

# TEN IDEAS FOR IMPROVING OREGON STATE GOVERNMENT PERFORMANCE AND ACCOUNTABILITY

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The Oregon Progress Board is an independent state planning and oversight agency responsible for developing and monitoring the implementation of Oregon's twenty-year strategic vision, *Oregon Shines*. Created by the Oregon Legislature in 1989, the Board is chaired by the governor and made up of citizen leaders reflecting Oregon's social, ethnic and political diversity.

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## INTRODUCTION

For over a decade, Oregon has enjoyed an international reputation as a leader in public sector strategic planning. Many experts consider the state's strategic vision, *Oregon Shines*, and the Oregon Benchmarks one of the best high-level visioning and benchmarking systems in the world today. To improve government performance and accountability, Oregon is linking state agencies' efforts and planning to the benchmarks.

In the meantime, many other states, cities, and national governments have experimented with other ways to improve accountability and public sector performance. This report, requested by State Senator Steve Harper, provides Oregon decision-makers with information on promising practices used elsewhere to improve public sector performance and accountability.

The report focuses on three general areas: 1) enhanced information on performance, 2) results-based agreements and 3) employee incentives. Each idea represents an incremental step toward improving performance and accountability. Each could be implemented separately or in conjunction with others. Each would complement the existing programs and policies currently in place.

Because responsibility for results in government does not reside with one branch of government, these ideas are a mix of executive and legislative branch initiatives. All require investment of additional time, and sometimes resources, by leadership.

Each idea is presented on one page using a standard format. The nature of the idea and its advantages are briefly laid out, building on two examples from other governments. The idea is contrasted with current Oregon practices, presenting some of the next steps that might be taken to implement the idea. Key implementation issues are briefly highlighted. Finally, a set of links to related websites is provided.

Improving performance is not easy. There are no recipes applicable to all cases and circumstances. Consequently, a mindful approach that puts new initiatives in context is needed. Poorly implemented, some of these ideas can harm performance. Given the brief nature of this guide, the challenges involved are insufficiently covered.

The Progress Board believes that state government has a special responsibility for achieving the desired future described by *Oregon Shines* and the benchmarks. House Bill 3358 (2001) spawned a renewed push by agencies to develop key performance measures linked to their goals and to the Oregon Benchmarks. This effort will result in a statewide performance measurement system. If successfully implemented, any of these 10 ideas could be another important step forward in advancing a results-based agenda in Oregon.

Jeff Tryens  
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## Provide the public with regular, high-quality information regarding agency performance.

*Enables Oregonians to discover online what state government is accomplishing with their hard-earned tax dollars.*

### What this idea is about:

The state could develop an online system to report state agency performance. This could happen in two ways: 1) agencies could be required to periodically report performance information on their own websites, or 2) state government could do it for them with a centralized tracking system. Ideally, citizens would be able to track performance by agency or by issue area for state government as a whole.

### Best practice examples:

Louisiana has a statewide performance database that reports quarterly on the number and percentage of performance targets each agency achieved. This database provides user-friendly, online access to each performance indicator by department, agency, program and/or objective.

The Florida legislature's *Government Accountability Report* uses a web-based system in which people can search the activities and performance information by agency, topic or keyword. It gives an overview of each agency along with budget, staff, performance measures, and performance reports when available.

*This approach... gives government agencies the opportunity to better communicate their challenges and successes.*

### Why this is a good idea:

Providing easy access to state agency performance data allows citizens to check how well their government is achieving its goals and mission. It also permits people to track agency progress against targets and to compare agencies with each other. This approach makes agencies more accountable to the public, adding pressure for improvement when performance is poor. It also gives government agencies the opportunity to better communicate their challenges and successes.

### Where Oregon stands:

Although Oregon is currently developing a system for agencies to report their performance measures externally, it does not require agencies to post the results on their websites. Implementing this idea would be a significant next step towards increasing government accountability, transparency, and performance in Oregon.

### Possible next steps for Oregon:

An easy first step is posting and periodically updating online the key performance measures that agencies are currently developing for the 2003 - 05 budget period. A second step is creating a central access point online for all agencies' performance measures. Additional steps could include publishing agencies' plans for the future, including why they are or are not, meeting their targets. (See Idea # 5.)

### Implementation issues:

Requiring agencies to post their key performance measures on the web is easy. Conversely, integrating statewide performance measures would require a significant effort from the central state government. Strong information systems are necessary to develop an integral and user-friendly database of government actions and measures statewide.

### See also:

Louisiana performance accountability system: <http://www.state.la.us/opb/lapas/lapas.html>

Florida Government Accountability Report: <http://www.oppaga.state.fl.us/government>

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## Expand the use of performance audits.

*Promotes a wider use of newer forms of auditing which focus on the results an agency achieves - not just its financial situation.*

### What this idea is about:

Performance audits look for ways to improve efficiency and effectiveness. They are a step beyond financial audits. This idea particularly focuses on the concept of auditing for effectiveness because this stresses the importance of outcomes. Performance audits also recommend ways to improve performance measure reliability.

### Best practice examples:

Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA) improves performance and accountability through reviews of state agencies and their programs. OPPAGA develops performance audits and policy reports, follows up on past recommendations and supports the Florida Government Accountability Report - an Internet encyclopedia containing descriptive and evaluative information on state programs. (See Idea #1.)

The Texas auditor systematically audits the performance measures of state agencies, educational institutions and judicial branches to check their reliability and the accuracy of the data.

*Performance audits are an important external check on how agencies are performing.*

### Why this is a good idea:

Performance audits are an important external check on how agencies are performing. Made public, they inform taxpayers about how effectively agencies spend their tax dollars. The legislature can request these audits to improve the management of agencies and promote their performance.

### Where Oregon stands:

Oregon has completed approximately 50 performance audits on various agencies since 1998 based upon legislative request or upon internal assessment of need by the Secretary of State and/or the Joint Legislative Audit Committee. This represents only about one fifth of all audits performed – the rest were mainly financial. Performance audits are reported to the public, involved agencies and the legislature. They typically assess identified risk areas and efficiency rather than agency effectiveness.

