PERFORMANCE MANAGEMENT
AVAILABLE TOOLS
UPDATE

A Report Prepared for the

Legislative Finance Committee

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INTRODUCTION

Performance management is not about punishment but remedy; however, it does involve a great deal of accountability from individuals for achieving desired results. Wise leaders see their role as setting direction and continuous redirection, clearly communicating their ideas, and empowering their managers and employee teams to determine the best methods for moving the organization forward in the direction communicated by its leaders. [1]

PURPOSE

The legislature is the leader and the communicator of ideas regarding appropriations; therefore it should also be the body that holds executive and judiciary branches accountable for performance outcomes. The purpose of this report is to provide the Legislative Finance Committee (LFC) with an overview of the tools available to the legislature to assess agency performance outcomes. Several of these tools were developed during the current interim period at the direction of the LFC.

LFC REQUESTS OF THE STAFF

During the June 2005 Legislative Finance Committee meeting, staff provided performance management options for consideration as part of the work planning process. The committee adopted and the staff worked on three of those options:

Performance Management Reports
New Evaluation Process
Accountability Measures for the Montana University System

Subsequently, during the March 2006 meeting, the staff was directed to develop a standardized presentation format for agencies to use for the appropriation subcommittees. This tool is now referred to as "The Template."

Finally, in August of 2006 Chairman John Cobb asked for a series of questions that the legislature could pose to agencies to solicit performance information.

COORDINATION WITH AGENCIES AND THE EXECUTIVE

To foster cooperation between branches, LFD staff conferred with the Office of Budget and Program Planning in regard to the implementation of the new proposal process and the template. This included the need to train to agency budget and program staff in the new requirements.

To provide agency budget and program staff with the background needed to complete the new evaluation process and the template, LFD staff conducted three agency training sessions. For agency staff which was unable to attend LFD staff conducted additional small group training. A total of 186 agency personnel were trained on these tools.

OUTCOMES

The development of most performance management tools occurred over the biennium. The status of each tool is included in this report. The order in which they appear relate to the manner in which they are linked to one another.

[1] Gary Cokins, "Performance Management – Making it Work: Where Do You Begin Implementing Performance Management" *DM Review Online*, July 2006

Figure 1

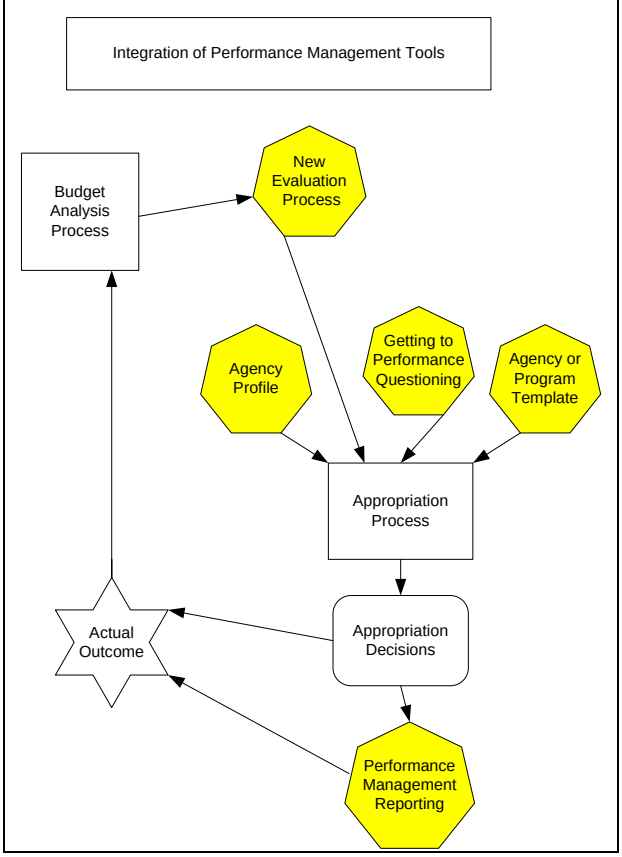

Figure 1 illustrates the relationship of each tool to the total appropriations process. Essentially, the new evaluation process is integrated into the budget analysis. During the appropriations process the subcommittee members have the information contained in the profiles and "The Template" to assist in questioning the agency regarding their budget request. As decisions are made, appropriations can be conditioned in relation to reporting and outcomes. When the biennium is coming to a close and the reports and outcomes are finalized, this information can be utilized in the next appropriations process.

