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Oregon's Performance Measurement System: Improving and Expanding to Better Serve Users

A Brief History

Oregon has used some form of performance measurement since the late 1960s. Performance initiatives varied widely between the late 1960s and the 1980s, and there were no legal statutory requirements governing performance reporting during this period. The 1989 release of *Oregon Shines*, which is a statewide strategic vision, signaled the state's renewed interest in performance measurement. *Oregon Shines* was the basis for development of the Oregon Benchmarks in the early 1990s. The current legal framework governing performance measures for state agencies was passed by the 1993 Legislative Assembly. These statutory requirements promote developing performance measures in state agencies and making connections to the Oregon Benchmarks.

Prior to 2001, performance measurement efforts were primarily initiated by the executive branch with little involvement by the Legislature. This changed after the 2001 legislative session. During the 2001-03 interim, the Performance Measures Advisory Group was convened to establish guidelines to be used by all state agencies when developing, reviewing, and reporting their performance results. This advisory group included legislators, agency heads, and private sector specialists and was staffed by the Oregon Progress Board, the Legislative Fiscal Office (LFO), and the Audits Division of the Secretary of State. The advisory group created a set of guidelines that established a standardized approach to identifying and reporting agency key performance measures (KPM). The goal was to have a measurement system that was based on legislative expectations, useful to managers and line staff, affordable, inclusive of effectiveness and efficiency measures, and linked to the Oregon Benchmarks. The guidelines also established tools and processes for making performance measurement review a part of the budget development process.

Change in Administration and Focus

In June 2007, the administration of the KPM system transferred from the Oregon Progress Board to the Budget and Management Division (BAM) of the Department of Administrative Services (DAS). This change has created stronger links between performance measurement and the budget process and has provided agencies with access to consulting resources. The passage of SB 1099 (2008) expands legislative interest beyond performance measurement to include agencies' efforts at enhancing management practices and continuous improvement. Over the last year, LFO and BAM have worked collaboratively to improve the statewide performance measurement system and begin to look towards supporting statewide performance management efforts. This brief defines characteristics of the existing system and improvement activities underway and planned through December 2009.

Characteristics of the Current System

The transfer of administration for the KPM system to BAM created the opportunity to look at the KPM system with fresh eyes. LFO and BAM performance coordinators have characterized what is working and not working in the current system.¹ This information influenced the choice of activities currently underway and planned.

¹ Characteristics identified here are drawn from numerous interactions with state agencies, LFO and BAM analysts, and discussions with other stakeholders such as the Oregon Progress Board.

Summary of Current System Characteristics

What's Working	What's Not Working
<p>Budget process includes performance measures. The DAS Budget Guidelines instruct agencies to include KPMs in their Agency Request Budgets, and LFO advises agencies to include this information in their agency presentations to the Joint Committee on Ways and Means.</p> <p>Agency management is engaged. Involvement by agency directors and senior agency managers has increased as LFO and BAM analysts get more involved in using and reviewing performance information as part of the budget development process and agency oversight functions.</p> <p>Technical assistance is available. LFO and BAM performance coordinators bring additional experience and expertise, which is made available as a technical resource for state agencies.</p> <p>Having meaningful KPMs. LFO and BAM work collaboratively to create a shared performance management and measurement system and help agencies find ways to better link KPMs to agency planning and process improvement activities and to legislative needs for information.</p> <p>Agency innovations. A few agencies are taking initiative to think beyond the constraints of the existing system and to identify and close gaps in the system. For example, the Judicial Department, Department of Human Services, and Commission on Children and Families have been working on a shared measure related to foster children placement permanency.</p>	<p>KPM form complexity. The system includes four forms which are prone to breakdowns, creating user frustration. Legislative committees wanting to use the information must flip between two forms to get the complete performance story. These issues were the primary reasons for system automation.</p> <p>Limited focus of performance measures. Many of the current KPMs report on high-level outcomes that agencies have little ability to control. While such measures can be helpful for informing policy and budget decisions, they are not always the best measures for ensuring agency accountability or evaluating agency efficiency and effectiveness at budget execution. When reporting measures are used as an accountability tool, agencies may become frustrated if they are not able to control the drivers that influence performance improvement. Having a broader range of types of performance measures in the system will help make it more useful for budget analysts and agencies.</p> <p>Simplified analysis. The current KPM system often does not provide clear links to agency planning or improvement efforts, so the value in measuring certain things is not always clear. In addition, the quality of analysis provided in Annual Performance Progress Reports tends to be weak and lacks important context for making the process and information gathered more meaningful. Training will likely improve upon this limitation.</p> <p>KPM system constraints. A high-level performance measure is not the only performance tool to inform and manage to results. Building a hierarchy of performance measures, information reviews, data analysis, prioritization, and process improvement activities are a few additional tools and processes that help ensure that agencies are optimizing performance.</p>

Activities Underway and Planned

LFO and BAM meet regularly to ensure that both entities are providing consistent direction to agencies related to performance measurement and management activities. The table on the following page identifies activities that are currently underway or planned through December 2009.

