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Report to Congressional Requesters

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MANAGING FOR RESULTS

State Experiences Provide Insights for Federal Management Reforms

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The Honorable John Glenn
Chairman
The Honorable William V. Roth, Jr.
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable John Conyers, Jr.
Chairman
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Ranking Minority Member
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House of Representatives

This report responds in part to your request that we identify some of the experiences other governments had in implementing management reforms that have been reported as being successful and, thus, may assist federal agencies as they implement the Government Performance and Results Act of 1993 (GPRA). Included in this report are our observations on some of the management reforms in Florida, Minnesota, North Carolina, Oregon, Texas, and Virginia that were similar to GPRA requirements. In particular, we examined these states' efforts at strategic planning, performance measurement, and alignment of management systems.[1] A forthcoming report will discuss the management reforms of selected foreign governments.

Results in Brief

Experiences of the six states we selected suggest that results-oriented management reforms, such as those required under GPRA, could help a federal agency to focus more on program impact, which may lead to improved program effectiveness.[2] Such results-oriented management reforms include GPRA requirements, such as strategic planning and performance measurement, and the alignment of management systems, such as information and human resource systems, with mission-related

[1]Strategic planning is the process organizations use to assess their current situations and future paths, develop missions and goals, and devise strategies to achieve the missions and goals. Performance measurement involves the development of measurable indicators that can be systematically tracked to assess progress made in achieving predetermined goals. Aligned management systems are those that are structured to support the achievement of an organization's stated mission and goals.

[2]Results-oriented management of an organization involves the articulation of its mission and goals, the development of plans and measures tied to the mission, and the use of performance information to improve program results.

program goals. The states' experiences also suggest that implementing such reforms are a long-term effort and that the executive and legislative branches need to work together to implement those reforms.

Oregon state officials said that the strategic planning process was instrumental in getting stakeholders—legislators, agencies, affected community groups, and others—to reach consensus on statewide goals. They said that by using strategic planning to develop shared goals, state agencies and some local governments were able to work cooperatively across organizational boundaries to implement programs aimed at achieving those shared goals. Also, Virginia state officials said that the strategic planning process served as a powerful means for getting one department's staff to focus on achieving goals. They said that by using a strategic planning process, which had as a centerpiece the direct involvement of staff and customers, the department was better able to grapple with the challenges associated with competing customer interests.

The states we selected used a range of performance measures to gauge progress in meeting programs' strategic goals.[3] The states continued to use traditional measures of performance, such as program costs and quantity of services provided, along with an expanded focus on customer satisfaction and outcomes, such as the impact of those services. The states found that developing and using performance measures that focused on program outcomes could not be done quickly or easily. A Minnesota agency we visited developed intermediate outcome measures to gauge progress toward achieving its goals because of the difficulty in measuring a program's final outcomes that may not become evident for a number of years.

Some state officials and agencies' staff said that for results-oriented measures to be effective in helping agencies assess their progress toward achieving their goals, training staff in the development and use of results-oriented performance measures was helpful. Moreover, some state officials said that despite progress in getting agencies' staff to develop and use results-oriented measures to manage and gauge progress, legislators made limited use of agencies' performance information during the budget process, in part because consensus between the executive and legislative branches had not been reached on what would be measured and how the measures would be used.

[3]The states used the term "performance measures" as well as "performance indicators." For consistency, we used the term performance measure throughout this report.

In addition to obtaining stakeholders' agreement on strategic goals and measuring the progress made toward achieving those goals, some of the states were beginning to align their information, human resource, budgeting, and financial management systems to better ensure that the systems support managers in their efforts to achieve statewide and agency goals. Some of the states we visited reported progress toward this alignment. The states reported that they sought to (1) provide managers with information on their agency's goals and the progress made in achieving those goals, (2) examine ways to assess staff on the basis of the achievement of agency goals, and (3) provide agencies with greater flexibility to meet program goals by, for example, relaxing some personnel requirements. Although at the time of our review the states we selected had not definitively evaluated the results of these reforms, state officials said they remained firmly committed to change.

Background

GPRA was enacted in August 1993 to improve the effectiveness and efficiency of federal programs by establishing a system to set goals for program performance and to measure results. Congress passed GPRA because a lack of precise goals and performance information on the results of federal programs had hindered federal managers from improving the effectiveness and efficiency of federal programs. The same lack of clear goals and information on results had hindered congressional policymaking, spending decisions, and oversight. For a more detailed description of GPRA's requirements, see appendix I.

In recent years, the states we selected confronted similar challenges and, in response, implemented reforms similar to those required by GPRA. However, the implementation of their reforms varied. For example, in some states, management reforms took a broad, statewide focus, while in others, reforms were primarily implemented at the agency level. The length of time that the states were involved in management reforms also varied. For example, experience among the states with strategic planning had ranged from 2 to 9 years at the time of our review. Table 1 provides an overview of the results-oriented management reforms implemented or being considered by the six states we visited.

