

11/19/08

Memo to Senator Pogemiller

From: Marcie Jefferys

Re: Recent publications on indicators and performance measurement tools of potential relevant for Minnesota

Below are 1) summaries of two recently released papers on topics related to the November 21 LCPFP meeting agenda, and 2) notes on their application to Minnesota.

*A Call for Stewardship: Enhancing the federal governments; ability to address key fiscal and other 21<sup>st</sup> century challenges, GAO-08-93SP, December 17, 2007.*

Although addressed to Congress, this GAO report includes recommendations relevant to state legislatures as well. It provides some “tools and process improvements” to facilitate discussions and decisions to address the country’s “key sustainability challenges” in the face of looming fiscal crises. **The tools and processes are intended to formalize a “much-needed and long overdue reexamination, reprioritization, and reengineering of the base of government while enhancing public engagement and understanding.”**

One of the report’s key recommendations is development of a system of key **“outcome-based” indicators to “help the nation to set objectives, measure progress toward achieving selected national outcomes, assess conditions and trends and communicate more effectively on complex issues.”** The indicators will pull together information on a range of “economic, environmental, safety/security, social and cultural issues” to provide a big picture of the nation’s “true position and progress,” improve the amount and quality of information available to the citizenry and increase congressional oversight capacity by enhancing performance and accountability reporting. The GAO recommends that a “public-private partnership” be utilized because of the flexibility it would offer in designing the indicators, maintaining the structure and soliciting a wide range of input.

The GAO also suggests developing a congressional performance resolution that would identify key oversight and performance goals that would encourage cross-jurisdictional work and foresight when considering programs that should be continued, curtailed or eliminated. The report suggests mechanisms for **increasing attention to the long-term cost implications of any major tax or spending proposal in the budget process,** including ways to make the information more transparent for the public. To provide a more integrated approach to overseeing public programs, instead of the currently employed agency by agency review, the GAO recommends that a government-wide strategic plan be developed, accompanied by annual performance plans. A strategic plan would also include clearly defined outcomes and strategies to achieve those outcomes, allowing easier reexamination of base spending and new initiatives.

Other recommendations in the GAO report include establishing a commission to address long-term fiscal challenge by holding public hearings across the country to educate citizens and hear their thoughts on what government should be paying for, as well as developing specific legislative proposals.

Finally, the report notes that the change of the sort it is recommending with its “**reexamination agenda**” has occurred in the past. But, based on past experience, change will take time, require “sustained effort,” and benefit from champions for reform: “**Policymakers and their staff should be prepared to start early and often in efforts to effect change.**”

**Zelio, Judy. (2008) *Five Actions to Enhance State Legislative Use of Performance Information*. Washington, D.C.: IBM Center for the Business of Government.**

While government performance information has become a generally accepted tool in the executive branch at both the federal and state level, it has been slow to catch on as a tool in the legislative branch. A major reason for its lack of use may be that **current performance information does not readily address the “different performance information needs” that the legislative function requires.**

Unlike the executive branch, which has the efficient management and administration of programs as its chief role, **the legislative branch is primarily focused on policy and its impact on the problems and issues it is intended to address.** (Legislators are also, of course, invested in ensuring that programs are efficiently and effectively administered.)

To be responsive to legislators, performance measures that **provide information on outcomes (rather than just program inputs and outputs** such as number of staff, or cost per unit) may be most useful in the legislative arena. Performance data can also provide legislators with helpful background on programs, help explain the impact of prior legislation, help in conceptualizing future consequences for legislation, and communicate to the public “what is received in return for the investment of tax dollars.”

States have used performance information for both accountability and budgeting purposes. Legislatures that have been most active in using performance reporting are those that have a long “tradition of legislative budgeting.” This includes Oregon, Louisiana, Missouri, Texas, Arizona and New Mexico.

To increase the usefulness of state agency performance information, the author makes the following recommendations:

1) Performance information for legislative use should emphasize **policy results** rather than administrative measures.

2) **Legislative and executive branch staff should identify and jointly agree on key results** measure of in budget documents and performance reports that legislators use.

