to administrative services also varied substantially, ranging from 5.8% to 14.9%. The agencies that spent the highest percentage of their appropriations on administrative services had the lowest percentage of FTE positions assigned to administrative services.

Exhibit 3
Agencies Assigned From 5.8% to 14.9% of
Their Total Authorized FTE Positions to
Administrative Services

Agency	Total Authorized FTE Positions	Administrative Services FTE	Administrative Services FTE Percentage
DCF/DOH[1]	29,256	1,683	5.8%
DJJ	4,782	366	7.7%
AHCA	1,725	153	8.9%
DOEA	316	47	14.9%
Total	**36,079**	**2,249**	**6.2%**

[1] The FTE count includes 171 positions assigned to the Medical Quality Assurance Program. The Legislature transferred this program from AHCA to DOH effective July 1, 1997. The number of authorized FTE positions does not include 9,681 positions established by county health departments. These positions are not subject to authorization in annual legislative appropriations.
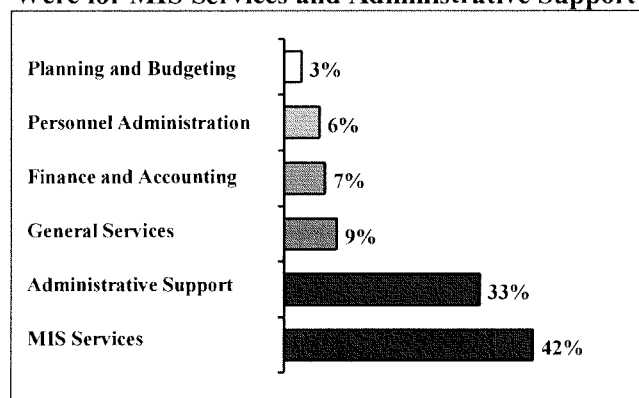
Source: 1996-97 General Appropriations Act and agency data

Spending Varied by Administrative Function. Of the $277 million total reported expenditures for administrative services, $117 million (42%) were for management information system services. Management information system services include computer operations, software development and support, and systems development and training activities. Nearly $92 million (33%) of total expenditures were spent for administrative support functions. The remaining four administrative services categories represented 25% of total expenditures. Exhibit 4 shows the percentage of total costs the agencies spent by administrative service category.

It was not feasible for us to compare the percentages of costs expended by each agency in the various administrative service categories because the agencies used different accounting methods to assign some of their costs. For example, DCF included costs in the administrative support category that it could not readily assign to a specific program, such as statewide maintenance contracts, rent for the central office facility, and purchases for the supply warehouse. Other agencies assigned these costs to programs or to another administrative service category. While each of the agencies used appropriate accounting methods, the differences precluded the comparison of agency costs by administrative service category.

Exhibit 4
Most Administrative Service Expenditures
Were for MIS Services and Administrative Support

Planning and Budgeting	3%
Personnel Administration	6%
Finance and Accounting	7%
General Services	9%
Administrative Support	33%
MIS Services	42%

Source: Agency data

Several Reasons Account for Variations in Administrative Costs. We identified several reasons that contributed to variations in administrative costs and staffing among the five health and human service agencies. These include differences in how the agencies incur and report administrative costs, differences in the agencies' information system requirements, and differences in the extent to which agencies have centralized their administrative services.

The primary reason the agencies vary in the proportion of costs and staffing incurred for administrative services is that the agencies differ in how they incur

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and report these costs. Specifically, differences in how agencies incur and report costs are related to differences in the extent to which they contract for client services. When agencies contract for services, the provider carries out many administrative services that would otherwise have been performed directly by the agency, such as payroll, leasing, and purchasing activities. When the provider carries out such activities, agencies generally report these costs as program rather than administrative services costs and therefore expend a relatively smaller proportion of their budgets for administrative services. Conversely, when agencies contract for most client services and employ few program staff, the ratio of administrative staff to total FTE positions is higher than in agencies that provide services in-house.