Table 1: Selected Results-Oriented Management Reforms in the Six States We Visited

State	Strategic planning	Performance measurement	Selected systems alignment
Florida	State developed statewide strategic plan Agencies required to develop strategic plans	Agencies required to develop results-oriented performance measures	Selected agencies piloted personnel and budget flexibility
Minnesota	State developed statewide strategic plan	Selected agencies required to develop results-oriented performance measures	State proposed alignment of human resource management systems to achieve desired results
North Carolina	Agencies required to develop strategic plans	Agencies in selected program areas required to develop results-oriented performance measures and link to budget	Statewide effort aligned human resource management systems to achieve desired results
Oregon	State developed statewide strategic plan in collaboration with stakeholders	Agencies required to develop results-oriented performance measures	Statewide effort aligned human resource management and budget systems to achieve desired results Selected agencies aligned performance information with budget and accounting systems
Texas	State developed statewide strategic plan Agencies required to develop strategic plans	Agencies required to develop results-oriented performance measures and link to budget	Statewide budget and accounting systems aligned with agency strategic plans
Virginia	State implementation underway for statewide strategic plan Select agencies developed strategic plans on own initiative	Pilot agencies required to develop results-oriented performance measures Requirement planned for other agencies to develop results-oriented performance measures	Not identified

Source: State data.

Objective, Scope, and Methodology

Our objective was to identify some of the experiences state governments had in implementing management reforms that were reported as successful and thus, may assist federal agencies in implementing GPRA. In particular, we examined management reforms that are similar to those required by GPRA, such as strategic planning and performance measurement, and the alignment of management systems. We examined those reforms that had been reported as being successful. We reviewed current literature on public management and interviewed state management authorities at the Government Accounting Standards Board, the National Governors' Association, the National Academy of Public Administration, and the National Conference of State Legislatures.

To obtain further information on states for inclusion in this report, we reviewed the annual "The State of the States" report issued by Financial World magazine,[4] a number of state strategic plans, state planning and budgeting documents, and our prior report summarizing selected states' experiences with performance budgeting.[5] We looked for states that had sought to increase their focus on program results through initiatives similar to the key components of GPRA, such as strategic planning, performance measurement and reporting, and performance budgeting. We selected Florida, Minnesota, North Carolina, Oregon, Texas, and Virginia for our review because they were implementing some or all of these reforms.

To identify state governments' experiences, we asked state officials to guide us to agencies and programs that had begun to implement management reforms. To identify successes that may be applicable for federal agencies' GPRA implementation, we looked for reforms similar to the key components of GPRA that were reported to result in improvements for the agencies or programs so that we could focus on what aspects of management reforms were successful and why. We interviewed state executive and legislative branch officials, agency administrators and managers, and service delivery and audit staff. We also interviewed public interest group officials and private industry leaders to obtain an external perspective on selected state reforms. We reviewed state and agency documents, such as state and agency strategic plans, human resource management plans, and information management plans. We also reviewed pertinent state legislation, budget documents, performance reports, audit reports, customer surveys, and training materials.

Because our objective was to identify the relevant experiences of the state governments we selected, we relied on the states' own evaluations and

[4]Katherine Barrett and Richard Greene, "The State of the States," Financial World, Vol. 162, No. 10 (May 11, 1993), pp. 43-61. Since 1990, Financial World has annually reviewed and ranked the governance of each state according to criteria such as the use of long-term planning, results-oriented performance measures, audited financial statements, and other factors. To make its assessments, Financial World relies on in-depth surveys of each state, follow-up interviews with state officials, and information from outside organizations, such as Standard & Poor's.

[5]Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993).

assessment of their reforms. We did not independently verify the accuracy of the information provided by the states. As shown in table 1, each of the six states generally implemented some form of strategic planning, performance measurement, or management systems alignment. However, we discussed a limited number of examples in this report that represented the most complete or illustrative experiences the states had at the time of our visit in implementing those management reforms.

We did our work from April 1993 to April 1994 in Washington, D.C., and the six states in accordance with generally accepted government auditing standards. We focused on identifying successful management reforms implemented in the six states we selected that may help federal agencies in their efforts to implement GPRA and become more results oriented. We did not obtain comments from the states on a draft of this report. However, in October and November 1994, we asked officials in each of the states to verify the accuracy of the information presented on their respective states. These officials said that the report accurately characterized the experiences of their respective states at the time of our review.

Strategic Planning Helped Build Consensus and Provide Common Focus

Oregon officials said that the strategic planning process was used as a means for state executive and legislative branch officials, agencies, and other stakeholders, such as citizens' groups, to reach consensus on the priority issues for the state. They also said that obtaining statewide consensus on goals helped state agencies work together across agency boundaries to address common goals. Officials from the Virginia Department of Mines, Minerals, and Energy said that their department used strategic planning to focus their staffs' efforts on achieving common organization goals. They said that involving staff at all levels in the strategic planning process helped to communicate to staff the organization's mission, values, and goals. According to those officials, participating in the strategic planning process helped staff to learn how their work contributed to achieving the department's goals.