New Evaluation Process

Within the executive budget, there are requests that implement new programs or significantly expand current programs. A portion of the executive budget request for the 2009 biennium (decision packages) will be presented in the Legislative Fiscal Report using the new evaluation process. The staff of LFD and OBPP negotiated which decision packages would fall under this category on a per agency basis. The collection of additional information was standardized and will be utilized in the budget analysis. Key to this process is that the information will be published in both the budget analysis and fiscal report in order to maintain historical documentation regarding the purpose of the appropriation. This information may also be used to condition an appropriation.

Reaction from the agencies regarding this new tool was mixed. For the most part the agencies understood the need for the information and the desire for the historical reference. However, others felt that this was "just too much" and that the same information could be achieved during the subcommittee presentation process.

The Template

State agencies provide legislative appropriations subcommittees with a variety of reports and presentations, lovingly coined the "dog and pony show". The previous process had no standardization and made it difficult if not impossible for legislators to compare agency budgets or program budgets within the agency.

The LFC approved a standardized template at the June 2006 meeting. A standardized agency example template was then developed for each appropriation subcommittee and sent to 2005 appropriation subcommittee members for comment. These comments were incorporated into the template. Additionally agency personnel comments received during training sessions were used to make additional improvements in the document.

While agency personnel understand the need for a standardized format and appreciate direction on what the legislature wishes to know when analyzing the appropriation requests, they expressed some concern on the need to train legislators on the various elements of the standardized template. Agency staff also expressed concerns that the template may limit their ability to conduct a discourse with the appropriation subcommittee.

Getting to Performance: Questions

In August, Chairman Cobb requested a list of questions to aid legislators in getting to performance issues. The short guide; "Getting to Performance" was developed. This guide is attached to this report. The guide essentially does two things. First it provides a quick how-to of performance questioning and the potential uses of the answers to the questions. Second, a non-exclusive list of questions is provided in a table format. The six

areas covered are Mission, Goals & Objectives, Performance Management, Implementation, Citizens and FTE. A legislator can review an agency (or program) template and then apply the questions to garner additional information from the agency. This list of questions has not yet been shared with the agencies pending LFC approval.

Performance Management Reports

One of the issues with performance management is having the information available at a managerial level for the legislature. A two page performance report was developed and utilized to track a number of projects over the interim. This process tracked the new Regional Investigators for Fish, Wildlife and Parks and documented the outcome of having these two individuals on the Montana landscape. The process also tracked the development of training for the subdivision review process that at best, has demonstrated a number of starts and stops. The real time information can provide the legislature the option to step in and help along the way and/or redesign the program in the next legislative session. To further the use of this reporting style, the LFD staff recommends training agencies in this format prior to the next reporting cycle.

NEXT STEPS

One issue that the agencies raised during the training sessions, was the request of our office to insure that legislators were trained in the use of the performance management tools. Scheduling training prior to or during the early days of session is difficult at best.. However, to get the most power from these tools, it is imperative that it is done. LFC needs to consider the who, what and when of potential training.

- Who does the committee wish to see trained
    - Approps/SFC
    - The legislature as a whole
    - Leadership
- What training does the committee wish to see accomplished
    - Overview of all tools
    - Template and New proposal
    - Any other combination
- When does the committee wish to accomplish this training
    - January 2, 2007 prior to the start of session
    - In subcommittee schedule

In order to facilitate discussions, a potential training agenda has been developed. It is attached to this report for your reference.

COMPANION LEGISLATION

In order to implement performance management, a companion bill to House Bill (HB) 2 may need to be considered. Language in HB 2 needs to relate to a specific appropriation and not violate substantive law. If the legislature chose to add performance reporting requirements, or require the implementation of specific performance measures, the actions should be contained in a separate companion bill.

SUMMARY

During the interim LFD staff finalized several performance management tools including a new evaluation process, a standardized template for agency informational presentations to appropriation subcommittees, a guide "Getting to Perform", and updated agency profiles and completed agency accountability measures within the Montana University System.

LFC OPTIONS

LFC needs to:

- Determine the who, what, and when relating to legislator training and the use of the performance management tools.
- Determine the need for a companion bill to HB 2 in relation to performance management requirements.

Performance Management Tools & Techniques
Legislator Training

Potential Agenda

Performance Management Overview (30 minutes)
- How the tools came about
- Performance Management Terms

Available Tools (60 minutes)
- New Evaluation Process
- Agency Profile
- "The Template"
- Getting to Performance
- Performance Management Reports

Examples: (30 minutes)
- Negotiating Performance Measurements
  - Short Term goals
- Conditioning Appropriations
  - Linking resources, cash and outcomes together

Questions and Answers

GETTING TO PERFORMANCE

BACKGROUND

Obtaining performance information on activities undertaken by the state can provide legislators with the ability to look at programs and determine what outcomes are being achieved at what cost. The information can be used to assist with evaluating past outcomes, setting future goals, and resource allocation; link appropriations and services; improve communications; and enhance strategic planning activities. This task takes the form of a series of questions designed to solicit performance information.