While all of the agencies contract for program services, AHCA and DOEA provide client services almost exclusively by contracting with private providers. These providers incur much of the administrative cost of service delivery within these agencies. In contrast, DCF and DOH provided many services in-house using agency employees. DCF and DOH also reported spending proportionately more for administrative services in Fiscal Year 1996-97 than did AHCA and DOEA. As shown in Exhibits 2 and 3, AHCA and DOEA had the lowest percentage of expenditures for administrative services and the highest percentage of FTE positions assigned to administrative functions.

AHCA's Medicaid provider payment system illustrates how differences in program delivery mechanisms affect how agencies incur and report administrative services costs. One of AHCA's major responsibilities is to administer the state's $7-billion Medicaid program. The agency is responsible for ensuring that Medicaid health care providers are reimbursed for their services. To accomplish this administrative function, AHCA contracts with a fiscal agent to process and pay Medicaid claims. AHCA reported these services, which cost over $25.7 million in Fiscal Year 1996-97, as a program rather than as an administrative services cost. AHCA thus expended a relatively low percentage of its appropriation for administrative services. However, AHCA assigned a relatively high percentage of FTE positions to administrative services as it employs few staff in program operations.

A second reason for the variations in administrative costs is that some agencies maintain more extensive information systems. Also, expenditures for management information system services frequently represent costs for both administrative services and

program operations, as information systems often support both functions. For example, DCF maintains the FLORIDA System, which contains information on the characteristics of and services provided to each of its economic self-sufficiency clients (over 1.3 million clients per month).[2] In Fiscal Year 1996-97, DCF together with DOH reported spending $105 million for management information systems, or 43% of these agencies' total expenditures for administrative services. In contrast, DOEA's total administrative costs included only $600,000 for management information systems, 27% of its total reported administrative costs.

A third reason for variations in administrative costs is that some agencies provide administrative services at the district level. For example, DCF and DOH are highly decentralized, with both program and administrative functions located within the district offices in order to maximize responsiveness to local needs. The cost of DCF's and DOH's district-level administrative service operations represented 14% of total agency administrative services costs in Fiscal Year 1996-97. District-level administrative services in the Department of Juvenile Justice represented 21% of its total administrative service costs. In contrast, AHCA and DOEA do not provide administrative services at the district level.

Decentralization can result in increased costs due to the need to replicate administrative functions such as purchasing, personnel, and supply management throughout the state. Agencies that operate in a more centralized manner can more easily streamline operations and achieve cost reductions. However, agencies with centralized operations also tend to have fewer employees, offer fewer district-level programs, and rely more on contracted services.

Question 2: How did the divestiture of programs from the former Department of Health and Rehabilitative Services (DHRS) and establishment of four new agencies affect the provision of administrative services?

Managers in the four new agencies generally reported their agencies improved delivery of administrative services without large increases in staff.

To identify the effects of the divestiture of programs from DHRS, we interviewed agency officials and managers of the various administrative services

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[2] The Florida On-line Recipient Integrated Data Access (FLORIDA) System is a computerized information system that provides information and processing functions for the state's public assistance programs.

functions both at headquarters and local district or county levels. We also reviewed the agencies' appropriations from inception to Fiscal Year 1996-97, agency expenditure reports and other documentation of agency operations, such as organization charts, indirect cost reports, and agency annual reports. We interviewed officials with the Department of Business and Professional Regulation, the Department of Environmental Protection, and the Department of Management Services about the effects of agency mergers on administrative services delivery.

Managers in the New Agencies Generally Reported Improvements in Service Delivery. Program divestiture and the establishment of smaller agencies with more narrowly defined program responsibilities resulted in improved mechanisms for delivering administrative services. At the time of their establishment the new agencies streamlined administrative services by centralizing most or all services within their headquarters. The agencies also used the opportunity to re-engineer the delivery of administrative services and establish new management information systems that provide better support for their agency's specific program and operational requirements. For example, DOEA developed an automated contract management system to support the administrative requirements of its privatized system of program delivery.