Oregon Used Strategic Planning to Help Stakeholders Reach Consensus on Common Goals

According to state officials, Oregon used strategic planning as a means to get diverse stakeholders, including legislators, agencies, county and local governments, and other community groups, to reach consensus on statewide goals. Oregon's statewide strategic plan, known as Oregon Benchmarks, was crafted with widespread public input and adopted by the state legislature in 1991, according to Oregon officials. Oregon business, city, county, community, state, and legislative leaders met in 12 regional meetings over 6 months to develop the plan. Oregon officials said that this statewide participation in the strategic planning process contributed to benchmarks—or goals—that accurately reflected statewide values and priorities. State and legislative officials told us that to solidify support, the Oregon Progress Board worked extensively to introduce the benchmarks to legislators in both parties and both houses of the state legislature.[6] In 1991, the Oregon legislature unanimously passed legislation adopting the benchmarks and directed the Oregon Progress Board to update the benchmarks every 2 years.

As a result of the strategic planning process, Oregon agencies, legislators, city and county governments, and nonstate organizations could share a common focus on specific statewide goals that they did not have before, according to state officials and a 1992 Progress Board report on the benchmarks. According to Oregon officials, consensus on priority goals was achieved in diverse areas, such as those concerning children and families, education and workforce preparation, workforce training, health and health care, and economic improvement. For example, one statewide priority goal for children and families was to increase the percentage of infants whose mothers did not use alcohol during pregnancy. The baseline of this measure was 93 percent in 1990; this measure increased to 95 percent in 1992. The goal was to achieve 97 percent for 1995 and to achieve even higher goals for the years 2000 and 2010.

Oregon Agencies, Nonstate Organizations, and Staff Reported They Focused on Achieving Common Goals

Oregon state officials told us that strong statewide consensus on goals established during the strategic planning process encouraged state employees to work across agency and program boundaries to accomplish common objectives. Department of Human Resources officials told us agencies were required to identify the statewide goals to which they could make a contribution and develop measures that demonstrated their progress in achieving the goals. In doing so, human resources officials said that agencies found they sometimes needed to change their approaches. For example, before beginning the statewide strategic planning process, the department's Adult and Family Services Division worked to ensure compliance with the state's regulations on welfare eligibility. Under Oregon's strategic plan, the division's mission shifted from processing welfare clients to helping clients achieve self-sufficiency through a variety of means, such as obtaining child support and education. To demonstrate

[6]The Oregon legislature passed legislation in 1989 creating the Progress Board with a mandate to translate Oregon's strategies into measurable goals. The governor chairs the board, which consists of 10 other representatives from around the state.

the progress it made in helping clients meet its self-sufficiency goals, the division measured the average number of months for which clients received welfare and sought to reduce this number from the average of 20 to 17.

Human resources officials also said that the statewide program goals sometimes required agencies to work across agency and program boundaries to achieve program outcomes that, individually, they could only partially influence. For example, child support recovery staff in the Adult and Family Services Division of the Department of Human Resources said they had now recognized that their services significantly contributed to the division's overall ability to help achieve Oregon's self-sufficiency goals. However, child support collections from noncustodial parents were based on the identification of paternity, which fell under the responsibility of the Support Enforcement Division of the attorney general's office. To increase collections, support recovery staff worked with support enforcement staff. They said that they found that single mothers were missing appointments with support enforcement staff that were intended to identify paternity. To simplify paternity declaration, child support recovery staff and support enforcement staff established a procedure that involved mothers signing affidavits declaring paternity with Adult and Family Services Division social workers.

Oregon officials said that the state benchmarks also have helped agencies and nonstate organizations, such as private businesses, work as partners to achieve common statewide goals. According to the Oregon Progress Board director, nonstate organizations had a great capacity to help the state achieve the benchmarks. For example, according to a 1992 Progress Board report on the benchmarks, to achieve Oregon's goal of diversifying its economy, the state established benchmarks to increase the share of employment in businesses that added value to the state's natural resources, such as wood products and agriculture, before they were exported. However, the Progress Board director said that state government had only a marginal ability to achieve those benchmarks on its own. Therefore, the Progress Board encouraged the industries Oregon had targeted for growth to develop and track their own performance measures, such as increased sales and employment, that would demonstrate growth in those industries.

After we completed our review, a report was issued by independent reviewers chartered by the Oregon Progress Board that gave an assessment of the Oregon Benchmarks as a mechanism for guiding the state's strategic plan and as a framework for developing performance measurements.[7] Among other things, the reviewers reported that "remarkable" progress had been made in the development and use of benchmarks by the executive and legislative branches, local governments, and the private sector. However, the report also recommended that more concerted effort was needed to (1) increase the value and use of the benchmarks by the legislature and citizens; (2) increase the integration of the benchmarks into current state policy initiatives, agency programs, and performance measurement processes; and (3) provide more conscious attention to developing and evaluating effective strategies for achieving the benchmarks. For example, the evaluation recommended that the Progress Board (1) provide information, including workshops, to new and returning legislators to discuss the benchmark process and advantages of focusing on results-oriented issues; (2) provide each manager with regular performance reports that identify outcomes of the effort under that particular manager's responsibility; and (3) encourage and sponsor in-depth examination of benchmark trends and analyses of reasons for progress made, or not made, toward benchmark targets, and use those findings as a major part of the Progress Board's biennial report.

