

Legislative Fiscal Office

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Performance Measurement System

Background

Oregon has used some form of measuring performance since the late 1960s. Performance initiatives varied widely between the late 1960s through the 1980s. Agencies were first required by the Governor, during the late 1960s, to develop performance measures for all state programs as part of the budget development process. This effort ended after a change in administration. During the 1970s and 1980s, agencies were instructed to focus on workload or output measures. There were no legal statutory requirements governing performance reporting during this period. The 1989 release of *Oregon Shines*, which is a statewide strategic plan, signaled the state's renewed interest in performance measurement. *Oregon Shines* was the basis for development of the Oregon Benchmarks during the early 1990s. The 1993 Legislature passed the current legal framework governing performance measures for state agencies. These statutory requirements were intended to promote the use of performance measures in state programs and to connect these measures to the Oregon Benchmarks. Agencies were provided some training, but they were free to develop their own measurement systems. This led to a confusing variety of terminology and reporting formats. All these previous performance measurement initiatives had one thing in common: they were initiated by the executive branch with little involvement by the Legislature. This changed after the 2001 legislative session.

Development of the Current System

During the 2001-03 interim, the Performance Measures Advisory Group was convened to establish guidelines for 2003-05 performance measures that were to be used by all state agencies when developing, reviewing, and reporting their performance. This advisory group included legislators, agency heads, and private sector specialists and was staffed by the Department of Administrative Services (DAS), the Legislative Fiscal Office (LFO), and the Audits Division of the Secretary of State. The advisory group determined that a set of guidelines was needed to ensure a uniform approach to identifying and reporting agency performance within a system of performance measures that:

- is based on legislative expectations;
- is useful to managers and line staff;
- is affordable, by building on what currently exists;
- includes a mix of effectiveness and efficiency measures; and
- systematically and meaningfully links to the Oregon Benchmarks.

The Performance Measures Advisory Group recommended the creation of a review process through which agencies could receive feedback on their performance measures before they were submitted with agencies' budget requests to the Legislature. This review work was done by the Performance Measure Review Team. Nearly all agencies' performance measures were reviewed at least once, with many agencies resubmitting their measures after the initial review suggested changes. The review team completed a review of agency measures, based on the guidelines adopted by the advisory group. The review document was submitted to the Joint Committee on Ways and Means, along with the agency performance measures and the Governor's recommended budget.

While Oregon has been developing and tracking performance measures for many years, never before had the Legislature been as involved in the review and adoption of agency performance measures as it was during the 2003 legislative session. To ensure that agencies were tracking measures of importance to the Legislature, the guidelines required that each agency's performance measures be presented to the appropriate Ways and Means subcommittee along with the agency budget request. Each subcommittee then reviewed and formally adopted

the measures of each agency during the budget approval process. In many instances, performance measures were approved only after changes were made to modify or add measures. In at least one case, the Joint Committee on Ways and Means did not approve the submitted measures, but required the agency to rework the measures, add some new specified measures, and return to the Joint Legislative Audit Committee (JLAC) during the 2003-05 interim for approval of the new set of measures. Other agencies were also required to submit revised performance measures to JLAC for review.

The performance measure guidelines also required all agencies to complete an Annual Performance Report. The report must include a detailed analysis on the performance of each of the agency's adopted measures. The purpose of this analysis is to:

- address the influence on any linked high-level outcome measures (such as the Oregon Benchmarks);
- compare actual agency progress to performance measure targets;
- explain any variance that has occurred between the measure data and the target;
- discuss any actions that are planned as a result of the performance data and analysis; and
- include a comparison of performance measure data from similar agencies, jurisdictions, or industry standards, where possible.

This report is submitted annually by September 30th. The report is to be available to the public through a link on the agency's website. The Progress Board website also has links to the annual performance reports. Copies of all reports are further provided to LFO and DAS, Budget and Management Division, and will be included in the budget material each agency submits to the Legislature.

The annual performance reports provide an opportunity for the Legislature to examine the performance of each measure in depth. The formal legislative review of performance measures was implemented to produce measures that are important to policy makers. The legislative review process has also established sets of measures that can be tracked over time since future changes to measures can only be approved by the Legislature.

Changes for the 2005 Legislative Session

After the 2003 legislative session, a number of changes were added to the performance measurement process in anticipation of the 2005 legislative session. One such change was the establishment of a process to standardize requests by agencies to change measures previously adopted by the Legislature. All agencies are required to submit a "Request to Modify" form detailing any changes the agency would like to make to the adopted performance measures. The Performance Measure Review Team has been reconvened to examine all modification requests. As in the previous biennium, the review document will be submitted to the Joint Committee on Ways and Means, along with the agency performance measures and the Governor's recommended budget.

Other performance measure changes required for 2005-07 include linking specific agency organizational units to each measure, requiring all performance measures to include targets, allowing comparisons with others wherever possible, and inclusion of a standardized customer service measure. It was determined that a common customer service measure should be created which all agencies would adopt. This would allow consistent comparison across state agencies. DAS convened a Customer Satisfaction Workgroup to develop a standardized measure. The workgroup developed a survey instrument that would measure customer service in five areas: timeliness, accuracy, helpfulness, competence, and accessibility. The workgroup has concluded its work and forwarded its recommendations to DAS for approval. Agencies were instructed to include a placeholder in their measures for inclusion of the standardized measure once it is approved by DAS. As in the past, all agency performance measures, including the identified targets, will be presented to the 2005 Legislature for review and ratification.

Links to Performance Measure Data

Agency performance measure data should be available on each agency's website. Agency websites can be found through the Oregon.gov portal. In addition, the Progress Board's website contains links to all agencies' reported performance measure information at <http://www.oregon.gov/DAS/OPB/index.shtml>

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