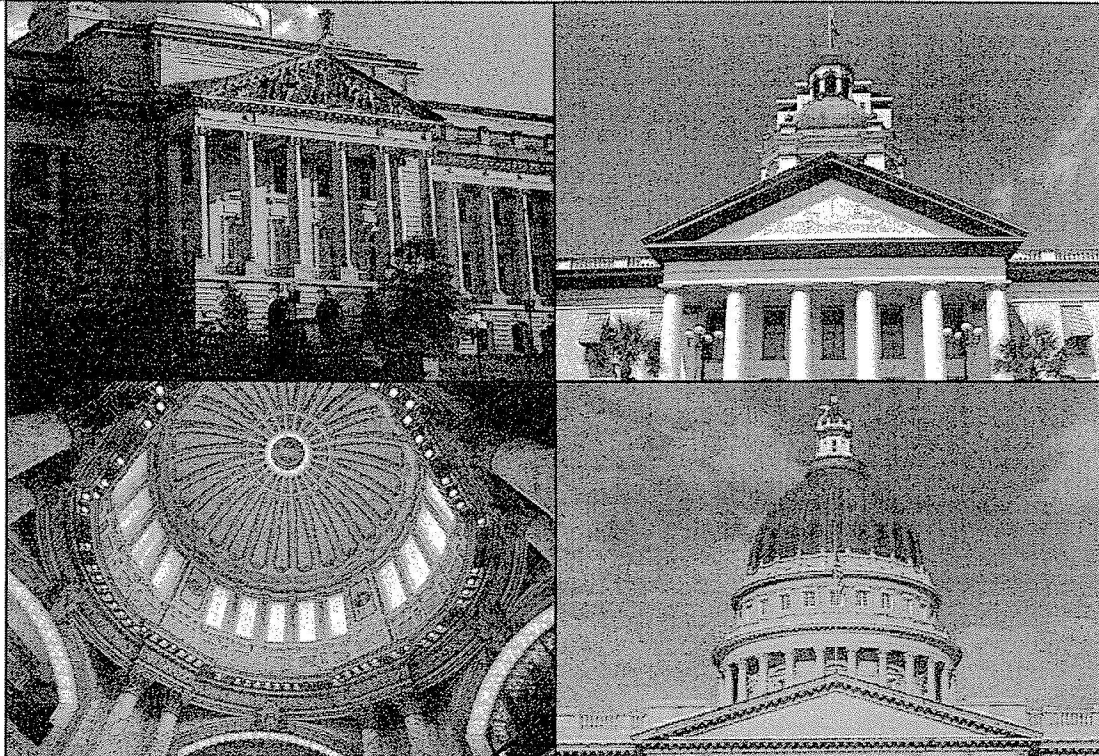


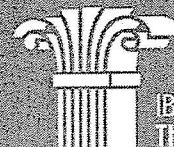


Five Actions to Enhance State Legislative Use of Performance Information

Managing for Performance and Results Series



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Program Director, Fiscal Affairs
National Conference of State Legislatures



IBM Center for
The Business of Government

2008

MANAGING FOR PERFORMANCE AND RESULTS SERIES

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The Business of Government

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F O R E W O R D

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, "Five Actions to Enhance State Legislative Use of Performance Information," by Judy Zelio, program director with the National Conference of State Legislatures (NCSL).

Zelio addresses a key challenge in the two-decade old performance movement: Once agencies develop performance information, how do you get state legislators to use the information when they make decisions? It expands on the best practices in results-focused governance cited in another recent IBM Center report, "Four Strategies in Transforming State Governance," by the late Keon S. Chi.

This challenge is the same at the federal level as it is at the state level. The federal Government Performance and Results Act is now 15 years old. It was inspired, in part, by earlier efforts by states. Most states now report that they develop and use performance information in their executive branch budget decision-making processes. A 2004 report for the IBM Center, "Staying the Course: The Use of Performance Measurement in State Governments," by Julia Melkers and Katherine Willoughby, found that performance information was primarily used by executive branch decision makers, not legislators. This parallels the federal experience, according to studies by the U.S. Government Accountability Office.

Zelio recognizes this challenge, but then observes: "State agencies and legislatures have different performance information needs because of their different roles in government." She says that recognizing and addressing these differences are key. Based on her observations of best practices in various states, she identifies five specific actions that state agencies can take to provide performance information that legislators will see as useful, such as ensuring that executive branch budget staff provides performance information for legislative use that "emphasizes policy results rather than administrative measures."



Albert Morales



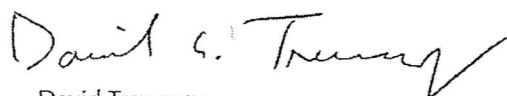
David Treworgy

This report offers concrete examples of what executive branch agencies in leading states have done. It also provides a pocket card guide for state legislators to use when asking agencies about their performance during budget and program reviews.

We hope this report serves as a useful guide for state officials and legislators and that it may prove to be a useful inspiration at the federal level as well!



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EXECUTIVE SUMMARY

Tight fiscal conditions usually heighten policy makers' interest in improving budget management strategies. Now that state resources are stretched almost as thin as they were in the early 1990s, legislators are again likely to take a close look at performance budgeting ideas.

State executive branch personnel already have considerable expertise in collecting and using performance information. This report identifies actions that executive branch officials can take to invite more legislative use of this performance information in the appropriations process. Reasons to improve the use of performance information by legislators include:

- Performance data can provide newly elected legislators with helpful background on the purposes of state-funded programs and the results they achieve.
- Performance information can help explain the results of previous legislative funding decisions.
- Performance indicators can help with estimating and justifying the potential consequences of new funding decisions.
- Regular review of performance measures during budget deliberations can encourage deeper legislative understanding of agency activities and may garner support for them.
- Perhaps most important, performance information has the potential to communicate what is received in return for the investment of tax dollars, a key budget responsibility of both the executive and the legislative branches to citizens.

State agencies and legislatures have different performance information needs because of their different roles in government. As the primary keepers of

performance information, executive branch administrators can take steps toward making useful performance data more accessible to legislators.

This report urges collaboration between administrators and legislative staff to provide performance information at legislative hearings. It provides a guide to performance questions for such hearings and identifies performance report criteria that have proven useful to legislators. It also includes examples of effective presentations of performance information.

Whether or not performance information gains a formal role in the legislative budget process, it can contribute significantly to legislative knowledge of state programs. This report recommends the following five actions to improve the provision of performance information to legislators:

Action 1: Executive branch budget staff should make sure that performance information for legislative use emphasizes policy results rather than administrative measures.

Action 2: Staff, both legislative and executive, should identify and jointly agree on key results measures for use in budget documents and performance reports that legislators will see.

Action 3: Executive branch agencies should provide regular performance reports to the legislature.

Action 4: Executive branch staff should collaborate with legislative staff to make sure that legislative performance reports are useful, accurate, brief, clear, and timely.

Action 5: Executive branch agencies should make performance information easily accessible to legislators and the public by publishing it online.

An Overview of State Legislative Use of Performance Information

Performance Data in the Legislative Budget Process

Enacting the state budget—the blueprint of a state’s priorities—is the largest responsibility on legislative agendas. Although legislators hold the power of the purse, governors have the authority to propose budgets and to veto all or portions of them. This shared power requires cooperation between the two branches. The legislative budget role, however, is paramount because all state constitutions require legislative appropriations before funds can be spent from the treasury.

Unlike the federal government, states must align expenditures with revenues to produce balanced budgets. Legislators and governors accomplish this feat every one or two years, depending upon law, customs, and their state’s budget cycle.

Because resources—primarily tax revenues and federal funds—fluctuate from year to year, spending decisions can be quite difficult, leading both new and veteran lawmakers to look for ways to simplify budgeting or make it more logical. That is where performance information comes into play: It helps lawmakers achieve these purposes.

Useful performance information identifies the purposes and results of state-funded programs. Good information also helps lawmakers improve their understanding of agency activities, the results of previous funding decisions, and the potential consequences of new allocations. Ultimately, performance information can clarify the “return on investment,” that is, what citizens get for their tax dollars. Both the executive and legislative branches have responsibility to ensure this public accountability.

Despite the variations across state budget procedures, performance information can be used in every state’s appropriations process. Most states already track agency and program performance, largely due to the influence of the federal Government Performance and Results Act of 1993. This federal law increased the acceptance and importance of performance management techniques and, consequently, the collection of performance information in the executive branch at the federal level. But what can and should be done with performance information varies. At its basic level, it can be informative. At another level, it can have a significant impact on budget decisions.

From Performance Information to Performance Budgeting

Good performance information is a key ingredient in performance budgeting—a concept that aims to link funding decisions to service results. In a climate where the allocation of limited resources is constantly being scrutinized, this concept has particular appeal to lawmakers. Despite the potential of performance budgeting, its implementation at the state level has been modest to date, and only a handful of legislatures actually claim to use it at this time (see Appendix I on page 26). But if performance budgeting is to enjoy more widespread use in the states, high-quality performance information must be available.

Performance information is more usable and useful in some states than others because of their budget circumstances and traditions (see “Legislative Use of Performance Information in State Budgeting Processes” on page 10). This is particularly true in states such as Arizona, Colorado, New Mexico, Oklahoma, and Texas, where the legislature has a

strong role in budget development. These five states have long traditions of independent legislative budgeting and typically produce a full alternative to the governor's proposed budget. They also tend to emphasize the importance of performance information for legislators. It is no coincidence that each of these states has explored and, in most cases, adopted some form of performance budgeting.