Virginia Reported It Used Strategic Planning to Help Build a Common Focus Within an Agency

Since its creation in 1985, staff at all levels of Virginia's Department of Mines, Minerals, and Energy have been involved in the department's strategic planning process to define the organization's mission, values, goals, objectives, and strategies. The department was created to consolidate various divisions from three agencies that were responsible for Virginia's mineral resource programs and functions. This consolidation brought together organizations with different cultures and highlighted the state's reported need for the new department to focus on geologic mapping and research, energy conservation, and consistent regulation of the mineral and fossil fuel extraction industries.[8] In addition to existing programs and personnel, the new department inherited visible and significant performance failures, inadequate resources, and numerous disgruntled customer groups, according to department officials.

Department officials said that when the department was formed, they recognized that it needed to create an environment that fostered staff cohesion and that focused on the new department's mission.

[7]Harry P. Hatry and John J. Kirlin, An Assessment of the Oregon Benchmarks: A Report to the Oregon Progress Board (June 1994).

[8]Organizational culture has been defined as the underlying assumptions, beliefs, values, attitudes, and expectations shared by an organization's members. See Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

Consequently, the department instituted a strategic planning process that identified customer needs and involved all department staff at various stages in the process. The departmentwide strategic planning process, which was driven by an internal and external customer focus, strengthened the department's ability to manage the complex programs and issues generated by competing customer interests, according to department officials.

Department officials described their annual, participatory strategic planning process as follows. Since 1985, the process began with an off-site meeting of department management staff to discuss such things as the department's future, challenges, and goals. From this meeting, they said that the department developed a fairly broad strategic plan that documented the department's mission, values, goals, objectives, and strategies. After the strategic plan development, top division management and employees developed operational plans for each division, which described in detail how the division would implement the department's strategic plan. From these division operational plans, work unit staff wrote more detailed plans on what was to be accomplished and by whom. Finally, managers developed individual performance plans for their employees that explained management's expectations of the employee and showed how the employee's work would contribute to the goals contained in the department's strategic plan.

Performance Measurement Used to Gauge Progress Toward Goals

The states we selected used a variety of performance measures to assess the progress agencies made in meeting statewide or agency strategic goals. For example, agencies typically tracked program costs and the number of services provided. The states supplemented this information by also gathering data on program outcomes that could be used to assess the degree to which state efforts met strategic goals. However, measuring program outcomes entailed a number of challenges. For example, one state agency found that the results of its efforts could take years to occur, and its specific contribution to achieving the results could be difficult to determine. To address this challenge, the agency defined and tracked a number of intermediate outcome measures in addition to final outcome measures. State officials said that training and involvement in the development of performance measures helped ensure that agency managers and staff used the performance measures to gauge their progress in meeting goals and to adjust their operations to meet such goals. However, according to state executive and legislative branch officials, performance information had limited influence on legislators' decisions about program funding in part because consensus between the branches had not been reached on the measures that agencies would use to gauge performance.

States Developed Results-Oriented Measures

In implementing performance measurement, the six states attempted to report on outcomes or results of state programs and also included other types of performance measures to provide a perspective on the effectiveness, efficiency, and cost of state programs. Table 2 provides examples of the mix of measures that states used to provide a range of information on program performance.

Table 2: Types of Performance Measures Used by States

Type of measure	Description	Examples
Input	Resources used to carry out a program over a given period	Number of full-time employees, amount of equipment or materials used, dollars spent
Output	Amount of work accomplished or services provided over a given period	Number of welfare applicants processed, number of workers' compensation claims paid
Efficiency	Cost of labor or materials per unit of output or service	Cost per client served, equipment costs per square mile of brush cleared
Outcome	Extent to which program goals have been achieved or customer requirements have been satisfied	Percent reduction in teen pregnancy rate, customer satisfaction with taxpayer services

Source: State data.

The states traditionally used input, output, and efficiency measures to provide information on resources used, the quantity of services provided, and service costs, respectively. However, the states or agencies we visited placed a new emphasis on developing outcome measures to measure the extent to which strategic goals and objectives were being met. Outcome measures were intended to gauge the impact of a program's products or services on the recipients of those products or services. Some state agencies also used information from customer satisfaction surveys as measures of program outcomes.

Combination of Measures Used

According to Texas state budget documents, the Texas Commission for the Blind used a combination of output and outcome measures to assess the extent to which it met its strategic goals. One of the commission's strategic goals was "to assist Texans who are blind or visually impaired to live as independently as possible consistent with their capabilities." The commission established a target percentage of blind or visually impaired people avoiding a dependent living environment as an outcome measure to determine whether this strategic goal was being met. The commission's strategy for achieving this target was "to provide a statewide program of developing independent living skills." The commission also established a target "number of adults receiving skills training" as an output measure for this strategy. According to the National Governors' Association Task Force on State Management, this performance information gave commission staff a clearer understanding of the ultimate goals they were working toward and gave state policymakers a better understanding of the agency's operations.[9]

Intermediate Measures

According to state officials, the Minnesota Trade Office assessed the progress of its programs by using intermediate outcome measures to supplement final outcome measures. Although the desired outcome was to increase exports and create jobs, Trade Office officials said that measuring the success of the Trade Office's efforts was problematic because 2 to 3 years might elapse from the time the Trade Office assisted a business to when the desired outcome occurred.