- 3) State agencies should provide regular performance reports to the legislature to alert Legislators to problems before they grow, highlight notable successes, and promote dialogue.
- 4) Executive and legislative branch staff should collaborate to make sure reports are useful, accurate, brief, clear and timely.
- 5) Performance information should be published online so it is accessible to legislators and the public.

The paper includes more detail regarding specific states' experiences with performance information.

### **Application to Minnesota**

Many of the recommendations in the GAO and NCSL/IBM papers are relevant to Minnesota.

### **Indicators**

**Minnesota already has a system of statewide goals and indicators (Minnesota Milestones)** that was established in 1992, based on input gathered in meetings with citizens across the state. The indicators have not been updated since 2002, however. The 2008 Legislature approved several provisions intended to update and increase their use, including incorporating them into the state budget process. The legislation also established a subcommittee of the Joint Legislative Commission on Planning and Fiscal Policy charged with making long range recommendations on the further implementation and uses of Minnesota Milestones and other government accountability improvements. Outside of state government, there has also been progress in the development and use of indicators. The Wilder Foundation has initiated a statewide indicator website (COMPASS), and other groups track indicators specific to their concerns (e.g., Children's Defense Fund's KidsCount).

### **Performance Measures**

Currently, **state agency performance measures are found in a variety of places.** Individual agencies have developed performance measures to internally monitor their performance, and many programs that receive federal funds must report their performance on a regular basis to the federal government. The Department of Administration oversees a "Department Results" website (<http://www.departmentresults.state.mn.us/>) that includes goals and measures of progress toward the Governor's top-level goals.

**Statute (M.S. 16A.10—attached) requires the commissioner of finance (now Minnesota Management and Budget—MMB) to include guidelines for reporting agency performance measures in the budget forms.** According to statute, the performance data provided in the budget book are to

1. “provide information so that the legislature can determine the extent to which state programs are successful;
2. encourage state agencies to develop clear goals and objectives for their programs; and
3. strengthen accountability to Minnesotans by providing a record of state governments’ performance in providing effective and efficient services.”

The statute also requires that **every governor’s recommendation (i.e. change item) for increased funding be accompanied by proposed performance measures** that can be used to determine if the funding is “accomplishing its goals.” Last session’s legislation added the requirement that, **“to the extent possible,” every change item must “identify relevant Minnesota Milestones and other statewide goals and indicators related to the proposed initiative.”** The commissioner is to report to the **Joint Legislative Commission on Planning and Fiscal Policy’s Subcommittee on Accountability** regarding the format to be used for the presentation and selection of Milestones and other statewide goals and indicators.

By October 15 and November 30 of each even-numbered year, state agencies must provide the MMB commissioner a “comprehensive and integrated statement of agency missions and outcome and performance measures.” These **budget narratives** are an early report for the legislature on how agencies view their mission and goals and how they are going to monitor and report their performance to the Legislature.

#### **Questions/Issues**

Below are some questions to consider in reviewing and potentially revising the state’s current approach to performance information in the legislative process.

1. **How well does the available performance information measure progress toward the goals legislators have for the programs/agencies?**
2. **What is the link between the measures and the strategies agencies are using to accomplish their goals/missions?**
3. **How accessible is the performance information for the public? For use by legislators during the legislative process?**
4. **How much input did legislators have in the choice of the measures agencies used to monitor their progress?**
5. **Can technology be utilized to make the measures more relevant and accessible?**
6. **What collaborations can be formed with groups outside of government that will provide independent and efficient measures of government performance?**

#### **Other resources**

The National Conference of State Legislatures has information on its website about performance reports (“governing for results”) in general (<http://www.ncsl.org/programs/fiscal/perfbudg/>), and Minnesota’s experience in particular: <http://www.ncsl.org/programs/fiscal/perfbudg/pbminnes.htm>. NCSL and the Urban Institute collaborated on a ‘how-to’ manual for legislators that can be found at <http://www.ncsl.org/legis/fiscal/legix4results.pdf>