In New Mexico and Texas, agencies are directed by the legislature and executive to produce performance reports for legislative review. An informal survey of legislators and staff in New Mexico indicates that the information has had an impact. Legislators believe that their review of program

results during special performance hearings has strengthened the budget process and the resulting budget decisions.

The extent to which a state uses performance information in the budget process varies. This is explained in part by the types of performance information of interest to each branch of government. In many cases, executive branch agencies must report performance indicators as part of their budget requests to governors (although those performance indicators may or may not be shared with the legislative branch). Because of its role in implementing the budget, the executive tends to focus on administrative information. By contrast, as indicated in Table 1, the

Table 1: Using Performance Information in the Budget Process

Executive Perspective	Legislative Perspective
<ul style="list-style-type: none"> • Inputs (money and personnel) • Outputs and outcomes related to implementation and administration • How input changes affect outcomes 	<ul style="list-style-type: none"> • Inputs (money and personnel) • Results related to policy, program purposes, and legislative intent • How input changes affect outcomes
Process	
Executive (or legislature) gives budget request instructions to agencies, including expectations for inclusion of performance measures in final requests.	Executive (usually) or legislature gives budget request instructions to agencies, including expectations for inclusion of performance measures.
Agencies submit budget requests that may include performance measures, including inputs, outputs, and results.	
Executive budget staff analyzes agency budget requests.	Legislative staff analyzes agency budget requests in some states.
Governor reviews analysis, approves or modifies requests, and proposes state budget.	Legislature prepares its own budget proposal in some states.
Executive budget staff (and sometimes agency staff) respond to legislative fiscal staff questions about budget proposals, including performance measures.	Legislative fiscal staff analyze proposed budget and compare it to the previous budget, including a review of performance measures, particularly inputs (money and personnel) and results for citizens.
Performance hearings (in some states): Agency administrators discuss results of agency activities related to agency purposes.	Performance hearings (in some states): Legislators review analysis by fiscal staff, hear from agency administrators, and consider results of agency activities for citizens.
Budget hearings: Agency administrators discuss results of agency activities related to agency purposes and explain funding needs.	Budget hearings: Legislators review funding and performance analysis by fiscal staff, hear from agency administrators, and consider results of agency activities for citizens.
	Legislature amends appropriations bills based on budget hearings and deliberations.
	Legislature passes appropriations bills.
Governor approves or vetoes appropriations bills.	If vetoed, the legislature may consider a veto override.

legislature is more likely to focus on program results and their success in achieving legislative intent.

In Texas, the State Auditor's Office conducted a survey of both legislative and state agency users of its performance measurement system. In general, legislative staff were more satisfied than agency personnel. While legislative respondents commented that many of the measures were beyond the control of agencies, they found them to be useful in the appropriations process (Adams, 2005).

Making Performance Information Useful for Legislators

Performance information is collected at every level of government and used for planning and management purposes. Whether it is useful to legislators is another question. The presentation of performance information often creates barriers to legislative use—it can be voluminous, hard to read, out of date, and not particularly relevant for the budget decision-making process. In fact, performance information that is not user friendly may actually hinder legislative use.

It is likely that many reports stifle legislators' interest before they even receive consideration. Performance information designed specifically for legislators enables them to incorporate it into budget decisions.

This report recommends that legislative and executive agency staff work together to identify and compile performance information that legislators can use during budget deliberations. In the process, they may find that negotiating and agreeing on a few key measures can defuse some of the natural tension inherent in the use of performance information.

Differences Between Performance Reporting and Program Evaluation

Performance reports for legislative budgeting differ from the formal legislative evaluation of executive branch programs. This type of evaluation occurs outside the budgeting process and is carried out by specialized legislative staff agencies under the oversight of specialized legislative committees. These committees typically select the topics for review, receive reports, and determine the disposition of evaluations.

A substantial number of legislatures maintain professional audit units that carry out such performance evaluations at the direction of the legislature. An underlying purpose of such legislative agencies is to facilitate the legislature's role of balancing executive power. These agencies provide a legislature with an independent source of information on the actual performance of state programs.

Legislative Use of Performance Information In State Budget Processes

Even though most legislatures do not classify their predominant budget approach as “performance based,” quite a few call their approach a “combination.” Legislative use of performance information appears to have increased somewhat since 1997, when three states defined their budget approach as “performance based” and 17 reported the use of performance measures in the budget process.

A 2007 survey of legislative fiscal offices for this report found that 22 states, the District of Columbia, Guam, and the Northern Mariana Islands now claim to use performance measures in their legislative budget processes. States such as Arkansas, Maine, and Michigan that indicated adoption of performance budgeting procedures in 1997, however, have since moved away from the approach, which is also endangered in Florida and Tennessee. The following are legislative responses to questions about the states’ or territories’ “predominant budget approach” and the use of performance information in 2007. A review of these budget processes shows general similarities with respect to the information they use but differences in when and where the information comes into play.

Arizona—The General Appropriation Act includes performance measure targets that may be used by legislators to evaluate requests.

California—The legislature’s review of departments’ performance is performed on a case-by-case basis.

Colorado—The General Assembly has entered into performance-based memoranda of understanding with certain departments or agencies.

Connecticut—In 2007, Connecticut concluded a two-year pilot program applying results-based accountability (RBA) to programs involving multiple agencies delivering services to pre-school children. In addition, RBA has been used to evaluate two programs in the Department of Environmental Protection: clean water and parks. Connecticut will expand RBA to new and expanded programs and integrate the analysis, discussion, and funding into the legislative appropriations process.

Delaware—Delaware starts with a zero-based budget, but combines it with performance and traditional approaches. Performance measures are used (seldom) for program questioning during Joint Finance Committee (JFC) hearings, but are a required field in agency budget requests.

District of Columbia—DC uses performance-based budgeting. Performance measures are listed for each program and are monitored by the DC Council through its budget oversight.

Florida—The Florida Legislature created a performance-based program budgeting (PB2) process in 1994 to link funding to agency products or services and results. The 1994 Government Performance and Accountability Act required the governor to submit performance-based program budgets for the executive agencies to the legislature. During the early years, the legislature was very active in selecting and monitoring the performance measures and results. Now the process is used more by agency supervisors for internal management, although the legislature retains a key role. In 2006, the legislature passed Chapter 2006-122, Laws of Florida, which created § 216.1827, Florida Statutes, to separate the approval of performance measures and standards from the legislative appropriations process. Agencies now provide information on their legislatively approved performance measures and standards in their long-range program plans. To delete or amend these measures and standards, agencies must obtain approval from the Office of the Governor and the Legislative Budget Commission.

Georgia—Georgia uses program budgeting. Officials hope to start bringing performance into the process, but there is currently almost no review of performance measures in the legislative process.

Guam—Guam is moving toward performance-based budgeting.

Hawaii—Performance measures or program goals are a standard part of budget submittals from the executive and judicial branches. They are included annually along with the budget request. In addition to the budget documents, state law requires the submittal of “variance reports.” These reports detail the variations to performance goals and provide explanations for those differences.

Iowa—State statute requires a modified zero-based approach. Performance measures are available in agency budgets for legislative review.

Kansas—Although still based largely on traditional methods, performance measures are requested of agencies and reviewed by the governor and the legislature in formulating the budget.

Kentucky—Through legislation, Kentucky has adopted some components of performance-based budgeting. KRS 48.810 requires each program cabinet to develop and submit a four-year strategic plan and to provide periodic progress reports. KRS 48.810 also requires agencies to submit their strategic plans with their biennial agency budget requests. The uniform set of budget instructions and forms to be used by agencies in the budget request submission process includes a form that requires the agency to discuss program performance and to provide output and outcome measures where available. Agencies must use quantitative data and other information to explain the program’s purpose and justification for expenditures. This information can be used by legislators in their deliberations when appropriating funds.

Louisiana—Act 1465 of 1997 mandates performance budgeting. Performance data are reviewed during the appropriations process.

Maryland—Performance measurement data are reported in conjunction with the budget and considered as the budget committees deliberate on agency-level funding changes.

Mississippi—In 1997 the legislature began including performance targets in the appropriations of 21 agencies, accounting for approximately 85 percent of the state’s general fund appropriations. There are no statutory penalties for failing to attain these targeted goals. All agencies are required to include performance measurement information in their annual budget request submissions. Agencies also report semiannually on attainment of performance targets.

Missouri—Missouri incorporates a variety of approaches in its budgeting process, including the requirement of performance measures and outcomes, traditional/incremental budgeting, and a core review of agency budget requests that is zero-based in its approach. Also, during the interim, both Senate and House appropriations committee staff have a statutory requirement to conduct a review of performance measures for purposes of analyzing the usefulness of these measures in agency performance reviews.

Montana—Montana is making a major effort to incorporate more performance measures into budgeting.

New Mexico—New Mexico uses a combined traditional/incremental and performance-based budget approach in the appropriation process. Agency appropriations are made by program; the program name appears first and is followed by the purpose of the program, appropriations by category, and performance measures with proposed targets for the ensuing fiscal year. The Accountability in Government Act requires all state agencies to submit performance-based budget requests and “key agencies” to submit quarterly performance reports comparing actual performance with targeted performance for the reporting period to the Department of Finance and Administration and the Legislative Finance Committee. During the

(continued on page 12)

appropriation process, both the House Appropriations and Finance Committee and the Senate Finance Committee review and adopt performance measures and targets for the agency for the ensuing fiscal year.

North Carolina—In the 2006 session, North Carolina adopted a major rewrite of the state's core budget law. The new state budget act took effect July 1, 2007. It leaves the governor free to select a budget format without specifying the styles to be applied. But it requires that, whatever format is chosen, line-item information be made available within each program. For the 2007 session, the Office of State Budget and Management revised the governor's budget presentation to include program descriptions and rudimentary output/outcome measures along with line-item detail.