The Trade Office measured the impact of its services by collecting information on both intermediate and final outcomes. The Trade Office used the information on intermediate outcomes to measure the progress a business made toward exporting, such as "decided to export" or "made foreign market contact." It used information on final outcomes to measure the end results, such as "delivered a product/service to a foreign market" or "added new export-related jobs." According to a Trade Office official, since the Trade Office began monitoring performance for results, it could more clearly show the extent to which services had reached intended customers, the perceptions customers had about the quality of services provided, and the impact their services had on Minnesota businesses.

Customer Surveys

Trade Office officials told us that customer surveys were another means by which they gathered outcome measure information to measure its performance. For example, the Trade Office asked clients whether their businesses achieved desired results, such as increased sales in international markets, because of services it provided. By surveying

[9]National Governors' Association, An Action Agenda to Redesign State Government: Reports of the State Management Task Force Strategy Groups (Washington, D.C.: NGA Publications, 1993), pp. 14-15.

businesses on the degree to which the Trade Office contributed to its clients' export efforts, the Trade Office developed informative and meaningful information both for Trade Office managers and for those businesses. Before the Trade Office began surveying customers, substantive measures of customer satisfaction and program results did not exist, and the Trade Office relied primarily on activity statistics and anecdotes.

Trade Office officials said that customer survey data also helped the Trade Office improve its effectiveness by identifying geographic areas that were underserved. The Trade Office, which began surveying its customers in 1989, found that although about 33 percent of the state's manufacturing businesses with export potential were located outside the Minneapolis/St. Paul metropolitan area, 28 percent of Trade Office clients were from that area. Consequently, the Trade Office increased the number of businesses served in that area of the state.

Development and Use of Measures Required Training, Involvement, and Commitment

Based on the reported experiences of Oregon and Minnesota officials, for stakeholders, including agency managers and staff, to use performance measures to gauge progress toward goals, they needed to be involved in developing the measures and needed to understand how the resulting performance information would be used. However, officials and staff told us that agencies faced challenges in developing and using performance measures. For example, they said some state agency staff lacked the skills needed to develop performance measures and had no experience in using performance information. In addition, they said these staff were concerned that they would be held accountable for outcomes that they could only partially influence through their efforts. Oregon and Minnesota agencies provided examples of how they attempted to deal with these challenges through training, employee involvement in developing performance measures, and the commitment of upper management.

Training

Oregon officials said that training in the mechanics of measuring performance and the positive uses of performance information helped develop staff-level support for performance measurement. Oregon provided training to all agency heads as their agencies implemented performance measurement. The state also provided ongoing training and guidance to volunteer performance measurement coordinators in each agency as their agencies developed performance measures. These coordinators frequently served as agency mentors and helped train agency staff in the development and use of performance measures. The state also produced two video training tapes advocating the use of performance measures that agencies used to train staff. The tapes included testimonials by the governor, the Oregon Progress Board, agency heads, union leadership, and agency staff supporting the use of performance measures. An official at Oregon's Department of Transportation said that agency staff received 9 days of training, including a 2-day orientation, a 3-day team-building exercise, and a 4-day session in the development of performance measures. Oregon's Department of Human Resources staff said that although they had not received training in the development of performance measures, they did receive training in working effectively as a team and that this team training had helped them when they developed their own performance measures.

Staff Involvement and Commitment

According to Minnesota economic development officials, when they launched their performance measurement program, managers were afraid that negative performance information would be used against them. To allay this fear, upper management involved program managers in developing the customer survey instrument, acknowledging that the program managers knew their programs best and therefore could develop appropriate measures of customer satisfaction. Also, upper management emphasized that performance information would be used to improve operations and agreed to provide survey results to program managers first before making them public. According to the economic development officials, obtaining program manager support was essential because program managers provided valuable insights on the interpretation of survey results and possible program improvements.

Some Oregon state agencies also obtained staff support for performance measurement by allowing work groups to develop their own performance measures. Officials said the value in this approach was that staff were less likely to criticize and more willing to achieve performance measures and targets they had developed themselves. Program staff from the Adult and Family Services Division of the Department of Human Resources said that they were concerned initially that, among other things, performance information would be used against them, either to justify firing underperforming staff or to justify layoffs due to budget cuts. Also, they said that they did not understand how they could benefit from performance measurement. The staff said that by allowing them to develop and use performance measures to improve their operations, they came to accept this new way of managing their work. However, they said that obtaining staff buy-in is a continuing challenge and that some staff still harbored concerns that performance information would be used against them.

Oregon agencies gave work groups the opportunity to develop their own measures to gauge their progress toward the department's overall goals. For example, the goal of the Adult and Family Services Third-Party Recovery Program was to recover funds owed to the state by third-party insurers. Therefore, program staff chose to measure the number of liens filed against the third-party insurers as a performance measure because no collection could occur until a lien had been filed. The program staff said that in the past, managers never communicated agency goals to them and staff considered only the tasks to be performed. Staff said that now they focused their efforts on actions more directly linked to the outcomes they were trying to achieve and set their own performance goals for their efforts. Furthermore, they said that they worked as a team to track their own performance.