### Possible next steps for Oregon:

By following trends over time and assessing achievements against targets, performance audits could be a significant tool in improving agency performance. Performance auditing could check the reliability of agency performance data and the consistency of agency activities against their strategic plans. (See Idea #5.) Since they can actively request performance audits, legislators could use them to address their particular areas of concern. Legislators could also play a key role in encouraging agencies to follow audit recommendations.

### Implementation issues:

This idea would benefit from significant legislative involvement in suggesting and following performance audits. Expanding performance auditing would require additional resources.

### See also:

Florida, OPPAGA: <http://www.oppaga.state.fl.us/about.html>.

Texas audits of performance measures: <http://www.sao.state.tx.us/Reports/perf-audits.cfm>

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## Publicly rank agencies on how well they meet performance expectations.

*Encourages constructive competition between government agencies in key management areas.*

### What this idea is about:

The executive branch or the legislature could evaluate how agencies are performing in key management areas and rank them accordingly. Key management areas could include fields such as human resources, financial management, information technology and managing for results. Based on the rankings, the state could then give the needed support to poor performers and recognition to the best performing agencies.

### Best practice examples:

U.S. federal government recently released the Executive Branch Management Scorecard, rating agency performance in five categories: human capital, competitive sourcing, financial management, e-government and budget/ performance integration. Its purpose is to assess how well agencies are executing the President's management agenda. Agencies are graded with a green, yellow and red light for each category.

*Governing* magazine ranks U.S. states according to financial management, capital management, human resources, managing for results and information technology. The magazine uses a letter grading scale (A, B, etc.). This biennial report has become an external evaluation tool for many states – including Oregon (Benchmark #35).

*Rankings introduce competition as an incentive for agencies to improve their overall situation within the state.*

### Why this is a good idea:

Rankings introduce competition as an incentive for agencies to improve their overall situation within the state. They highlight the top performers who can become a source of best practices and training. Rankings pressure the poor performers to improve. Defining key management areas focuses agency attention on key avenues of improvement. Rankings help legislators understand the strengths and

weaknesses of agencies relative to each other. Rankings can also serve to help focus an agency's key performance measures, which could include areas classified as weak in the rankings.

### Where Oregon stands:

Oregon currently does not systematically assess its state agencies in common management categories. Individual agencies are developing key performance measures for external reporting as a part of the 2003-05 budget process.

### Possible next steps for Oregon:

Over time, categories of performance measures could be created across Oregon state agencies to provide a common denominator for ranking. For all categories, the state would need to develop and publicize key assessment criteria and grading systems. Either *Governing* magazine's or the federal government's method can provide a comparative framework. The state could then develop incentives and additional support to help agencies improve their rankings. (See Ideas #4 and #5.) Another approach could be to rank agencies based on their customers' satisfaction.

### Implementation issues:

Grading should be clear and transparent to gain support. Rankings should be periodic and very visible to become a motivator. Grading fails if top leadership does not consider it. However, rankings are not perfect and poorly ranked agencies will likely complain. Assessing in broad categories is more desirable than a numerical ranking that can be endlessly debated. The state should use rankings primarily for learning, where the explanations behind the grades are the most important issue. Grading can be counterproductive if the analysis does not adequately consider the differences between agencies in size, purpose, field of discipline and other pertinent characteristics.

### See also:

Federal agency scorecards: [http://www.whitehouse.gov/omb/budintegration/scorecards/agency\\_scorecards.html](http://www.whitehouse.gov/omb/budintegration/scorecards/agency_scorecards.html)

*Governing* magazine grading states: <http://governing.com/gpp/gplintro.htm>

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## Create incentives to encourage agencies to achieve performance targets.

*Raises the stakes for agencies to succeed.*

### What this idea is about:

The legislature could raise the stakes for agencies by creating incentives for them to achieve performance targets. If an agency exceeds the performance targets agreed upon with the legislators, the agency receives extra flexibility or resources. If the agency continuously fails to meet the targets by a certain degree with no valid explanation, additional restrictions or reporting requirements may apply.

### Best practice examples:

In Texas, agencies establish performance milestones for achieving targets within each annual budget. Agencies develop the targets in coordination with the Legislative Budget Board. When agencies meet, exceed, or fail to achieve expected performance levels, the Legislative Budget Board and the governor may implement rewards or penalties. These incentives include additional funding or flexibility in areas such as transfer of funds or purchasing restrictions. Agencies can also pay bonuses to employees when exceeding 80 percent of the agency key performance measures. Penalties include further budgetary restrictions and performance audits.

Florida also provides incentives and deterrents along similar lines. It is interesting to note that Florida's use of disincentives consists mainly in extra reporting requirements, without further penalties.

*Flexibility allows agencies to design innovative strategies to enhance their results.*

### Why this is a good idea:

Incentives and rewards can motivate agencies to improve performance. Additional flexibility allows agencies to design innovative strategies to enhance their results. By developing the mentioned incentives, the agency attention is focused on achieving results.

### Where Oregon stands:

State agencies will submit performance targets for the 2003 - 05 budget, and the legislature needs to approve them. This requires that agencies and the legislature agree on expected results of the agency and implement systems to measure and report performance. Budget flexibility is currently handled on an agency-by-agency basis and is not based on the attainment of agency performance measure targets.

### Possible next steps for Oregon:

The legislature could give additional flexibility and authorize rewards for agencies and employees according to agency performance. (See Idea #10.) A further step could involve legislators negotiating and setting agency targets.

### Implementation issues:

Incentives are a complicated tool, and several issues need to be acknowledged: 1) this approach requires a cultural change that holds agencies accountable for results while allowing greater flexibility regarding expenditures; 2) focus on results is most compelling when incentives influence budget allocations, making legislative support critical; 3) it is important that the legislature be satisfied with the scope and validity of information reported by agencies before granting them flexibility; 4) because of competing priorities, the public sector often reduces funds to agencies that are performing well, removing any incentives for good performance; 5) implementing penalties can be dangerous as they may worsen results.

### See also:

Read about Texas and Florida in Appendices #2 and #3. See Texas Performance Reward and Penalties Provision at [www.sao.state.tx.us/resources/manuals/prfmguide/appendix\\_4.html](http://www.sao.state.tx.us/resources/manuals/prfmguide/appendix_4.html).

