



Oregon

John A. Kitzhaber, MD, Governor

Department of Administrative Services

Office of the Chief Operating Officer

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December 28, 2011

President Peter Courtney
Co-Speaker Bruce Hanna
Co-Speaker Arnie Roblan
900 Court Street NE
Salem, OR 97301

Re: Reporting Requirements for Senate Bill 676

Dear President Courtney, Co-Speaker Hanna, and Co-Speaker Roblan,

I am writing to inform you of the Executive Branch's work towards developing an outcome-based budget for 2013-2015 as proposed in Senate Bill (SB) 676.

SB 676 directed the Executive Branch's outcome-based budget to be based on the results of state agency continuous improvement actions, performance management and performance measurement and measure state agency's efforts to achieve through process improvements quality service delivery at a lower cost.

In order to develop an outcome-based budget, the Governor began the 10-Year Plan for Oregon project in June 2011. The project has two goals: 1) to implement a strategic plan for state government services and 2) to redesign the Governor's Recommended Budget process to focus resource allocation priorities on delivery of programmatic outcomes.

The identified seven critical outcome areas that guide the project are:

- Education
- Healthy People
- Economy & Jobs
- Healthy Environments
- Livable Communities
- Safety
- Improving Government

The project has been working with Agency Directors and Governor's Policy Advisors to develop high-level outcome statements for each of the seven areas, societal indicators (measures of progress recognizable by Oregonians), and strategies to help us achieve those outcomes over the course of a ten-year timeframe.

To date, the design of a high-level process has been defined for the development of agency requested budgets that changes the existing Governor's budget process in two significant ways. First, the Governor will make a macro-allocation to each outcome area in March of 2012 which

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will set the amount available to spend for programs in that area at the beginning of the process. Second, the Governor will appoint Program Funding Teams, including people from outside of state government, to consider the agency proposals and make recommendations on what should and should not be funded based on an evaluation of specific outcome-based criteria.

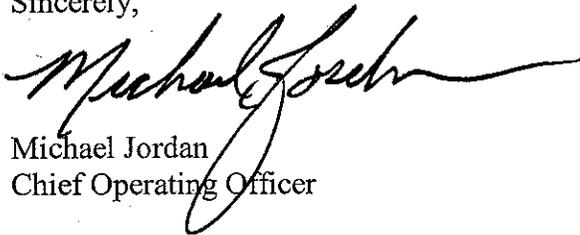
The Governor has challenged all levels of state government to institute outcome-based budgeting in order to better prioritize public investments. As a result, the current debate about short-term funding levels for individual agencies is expected to shift toward a discussion of measurable results desired for state spending over the next decade.

A programmatically-oriented budget can better align an agency's individual contributions towards achieving some long-term outcomes for Oregonians. The mapping of agency programs from the 2011-2013 LAB into the seven new outcome areas has been completed. Budget and Management (BAM) staff has worked with the Legislative Fiscal Office to ensure all the same base information remains available to the legislature for use in the deliberative process.

The creation of this 10-Year Plan framework will become the foundation that state government performance is managed and from where continuous improvement efforts would start. It will also cause a more comprehensive performance measurement system to be developed to evaluate the efficacy of these agency programs in delivering on the outcomes of the 10-Year Plan.

If you have any questions about the project, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Jordan", with a long, sweeping horizontal line extending to the right.

Michael Jordan
Chief Operating Officer