Northern Mariana Islands—Traditional budgeting is used when departments do not submit information on zero-based budgeting.

Oklahoma—As part of a move from incremental budgeting to program budgeting, the state has been using performance-based budgeting since about 1999. However, during the past several years, Oklahoma has begun to move toward program-based budgeting, with mixed results. Oklahoma has been using performance-based budgeting since about 1999.

Oregon—Although the budget process is predominantly traditional (incremental), there is a mix of performance-based (agency key performance measures approved by the legislature), program-based (sub-agency or program level identification), and zero-based (discussion of 10 percent to 20 percent reduction options) elements. There has been more emphasis on performance-based elements over the past two budget cycles. The legislature, through the Joint Committee on Ways and Means, reviews and approves a series of key performance measures (including targets) for each state agency as a component of the biennial budget process. Before increases to programs can be considered, agencies must identify the impact on their key performance measures. State agencies are required to provide annual reports to the legislature and public on their key performance measures.

South Carolina—Legislators frequently use Agency Accountability Reports as supplemental information in budget policy making.

Tennessee—Defined by statute, budgeting is zero-based. However, the state practices a continuation of required programs plus essential improvements. The traditional/incremental approach is still used, but Tennessee incorporated performance measures into the budget request process in 2002. The legislature has authority to review and comment on all performance measures that are reported. In 2007, the Administration proposed eliminating many of the performance-based initiatives, but the change was deferred until 2008.

Texas—Texas reports itself as a performance-based budgeting state. The staff of the Legislative Budget Board is responsible for tracking the performance measures and ensuring that key measures are brought to the attention of legislators. Texas legislators can see reports submitted by state agencies that show planned and actual performance in terms of outcome and explanatory measures (reported annually) and output and efficiency measures (reported quarterly). In Texas, the State Auditor's Office conducted a survey of both legislative and state agency users of its performance measurement system. In general, legislative staff were more satisfied than agency personnel. While legislative respondents commented that many of the measures were beyond the control of agencies, they found them to be useful in the appropriations process (Adams 2005).

Vermont—A combination of traditional and performance-based budgeting is used.

Source: National Conference of State Legislatures' survey of legislative fiscal offices, 2007.

Actions to Improve State Legislative Use of Performance Information

Action 1: Executive branch budget staff should make sure that performance information for legislative use emphasizes policy results rather than administrative measures.

Making Policy and Implementing It Create Different Informational Needs

When reviewing the purposes and uses of performance information, significant differences emerge between executive and legislative branch concerns. John Gilmour has pointed out that “public programs are limited by their authorizing statutes.” Even though the two branches share power and responsibility for budgeting and appropriations, their differing governmental purposes—making policy versus implementing policy—create different informational needs.

Management Indicators Versus Policy Indicators

Naturally administrators’ most important performance indicators focus on management. Administrators who implement programs and direct staff are concerned with staff efficiency and productivity measures as well as the costs of program delivery in order to manage their budgets. When these management indicators appear in performance reports to legislators, though, they may have the unintended consequence of seeming to invite legislative involvement in areas of executive branch responsibilities. Too many of the indicators that appear in performance reports to legislators, such as “number of reports completed” or “number of students enrolled,” have no comparisons to past performance or targets for the future. Usually and unfortunately, these indicators simply do not draw much legislative interest.

Instead of reviewing the details of agency operations, legislators should be considering the past and intended uses of funds for the purposes and results of program activities to show links between programs and funding.

The Utah Legislature recently developed reports that focus on budget increases called “Building Blocks.” The reports show past and current funding sources and amounts and provide a short description of the reasons for the appropriations. The reports are easy to review, yet they pack significant budget information into each page. (These Utah summaries can be found at www.le.state.ut.us/lfa/reports/toolbox.pdf.)

Arizona Joint Legislative Budget Committee staff members prepare program summaries that give a program overview, explain program funding, discuss recent programmatic changes, and explore key performance measures—either those that are already in place or those that should be established. It is clear that the summaries are directed not only to legislators but also to program administrators to help improve data collection and, by extension, program effectiveness. (These Arizona summaries can be found at www.azleg.gov/jlbc/progsumm.htm.)

The Arizona type of summary is useful because it provides context that everyone needs—administrators, legislators, and the public—to understand what a program does, how it is working, what kind of additional background information is necessary to monitor it, and perhaps whether more money would benefit it, even though targets have not been set. Appropriations numbers alone cannot do this.

Excerpts from the Legislative Staff Summary of Arizona's Judiciary Drug Court Program

From the program overview section:

"According to a 2007 survey conducted by American University, Arizona ranked 17th for the total number of operational drug courts in the United States — 1 higher than in a 2006 survey. Among 11 western states, Arizona ranked 5th behind California (161), Washington (42), New Mexico (38) and Idaho (36)...."

From the program funding section:

"Costs will differ throughout the state for each drug court, based on staffing levels, caseloads, and types of treatment offered. According to the Arizona Office of the Courts, in FY 2007, adult drug courts served 1,919 adults at a cost of \$312 in appropriated funding per participant. FY 2007 costs for juvenile drug courts were estimated at \$909 in appropriated spending per participant and 440 youth were served. The average total participant cost for adult and youth, including all treatment, grant funding and county costs, was not available."

From the performance measures section:

"The table below lists possible performance measures that would be helpful in measuring the effectiveness of the drug court program."

Table 2: Drug Courts Performance Measures

Performance Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Percentage of program participants graduating	29.2	33.1	30.0	33.0
Percentage of program participants re-arrested since 1999 (Pima County)	24.0	24.0	NA	NA
Percentage of participants convicted of new charge while in program	NA	NA	NA	16.1

Source: Arizona Program Summary, Judiciary Drug Court, August 23, 2007

Action 2: Staff, both legislative and executive, should identify and jointly agree on key results measures for use in budget documents and performance reports that legislators will see.

Identifying Key Measures for Legislators

Agency staff and legislative staff who identify and jointly agree on the key indicators for legislative review purposes save time and effort for everyone ahead of budget hearings.

Performance reports that highlight key measures instead of reporting every indicator the agency collects and tracks bring attention to important agency performance. Even better, if they provide staff analysis and interesting graphics to draw legislators into discussions about program results, they will be useful and productive.

Key results, limited to a few per program, agency, or department, direct legislative attention to policy and program outcomes of greatest interest and importance to citizens. They also remind administrators and legislators of the purposes of their activities on behalf of taxpayers.

Key Outcome Measures

Legislators need to be able to see whether state policies have had effects over time. An example would be immunization programs for children and whether they have resulted in improved health for citizens over time. Legislators are better positioned to make appropriations decisions when they can review outcome measures that include historical information and future targets, along with past and projected cost information.

For example, Texas uses a key outcome measure—the pass rate of those who take the state licensing exam—to assess the adequacy of various state schools in preparing their engineering graduates. This information is useful to policy makers in their funding decisions

Examples of outcome measures relevant to legislative policy making and appropriations include highway accident rates, occurrences of child abuse in foster care, unemployment rates, air and water pollution levels, prisoner escape rates, immunization rates, and college completion rates. These kinds of key measures can be compared to past experiences within the state, compared among service providers in the state, and compared to other states that maintain similar indicators.

Key Input and Output Measures

Outcome measures are suited to legislative review of policy results, but key input and output measures

also can be useful in budget discussions in both the executive and the legislative branches; for example, cost per client served or cost per mile of highway paved. Input and output indicators, which are generally easier to collect and maintain than outcome indicators, are the types of measures commonly used in most states.

The Utah Office of the Legislative Fiscal Analyst conducted a 2003 survey of performance measures in eight states—Alaska, Arkansas, Florida, Louisiana, New Mexico, Oregon, Texas, and Virginia. The survey's purpose was to assemble a list of performance measures so that states would not have to start from scratch in selecting their measures. Their final report lists 5,303 measures of three major types: numbers, dollars, and percentages. The first two—numbers and dollars—generally represent inputs and/or outputs. For example, "numbers" indicators may report "number of bridges let to contract," or "number of fatalities in large truck crashes." Such numbers

Key Performance Measures in Texas

The Texas Legislative Budget Board (LBB) has been collecting and reporting performance information to legislators since 1991, and performance measures are a critical element in the Texas Strategic Planning and Performance Budgeting System (SPPB). The LBB staff work with legislators to identify "key" measures of particular interest and usefulness in the budget process and to reduce the total number presented to members in reports and in the appropriations act.

The LBB reported in 2006 that its budget system contained 6,661 performance measures. Of the 2,087 key measures included in the Texas 2006–07 General Appropriations Act, 906 were outcome (results/impact) measures, 734 were output (volume) measures, 323 were efficiency measures, and 124 were explanatory measures.

Examples of different types of key measures—outcome, output, explanatory, and efficiency—can be viewed at the instruction guide for general academic institution performance measurement at www.lbb.state.tx.us/Performance%20Measures/PerformMeasureDefs_GenAcademic_0308.pdf. Two examples of key measures, an outcome measure and an output measure, are shown here.

- **Sample Outcome Measure:** State Licensure Exam Pass Rate of Engineering Graduates

Definition: The percentage of the institution's baccalaureate engineering program graduates attempting the state licensing examination who pass all parts either before graduation from the program or within the 12 months immediately following graduation or any required internship.

Purpose/Importance: This measure provides an indicator of the effectiveness of the institution's undergraduate engineering program.

- **Sample Output Measure:** Number of Minority Graduates

Definition: The number of Hispanic, Black, and Native-American students who have earned a baccalaureate or higher degree during the reporting period.