1999 Florida report on incentives and disincentives is at [http://199.44.254.194/data/Publications/2000/Senate/reports/interim\\_reports/pdf/00-39fp.pdf](http://199.44.254.194/data/Publications/2000/Senate/reports/interim_reports/pdf/00-39fp.pdf)

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## Require agencies to develop strategic plans as part of a comprehensive planning approach.

*Provides critical context for results-based management.*

### What this idea is about:

A comprehensive planning process supported by state-issued guidelines would help to align state agencies with overarching government values, policies and/or priorities. The guidelines would articulate a process in which state agencies would develop, implement and iteratively update both short- and long-term strategic plans.

### Best practice examples:

Missouri executive orders require agencies to develop three to five year strategic plans with a focus on managing for results. An Interagency Planning Council provides leadership in implementing the integrated strategic planning process and coordinating with the legislature to ensure that strategic plans and appropriate performance measures provide the basis for agency appropriation requests. The planning model requires agencies to develop a vision, mission, values, objectives, outcomes, strategies and their respective measures. It also requires action plans for implementation of strategies. Plans are reviewed annually.

Tasmania, Australia - Tasmania Together Progress Board, an organization similar to the Oregon Progress Board, advises the state's budget committee at the beginning of the budget process on priority benchmarks and initiatives regarding their 20-year strategic plan. Their long-term plan is also a standing item on the monthly heads of agency meeting as a way to keep the focus on the future.

*Strategic plans require agencies to clarify where they are, where they want to be, how they will get there, and how they will measure success.*

### Why this is a good idea:

Strategic plans require agencies to clarify where they are, where they want to be, how they will get there, and how they will measure success. Performance measures are a natural result of the process. Planning involves setting priorities, which is what makes the process strategic. Strategic planning also helps to clarify roles and expectations, assign responsibilities, and identify duplicative efforts. Ideally, strategic plans would inform the budget allocation process.

### Where Oregon stands:

Currently, there is no legislative mandate for integrated strategic planning in Oregon state government. Budget instructions minimally require agencies to develop two-year and six-year strategic goals. Many Oregon agencies have a mission and goals, but that does not guarantee that they are planning and carrying out their actions strategically.

### Possible next steps for Oregon:

In order for this idea to work, agency planning must be required. While voluntary compliance would be preferable, a statute may be required for complete compliance. A comprehensive planning initiative would likely do best in Oregon with a collaborative, central work group to develop the guidelines and requirements for agencies' strategic plans. These guidelines should promote alignment with *Oregon Shines*, the over-arching state vision. They should also integrate planning with the outcome-based performance measurement process currently underway in Oregon.

### Implementation issues:

Strategic planning is an ongoing, iterative process. The first strategic plans will take extra time and effort for agencies to develop. Since strategic planning is a learned skill, agencies will likely require training and technical assistance.

### See also:

Missouri strategic planning, model and guidelines: <http://www.mri.state.mo.us/SP/m&g.pdf>

Tasmania Together: <http://www.tasmaniattogether.tas.gov.au>

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## Implement performance agreements between the governor and agency directors.

*Aligns agency directors' responsibilities with agency results.*

### What this idea is about:

The governor and agency directors agree on the results their respective agencies aim to achieve during the next period. Both parties negotiate and set concrete measurable targets. The agency head assumes responsibility for achieving those targets. Ideally, the governor promises the agency additional flexibility and needed resources to do so.

### Best practice examples:

Washington state government has performance agreements between the governor and agency directors using a performance measurement tool called the Balanced Scorecard. Both parties set specific targets for several performance measures the agency should accomplish in different areas.

Virginia's governor develops executive agreements with agency directors, holding them responsible for meeting performance measures. These agreements require agencies to list a few key results acknowledging: governor's priorities; legislative initiatives; and service and efficiency improvement initiatives. The agreements also require agency directors to comply with general statewide management standards such as budget management regulations. These executive agreements are contractually binding, involving recognition if directors meet the targets, or remedial actions if they fail to meet the established results.

*Performance agreements motivate agency directors to commit to achieving specific outcomes.*

### Why this is a good idea:

Performance agreements motivate agency directors to commit to achieving specific outcomes. Funds are given with the expectation of specific results, focusing directors' attention on the targets. Performance agreements clarify expectations on both sides, and can link the budget to the results. When these contracts are accessible, the public can keep track of agency performance across time

and look for explanations behind the levels of performance reached. Performance agreements force agencies to measure and report their results. Agency directors can replicate these agreements at lower management levels, aligning staff responsibilities with agency targets. (See Idea #7.)

### Where Oregon stands:

Agency budgets are based on past levels of expenditure. The governor and agency directors do not negotiate based on specific, measurable results. Agencies are currently developing key performance measures and targets for the 2003 - 05 budget, but performance agreements have not been part of the discussion.

### Possible next steps for Oregon:

The governor could initiate negotiations with agency directors on agency priorities and target levels. Similarly, agency budget requests could include not only needed resources, but also the outputs and outcomes they expect to produce as a result of that funding. The legislature could create incentives to reward the results achieved. (See Ideas #7 and #10.)

### Implementation issues:

This idea requires involvement of the governor or governor's representative in developing and following performance agreements with the agency directors. Executive support is critical. Performance agreements need to focus on results and provide flexibility to agencies.

### See also:

Washington examples are shown in Appendices #4 and #5.

Washington's governor management agenda: <http://www.governor.wa.gov/quality/initiatives/mgmtagenda.pdf>

Virginia executive agreements: <http://www.dpb.state.va.us/VAResults/HomePage/PMMaterials.html>

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## Implement performance agreements between agency directors and their managers.

*Fosters initiative and accountability.*

### What this idea is about:

Agency directors could hold their managers responsible for achieving specific results linked to the organizations' mission and goals and to the manager's performance evaluation. More responsibility is typically given to the managers together with more flexibility to develop their work. Agreements could also specify financial incentives for managers. Agency directors could replicate these agreements at different levels.

### Best practice examples:

The U.S. Veterans Health Administration (VHA) utilizes performance agreements between the Under Secretary for Health and unit managers. VHA gives managers substantial autonomy and holds them accountable for their results, evaluating them on a mix of personal competencies, measurable goals and other areas of special interest. VHA agreements link bonuses to the achieved results.