Finally, staff from one Oregon state agency told us that top and mid-level agency management needed to communicate the importance of performance measurement to staff and listen to staff concerns about setting and achieving performance goals. A state Department of Transportation official said that he and the department director demonstrated sustained commitment to the management reforms by publicly advocating outcome-based performance measurement and other results-oriented reforms. He said the director held regular brown bag lunches to talk about the management reforms.

Executive and Legislative Branches Reported Working Together on Performance Budgeting Issues to Be Important

Of the states we selected, Minnesota, North Carolina, Oregon, and Texas sought to develop performance budgets that used results-oriented performance information during the budget development process. We reported in February 1993 that the difficulty selected states had in achieving stakeholder consensus on meaningful performance measures was a key reason performance measures had not attained sufficient credibility to influence resource allocation decisions.[10] The experiences of the state reforms that we examined as part of this review continued to underscore the importance of executive and legislative branch officials working together and the damage to performance budgeting reforms when strong working relationships were not established.

[10] Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993). The states visited for this report were Connecticut, Hawaii, Iowa, Louisiana, and North Carolina.

For example, in 1992, the Minnesota Department of Finance instructed state agencies to develop performance-based budgets. According to the department's instructions, these budgets were to show how agency activities related to the overall goals of the state and were to include specific performance measures that could be used to measure progress toward the goals.[11] However, a senior Department of Finance official said that a major weakness with the state's performance budgeting reform was that the legislature and its staff had limited involvement as the reform was being implemented. Similarly, legislators and legislative staff we spoke to said they were dissatisfied with the budget process and the performance information provided to make budgetary decisions. One legislator said that the information included in the budget books was "almost worthless." A legislative staff member said that a performance-based budget was a "great idea" but confirmed that the Department of Finance should have gotten more input from the legislature when the department was developing the budget.

After we had completed our field work, the Minnesota Office of the Legislative Auditor issued an evaluation in February 1994 assessing the state's performance budgeting efforts and recommending a number of improvements.[12] The legislative auditor reported that performance information presented in the 1994-95 budget generally had little impact on discussions or decisions by the executive and legislative branches. The legislative auditor also suggested a number of ways to increase the legislature's use of performance information. For example, the legislative auditor endorsed efforts to use agencies' performance reports as a focal point for legislative oversight. The legislative auditor noted that such "performance reviews" might provide a useful forum for discussing agencies' missions, objectives, and performance.

The legislative auditor also noted that although Minnesota's performance budgeting efforts had problems, state agencies still were using performance information internally to help them manage their programs. For example, as we noted earlier, the Minnesota Trade Office used intermediate outcome indicators and customer surveys to help guide its efforts. Similarly, the legislative auditor reported that the Minnesota Department of Revenue expected to use measures such as customer satisfaction and the tax compliance gap (the percentage of taxpayers who

[11]Minnesota Department of Finance, Biennial Budget Instructions 1994-95 (Minnesota, June 1992).

[12]Performance Budgeting, Program Evaluation Division, Office of the Legislative Auditor, State of Minnesota, Feb. 1994.

should file returns but do not) to help with spending decisions, daily operations, and accountability.

North Carolina also has sought to increase the use of results-oriented performance information during budget deliberation. A governmentwide audit by a committee of 27 public officials and private citizens recommended, among other reforms, the development of a results-oriented budget process to enable the legislature to focus on the intended outcomes of expenditures rather than budget line items. The committee felt that this budget reform was so important that it proposed implementing results-oriented budgeting before the audit was completed. In response, the executive branch implemented a results-oriented budgeting process on a pilot basis in two areas, health and environmental programs, then on a broader basis in six program areas for the 1995-96 biennium.

The pilot performance budgets were not used by the legislative committees in their 1993-94 biennium budget deliberations. According to an official of the Fiscal Research Division of the state legislature, budget officials did not consult state legislators and their staffs on their needs and requirements for performance information to be included in the pilot performance budgets. This official said that budget officials first should have introduced legislators and their staffs to the concept of outcome performance measures and demonstrated the value of changing from the then current line-item budgets to performance budgets. Next, the official said, budget officials should have determined the types of outcome measures legislators needed, established the reliability of the performance measures, and reported the performance information in user-friendly format. Both planning and budget officials said that rushed implementation limited the agencies' ability to develop outcome measures for their budgets. In developing a results-oriented budget for 1995-96, as required by 1994 amendments to the North Carolina Executive Budget Act, planning and budget officials implemented a process that produced outcome measures in the selected program areas. Planning and budget officials plan to meet with legislators during the 1995 session to help clarify the expected outcomes and refine the outcome measures.

Management Systems Alignment Intended to Support Emphasis on Results

The states and state agencies we selected that had begun to use strategic planning and performance measurement generally determined that they also needed to align their information, human resource, budgeting, and financial systems to support program goals. As part of this, they began to search for ways to provide managers with more flexibility in the use of resources. However, because many of these systemic changes have yet to be fully implemented, the long-term challenges, costs, and benefits have not yet been determined.