Summary of Actions Underway and Planned

Actions Underway	Actions Planned for the Future
<p>Adjusted KPM timelines to align with budget process. This change was made in the 2009-11 budget cycle to ensure that the most current performance measurement information was available to LFO and BAM analysts.</p> <p>KPM system automation. The system automation is being developed and enhanced during the budget process. The goal of the automation effort is to reduce the number of forms used, eliminate mechanical problems with the forms, and allow for enhanced data management capabilities. Further automation features will be added over time.</p> <p>Business case development training. This training is designed to improve the quality of analysis used to support requests for new resources. BAM is providing this training to LFO and BAM analysts, and to state agency budget managers and analysts.</p> <p>KPM data reviews. The purpose of the data reviews are to ensure that KPM data management practices produce information that is accurate and reliable. Several state agency internal auditors have assumed responsibility for reviewing KPM data quality. For agencies that do not have internal auditors, LFO will be conducting additional data reviews. Findings will be reported to the interim Joint Committee on Ways and Means.</p> <p>Performance measures and data management best practices for licensing boards. The requirements of the KPM system have long been a challenge for small agencies. This activity will seek to simplify processes for licensing boards and commissions through establishing a set of best practices measures and related data management practices.</p> <p>Consulting and technical assistance to agencies. LFO and BAM have worked together on a by-request basis to provide assistance to agencies working on legislative follow-up activities.</p>	<p>Committee on Performance Excellence. SB 1099 (2008) forms a committee to advise state government agencies on performance management and continuous improvement activities. This committee has authority to create a grants program and make recommendations to the Emergency Board on funding for continuous improvement projects (\$2.5 million has been allocated to the Emergency Board for such activities). LFO and BAM will provide support to this committee.</p> <p>Training for interim Joint Committee on Ways and Means. At the request of the co-chairs, training is being designed that provides an orientation to KPM mechanics and exercises to illustrate how to use the KPMs and policy option package measures during the budgeting process.</p> <p>Training for agencies. Gaps have been identified in agency know-how related to performance improvement processes, and little training is available to close these gaps. The goal is to develop and provide as much training as is feasible with existing resources.</p> <p>Update guidelines. This budget cycle has resulted in numerous changes to existing KPM processes and procedures. The goal is to document these changes into a revised set of agency guidelines that include an expanded set of tools related to performance management and continuous improvement.</p> <p>Create an Organizational Health Indicator. This project will look at the feasibility of creating an indexed measure that provides critical information about an agency's operational health that will inform the Legislature and support agency efforts to continuously improve.</p> <p>Develop shared performance measures. The KPM system is segmented by agencies. A few agencies have identified gaps in high-level outcomes. This project would look at system redesign options to encourage and better accommodate the development of shared performance measures.</p>

Looking to the Future

LFO and BAM are optimistic about the opportunities to further improve the KPM system and broader state agency management and continuous improvement efforts. In thinking about more holistic initiatives, there are a number of larger system constraints that need to be considered:

- **Command and control organizational structures.** Top-down management systems and bureaucratic processes have led to a lack of ability to adapt and respond to emerging business

needs. Traditional command and control decision models centralize authority and create dependency on a few individuals to define and drive critical operational decisions. Following the rules is often rewarded and innovation stifled, which can lead to a compliance mentality and risk-averse behavior.

- ***Focus on procedures.*** Part of a bureaucratic model is the tendency to confront problems by writing detailed procedures designed to prevent problem recurrence and/or standardize operating norms. A focus on procedures can stifle creativity, lower the overall performance bar, and focus on how something is done rather than on what is accomplished. Some outcomes, such as world class customer service, cannot be achieved through a focus on procedures.
- ***Minimal investment in people and processes.*** State agency budget discussions are focused almost exclusively on services and programs provided; little attention is placed on the health of key business processes or employee development. This lack of attention has led to a tendency to minimize investments in people and processes.
- ***Limited statewide resources.*** Currently, 1.50 FTE are assigned to support statewide KPM and performance management related activities. BAM has a Performance Management Coordinator (1.00 FTE) responsible for administering the KPM system and providing performance management consulting services to state agencies. LFO has a Legislative Analyst (0.50 FTE) working closely with BAM on administration of the system and other agency performance improvement activities. Not included in this total is the time that LFO and BAM analysts spend offering feedback to agencies about the quality of information provided by KPMs and making suggestions for improvements.

In June 2008, the Emergency Board approved a request from BAM for increased limitation and position authority for a part-time Research Analyst to support the Committee on Performance Excellence formed by SB 1099 (2008). BAM intends to combine this additional 0.50 FTE with a vacant 0.50 FTE analyst position to create a full-time Research Analyst to support KPM automation, provide technical assistance to agencies related to the KPM reporting system, and support the administrative needs of the Committee on Performance Excellence. At this time, LFO is evaluating whether additional resources are needed within its own office to implement legislative expectations.

In contrast, the State of Washington invests approximately \$2.4 million (15.00 FTE) in their “Government Management, Accountability and Performance” initiative, which includes governor’s forums, management consulting to agencies in process improvement and other management processes, performance auditing, and communication efforts.

Given the state of the current KPM system and broader constraints, significant progress has still been made this biennium to advance the state’s ability to provide improved performance information to the Oregon Legislature.

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This brief is available on the Legislative Fiscal Office website at www.leg.state.or.us/comm/lfo/