France's Directorate General for Taxes delegates authority to its departments by developing performance contracts. Formal discussions between the director general and the local directors take place every two years. They agree on quantitative performance targets and develop action plans. The central office provides significant flexibility to its departments, which brings decision-making as close to staff and users as possible.

*Performance agreements...motivate employees to meet formally agreed-upon targets.*

### Why this is a good idea:

Performance agreements are a good tool to help clarify and communicate the priorities of an agency, linking performance assessment of managers to agency goals. They compel agencies to keep their performance plans and strategies updated, and motivate employees to meet formally agreed-upon targets. Agreements make the strategy of the agency clear to all operational units. According to a recent case study by the Organisation for

Economic Co-operation and Development (OECD), performance agreements increase employees' awareness of the resources made available for achieving the targets that the agency has formally undertaken to meet.

### Where Oregon stands:

Generally, managers are not held accountable for meeting specific agency targets. However, Oregon's Department of Administrative Services has developed an extensive performance management system to help employees improve their performance, and supervisors to provide feedback and offer training opportunities to their employees.

### Possible next steps for Oregon:

A first step would be to clarify the responsibilities and set measurable outcome targets for each unit and subunit. Agency directors could then make managers and employees responsible for achieving them. Agencies could link specific resources to the outcomes of each organizational unit. Agencies also could tie incentives to the results achieved. (See Idea #10.)

### Implementation issues:

Assigning responsibilities when results are dependent on the work of more than one unit is not easy. Setting targets that are ambitious but realistic could be difficult, especially in uncertain times. Moreover, managers need to know that they will receive the resources needed to achieve the targets.

### See also:

VHA performance agreements: <http://www.va.gov/budget/perfplan/enhance.htm>

U.S. General Accounting Office report on the benefits of performance agreements:

Organisation for Economic Co-operation and Development case studies in performance contracting:  
<http://www.oecd.org/EN/document/0,,EN-document-287-9-no-28-20298-287,00.html>

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## Expand performance contracts between public agencies and providers of goods and services.

*Rewards contractors for achieving actual results, not just completing activities.*

### What this idea is about:

Performance contracts with outside vendors could provide incentives based on measurable results or impact of their work rather than just adherence to regulations or required activities.

### Best practice examples:

Oklahoma recently created an incentive and outcome-based purchasing system called the Milestone Payment System. Instead of focusing on regulations or just measuring activities, Oklahoma linked payment for contract services to a series of “milestones” on the way to specific goals or outcomes, such as employment. Recognized in 1997 by the Innovations in American Government Program, the Milestones program was effective in cutting government spending, improving service delivery and increasing customer satisfaction.

The federal government’s Office of Management and Budget set an FY 2002 target: that 20 percent of contracts greater than \$25,000 will be performance-based. Another federal agency, the Environmental Protection Agency (EPA), developed a pay for performance toolbox to help state cleanups. “In pay for performance cleanups, contractors are paid a set amount of money for reaching specific contamination reduction goals (within a set time limit), which are predetermined by state cleanup experts.”

*Performance contracts emphasize the measurable results expected rather than simple adherence to regulations.*

### Why this is a good idea:

Performance contracting increases the likelihood of meeting contract goals by providing flexibility to contractors. It increases control of government funds in that contractor payments are often conditional on meeting specified results. Because both parties are vested in achieving the expected results, collaborative partnerships typically replace the more polarized relationship of traditional contracts.

### Where Oregon stands:

Contracting practices vary across agencies. Not all agencies have the technical capability to measure outcomes. Efforts typically focus on deliverables (such as a final report), which do not always equal outcomes. However, Oregon is taking steps towards results-based contracting. The Office of Procurement, Fleet and Surplus Services pays its external auditor based on overpayments discovered. And, a new performance contract pilot is being developed within the Office of Mental Health and Addictions Services (OMHAS) that focuses contracts on outcomes.

### Possible next steps for Oregon:

Clarifying the goals and measurable outcomes of the contracts is a must for performance contracting. Defining intermediate outcomes (as in Oklahoma’s milestones) would be especially useful for social services, where the final outcomes are either not viable to measure or takes years to materialize. State agencies could also set targets for the percentage of contracts that are performance-based. New legislation could require the development of additional performance based contracting in state government and simplify existing contracting rules. It could also encourage agencies to develop more collaborative relationships with their contractors.

### Implementation issues:

Determining aligned and doable outcomes requires a new way of thinking about contracts. Agencies often have difficulty in measuring outcomes and require training and/or technical assistance. A high degree of collaborative involvement between the agency and the contractor is required. In Oregon, the required open bidding process usually limits long-term contractual partnerships, which can de-emphasize the track records of high-performing contractors.

### See also:

Oklahoma milestone payment system: <http://www.onenet.net/~home/milestone>

OMB memorandum: <http://www.whitehouse.gov/omb/memoranda/m01-15.pdf>

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**Incorporate measurable outcomes into all state grant programs.**

*Requires results-oriented grant applications and holds grantees accountable for results.*

**What this idea is about:**

Agencies frequently support local initiatives through block or special purpose grants. This idea requires grant applicants to identify measurable outcomes. In this way, funding agencies could consider each grant's outcomes in two ways: 1) when allocating the funds, and 2) when evaluating the impact of the grants after the projects are finished.

**Best practice examples:**

The City of Indianapolis' Department of Metropolitan Development (DMD) provides federal grants based on performance. All grant applicants must identify the measurable outcomes the project intends to achieve, together with a performance evaluation plan. The outcome measures provide a mechanism for DMD staff to allocate funds and later to monitor their progress. DMD pays based on the level of outcomes achieved.

W. K. Kellogg Foundation emphasizes outcomes in its grants Evaluation Handbook by encouraging grantees to think about outcomes during each project phase (i.e., planning, implementation, post-evaluation). The foundation encourages grantees to consider different types of outcomes: 1) individual, client-based outcomes; 2) program and system-level outcomes; 3) community outcomes; and also 4) organizational effectiveness. The foundation also encourages the use of logic models to clarify how the projects intend to achieve its outcomes.

*Requiring measurable results motivates grantees to improve their advance planning and allows government officials to allocate grant funds to those with the highest expected social benefit.*

**Why this is a good idea:**

Grantees are held accountable for the money received. Requiring measurable results motivates grantees to improve their advance planning and allows government officials to allocate grant funds to those with the highest expected benefit. According to a recent survey by United Way of America, outcome measurement provides valuable feedback that can help organizations increase their effectiveness and communicate the value of what they do.