The new management information systems in DOEA, AHCA and DJJ, and systems under development in DOH have enabled these agencies to provide on-line administrative services directly to district or service area offices. Functions such as purchasing, personnel administration, and budget and accounting activities are carried out at the agencies' central offices, thus sharply reducing the need for administrative services staff at the local program office.

Managers from the new agencies reported that another major benefit of divestiture has been the capability to develop administrative service systems that provide improved control and accountability over programs, that enable managers to monitor the performance of specific operations and that provide direct support for program managers.

Managers in these agencies also reported that their administrative services are not only more effective, but also more efficient than when the agency's programs operated under the DHRS district office structure. DOEA and AHCA have no administrative services staff located outside of headquarters. DJJ maintains a

limited number of staff at the agency's 15 district offices.

Administrative Staff Positions Have Remained Relatively Constant Since Divestiture. To determine whether the percentage of staff assigned to administrative services functions changed as a result of divestiture of programs from DHRS, we compared agencies' reported FTE for Fiscal Year 1996-97 to our estimate of the administrative services FTE for Fiscal Year 1990-91. We determined that the percentage of administrative services staff to total staff remained constant at 6.2% and concluded that the divestiture of programs from DHRS had not significantly affected administrative staffing levels.

Question 3: Could changing the manner by which agencies provide administrative services result in cost savings and FTE reductions?

Further consolidating administrative services within DOH would improve the efficiency of services and should result in cost avoidance of at least $460,000 annually and equivalent FTE savings. Similar consolidation by DCF is seen as feasible by its administrators and could result in cost savings.

We assessed four options for reducing costs and staffing in the provision of administrative services within the five health and human services agencies:

- further consolidating administrative services within agencies;

- merging administrative services for all health and human services agencies within a single agency;

- re-engineering administrative services; and

- privatizing administrative services.

Consolidating DCF's and DOH's administrative services within their agencies is the most feasible option at this time and should produce cost savings and FTE reductions. Merging the administrative services of all health and human services agencies within a single entity would result in a loss of the benefits derived from the establishment of separate agencies, and would be unlikely to produce significant savings or FTE reductions. Further, merging administrative services would disrupt operations in the five health and human services agencies and divert the agencies' focus from their primary responsibilities. Re-engineering or privatizing administrative services would provide further opportunities to improve efficiency, but may not be feasible until unit cost data are available to evaluate the potential savings for each activity.

Administrative Services Within Agencies Should Be Further Consolidated. We concluded that the best option at this time is to further consolidate administrative services within DCF and DOH at the regional level. DCF operates through a network of 15 service districts, while DOH provides services through 67 county health departments. For DCF and DOH, increasing the consolidation of administrative services already initiated within each agency could likely attain cost savings. The other three agencies have already streamlined administrative services by centralizing most or all services within their headquarters.

County Health Consortia. Prior to divestiture of the health programs from DHRS in January 1997, DHRS district offices and the county health departments shared some administrative functions and staff. After divestiture, some county health departments established consortia to assist each other with providing administrative support functions previously provided by DHRS, such as fiscal, budget, personnel, and purchasing services. A consortium is a group of two or more county health departments that unite to improve the efficiency and cost-effective delivery of administrative services. The participating counties pay the lead county a pro-rata share of costs for providing the agreed upon administrative services.

Consortia operate in many geographical areas of the state and the specific services offered by each consortium vary widely. For example, some consortia provide only Equal Employment Opportunity services, while others offer payroll, personnel, purchasing, fiscal, and legal services.

Some county health departments belong to more than one consortium. For example, the Alachua County Health Department receives finance and accounting services from one consortium and purchasing services from a second consortium. As of June 1998, 49 of the 67 county health departments in the state obtained at least one administrative service through a consortium. (See Appendix C.)