Purpose/Importance: This measure provides an indication of degrees earned by ethnic minority students in a given year.

compared to a standard, to a target, or to other states can be meaningful to policy makers. The same is true of "dollar" indicators, where "average cost per lane mile" or "operating cost per passenger" are useful indicators when measured against agreed-upon targets.

Percentages are likely to be even more useful to legislators, because they can indicate relationships between actions and outcomes. For example, "percentage of state highway system pavement meeting department standards" can help legislators decide whether to increase funding for highway maintenance, especially if they discuss department standards and what percentage is the appropriate one. Even when legislators are not involved in determining measures and setting targets, they will have questions about those measures that will help inform their budget decision making.

Interestingly, the Utah survey found little duplication of measures from state to state, although several states had a few in common. One was the number and percentage of tax returns filed electronically. Another was the customer wait time for vehicle title registration. Customer satisfaction levels and the number and percentage of unemployment compensation benefits paid on time also were common measures in multiple states. These measures of service speak to the efficiency of an agency or program as well as to the relative importance of government services in the eyes of the taxpayer. They can be useful in legislative assessment of personnel funding

needs, especially if changes in funding, staffing, and service levels are tracked over time.

Inputs and outputs are informative and perhaps the easiest for agencies to maintain, but they do not always provide historical context when used in budget requests or bills that come before legislators during budget hearings. Such background performance information is more often provided in separate reports for legislative perusal during the interims between legislative sessions, as is done in Arizona, Louisiana, New Mexico, and Texas.

Action 3: Executive branch agencies should provide regular performance reports to the legislature.

Regular Reports Establish Informational Frameworks

Presentation of performance information to legislators during hearings outside of legislative session time offers opportunities for thoughtful consideration of program results.

By 1999, more than three-fifths of the states had enacted broad statutory authorization for strategic planning, performance reporting, performance management, performance budgeting, and varying combinations of these. As a result, some combination of performance management approaches are followed in nearly all states, according to subsequent research.¹

New Mexico's Legislative Quarterly Performance Reports

New Mexico uses a combination traditional/incremental and performance-based budget approach in its appropriation process. The Accountability in Government Act requires all state agencies to submit performance-based budget requests and "key agencies" to submit quarterly performance reports that compare actual performance with targeted performance to the Department of Finance and Administration (DFA) and the Legislative Finance Committee (LFC). During the appropriation process, both the House Appropriations and Finance Committee and the Senate Finance Committee review and adopt performance measures and targets for agencies for the ensuing fiscal year.

In New Mexico's quarterly performance report process, legislators have the opportunity to familiarize themselves with departmental priorities and activities, hear how matters are progressing, identify problem and success items, and become better informed about state programs for which they must appropriate funds.

Quarterly performance reviews take place outside the legislative session; involve legislators, legislative staff, and executive agencies; are open to the public and the media; and sometimes draw an audience. Observers usually represent the agency or agencies being reviewed, citizens affected, and occasionally the media. Quarterly performance hearings sometimes are held in different parts of the state.

Some of these states ensure that legislators are given regular performance reports that help them prepare for the appropriations process. The reports establish informational frameworks about agencies and programs that offer valuable context—whether or not a state considers itself to be doing performance budgeting. In states that have adopted a performance reporting requirement, legislators can identify and explore areas of interest with program administrators and agency directors.

Experts such as Harry Hatry of the Urban Institute, who has spent years studying and recommending procedures for the implementation of results-based government, recommend that agencies participate in quarterly performance reporting to legislators. One purpose of frequent reports is to alert both agencies and legislators to problems before they get out of hand. Another purpose is to spot successes that are notable so that they may be replicated if appropriate. Hearings for the purpose of agency or program performance review can promote dialogue between agency administrators and legislators on fiscal committees.

New Mexico's performance hearing process began with passage of the state's Accountability in Government Act of 1999. Performance reports

presented at these hearings included measures identified by the Department of Finance and Administration along with measures the agencies consider significant to their operation. Based on the executive branch information and their own analysis, Legislative Finance Committee (LFC) staff prepare department and agency "report cards," along with short reviews and explanations that highlight items for legislative attention.

Performance Report Content

An executive branch administrator's goal in a performance report to the legislator should be to:

- Explain the agency's purpose
- Demonstrate that agency purposes are being accomplished (or not)
- Show how funding has helped accomplish those results
- Indicate how changes in funding would affect desired results

Budget request instructions from the executive, and sometimes from the legislature, often outline these expectations. If they do not, agency administrators

Materials Provided at the Quarterly Performance Hearing of the New Mexico Legislative Finance Committee for the Department of Health, May 2007

Legislative Finance Committees members received three documents—one prepared by the department and two by legislative staff.

Department of Health:

The "Quarter Three Performance Report of the New Mexico Department of Health, Revised May 14, 2007" covered the period January 1, 2007 through April 30, 2007. In a 50-page report, each of eight programs identified its mission or purpose, its program goal, and at least one objective, under which goals and action plans were reported. Program objectives included the following: (1) increase immunizations for children and adolescents, with a target percentage for preschoolers of 92 percent and a current indicator of 78.4 percent and (2) reduce teen pregnancy, with a target for age 15 to 17 of 1,300 and a current indicator of 1,180. "Results" were presented in graphs providing two- or three-year historical data. The report included program action plans for working toward goals.

Legislative Finance Committee:

The "Preliminary Performance Report Card, Department of Health, FY 2007, Third Quarter," provided a two-page summary of the eight programs in the 50-page Department of Health report plus the amount of budgeted funds and number of FTEs. (A reproduction of this report card appears in Appendix II.)

Legislative Finance Committee Staff Review:

Legislative fiscal staff members prepared a brief explanation of the report card process and agency-specific highlights drawn from the report cards that they believed would need particular legislative attention.

Mercatus Center Criteria for Assessing Performance Reports

The Mercatus Center, a nonpartisan think tank affiliated with George Mason University, has been assessing the quality of public disclosures made by federal agencies in their annual performance reports prepared in response to requirements in the Government Performance and Results Act of 1993. It uses three sets of criteria:

Transparency: Is the report easy for a layperson to read and understand? Are the performance data valid, verifiable, and timely? Did the agency provide baseline and trend data to provide context? Can the report be easily found on the agency's website?

Public Benefits: Are goals and objectives stated as outcomes? Are performance measures valid indicators of an agency's impact on its outcome goals? Did agency actions make a contribution toward the stated goals? Can the agency link its goals and results to costs?

Leadership: Does the report show how the agency's results make this country a better place to live? Does the agency explain failures to achieve its goals? Does the report address management challenges? Does it describe how changes will allow the agency to do better next year?

The Mercatus Center has assessed federal agencies against these criteria since 1999. These criteria could be adapted to state performance reports as well.

can establish their own measures to ensure that each performance report meets these criteria.

Performance Variance Reports

A particular type of performance report, a variance report, can open the door to productive discussion of agency achievements and problems because it identifies significant changes in service delivery. Louisiana and New Mexico have used variance reporting techniques, and Hawaii's variance reports can be viewed at www.hawaii.gov/budget/memos/variance.

A sample variance report from Louisiana is provided here. It has value for several reasons. It is clear and brief, calls attention to specific problems that appeared in quarters 2 and 3 (when variance exceeded 5 percent), provides reasons for those variations, and adjusts targets accordingly. Anyone seeing the report can make sense of it.

Guide to Performance Questioning

Legislators who are used to incremental budgeting may find themselves asking different kinds of questions when participating in performance-oriented hearings. Instead of "how much additional funding are you requesting?" they ask performance questions that are more wide-ranging. A pocket card (see box, "Asking Key Questions: A State Legislator's Pocket Card Guide" on page 20) developed by a

National Conference of State Legislatures/Urban Institute working group has proven to be a useful tool for legislators as a guide to performance questions.

Agency administrators who become accustomed to hearing these types of questions may appreciate them as expressions of interest in the results of agency efforts.

Interestingly, Missouri fiscal committee staff members prepare reports that incorporate and provide answers to most of the pocket-card questions, saving legislators the time and trouble of asking them in hearings. (See the sample Missouri report on pages 22–23.) The Missouri report is brief and concise and can be read in a short timeframe, which should appeal to legislators.

Preparing for Performance Hearings

An agency director will need to prepare for performance-oriented questions instead of planning to request a standard funding increase, even if a budget hearing does not focus specifically on performance. Incremental budgeting certainly has not disappeared, but expectations about budgeting information are changing.

In Florida, for example, both performance budgeting and zero-based budgeting have long been part of the legislative process: "While the legislature no

Sample Performance Variance Report: Louisiana Performance Accountability System (LaPAS), Department of Natural Resources, Office of Conservation, 2002			
Program Name	Public Safety		
Objective No. 3	To protect public safety and the environment; this program will ensure that no injection/disposal wells verified to be out of compliance with mechanical integrity requirements remain in operation		
Performance Indicator No. 2	Number of injection/disposal wells verified to be noncompliant with mechanical integrity requirements		
Prior Year Actual	178		
Target	220		
Quarterly Performance Report			
Quarter	Target	Actual	Variance (%)
1	38	37	-2.6
2	89	70	-21.4
3	110	100	-9.1
4	125	130	4.0
Annual Totals	220	130	
Explanatory Information (required when variance is greater than 5%)			
Q1			
Q2	Whereas the level of well inspections is consistent, fewer wells than anticipated were discovered lacking mechanical integrity requirements. This is possibly the result of well operators being more proactive to comply with program requirements due to the agency's continued emphasis on stricter field surveillance/enforcement activities, resulting in increased penalties. Assuming this trend continues, the 3rd and 4th quarter targets are revised accordingly.		
Q3	The level of inspections performed remains consistent; however, we are finding fewer wells lacking mechanical integrity requirements than projected. We feel this is the positive result of well operators being more proactive to comply with program requirements due to the Agency's continued emphasis on stricter field enforcement activities, resulting in increased penalties. The 4th quarter target is reduced accordingly.		
Q4			
Yearend Notes	The variance from the target for this performance indicator is the result of the program's emphasis during the past few years on inspection, surveillance, and enforcement activity. Whereas the level of inspections performed this fiscal year remains consistent, the program found fewer wells lacking mechanical integrity requirements than originally projected. We feel this is the positive result of operators being more vigilant in maintaining injection wells in conformance with program requirements due to elevated field enforcement activities.		