**Where Oregon stands:**

Few granting agencies in Oregon focus on outcomes when making grants. Two exceptions, the Oregon Economic and Community Development Department (OECDD) and the Oregon State Police (OSP), have instituted outcome-based criteria. The OSP's Criminal Justice Services Division examines grant applicants' proposed outcomes for some crime prevention programs (Byrne Grant) programs. OECDD requires outcomes before regional and rural strategies funds are allocated.

**Possible next steps for Oregon:**

All granting agencies could require information on measurable outcomes in their grant application forms and then consider that information when allocating funds. They could also post evaluation criteria on the Internet, together with the assessment of each grant application. After the respective projects are implemented, agencies could evaluate their results against the planned outcomes. Future funding decisions could then consider, among other factors, an applicant's past success in achieving outcome targets.

**Implementation issues:**

Outcomes are not always easy to measure. (See Idea #8.) This idea will likely require additional agency effort and resources in grants management, outcome measurement and in providing training and/or technical assistance to grantees.

**See also:**

DMD federal grants application guidelines [http://www.indygov.org/cdfs/docs/federal\\_funds/app\\_2002.doc](http://www.indygov.org/cdfs/docs/federal_funds/app_2002.doc)

W. K. Kellogg Foundation evaluation handbook: <http://www.wkkf.org/pubs/Pub770.pdf>

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## Provide stronger incentives for employees to achieve performance targets.

*Aligns employee performance expectations with agency goals.*

### What this idea is about:

Some governments tie employees' monetary compensation to their performance to motivate them to reach the agency targets. This idea requires clarifying employees' expectations and responsibilities relative to agency goals, and conducting performance appraisals that are consistent with those expectations.

### Best practice examples:

Georgia's merit system develops performance plans for each employee and evaluates individual performance on the scale "does not meet expectations", "meets expectations" and "exceeds expectations." In the past, this evaluation determined each individual's salary increase. Employees who did not meet expectations received no salary increase; those who exceeded expectations received a salary increase one or two percent higher than those who just met them. Starting in 2000, instead of a salary increase, Georgia rewards those employees who exceed expectations with a yearly bonus of two or three percent of their salary. The system is open to all employees.

The United Kingdom has a merit pay system for its senior managers and policy advisors. Managers receive an evaluation from their superiors, who also suggest to a pay committee whether a bonus should be awarded. The evaluation is based on comparisons to other individuals at the same level and on performance agreements. (See Idea #7.) Superiors also consider employees' self-assessments. Then the pay committee places people in the top, middle, or bottom range of a relative scale of contribution to the organization. Based on that range and employees' positions on their pay scale, a salary increase and bonus is determined. To ensure the motivational effect, the U.K. provides a minimum bonus of three percent of base pay or £2,000 (approximately \$3,100) whichever is higher. The system is integrated with job promotions, training and 360-degree employee feedback (provided by superiors, peers, subordinates, clients and providers).

*Incentives help employees focus their work on the outcomes of the agency.*

### Why this is a good idea:

Linking bonuses to performance rewards employees' commitment and success. It encourages agencies to clarify expectations for each person and align those with unit objectives. Incentives help employees focus their work on the outcomes of the agency. Bonuses

recognize employees' efforts and provide incentives for high achievement.

### Where Oregon stands:

Public employees' salaries are fixed to a range according to each position. Increases within each range mainly follow longevity, but salaries can accelerate to the top of the range based on performance. In Oregon, nearly half of all state employees are at the top of their salary ranges. The promotion system is not a formal one based on performance evaluations. Bonuses of up to \$500 per year are permitted, but they are rarely used. Another incentive rewards outstanding achievement or performance with a paid leave, not to exceed 40 hours in a year.

### Possible next steps for Oregon:

Employees' expectations need to be aligned with the agencies' goals. Legislation could be adopted and funds appropriated for this effect. Agencies may have to revise employees' evaluation systems to award bonuses.

### Implementation issues:

Merit pay is better received when it is open to all the employees. Rewards cannot really motivate when bonuses are not significant, so this idea would be expensive to implement. Aligning employee and agency goals requires strategic planning. (See Idea #5.) It is difficult to design an evaluation system that is fair and objective.

### See also:

See United Kingdom pay matrix and performance management cycle in Appendix #6; UK senior civil service performance and reward: <http://www.cabinet-office.gov.uk/civilservice/scs/index.htm>

Georgia merit system: <http://www.gms.state.ga.us/index.asp>

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*Additional information was gathered from the websites detailed in Appendix # 7.*

## Appendix # 2: Texas Performance Reward and Penalties Provision

The General Appropriations Act states the following:

Sec. 9-6.39 - Performance Rewards and Penalties.

- a. It is the intent of the legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of each state agency and institution. In order to achieve the objectives and service standards established by this Act, agencies and institutions shall make every effort to attain the designated key performance target levels associated with each item of appropriation.
- b. To support and encourage the achievement and maintenance of these appropriated annual performance levels, continued expenditure of any appropriations in this Act shall be contingent upon compliance with the following provisions:
  1. Agencies and institutions, in coordination with the Legislative Budget Board, shall establish performance milestones for achieving targets within each annual budget and performance period; time frames for these milestones and the related performance reporting schedule shall be under guidelines developed by the Legislative Budget Board.
  2. Agencies and institutions shall provide testimony as to the reasons for any performance variances to the Senate Finance Committee and the House Appropriations Committee, as determined to be necessary by those committees; assessments of agency and institution performance shall be provided to the committees under guidelines and procedures developed by the Legislative Budget Board.
- c. Upon a finding that an agency or institution has successfully met or exceeded performance expectations, or has failed to achieve expected performance levels, the Legislative Budget Board, and the Governor, may adopt a budget execution order, which may include but is not limited to, one or more of the following:
  1. Positive Incentives/Rewards - Increased funding, exemption from reporting requirements, increased funding transferability, formalized recognition or accolade, awards or bonuses, expanded responsibility, or expanded contracting authority;
  2. Negative Incentives/Redirection - Evaluation of outcome variances for remedial plan, reduction of funding, elimination of funding, restriction of funding, withholding of funding, reduction of funding transferability, transfer of functional responsibility to other entity, recommendation for placement in conservatorship, direction that a management audit be conducted or direction that other remedial or corrective actions be implemented.
  3. The Legislative Budget Board may develop rules and procedures for the implementation of the above provisions.
  4. The Legislative Budget Board may request from the State Auditor's Office comments regarding performance penalties and rewards.
- d. To further foster, support, and reward outstanding performance, ongoing productivity improvements and innovative improvement programs, and to retain key high performing employees, qualified state agencies may expend amounts necessary from funds appropriated in this Act for the purposes of enhancing compensation for employees who directly contributed

to such improvements. Only classified employees are eligible for enhanced compensation, and this award shall not exceed 6.8 percent of an employee's annual base pay. To be eligible for this provision, an agency must:

1. Achieve or exceed targets for 80 percent of the established key performance measures:
  - A. For fiscal year 2000, eligibility shall be determined by the Legislative Budget Board based on performance reported to the Automated Budgeting and Evaluation System of Texas (ABEST) for fiscal year 1999;
  - B. For fiscal year 2001, eligibility shall be determined by the Legislative Budget Board based on performance reported to ABEST for fiscal year 2000; and
  - C. Have an unqualified certification for at least 70 percent of its performance measures as shown by its most recent certification review by the State Auditor's Office; and as reflected in the "Summary Assessment of Agency Performance: Fiscal Year 1998" produced by the Legislative Budget Board and submitted to the Seventy sixth Texas Legislature. If an agency has not been subject to this review, then the agency may submit a request for certification to the State Auditor's Office, accompanied by a self-assessment demonstrating that the agency has satisfied at least 70 percent of its performance measures. The request and accompanying information shall be prepared according to instructions provided by the State Auditor's Office. The State Auditor's Office shall review an agency's self-assessment and advise the Legislative Budget Board concerning whether the agency satisfies the criteria for eligibility under this section.
2. File a report with the Legislative Budget Board, Governor's Office of Budget and Planning, House Appropriations Committee, and Senate Finance Committee describing the success of the innovative program and criteria used to assess the improvements.
- e. In addition to the provisions of this section, sixty days prior to implementation, qualified agencies are required to file a report with the Legislative Budget Board, Governor's Office of Budget and Planning, House Appropriations Committee, and Senate Finance Committee describing in detail how they intend to use this flexibility to further the goals of this section.

Source: [http://www.sao.state.tx.us/resources/manuals/prfmguide/appendix\\_4.html](http://www.sao.state.tx.us/resources/manuals/prfmguide/appendix_4.html)

## Appendix # 3: Florida Authorized Incentives and Disincentives

Statute 216.163 (4):

The Executive Office of the Governor shall review the findings of the Office of Program Policy Analysis and Government Accountability, to the extent they are available, request any reports or additional analyses as necessary, and submit a recommendation for executive agencies, which may include a recommendation regarding incentives or disincentives for agency performance. Incentives or disincentives may apply to all or part of a state agency. The Chief Justice shall review the findings of the Office of Program Policy Analysis and Government Accountability regarding judicial branch performance and make appropriate recommendations for the judicial branch.

(a) Incentives may include, but are not limited to:

1. Additional flexibility in budget management, such as, but not limited to, the use of lump sums or special categories; consolidation of budget entities or program components; consolidation of appropriation categories; and increased agency transfer authority between appropriation categories or budget entities.
2. Additional flexibility in salary rate and position management.
3. Retention of up to 50 percent of all unencumbered balances of appropriations as of June 30, or undisbursed balances as of December 31, excluding special categories and grants and aids, which may be used for nonrecurring purposes including, but not limited to, lump-sum bonuses, employee training, or productivity enhancements, including technology and other improvements.
4. Additional funds to be used for, but not limited to, lump-sum bonuses, employee training, or productivity enhancements, including technology and other improvements.
5. Additional funds provided pursuant to law to be released to an agency quarterly or incrementally contingent upon the accomplishment of units of output or outcome specified in the General Appropriations Act.

(b) Disincentives may include, but are not limited to:

1. Mandatory quarterly reports to the Executive Office of the Governor and the Legislature on the agency's progress in meeting performance standards.
2. Mandatory quarterly appearances before the Legislature, the Governor, or the Governor and Cabinet to report on the agency's progress in meeting performance standards.
3. Elimination or restructuring of the program, which may include, but not be limited to, transfer of the program or outsourcing all or a portion of the program.
4. Reduction of total positions for a program.
5. Restriction on or reduction of the spending authority provided in s. 216.292(2).
6. Reduction of managerial salaries.

Source: Section 216.163(4), Florida Statutes.

[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0216/SEC163.HTM&Title=->2001->Ch0216->Section%20163](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0216/SEC163.HTM&Title=->2001->Ch0216->Section%20163)