Consortia appear to be an effective means of reducing administrative services costs. For Fiscal Year 1997-98, the Northeast Florida Administrative Consortium reported that it would have cost the state an additional $460,000 to provide the same level of services within each of the six participating county health departments. By consolidating administrative services, the participating counties avoided costs equivalent to 12.25 FTE. For Fiscal Year 1998-99, the consortium estimates participating counties will avoid $600,000 in administrative services costs which equates to 14 FTE.

DOH officials indicated that it would be feasible to attain additional cost savings by increasing the participation of county health departments in administrative services consortia. DOH is in the process of establishing plans to further expand the use of consortia and anticipates providing guidelines for the county health departments to use in determining when membership in a consortium is more cost-effective than providing the same service in-house. As of July 1998, 39 county health departments were providing their own accounting services and 49 were not receiving purchasing services through a consortium. We concluded that further consolidation of administrative services through the use of consortia should result in cost savings and cost avoidance. Although the level of savings attainable is dependent on the cost to provide each service and volume of activity generated by each participating county, savings should be at least comparable to the level achieved by the Northeast Florida Administrative Consortium.

DCF Administrative Service Center. Cost savings could also be attained by further consolidating administrative services within DCF. Officials reported that the delivery of administrative services within DHRS and DCF was disrupted during the divestiture process due to the transfer of staff and funding to the new agencies. After the divestiture was complete, it was impractical for DCF's four smallest district offices to provide their own administrative services. Therefore, DCF established an administrative support center within District 2 (Tallahassee) to provide consolidated services for the district offices most in need of assistance. The center provides general accounting services, disbursement processing, payroll services, and centralized employee time and attendance records for five districts.

DCF administrators reported that it would be feasible to consolidate administrative services of other districts by establishing additional centers. The administrators indicated that DCF would need to establish from three to five centers statewide to meet current district workload. Managers could not estimate the potential cost savings from this consolidation because the agency does not maintain data on the cost of selected administrative services in each district. DCF has not yet developed plans to establish more centers throughout the state.

Consolidating administrative services within DCF and DOH would provide cost savings but avoid the disruptions that would likely result from merging the administrative functions within a single agency. Each agency would retain responsibility for providing its

own administrative services, but avoid the governance issues that could arise with a multi-agency merger.

Merging Administrative Services into a Single Agency Is Feasible but Would Be Strongly Opposed by Agencies. OPPAGA concluded that it would be feasible to merge some, but not all, administrative services functions and activities into a single agency, which would provide the selected administrative services to all of the health and human services agencies. Services that are potential candidates for merging include general accounting and personnel activities, such as payroll, attendance and leave, employee benefits, and records retention for terminated employees. These functions are not directly linked to program operations and policy making. Certain administrative services do not appear to be as amenable to merging into a single agency. These include services that are more directly related to program operations and decision-making, and that involve less transaction processing, such as planning and budgeting, and certain functions within finance and accounting, such as revenue management.

Merging selected administrative functions into a single agency may produce some cost savings and FTE reductions. For example, establishing a single personnel office serving all five health and human service agencies would be less expensive because fewer managers would be needed than staffing personnel offices in five separate agencies. However, cost savings probably would not be significant because the same number of line staff would be needed since workload would not decrease as a result of the merger. Further, our analysis found that the divestiture of programs from DHRS and resultant division of administration functions did not result in increased administrative FTE.

We concluded that merging administrative services across agencies could result in governance problems and less responsive services. A primary concern is that merging administrative services could lead to an inflexible bureaucracy such as existed prior to divestiture. The agency managers expressed concern that whatever agency was selected to provide administrative services for the five agencies would tend to give the highest priority to transactions it needed for its own operations, causing delays for the other agencies. Agency officials also asserted that a multi-agency merger would result in a loss of direct control over administrative services and less effective management of department resources.