Source: Louisiana Legislative Fiscal Office. Similar reports can be found at lfo.louisiana.gov/files/perform/02yearendpi.pdf.

longer routinely holds hearings on performance information, it does regularly ask agency managers about measures when they testify before committees. The legislature has continued to support the concept of performance measurement, and it has mandated that most newly created programs establish performance measurement or other accountabil-

ity systems. Legislative staff regularly review agency performance data to identify trends, compare performance to standards, and notify legislators of potential problems. While this type of oversight may not be the focus of legislative committee meetings, it serves to remind agencies that their performance is being monitored."²

Asking Key Questions: A State Legislator's Pocket Card Guide To Using Performance Information

Basic questions to ask agencies in budget and program review hearings:

1. What is your program's (or agency's) primary purpose? Which citizens are affected?
2. What key results are expected from this use of taxpayer funds?
3. What key performance indicators do you use to track a program in attaining these results?
4. What were the results in the most recent years?
5. How do these results compare to your targets? Have any results been unexpectedly good or unexpectedly poor?
6. How do the results compare with other benchmarks, e.g., other states?
7. For which citizen groups have the results been less than desired (e.g., groups by location, gender, income, age, race/ethnicity, or disability)?
8. If any targets were missed, why were those targets missed?
9. What is currently being done to improve deficiencies?
10. What actions does your new/proposed budget include that would improve results?
11. How would the results change if funding were increased by 5 percent? Decreased by 5 percent?
12. Which groups of citizens might benefit? Which might lose? To what extent?
13. What other programs and agencies are partners in producing desired results?

Source: National Conference of State Legislatures and the Urban Institute, Legislating for Results, Actions Brief 9, 2003.

Action 4: Executive branch staff should collaborate with legislative branch staff to make sure that legislative performance reports are useful, accurate, brief, clear, and timely.

Using Legislative Expertise

The importance of tapping legislative expertise in preparing agencies' performance information for legislators' consideration cannot be overemphasized. As the Urban Institute and the National Conference of State Legislatures have pointed out, legislative staff have a crucial role in aiding legislators to get the most out of performance information. To obtain the performance information they want, legislators:

- Have legislative staff prepare specific questions for legislators' use in obtaining program results
- Ask legislative staff to examine agency reports and budget requests to highlight the most important performance indicators
- Request that executive branch agencies extract the highlights of their performance reports and provide explanations for unexpected performance levels
- Have legislative staff undertake results-focused evaluations of key programs for which the executive branch did not provide results³

Tapping Other States

A major reason for this report is to make information available from states with experience in presenting performance information for legislative use in appropriations decisions available to other states. Oregon has a long history of ongoing efforts to track and measure its governmental programs. In Oregon, the legislature and its fiscal office have become involved with responsibility for approving all performance measures. Oregon is one of the few states that requires key performance measures for fiscal committee members during the budget process. (See box, "Executive and Legislative Collaboration in Oregon.")

Legislative staff are skilled in the preparation of materials for legislators. Since passage of its Accountability in Government Act in 1999, the New Mexico Legislative Finance Committee and its relatively small staff have designed, implemented, and revised a variety of useful techniques to incorporate accountability into

Executive and Legislative Collaboration in Oregon

"In each budget cycle, performance measures are approved by the legislature as part of the legislatively approved budget. Legislative Fiscal Office (LFO) analysts work with members and agencies to facilitate that process. At the close of session, all agencies have a single set of legislatively approved measures used by both the executive and legislative branches. Those measures may include some still in the developmental stage, which must receive final approval in the interim by the Joint Legislative Audit Committee (JLAC).

Once measures are final, LFO provides them to the Progress Board, which files and posts them online. Agencies should also post approved measures online.... A single new form, "Proposed 2007-09 Key Performance Measures," replaces four old 2005-07 forms [and] communicates proposed agency measures going in to Ways and Means."

A new form, "Final 2007-09 Key Performance Measures," communicates each agency's final measures coming out of Ways and Means.

Source: Department of Administrative Services, Oregon Progress Board. "Performance Measure Guidelines for Oregon State Agencies," February 2006, www.oregon.gov/DAS/OPB/docs/kpm/2005-07Guidelines/2007-09guidelines.doc.

the state budget process. As mentioned earlier in this report, the Utah legislative fiscal office continues to incorporate aspects of performance information into its budget process.

Work in larger states includes Florida's legislative Office of Program Policy Analysis and Government Accountability, which has long been noted for careful attention to performance measures and efforts to communicate program results to members of the legislature, and Texas, where the Legislative Budget Board staff has extensive experience in producing budget and performance assessments and outlining the history of selected measures in useful formats for the public as well as the legislature and the executive.

Performance Report Presentation

Presentation significantly affects interest in and use of performance reports. Stan Stenerson of the U.S. Government Accountability Office, who has taught numerous courses for legislative staff, points out that although analysts want completeness and accuracy in their reports and have an interest in data and process and methodology, "busy readers" want brevity, have little interest in process, and are concerned with implications. This difference in interests means that legislators, who have many time constraints, are likely to want their materials short but useful. Presentation includes not only the type of information that is selected and interpreted, but also the ways a report looks.

Legislators are busy people with heavy demands on their time, so the NCSL and legislative fiscal offices recommend that information presented to legislators should be useful, accurate, brief, clear, and timely.

Useful Performance Reports

Useful performance reports provide context so that readers know how a program fits into state government services. They show the history of indicators for recent years as well as targets for the future. They also provide performance indicators about programs that make a difference to citizens, not just to agency management. This is an important point. As mentioned earlier in this report, although agency and program directors are responsible for the internal management of their operations, their performance management measures may be very different from those useful to legislators. A focus on policy outcome measures is most useful for legislative purposes. For example, the following section of a report prepared by the New Mexico Legislative Finance Committee staff includes useful measures:

Measures Useful for Legislators	Actual	Target
Percentage of pre-schoolers fully immunized (annual measure)	78.4%	92%
Number of providers utilizing the statewide immunization registry	10	255

**Missouri House of Representatives
Appropriations Staff & Senate Appropriations Staff
Joint Report on Performance of the Department of Mental Health
(Missouri Sexual Offender Treatment Center Program)**

5-Year Appropriation History for Program

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GR	\$4,103,062	\$5,581,512	\$7,052,231	\$8,169,502	\$9,805,369
FED	0	0	0	0	0
OTH	0	0	0	0	0
Total	\$4,103,062	\$5,581,512	\$7,052,231	\$8,169,502	\$9,805,369
(FTE)	(112.00)	(153.68)	(189.08)	(223.51)	(259.65)

Funding levels are appropriation amounts only and do not reflect any withholding or reserve amounts and do not reflect fringe benefits or information technology activities in the Office of Administration budget.

4-Year Expenditure History for Program

	FY 2003	FY 2004	FY 2005	FY 2006
GR	\$3,746,203	\$5,119,626	\$7,009,596	\$8,165,095
FED	0	0	0	0
OTH	0	0	0	0
Total	\$3,746,203	\$5,119,626	\$7,009,596	\$8,165,095

Questions Posed to Department

- What are the key results expected from the use of taxpayer funds?
 1. Provide for "control, care, and treatment" for all detainees
 2. Provide for a "current examination of the person's mental condition made once every year"
- What key indicators do you use to ensure those results are being met?
 1. Advancement of committed residents through the phased treatment program (percentage of committed residents in MSOTC treatment program phases)
 2. All annual court evaluations are submitted as required by statute (number of annual reports submitted each year)
- What have been the results of those indicators?
 1. There are 5 phases of treatment and the estimated average time to complete treatment is nine years. Due to setbacks and other delays to phased treatment progress, it might take numerous detainees 12 to 15 years to complete treatment. The restriction phase is the basic introductory phase to the program, followed by the 5 phases of treatment.
 2. Annual court evaluations must be completed by individuals with appropriate credentials and training; currently doctoral or masters level psychologists and social workers.
- What is the target or goal for each indicator?
 1. Steady progression in phased treatment program
 2. One hundred percent compliance with statutory requirement on court evaluations
- If any targets were missed, why were those targets missed?
 1. Staff explained the drop in Phase II percentages by theorizing persons reaching this phase are beginning to honestly confront deviant behaviors. Sexual offenders then react by acting out in some fashion and getting demoted back to Phase I.

(continued on next page)

Missouri House of Representatives Joint Report, *continued*

- What is currently being done to improve deficiencies?
 1. Staff developed a Readiness Ward that takes sexual offenders unable to reach Phase I or that cannot maintain success in phased treatment. This ward uses tokens to reward behavior and begins to allow these offenders to assimilate into the phased treatment program. It also assists other offenders advancing through treatment by removing those disruptive to the process.
- What other programs and agencies are partners in facilitating the desired result?
 1. Food is prepared at the State Psychiatric Hospital located near MSOTC and then shipped to the facility. Also, the Department of Corrections Division of Probation and Parole will be a partner in implementing Phase V of treatment. This will involve GPS technology, 24-hour command center, and certified community providers of sex offender treatment, all currently operated under Probation and Parole.