## Appendix # 4: Washington State Department of Labor and Industries' (L&I) 1999-2000 Performance Agreement Scorecard

Measurable Targets:		Business Re-	Customer	Improvement	Innovation	First Quarter (9/30/99)	Second Quarter (12/31/99)	Third Quarter (3/31/00)	Fourth Quarter (6/30/00)	Comments: Updated: 5-26-00
Safe Workplaces	Identify and fix 14,900 serious hazards in workplaces with WISHA consultation or enforcement.	X				Enforcement Target/Actual 2031/2051 Consultation Target/Actual 1595/1718 Combined Target/Actual 3626/3769	Enforcement Target/Actual 2175/1377 Consultation Target/Actual 1550/ 1292 Combined Target/Actual 3725/2669	Enforcement Target/Actual 2175/1231 Consultation Target/Actual 1550/ 1984 Combined Target/Actual 3725/3215	Enforcement Target/Actual 2175/ Consultation Target/Actual 1550/ Combined Target/Actual 3725/	Targets are based on the agency's OSHA performance and represent 105% of prior federal fiscal year goals for enforcement and consultation. 1 <sup>st</sup> & 2 <sup>nd</sup> quarter data refreshed. [Note: Anticipate 3rd quarter # hazards fixed to increase significantly when data is updated.]
	Reduce by 5% the incidence rate for back and shoulder injuries in nursing homes participating in L&I's Hazard Impact Partnership, compared to same period's incidence rates for the industry.	X				[Note: <u>Annual</u> target. Narrative project updates only for first three quarters.]			Target: 6.4/back; 1.5/ shoulder Actual:	2 <sup>nd</sup> on site evaluation visits scheduled for 34 premium discount facilities. Results of 2 <sup>nd</sup> year SHARP survey will be released mid-May.
Workers' Compensation	Reduce time-loss duration by 5% compared to quarter ending 6/30/97.	X				Target: 1% reduction Actual: 0%	Target: 3% reduction Actual: 5% increase	Target: 4% reduction Actual: <b>5.7% increase</b>	Target: 5% reduction Actual:	Overall lead indicators are looking positive, but aggressive intervention and appropriate closure of active claims is taking longer than anticipated to impact the timeliness duration index.
	Resolve 90% of protests within 90 days.			X		Target:77% Actual: 73%	Target:81% Actual:85%	Target:86% Actual: <b>82%</b>	Target:90% Actual:	Baseline: 73% . Protest prototype in Unit 9 began 9-1-99.
	Initiate three-way contact* – with injured workers, their employers and doctors -- within 48 hours of employer assignment.		X			Pilot prototype initiated.	Prototype is completed, prototype evaluation initiated.	Implementation was completed on 2-2-00	Project is now complete.	The 48-hour contact initiative was implemented by designated service areas (DSA) or geographical areas. Staged implementation began on 1-12-00.
	Identify at least three patterns of potential provider fraud with significant human and/or financial impacts to the workers' compensation system.				X	RFP 45% complete.	Target: RFP and bid process complete. Actual: 80%	RFP complete. Admin process 90% complete.	Target: Long-term strategies developed	RFP for contracted fraud detection technology issued on April 7, with expected contract date of July 1, 2000. Recruiting staff.
Regulatory Improvement	Review at least 4300 sections of L&I rules; repeal or rewrite as appropriate.			X		Target: 350 Actual: 151	Target: 350 Actual: 140	Target: 200 Actual: <b>221</b>	Target: 350 Actual:	Program anticipates 3 <sup>rd</sup> and 4 <sup>th</sup> quarter results will meet or exceed yearly target for FY00.
	Work with stakeholders to ensure ease of compliance with at least six chapters of rules.				x	Target: 1 Actual: 1	Target: 2 Actual: 1	Target: 0 Actual: <b>0</b>	Target: 3 Actual:	Legislative session precluded usability testing since both staff and stakeholders were otherwise occupied.

Ten Ideas For Improving Oregon State  
Government Performance and Accountability.

Customer Service	Decrease by 25% the number of hot line complaints from customers whose calls have not been returned.		X		Target:11% Actual: 13.2%	Target: 10.5% Actual: 10.7%	Target: 10% Actual: <b>10.9%</b>	Target: 9.3% Actual:	FY99 Baseline: 12.4%. [Note: "Actual" reflects percent of complaints attributed to calls not being returned.]
	Ensure that 90% of incoming letters are answered within two weeks.			X	Target:80% Actual: 61%	Target:83% Actual: 85%	Target:87% Actual: <b>92%</b>	Target:90% Actual:	Refers to Director's Office correspondence only.
Other Mandates	Increase by 25% the number of unregistered contractors who register because they were cited.	X			Target: 112 Actual: 84	Target: 112 Actual: 66	Target: 112 Actual: <b>76</b>	Target: 112 Actual:	New FY99 baseline and targets; new first quarter actuals; changed to report all registrations within the quarter. [1 <sup>st</sup> & 2 <sup>nd</sup> quarters re-freshed]
	Complete 85% of electrical inspections within 24 hours.		X		Target:82% Actual: 84%	Target:83% Actual: 85%	Target: 84% Actual: <b>88%</b>	Target:85% Actual:	Baseline: 79% statewide average.
Human Resources	Reduce by 15% the average time to fill agency vacancies.			X	Target: 2.5 day reduction Actual: 10 days	Target: 4 day reduction Actual: 5 days	Target:6 day reduction Actual: <b>18</b> day reduction	Target:7.5 day reduction Actual:	Baseline: 50 days overall average. 3rd quarter: <b>32.1</b> days overall average to fill vacancies.
	Increase the diversity of the exempt and WMS workforce.			X	Actual: 2 Cumulative Total: 2	Actual: 2 Cumulative Total: 4	Actual: <b>4</b> Cumulative Total: <b>9</b>	Actual: Cumulative Total:	4 new diverse hires/appointments.

Source: <http://www.governor.wa.gov/quality/archive/lni/3rdquarterscorecard.doc>

## Appendix # 5: Washington State Department Of Veteran Affairs Performance Agreement With The Governor, 2001

### WDVA'S PERFORMANCE AGREEMENT WITH THE GOVERNOR FISCAL YEAR 2001

#### PROGRAM/AGENCY/FINANCIAL

Maximize federal, local and private funding sources to reduce reliance on the general-fund state budget. Last year, WDVA reduced skilled nursing cost of care by 27 percent and increased federal and local revenues by \$3 million. This year, WDVA will exceed the bed fill goal of 93 percent by at least 2 percent.

#### LEARNING AND GROWTH

Implement an agency-wide Human and Resource Development plan to include at least 30 percent of line staff and 30 percent of supervisors. An internal tracking system will be in place by Nov. 30, 2000.

#### CUSTOMER AND CONSTITUENT

Take services directly to veterans. The field service restructuring — including the newly developed Veteran Information, Benefits and Assistance Fairs — will complete an additional 150 successful veterans benefits claims each quarter, for a total of 600 this fiscal year.

Develop and implement a client tracking program this fiscal year.

#### FINANCIAL AND SOCIAL

Establish an additional 50 community beds to serve homeless/or domiciliary veterans, bringing the biennium total to 102. This would represent 104 percent of goal.

The Urban Homeless Veterans Reintegration Project targets placement of over 189 veterans in full time employment by December 31, 2000. Additionally, the program will assist 180 homeless veterans with transitional or permanent housing.

#### INTERNAL PROCESSES

Continue to be the national model for service to incarcerated veterans in the King County jail system and maintain a recidivism rate of 15 percent.