These concerns could be partly ameliorated through governance structures such as interagency agreements. However, it would be difficult to eliminate potential interagency conflicts because the individual agencies would lack the ability to direct the central administrative unit to provide desired service levels and priorities. The limited cost savings that would likely be produced by merging administrative services across agencies make this option less desirable than merging services within agencies and/or re-engineering these functions.

Re-Engineering Could Streamline Administrative Services. A third option for reducing costs would be to streamline administrative services through a re-engineering effort. Managers in the five agencies agreed that changing the way the state provides administrative services could achieve cost savings. These managers indicated that functions such as payroll are labor intensive and have procedural requirements that hinder efficiency. Re-engineering, which seeks to restructure activities to resolve procedural problems and better match services with current needs, can produce significant improvements. Re-engineering often starts with identifying benchmarks (characteristics and performance levels of high-performing units that can be emulated). OPPAGA will issue a report before 2000 that examines the staffing and funding resources allocated to administrative functions in state agencies. The report will identify potential staffing and efficiency ratios, and options for evaluating staff and costs.

Privatizing Administrative Services Often Reduces Costs. A final option is to privatize some or all administrative services. Privatization is often seen as a way to reduce costs due to the great flexibility of private vendors and the innovation that can result from market competition. Private vendors exist that provide many of the administrative services needed by the state, such as certain personnel, accounting, information technology, and revenue collection activities.

The state has experimented with using private vendors to provide certain administrative services. For example, the Department of Banking and Finance uses private collection agencies to pursue recovery of some unpaid fees and taxes, and the Department of Revenue contracts with private CPA firms for certain tax audits. However, we did not identify any agencies or states that had fully privatized broad administrative functions such as purchasing, personnel management, or budget administration. Experts indicated that private providers are not yet available that can provide the full range of administrative services required by state entities.

Privatizing administrative services may be a more feasible option in the future, as more private sector

providers become available. However, it will be critical for agencies to have a method to assess privatization proposals before implementing this option. Specifically, agencies must be able to identify the current cost of service provision and assess factors that can complicate privatization before obtaining price bids from vendors. For administrative services, it would be important to select functions for which at least three vendors would be expected to compete to avoid simply replacing an inefficient agency operation with a private sector monopoly. If privatization is used, the health and human services agencies should be authorized to participate in the process. This would create an incentive for the agencies to re-engineer their administrative services and reduce costs in order to compete for the contract.

The most appropriate method for implementing privatization would be through the Council on Competitive Government within the Governor's Office. The council is charged with evaluating privatization proposals and soliciting bids for these services. It has a process in place to assess privatization proposals, including identifying the current state cost of service provision, assessing factors that can complicate privatization, and issuing requests for proposals to obtain price estimates from vendors.

In order to determine the potential cost savings of privatization and the other options, it is critical for agencies to develop better cost data and establish performance measures to assess their administrative efficiency. The agencies do not currently have readily available the information necessary to make a valid comparison of providing in-house administrative services versus the cost of re-engineering or privatizing these services. The implementation of performance-based program budgeting provides an opportunity for agencies to establish valid cost and performance measurement systems.

OPPAGA believes that re-engineering and privatization can be powerful tools to improve the efficiency of administrative services throughout state government. Our future work to establish efficiency ratios and identify best practices for agency administrative functions will help provide a basis for these actions.

Conclusions and Recommendations

In Fiscal Year 1996-97, Florida's health and human services agencies reported spending $277 million for administrative services. Managers report that the divestiture of programs from DHRS has produced positive effects in that it afforded the new agencies the opportunity to develop better systems for delivering administrative services. The primary benefits reported by managers include improved management control and management information systems that are more responsive to each agency's needs.

While long-term savings may be attainable through re-engineering or privatizing agency administrative functions, the agencies should not make decisions regarding privatization until they have the information needed to determine the cost-effectiveness of these options. In the meantime, we concluded that consolidating administrative services at the regional level within DCF and DOH has the best potential for attaining cost savings.