Assessment and Evaluations of the Current Measures

The two goals and measures provided by the Department of Mental Health are important and well-reasoned. The department should be measuring progress through the phased treatment program and ensuring annual court evaluations are completed according to statutes. However, the department should also be measuring additional operational components.

Recommendations of Additional Measures if Needed

1. Either the State Psychiatric Hospital or MSOTC need to analyze food costs periodically to ensure costs are not increasing more than an index of food inflation or that a cheaper private sector alternative is not available.
2. Measure the per day per detainee costs over time to ensure costs are not increasing more than general inflation indexes. If costs grow over general inflation indexes, department staff should attempt to determine what is driving those costs and explore ways to control those costs.
3. Measure state treatment costs with those that might be provided by certified community providers of sex offender treatment.
4. Measure and publish employee safety indicators.

Key: GR = General Revenue Funds FED = Federal Funds OTH = Other Funds

Source: House of Representatives Appropriations Staff and Senate Appropriations Staff, Missouri Legislature, Dec. 15, 2006.

These types of measures raise questions in legislators' minds that are likely to be more useful in assessing citizens' service needs than the type of measures that appeared in a governor's recommended budget in another state:

Measures Not Useful for Legislators	Projected	Actual
Percentage of agency statutes and regulations reviewed annually	25%	75%
Percentage of agency internal control checklist completed	100%	100%

The importance of current issues also may affect legislative attention. For example, it might be expected that road and highway-related performance measures will be of particular interest in 2008 because of the collapse of a major interstate highway bridge in Minnesota in 2007 that raised concern about infrastructure conditions nationally, the financial status of the federal highway trust fund, and limited availability of state funds for infrastructure investments.

The wide variety of state performance measures dealing with transportation is available in the useful Performance Measurement Library maintained by the Washington State Department of Transportation at www.wsdot.wa.gov/Accountability/Publications/Library.htm, which connects to information in 47 states and Puerto Rico.

Accurate Performance Reports

The numbers used in making appropriations decisions need to be as accurate as possible. Non-partisan legislative fiscal staff are noted for their efforts to provide accurate revenue and spending data, both historical and projected, to legislators on the money committees. Performance targets and measures most often are provided by the executive branch. Legislative staff who review these targets and agency reports in preparation for legislators' review can identify significant key measures that legislators most want to see. They also have a significant role in ascertaining whether performance information is being reported accurately; audit units in some states are designated for this responsibility. In Texas, the auditor analyzes and certifies measures as reported by agencies.

Brief Performance Reports

Brief means short, quick, concise, and easily skimmed. A focus on key measures is more important than reporting on many measures. An ideal length for a program performance report is one or two pages, with six to 15 key measures. Multi-page spreadsheets have little appeal to most legislators. Discussions with policy makers in New Mexico and an informal survey suggest that legislators there prefer 10 to 16 indicators when reviewing an agency's performance. The number of indicators is probably less important than the format in which it is presented and the information that is conveyed about the agency's progress toward its targets.

A sample performance report from Mississippi appears in Appendix III (some information has been excluded). Although its performance indicators consist primarily of output measures, it nonetheless offers key pieces of information to legislators by including a program description and objectives, describing future plans, providing three years of data, identifying cost efficiencies, and listing outcomes. The report is brief and easy to understand. It is also available online.

Clear Performance Reports

Clear performance reports communicate directly and to the point, avoiding jargon and peripheral commentary. Explanations give the purpose of an agency or program in one or two sentences. Graphs, charts, history, and visual representations of numerical data enhance clarity and attract attention.

New Mexico's reports have led the way in new approaches to the presentation of performance information. Report cards have proven to be especially appealing to legislators because they go several steps beyond the provision of data. They call attention to program strengths and weaknesses, drawing on legislative staff interpretation and analysis. This information is formatted in an easy-to-read document whose appearance has a lot of appeal because it uses a familiar red-yellow-green format to rate agency status.

Timely Performance Reports

Performance information should be available well before legislators need to make appropriations decisions, with the latest data and indicators over time provided. Interim committee hearings and budget hearings that precede the formal budget proposal provide effective means for legislators to review performance information from agencies and program administrators so that they can assimilate material before the legislative session. Legislative performance reviews depend heavily on legislative staff work to analyze the performance information that legislators want and to prepare reports that distill and focus the information provided by agencies for legislators' use. Although legislators have access to ongoing performance information on websites, such as Florida's, the formal setting of a hearing allows focus on particular programs along with opportunities for questions.

When deadlines arrive and the information needed does not, performance reports occasionally cite "NA" (not available) where outputs or outcomes should appear. A simple "NA" is not informative for legislators or anyone else. Reporting "NA" should be avoided unless the explanation for doing so points to problems in data gathering or program performance.

Action 5: Executive branch agencies should make performance information easily accessible to legislators and the public by publishing it online.

Much information can be placed on a legislative website and kept up-to-date; this effort benefits both policy makers and citizens. Inclusion of performance indicators in actual budget bills is not common, but is a way to get performance information in front of

legislators and the public. Occasionally a state (Tennessee, for example) will include performance information in the budget document itself (see Appendix IV). This can be found at www.state.tn.us/finance/bud/bud0708/0708Document.pdf.

Other states that provide performance information online include the following:

Florida: The Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) posts on the Internet the performance measures and standards approved by the legislature for each state department and program. Those for fiscal year 2006–2007 can be found at www.oppaga.state.fl.us/reports/pdf/2006-07_Measures.pdf.

Hawaii: Hawaii's budget requests and performance goals can be viewed at the following website by choosing a department and scrolling down past the operating and capital budget requests: www.hawaii.gov/budget/memos/pfp/.

Alaska: Alaska's Missions and Measures information is available with both a quick summary and detailed backup information on strategies and status at www.gov.state.ak.us/omb/results/view.php?p=157.

Texas: Texas Appropriations Act is structured by goals and strategies, and the budget bill itself includes program outcomes, functions or strategies, and output measures. A recent example is the Texas General Appropriations Act for 2008–2009, which includes target indicators for the coming biennium. The act can be found at www.lbb.state.tx.us/Bill_80/7_Conference/ on the website of the Texas Legislative Budget Board.

Washington: The Washington Department of Transportation has a state website that provides performance measures: www.wsdot.wa.gov.

Appendix I: Overview of State Budget Practices

Using Performance Information for Budget Decisions

One might think that smaller budgets are less complex than larger ones, possibly making implementation of performance budgeting less difficult. A quick review, however, suggests that there is little relationship between budget size and legislative use of performance information, although additional research into this question would be useful.

State general fund budgets range in size from around \$1 billion in South Dakota to approximately \$100 billion in California. Neither legislature has adopted performance budgeting techniques. Two of the states best known for performance budgeting efforts are Florida and Texas, which are among the states with the largest budgets. Although some of the smallest budget states have undertaken legislative performance budgeting efforts (e.g., Montana and North Dakota), the most consistent efforts to date have developed in states with budgets in the \$5 billion to \$8 billion range. These states include Louisiana, New Mexico, Oklahoma, and Oregon.

There are likely more important factors than budget size influencing the development of performance budgeting. State governments tend to budget incrementally, meaning that budgeting for the coming period begins with the current level of expenditures and tends to divide any additional resources in proportion to the size of budgets in the past. Incremental budgeting responds primarily to inflationary and demographic influences, and in the absence of dramatic economic change, rarely are there significant changes in agency budgets. Between 60 percent and 70 percent of most states' general fund appropriations are for elementary, secondary, and higher

education, health care programs, other entitlement programs, and corrections. Such programs are not susceptible to sweeping changes in funding levels or program redesign. Even though performance measures are collected regularly for both Medicaid and education programs, primarily because of federal requirements, performance information for many other programs may seem less necessary because of their predictability.

Factors such as annual or biennial budget cycles and processes, staff support, and legislative dominance over the budget possibly play larger roles than budget size in the adoption of legislative performance budgeting practices.

States adopt budgets that cover either one or two years, and many revisit the budget annually to make adjustments during legislative sessions. Forty-four states practiced biennial budgeting in 1940. Twenty do so now. Oregon's legislature historically has met every two years and enacted a two-year (biennial) budget. It is experimenting in 2008 with a special session in the middle of its biennium to evaluate an annual budget approach, making North Dakota and Wyoming the only two states with consolidated two-year budgets. Neither is yet noted for its legislative use of performance information, although some legislators and staff have expressed interest. Oregon's legislature, however, has been deeply involved in performance budgeting efforts in recent years.

It is sometimes suggested that biennial budgets may lend themselves to performance budgeting more easily than annual budgets, simply because there is more time between budgets to review pertinent information, but there is little evidence to support this idea.

A Connecticut legislative committee reviewed the biennial process along with other legislative budget processes in 2003. It reported that the biennial budget process adopted in 1991 had not met expectations. "Beginning with the first biennium," it observed, "the governor and legislature have proposed new and expanded programs along with significant policy changes in each year of the cycle. As a result, second-year adjustments and revisions are often extensive. There also is no evidence legislators or state agencies give greater attention to program outcomes and performance measures in the second year of the cycle." (Connecticut General Assembly, 2003.) The committee recommended, nonetheless, that biennial budgeting be retained because it brings a perspective of more than one year to the process and because it offers the potential for greater performance evaluation.