Some States Were Aligning Management Information Systems

The experiences of Texas and Oregon showed that management information systems (MIS) needed to provide a full range of information to support managers' efforts to achieve agency goals. In general, the states had used their MIS to collect and report program input data, such as staff years and activities completed, and input costs, such as those for salaries and equipment. State officials told us that although those data were important to them for managing their programs, agencies also needed to use their MIS to collect and report output and outcome data to demonstrate the progress programs made in achieving performance goals and/or the funding required to achieve specific performance targets.

According to state officials, Texas changed its statewide MIS from one that reported data on input costs by program to one that supported statewide strategic planning. Texas did this by restructuring its MIS to include the missions, goals, and objectives of its agencies, along with specific strategies for achieving the objectives and measures of progress in terms of outcomes, outputs, and efficiency. The MIS also linked budgeted expenditures, accounting, and performance information. According to a state official, under the new MIS, every state agency was linked by computer to the State Comptroller's Office, the Office of the Governor, and the Legislative Budget Office.

Oregon state officials and line staff discussed with us the need to augment their MIS to include a fuller range of performance measurement data. However, they also pointed out to us that additional data collection efforts must be reconciled with existing collection efforts to limit burdensome and duplicative data gathering. According to one Oregon official, the state's existing budgeting system included workload measures. He said that when Oregon adopted a performance measurement system that required output and outcome measures, some agencies collected at least two different forms of data for the same programs to meet the requirements of both management information systems.

For example, starting in 1989, the Oregon Department of Transportation required work units to collect performance measurement data. This required units to collect data on resource use as well as output and outcome data for the same activities. For budgeting purposes, the highway maintenance management information system was used to record input measures, such as worker hours, for activities like snow and ice removal. To measure performance, a separate system—the performance measurement management information system—was used to collect performance information for the snow and ice removal activities in terms of the number of road-miles cleared. Highway maintenance staff said that when the requirement was first announced, they resisted the state's new performance measurement requirement because of the burden of collecting both types of data. Recognizing the need for both types of data, the department was trying to combine the two data collection systems into a single system at the time of our visit.

Some States Were Aligning Human Resource Management Systems

Some states realized they needed to align their human resource management systems to support a focus on outcomes. The focus of such alignment ranged from changes to staff appraisal systems to the reduction and streamlining of staffing rules and procedures. At the time of our visit, however, the states had not completed efforts to align their human resource management with agency missions. They were finding that it is easier to identify rigidities and problems with civil service systems than it is to find workable solutions that also carry out public sector merit principles.[13]

Minnesota initiated a restructuring of its human resource management system in part to support its results-oriented strategic planning and performance measurement reforms, according to a report by the state's Commission on Reform and Efficiency (CORE).[14] CORE and the Minnesota Department of Employee Relations, which administered the state's human resource management system, met with hundreds of stakeholders, including agency managers, personnel directors, line employees, union representatives, legislators, and others to determine what was wrong with the human resource management system and how to restructure it to be more effective. As described in the CORE report, Minnesota's human resource management system had been designed in 1939 to ensure stability and standardization at a time when government was characterized

[13]For example, see The Public Service (GAO/OCG-93-7TR, Dec. 1992).

[14]Commission on Reform and Efficiency, Human Resources Management in Minnesota State Government (Minnesota, 1993).

by political patronage and inequitably applied personnel policies. CORE determined that this system had grown too complex and unresponsive to meet the needs of government and the people it served. Among the many problems CORE addressed were performance appraisal and training systems that did not attempt to link employee performance and development to customer needs and the achievement of agency goals.

As described in its report, CORE found that the current performance management system focused on evaluating how an employee performed a defined set of activities rather than how an employee accomplished objectives that contributed to agency mission and goals. To address this problem, CORE sought to design a performance management system that would link an agency's performance goals to its work assignments and employee performance evaluations.

CORE also reported that employee training and development needed to support the achievement of organization mission and goals. Focus group discussions led by CORE revealed, among other things, that the agencies needed to improve their training development by examining trends and planning for workforce skills needs. CORE proposed linking training and development decisions to organizational goals, objectives, and performance by using goals and outcome measures as the criteria for planning, prioritizing, and arranging training and development activities. In its report, CORE offered this hypothetical example of such a linkage: "Train X people to operate Y equipment to perform Z, which supports a certain program or goal of the organization."

Managerial Flexibility Piloted in Florida

Florida piloted projects to provide managers more flexibility in their spending and human resource management so they could better produce desired program results, although it is too early to identify the impact of this flexibility. According to the annual report of the governor of Florida:

> "[i]n 1991, the Governor's Commission for Government by the People . . . recommended that pilot agencies act as laboratories for other agencies, experimenting with flexibility concepts, beginning with the test elimination of constrictive state personnel and budget requirements. The . . . [c]ommission noted that the personnel and budget systems often concentrate on inputs and ignore outcomes, limit a manager's flexibility to move resources as needs change, hide the true costs of programs, and encourage managers to waste money."[15]

[15] The Governor's Annual Report (Florida: December 1992), p. 35.

On the basis of the commission's findings, the Florida legislature established budget and personnel flexibility pilot projects in several departments. Through the pilot projects, selected departments were given the authority to act outside of the normal personnel and budget requirements of Florida statutes. They were granted greater flexibility to (1) establish their own personnel classification systems and pay plans and (2) transfer funds and budget authority internally without prior approval from the Executive Office of the Governor.