We recommend that the Legislature mandate that DOH and DCF develop plans for and implement further consolidation of administrative services within those agencies. Specifically, the Legislature should require the two agencies to submit a consolidation plan by October 1, 1999, that identifies specific administrative services that should be provided through regional administrative services centers and consortia, implementation schedules, and anticipated cost savings.

We also recommend that each of the five health and human services agencies establish baseline information on their current costs of providing administrative services. The agencies should also establish performance measures to assess the effectiveness and efficiency of their administrative services. As private sector providers for these services become available, the agencies and/or the Council on Competitive Government should issue invitations to bid to determine whether it would be cost-effective to privatize these functions. Under the Council on Competitive Government law, the agencies could compete against private bidders. OPPAGA's subsequent report on agency staffing for administrative functions will aid in these evaluations.

Agency Response

The Director of the Agency for Health Care Administration, the Secretary of the Department of Children and Families, the Secretary of the Department of Elder Affairs, the Secretary of the Department of Health, and the Secretary of the Department of Juvenile Justice generally agreed with our findings and conclusions. Each described actions being taken to address or resolve the issues identified in OPPAGA's report. Complete copies of their responses are available upon request.

Appendix A
Overview of Programs and Services Provided by Florida's Health and Human Service Agencies

Agencies	Programs and Services Provided
Agency for Health Care Administration	Ensures that all Floridians have access to affordable, quality health care services. Programs include: • Medicaid services • Regulation and licensing of health care facilities • Community Health Purchasing Alliances • Florida Healthy Kids Program
Department of Children and Families	Works in partnership with local communities to help people be self-sufficient and live in stable families and communities. Programs include: • Alcohol, drug abuse and mental health services for children and adults • Economic self-sufficiency services • Family safety services, including programs for abused or neglected children and adults, and domestic violence programs • Developmental disabilities programs
Department of Elder Affairs	Exercises responsibility for maximizing opportunities for self-sufficiency and personal independence of Florida's elders. Programs include: • Nutrition, in-home and support services provided through the Older American's Act • Assisted Living for the Elderly • Alzheimer's Disease Initiative • Home Care for the Elderly • Community Care for the Elderly • Long-term Care Community Diversion Program • Comprehensive Assessment and Review for Long-term Care Services (CARES)
Department of Health	Promotes and protects the public's safety and health by establishing and maintaining high standards for the public health environment and the delivery of public health services. Programs include: • Public Health Services • Children's Medical Services • Medical Quality Assurance Program
Department of Juvenile Justice	Provides a range of programs and services to prevent and reduce juvenile delinquency. Programs include: • Prevention and early intervention programs, such as programs for children and families in need of services; assessment centers; and diversion programs • Detention programs • Programs for juvenile offenders, including community control; commitment programs; and aftercare programs

Source: Developed by OPPAGA

Administrative Service Functions and Activities by Major Category[1]

Administrative Support:
- Evaluation
- General Services Managerial Support
    (e.g., Administrative Services director, staff)

General Services:
- Purchasing
- Contract Administration
- Central Support Services:
    - Phone service/maintenance
    - Copy shop
    - Property
    - Supply warehouse
    - Forms warehouse
    - Mailroom
    - Other
- Design and Construction
- Central/Department-wide Office Coordination

Personnel Administration:
- General Personnel (payroll, leave, etc.)
- EEO Functions
- Staff Development and Training

Management Information Systems:
- Administrative Support
- Computer Operations
- Customer Support
- Agency Specific Client System
- Software Development and Support
- Systems Support
- Systems Development and Training
- Other

Planning and Budgeting:
- Central Budgeting
- District Budgeting
- Planning

Finance and Accounting:
- General Accounting Functions
- Revenue Management
- Accounting Services and Systems
- Grant Management
- Other

[1] Costs associated with agency leadership and management control, such as executive direction, inspector general, general counsel, and other similar functions are not included.

Source: Developed by OPPAGA