States where legislative performance budgeting practices have taken hold vary in their session schedules. Colorado, New Mexico, and Oklahoma have annual sessions and annual budgets. Arizona has annual sessions and provides agencies with annual or biennial budgets, depending largely on the size of the agency budget in question.

Legislatures with biennial sessions and annual budgets may carry out sophisticated program and performance reviews through specialized staff agencies with legislative oversight. Texas is a case in point. Although intuition suggests that biennial budgeting would encourage legislative performance review and evaluation, so far there is no proof that the opportunity is more beneficial than the existence of a strong performance evaluation effort in an annual-budget state (Snell, 2004).

Typical State Budget Cycle

During the fall of the year before the legislative session, most states hold budget hearings to review agency funding requests for the coming fiscal year. A proposed budget is then prepared usually by the executive and in some cases the legislature. Appropriations bills for legislative consideration are put together after appropriations requests have been reviewed and approved.

See box, "Sample State Budget Cycle," on page 28, which outlines the major features of a typical state budget process.

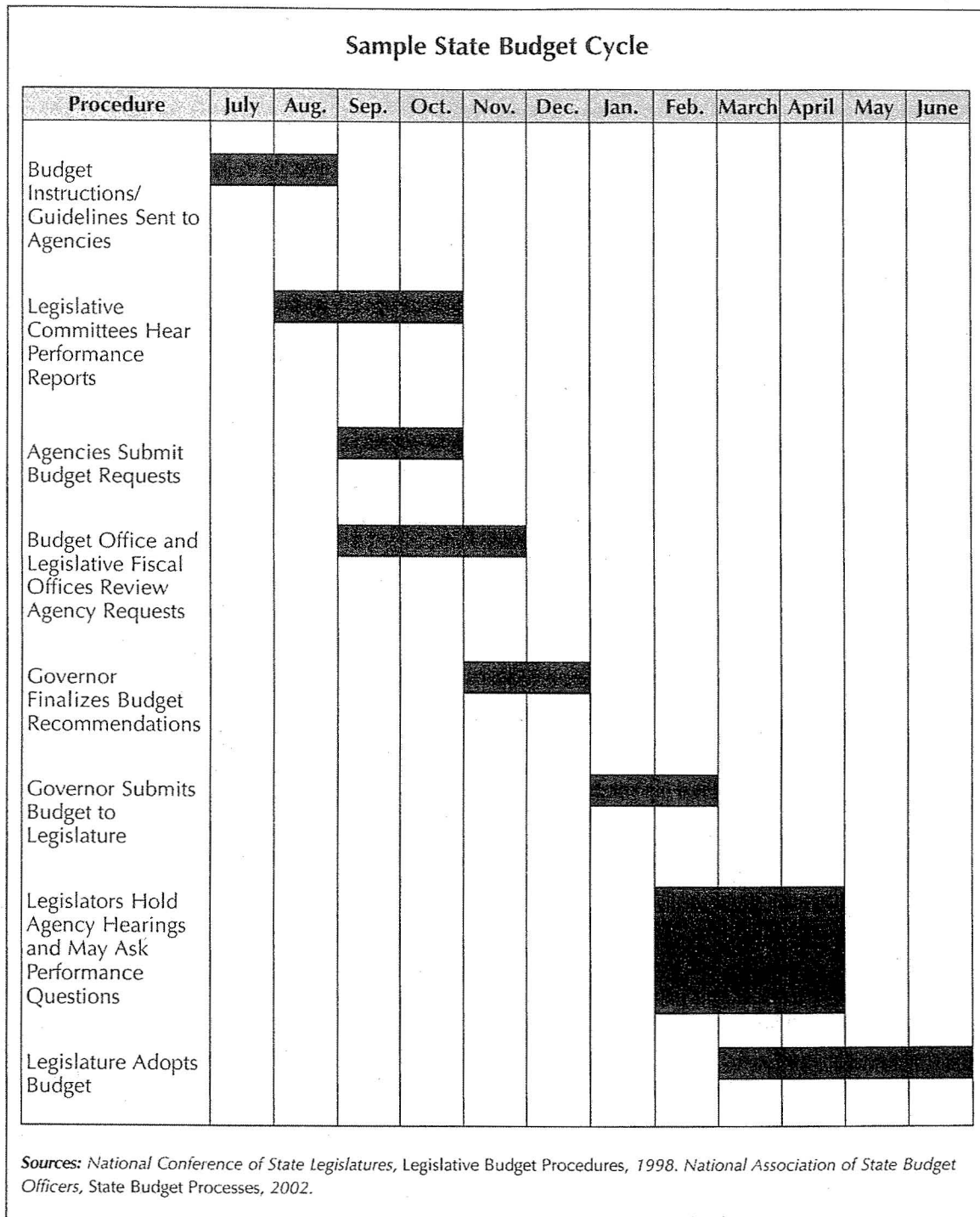
In most states, legislative budget hearings consist of agency presentations either before or just after release of the governor's proposed budget. Agency presentations often explain and justify funding requests that the governor has already approved.

In three-fifths of the states, the legislature can review agency budget requests before the executive budget is prepared, according to the National Conference of State Legislatures, "Legislative Budget Procedures in the 50 States and Territories." Legislative staff usually handles the review and analysis of budget requests, then make the results of their work available to legislators. When legislators review agency budget requests, either before or at the same time the governor is reviewing them, prior to preparation of the proposed budget, they also have an opportunity to consider performance information in relation to budget requests.

A typical budget or appropriations request is a document prepared by each state agency that details the amount of funding the agency is seeking from the legislature. In many states, the legislature or the governor's office develops and sends out detailed instructions to agencies on how to prepare their budget requests. The branch responsible for giving budget preparation instructions to agencies and programs—typically the executive—spells out the performance measure requirements in those instructions. The legislature also can advise on the types of indicators it wishes to see, and with cooperation from the executive, it will be provided with measures to review. In Texas, the Legislative Budget Board uses the performance measures included in budget requests to establish performance targets for agencies.

Another step in incorporating performance information into the budget process may be including performance information in appropriations bills, clearly an effective way to get this information in front of legislators. Items such as the full-time equivalent (FTE) positions authorized per agency, the amount of funding recommended by the legislature, and the method of financing each agency's appropriation also may be included that further clarify the relationship with the performance data.

The number of appropriations bills presented for legislative consideration varies from state to state, with a single appropriations bill in 18 states to 500



or more in Arkansas. The number in most states ranges from two or three up to approximately 50. Practically speaking, by the time legislators vote on these bills, performance information has become just one consideration among many others, including revenue availability, constituent pressure,

formula requirements, court decisions, conference committee negotiations, the likelihood of veto, and the allure of new initiatives.

Appendix II: New Mexico Department of Health Preliminary Performance Report Card, Third Quarter, Fiscal Year 2007

Performance Overview: Agency strengths include a user friendly, graphically detailed quarterly report and experienced core staff in charge of performance reporting. Also, agency should be applauded for having many measures that tie to key agency priorities, in particular in the public health area.

Weaknesses include too many annual-only measures for large dollar programs (in part due to data reporting limitations) and DOH has a limited ability to influence performance measures driven by patient/client behavior.

Public Health Program	Budget: \$180,791	FTE: 1,044	FY06 Actual	FY07 Target	Q1	Q2	Q3	Q4	Rating
1	Percent of preschoolers fully immunized (annual measure)*		78.4%	92%	N/A	N/A	N/A	N/A	N/A
2	Number of providers utilizing the statewide immunization registry		10	255	102	119	276		G
3	Annual number of births registered at vital records for females age 15-17		1,518	1,300	427	247	354		Y
4	Number enrolled in syringe exchange programs		9,564	15,000	10,112	10,633	10,934		R
5	Youth suicide rate among 15-19 year olds per \$100,000 (annual measure)*		15.3	5	N/A	N/A	N/A	N/A	N/A
6	Number of calls to agency funded youth crisis line		2,900	4,500	1,450	2,130	1,702		G
7	Tobacco use by adults (annual measure)*		20%	18%	N/A	N/A	N/A	N/A	N/A
Program Rating									Y
Comments: Program will be hard pressed to meet immunization targets despite aggressive outreach efforts. It remains to be seen if extra funding flowing into teen pregnancy suicide and stop smoking efforts will make a dent in our generally poor state rankings in these areas.									
Epidemiology and Response Program	Budget: \$25,983	FTE: 198	FY06 Actual	FY07 Target	Q1	Q2	Q3	Q4	Rating
8	Number of pandemic influenza exercises statewide*		10	50	22	15	26		G
9	Number of designated trauma centers in the state*		3	6	3	3	3		R

(continued on next page)

Program Rating										Y
<p>Comments: Program has been aggressive in pandemic outreach and has already met targets related to pandemic planning. Perhaps new measures to rate actual pandemic preparedness might be warranted. Target to increase trauma centers by 3 in 2007 is perhaps too ambitious, as the division is dependent on hospitals to take the internal actions to obtain trauma center status. Increased state trauma funding in FY08 should help.</p>										
Laboratory Services Program		Budget:	FTE:	FY06 Actual	FY07 Target	Q1	Q2	Q3	Q4	Rating
		\$13,049	135							
10	Percent of blood alcohol tests from DWI cases that are analyzed and reported with 7 business days*			27%	90%	54%	86%	86%		Y
11	Percent of public health threats samples for communicable diseases and other threatening illness that are analyzed with specified turnaround time.			97%	97%	99%	99%	99%		G
Program Rating										G
<p>Comments: State lab has made significant progress in speeding up analysis for DWI cases with additional staff and training and may meet FY07 target</p> <p><i>Source: Preliminary Performance Report Card, Department of Health, FY 2007, Third Quarter, prepared by staff of the New Mexico Legislative Finance Committee</i></p>										

Appendix III: Mississippi Board of Health Environmental Health (Food Sanitation Agency Program)

The following is an example of program narrative for program performance indicators and measures collected in accordance with the Mississippi Performance Budget and Strategic Planning Act of 1994 to accompany Form MBR-1-0. For more information, see Mississippi Legislative Budget Office budget preparation instructions at billstatus.ls.state.ms.us/budgetforms/budgetforms.htm under "View the FY 2010 Budget instructions (PDF)," p. 24.