#### INTERNAL MANAGEMENT AND MONITORING PROCESS

Monitor the implementation of each initiative in the agency's strategic plan. Project leaders will report regularly to the Management Team, as well as quarterly meetings of the Extended Management Team. Two of the extended management meetings will be held at the Homes and be open to all staff.

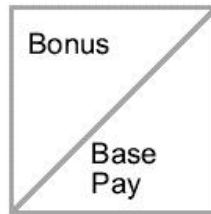
Source: <http://www.dva.wa.gov/PDF%20files/vvsept00.pdf>

## Appendix # 6: United Kingdom Pay Matrix and Performance Management Cycle

### Pay Matrix

The system for awarding base pay and bonuses will be by use of a pay matrix on the lines illustrated below. The percentage base pay awards and range of bonuses in each cell of the matrix will be recommended by the Senior Salaries Review Body (SSRB) each year.

*This pay matrix calculates bonuses and base pay increase for each employee based on their relative contribution to the organization and their position on the pay range. Each square is divided in two triangles as the first figure shows. The upper triangle shows whether the employee will definitively have a bonus, is only eligible for a bonus, or will have no bonus, depending on his/her position in the matrix. It is clear that bonus eligibility are directly dependent on employee relative contribution. The lower triangle shows employee base pay awards, that are dependent on both the individual contribution and the employee position on the pay range. The system is designed to move employees up the pay range more quickly when they are below the middle, and maintain the progression, but more slowly, between the middle and the top of the range.*

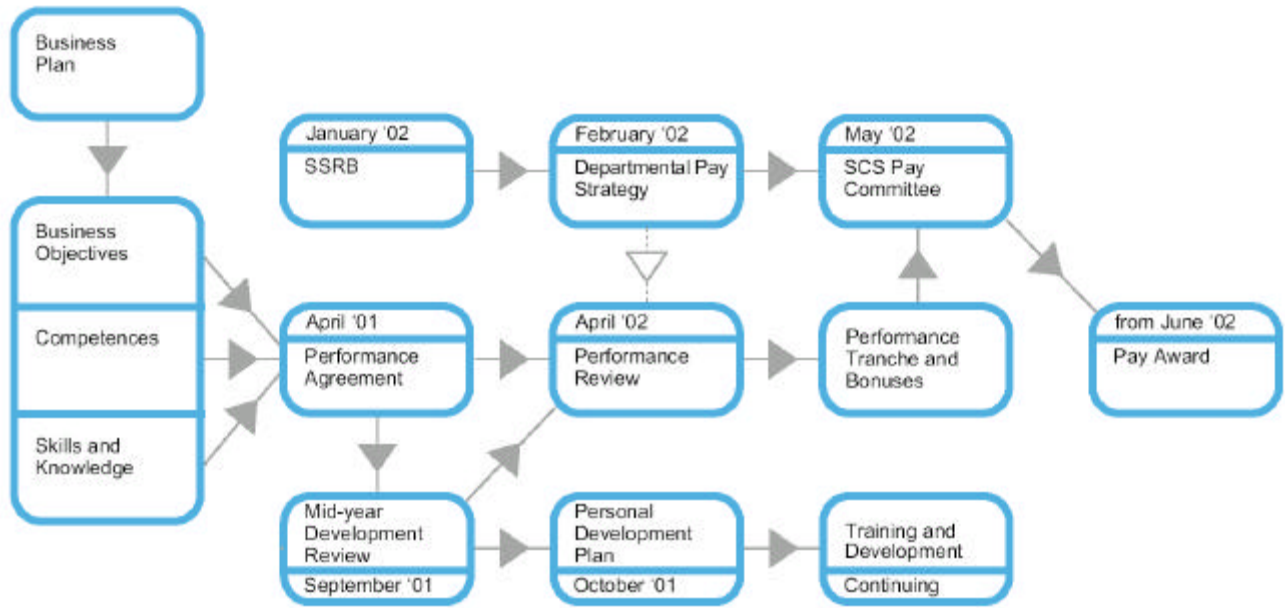


NB.  
A medium base pay award will be at least the equivalent of the annual revalorisation recommended by the SSRB. A low base pay award may, in some circumstances, mean no award at all.

Contribution	Top 25%	Definite Bonus High ++%	Definite Bonus High +%	Definite Bonus High %
	Middle 65-70%	Eligible for Bonus Medium ++%	Eligible for Bonus Medium +%	Eligible for Bonus Medium %
	Bottom 5-10%	No Bonus Low to Medium %	No Bonus Low to Medium %	No Bonus Low to Medium %
		Lower	Upper	Premium

Position in Pay Range

### Performance Management Cycle



Source: <http://www.cabinet-office.gov.uk/civilservice/scs/documents/pdf/guidancenotes.pdf>

## Appendix # 7: Web Resources

- California State Auditor:  
<http://www.bsa.ca.gov/bsa/aboutbsa.html>
- City of Portland, OR, Performance Audits:  
<http://www.ci.portland.or.us/auditor/pdxaudit.htm>
- City of Sunnyvale California:  
<http://www.ci.sunnyvale.ca.us/>
- Colorado - Memoranda of Understanding:  
[http://www.state.co.us/gov\\_dir/govnr\\_dir/ospb/Budget\\_terms.html](http://www.state.co.us/gov_dir/govnr_dir/ospb/Budget_terms.html)
- EPA Pay for Performance Toolbox:  
<http://www.epa.gov/swerust1/pfp/toolbox1.htm>
- Federal Agency Scorecards:  
[http://www.whitehouse.gov/omb/budintegration/scorecards/agency\\_scorecards.html](http://www.whitehouse.gov/omb/budintegration/scorecards/agency_scorecards.html);
- Florida Performance Audits and Reports:  
<http://www.oppaga.state.fl.us/profiles/2113/>
- Florida Government Accountability Report:  
<http://www.oppaga.state.fl.us/government/>
- Florida, OPPAGA:  
<http://www.oppaga.state.fl.us/about.html>;
- Florida Statute with Incentives and Disincentives:  
[http://www.leg.state.fl.us/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0216/SEC163.HTM&Title=->2001->Ch0216->Section%20163](http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0216/SEC163.HTM&Title=->2001->Ch0216->Section%20163)
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