KNOW THE TERMINOLOGY

In order to obtain performance information, terminology is important. There are a number of commonly used terms and subsequent definitions in the world of performance management. The definitions are as follows:

- Mission: A succinct statement describing the purpose of the program
- Goals: A quantifiable target that the program/agency wants to achieve
- Outcomes: A quantifiable indicator of the benefits derived from the actions of an agency or program
- Performance measures: Quantifiable indicators of progress towards goals. Can also be used to quantify effectiveness and efficiency. Sometimes referred to as objectives
- Inputs: The financial and non-financial resources that are utilized to operate a program or agency

ASK THE QUESTIONS

A basic set of questions were developed to assist in establishing the process to tie appropriations to outcomes. The questions are designed to start conversations about what has been accomplished, what resources have been used and how or why the inputs should be changed in order to influence outcomes. These questions can be used during legislative hearings or be the basis of a legislative request to staff.

The potential questions have been summarized in a table and attached to this document. Included in the table is what type of information should come from asking the question and potential options for the legislature to use the information. This is not intended to be an all-inclusive list, but rather a list that starts the conversation about what has been accomplished with what resources.

UTILIZE THE INFORMATION

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

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

Area	Potential Questions	Information Obtained Potential Use
Mission	**What are the program's mission and goals?** How often does the program se or re-set goals?	Primary purpose of program and how it fits into the overall mission of the agency. This should be a succinct state of program existence. The goals provide the indication of what the agency/program is trying to accomplish.
Goals & Outcomes	**What outcomes are expected from the use of taxpayers' funds?** How would outcomes change if the funding increased by 5 percent? How would outcomes change if the funding decreased by 5 percent? What is the largest cost driver in this program? Why?	This should provide a description of what is being accomplished using public funds and how the outcomes would change given a change in funding levels. In addition, the cost driver should provided insight to what activities or situations cause changes in expenditures, (fuel costs, turnover, litigation, etc.) .
		The legislature may wish to change establish program expectations by changing the level of resources available to the program.
Performance Management	**What performance indicators are used to track progress towards expected outcomes?** Who monitors the performance indicators? How often are performance indicators monitored? How are performance indicators used in management decision making? What were the outcomes in the last two completed fiscal years? How did the actual outcomes compare to the targets? Were outcomes unexpectedly good or bad? Were there any unintended consequences identified? How do these outcomes compare to other states or similar state programs? Was there any early indication of outcomes that could have been used to change the course of the program?	The existence of performance measures and how they are used should provide insight to how an agency is managing a program to ensure outcomes are achieved. Subsequent follow up questions can be used to determine greater detail of outcomes, changes in plans and the identification of management issues.
		The legislature may wish to impact performance by adding, adjusting or eliminating performance indicators or by requesting interim reports on performance measures.

Improvement	**What would it mean to do a better job?** What is currently being done to improve deficiencies When do you expect the deficiencies to improve? What legislative actions (budget & policy) are being pursued that would assist in achieving improved outcomes? What is the single greatest obstacle to greater success in this program?	In order to improve or correct deficiencies, an agency needs to have a definition of what that improvement would be. Is this determined through the number of individuals served, permits processed or better employee morale? The legislature may wish to impact the performance by establishing clear goals for the agency by conditioning appropriations or adding resources to further the improvement.
Citizens	**Which citizens of Montana are affected by the program or agency ?** What do the affected citizens think of this program? What other programs and agencies (State& Federal) are partners in producing desired outcomes? For which citizen groups were the outcomes less than desired?	All programs have a primary purpose and a primary customer. The agency should be able to articulate public opinion on the program. The legislature can use this information to gauge any real or perceived difference between agency operations and public opinion.
Human Resources	**What are the employment statistics in this program?** What keeps the program from being fully staffed? How as the turnover rate changed What is the near-term retirement impact on this program?	Many state programs are reliant on FTE. The ability to achieve outcomes can be affected by the quantity and quality of FTE. This should provide #of FTE, vacancy rates and recruitment issues. The legislature may wish to utilize this information to adjust expected outcomes (goals), adjust resources or establish performance indicators for FTE recruitment/retention.