According to an audit by the Florida legislature's Office of the Auditor General,[16] through its pilot, the Department of Revenue sought to recruit and retain a superior workforce, improve workforce productivity and morale, and ensure that its personnel system and procedures supported the workforce. The department implemented the pilot program by finding savings within its existing budget. The department used its personnel flexibility to streamline its grievance and disciplinary procedures; adopt flexible work days, hours, and work sites; provide pay raises not tied to promotion or working later shifts; experiment with various uses of administrative leave; and establish new job classifications. The department used its budgetary flexibility to transfer positions and funds within planned expenditures to fund new priorities in programming and office automation, purchase personal computers, and provide raises to employees.

According to a senior Florida official, the productivity pilots influenced executive and legislative willingness to reform Florida's planning and budget system to encompass greater managerial flexibility and accountability for outcomes. For example, this official said Florida's Department of Transportation was able to use the personnel program designed by the Department of Labor and Employment Security, a pilot agency, as the basis for its broad-banded approach, reducing the number of job classes from 1,718 to 96.

Conclusions

Management reforms that are under way in Florida, Minnesota, North Carolina, Oregon, Texas, and Virginia reflect a common objective shared by the states to make their governments more results oriented. Although each of these states implemented different reforms to respond to its individual needs and political environment, the reforms included requirements similar to those of GPRA, such as strategic planning and

[16]State of Florida, Office of the Auditor General, Special Review of the Personnel and Budgeting Pilot Projects Administered by the Department of Labor and Employment Security and the Department of Revenue (Florida: June 1993).

performance measurement, and the alignment of certain management systems. The experiences of the states we selected led to a common conclusion among the officials we interviewed that the management reforms similar to those contained in GPRA required a long-term effort, but could help to improve agencies' effectiveness and efficiency.

For example, the states' experiences suggest that strategic planning and performance measurement could be an important means for stakeholders to obtain agreement on common goals and measure progress toward achieving those goals. The states reported that they used strategic planning to improve working relationships within and across agencies and across levels of government aimed at achieving desired outcomes. Performance measures were designed to provide the critical information needed to assess the degree to which the desired outcomes were being achieved. The states' experiences suggest that, if successful, GPRA could serve as a powerful tool for developing and communicating agreement across the federal system on programs' goals and for measuring progress in achieving those goals.

We are sending copies of this report to the Vice President; the Director, Office of Management and Budget; other interested congressional committees; the governors of the states visited; and other interested parties. We also will make copies available to others on request.

The major contributors to this report are listed in appendix II. Please contact Charles I. Patton, Associate Director, or me on (202) 512-8676 if you have any questions.

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Overview of Government Performance and Results Act

GPRA requires federal agencies to develop, no later than the end of fiscal year 1997, 5-year strategic plans that include the agency's mission statement, identify the agency's goals, and describe how the agency intends to achieve those goals through its activities and through its human, capital, information, and other resources. Under GPRA, agency strategic plans are the starting point for agencies to set goals for programs and measure the performance of the programs in achieving those goals.

In addition, GPRA requires agencies to submit, beginning in fiscal year 1999, annual program performance plans to the Office of Management and Budget (OMB) and program performance reports to the President and Congress. Program performance plans are to describe how agencies are to meet their program goals through daily operations and establish target levels of performance for program activities. In these plans, agencies are to define target levels in objective, measurable terms so that actual achievement can be compared against the targets. Agencies' individual performance plans are to provide information to OMB for an overall federal government performance plan that OMB is to develop and submit annually to Congress with the president's budget. In their program performance reports, agencies are to show (1) program achievements compared to the targets specified in the performance plans; and (2) when a target has not been met, an explanation of why the target was not met and what actions would be needed to achieve the unmet goals.

GPRA also allows agencies to propose in their annual performance plans that OMB waive certain administrative requirements. These administrative waivers would provide federal managers with more flexibility to structure agency systems to better support program goals. Under GPRA, the administrative requirements eligible for waiver would be nonstatutory and involve only budgeting and spending within agencies. In return, agencies would be held accountable for "achieving higher performance."

Finally, GPRA requires a 2-year test of performance budgeting in not less than five agencies, at least three of which have had experience developing performance plans. Under the test, performance budgets are to provide Congress with information on the direct relationship between proposed program spending and expected program results and the anticipated effects of varying spending levels on results.

GPRA calls for phased implementation so that selected agencies can develop experience from implementing its requirements before implementation is required for all agencies. In fiscal year 1994, OMB selected 53 agencies or programs to pilot strategic planning, performance planning, performance measurement, and performance reporting and will select additional pilot agencies in fiscal years 1995 and 1996. OMB also will be selecting agencies from among the initial pilots to pilot managerial flexibility and test performance budgeting in fiscal years 1995 and 1998, respectively. Although GPRA does not call for governmentwide implementation of strategic planning and performance planning until fiscal years 1998 and 1999, respectively, OMB and the administration's National Performance Review have strongly endorsed these reforms and have encouraged all agencies to develop their strategic and performance plans as soon as possible.

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Related GAO Products

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