Program Performance Indicators and Measures

Program Outputs: (This is the measure of the process necessary to carry out the goals and objectives of this program. This is the volume produced, i.e., how many people served, how many documents generated.)

	FY 2007 Actual	FY 2008 Estimated	FY 2009 Projected
1. Number of food establishments on inventory	16,000	17,000	18,000
2. Number of inspections of food establishments	32,000	35,000	36,000
3. Number of food samples collected	100	150	180
4. Number of bottled water suppliers	100	100	100
5. Number of bottled water samples collected	20	25	25

Program Efficiencies: (This is the measure of the cost, unit cost or productivity associated with a given outcome or output. This measure indicates linkage between services and funding, i.e., cost per investigation, cost per student or number of days to complete investigation)

	FY 2007 Actual	FY 2008 Estimated	FY 2009 Projected
1. Cost per food sample collected & analyzed	\$18.00	\$18.00	\$17.50
2. Cost per bottled water sample analyzed	\$12.00	\$12.00	\$11.00
3. Number of days to complete analysis	4 days	4 days	3 days

Program Outcomes: (This is the measure of the quality or effectiveness of the services provided by this program. This measure provides an assessment of the actual impact or public benefit of your agency's actions. This is the results produced, i.e., increased customer satisfaction by X% within a 12-month period, reduce the number of traffic fatalities due to drunk drivers within a 12-month period.)

FY07 Targeted Outcome	FY 2007 Actual	FY 2008 Target	FY 2009 Target
1. Increase the number of food establishment sites inspected by 1000 in 12 months.	800	900	1000
2. Attain 80% food compliance rate.	81%	83%	85%
3. Attain 80% bottled water compliance rate.	79%	80%	81%
4. Decrease the number of days to complete analyses to 2 days.	4	3	2

Appendix IV: Tennessee Budget, Fiscal Year 2008–2009, Department of Labor and Workforce Development Excerpt

The major portion of the Tennessee Budget is “Program Statements by Functional Area.” For presentation in the Budget Document, departments and agencies with related missions, programs, goals, and objectives are grouped, resulting

in six functional areas. This enables legislators, policy makers, and citizens to have a better concept of the magnitude and costs of services provided through the various functional areas of state government.

Tennessee Department of Labor and Workforce Development					
	Actual 2006–2007	Estimated 2007–2008	Base 2008–2009	Improvement 2008–2009	Recommended 2008–2009
<i>337.09 Adult Basic Education</i>					
<i>The Adult Basic Education program provides adult education and literacy services to assist adults in learning skills necessary for employment and self-sufficiency and in the completion of a secondary school education.</i>					
Full-Time	12	12	12	0	12
Part-Time	0	0	0	0	0
Seasonal	0	0	0	0	0
Total	12	12	12	0	12
Payroll	831,200	898,500	898,500	0	898,500
Operational	18,616,300	22,661,100	15,928,700	0	15,928,700
Total	\$19,447,500	\$23,559,600	\$16,827,200	\$0	\$16,827,200
State	3,322,000	6,234,900	3,735,100	0	3,735,100
Federal	12,009,100	13,091,500	13,092,100	0	13,092,100
Other	4,116,400	4,233,200	0	0	0
Standard:	Raise the number of General Education Development (GED) diplomas issued.				
Measure:	Number of GED diplomas issued.				
	10,670	17,000	17,000	0	17,000
Standard:	Achieve Commitment Level recognition through the Tennessee Center for Performance Excellence Baldrige-based program by 50 programs of Adult Basic Education (ABE).				
Measure:	Number of ABE programs recognized at commitment level.				
	14	50	50	0	50
Standard:	Provide job skills to adults participating in Adult Education programs.				
Measure:	Skill attainment rate.				
	60%	65%	75%	0	75%

Source: State of Tennessee, The Budget, Fiscal Year 2008–2009, p. B-333. www.tennesseeanytime.org/govfiles/FY08-09-Budget-Document.pdf.

At the beginning of each functional presentation is an introduction to the associated agencies, followed by a list of the improvement items that are recommended for that area of state government. The improvement list is followed by tables that show the total expenditures, funding sources, and personnel of each functional area. The activities and responsibilities of the departments and agencies are explained through narrative descriptions of each program. Following this narrative, fiscal and personnel data are provided for the last completed year, the current year, and the next year.

The next-year estimates include the level of funding and number of positions for the recommended base budget, program improvements, and the total recommended. Program performance measures also are provided for most executive branch programs. Budgets of agencies that are operating officially under the performance-based budget law are so designated with a sub-heading following the department name.

Following the "Program Statements by Functional Area," the next-to-last section of the Budget Document is "Budget Process and Program History." This section includes explanatory sections entitled "The Budget Process," "Performance-Based Budget," "Basis of Budgeting and Accounting," and "Tennessee Program History," which provides historical information on major programs.

Acknowledgments

The author is deeply grateful to Jonathan Breul, Mark Abramson, and the IBM Center for The Business of Government for the funding that made this report possible. Many thanks also are due to my NCSL colleagues, Corina Eckl and Ron Snell, for their patient reading, commenting, re-reading, and editing, and to Lisa Houlihan, who prepared the final report. We also are indebted to Harry Hatry and the Urban Institute staff whose research, publications, and training have benefited hundreds, if not thousands, of employees in governments all over the world and the citizens for whom they work.

Two groups have contributed significantly to a deeper understanding of the role of performance information in the legislative budget process: (1) legislators and legislative staff who are interested in the concepts of performance budgeting and who have asked specific questions about it and (2) legislators and staff who have devoted years to experimenting with legislative performance budgeting and who have shared the results of their work with others. Their contributions have been invaluable.

In particular, the following have shared their work and perspectives, thereby enhancing this report: Colorado Joint Budget Committee; Florida Office of Program Policy Analysis and Government Accountability; Hawaii House Committee on Finance, Senate Ways and Means Committee and Office of the Auditor; Louisiana House Fiscal Division; Maryland Office of Policy Analysis; Missouri House and Senate Appropriations Committees; Mississippi Joint Legislative Budget Office; Nevada Fiscal Analysis Division; New Mexico Legislative Finance Committee; North Dakota Legislature; Oregon Legislative Fiscal Office; Texas Legislative Budget Board; and Utah Legislature.

Extra thanks for extra duty go to David Abbey, Warren Deschenaux, Stan Eckersley, Cathy Fernandez, David Juppe, Jerry Luke LeBlanc, Eldon Mulder, John O'Brien, Gary VanLandingham, Jean Vandal, Arley Williams, and Anita Zinnecker.

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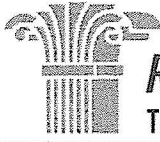
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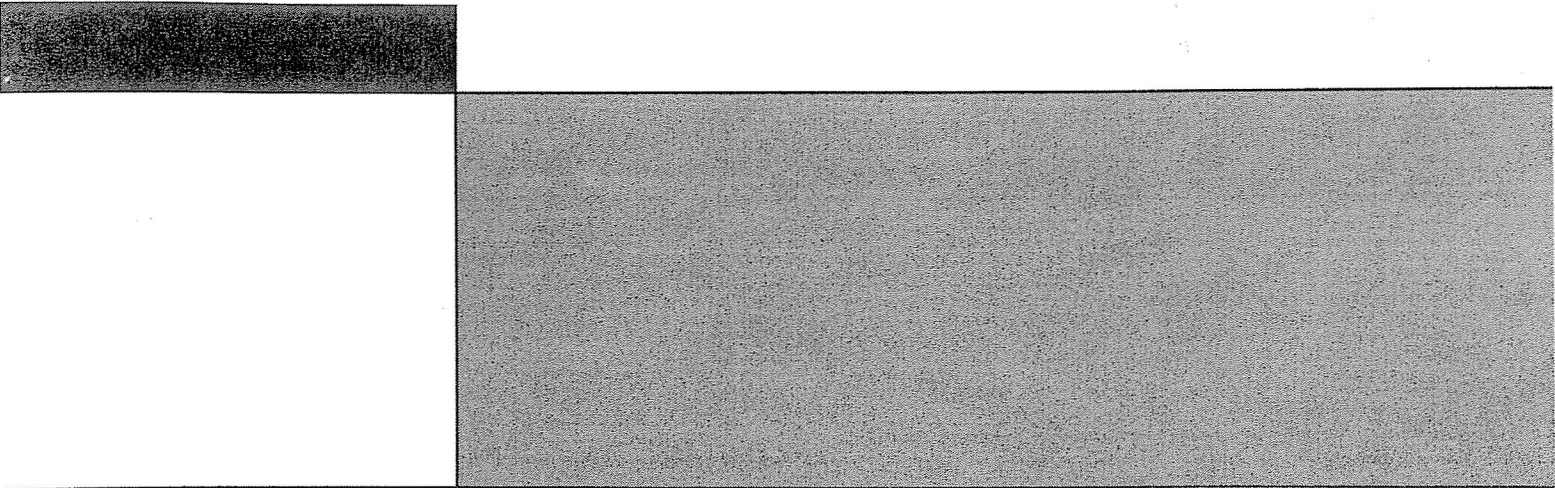
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