

Money Matters

A Publication of the House Fiscal Analysis Department on Government Finance Issues

State Agency Performance Reports

Abstract: This paper describes performance reporting requirements for state agencies and programs and provides a context for the Legislature to consider this information.

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Introduction: Minnesota State Agencies and Programs Must Report on Results

Many Minnesota state agencies have been required to report to the Legislature on performance since 1995 for the purpose of evaluating agency programs and functions. Performance reporting attempts to increase the emphasis on program *results*. With performance reporting, the success of a program or agency is determined by the ability of that program or agency to meet its goals.

State agencies presented performance reports to fiscal committees prior to the 1995 and 1997 legislative sessions. The third round of performance reports is due on January 2, 1999.

Changes in the performance reporting law attempt to integrate more performance data with budget information presented to the Legislature. As part of the budget process, all state agencies are required to submit performance data that measures the performance of programs in meeting specific goals and objectives established for those programs.

Part one.

Terms, Definitions and Examples

A variety of terms are used in discussing performance reporting. Definitions and examples for some of these terms are listed in Table 1, below. Most of these definitions and examples are from Department of Finance materials.

Table 1.

<i>Term/ Definition</i>	<i>Example(s)</i>
Agency Mission — a concise statement of the unique, fundamental current and future purpose of the agency and its programs.	The mission of the Department of Corrections is “to ensure that sanctions and services of the criminal justice system are designed and delivered to create a safer Minnesota.”
Goals — broad statements generally describing a desired outcome for the agency and/or its programs.	“To promptly and accurately process all taxpayers’ transactions.”
	“To ensure access to health care to Minnesotans who are uninsured as well as ensure financial, geographic, and cultural access to quality health care for all Minnesotans.”
Objectives — measurable statements about the end results that a service or program is expected to accomplish in a given period of time.	“At least 65 percent of all offenders on work release will successfully complete work release.”
	“No more than 10 percent of the youth referred to the Youth Intervention Program for a petitionable offense will re-offend within six months after completing the program.”

<p>Performance Measure— An ongoing quantitative indicator of the extent to which objectives are being achieved. A performance measure may be an:</p>	<p>Example:</p>
<p>! Outcome Measure— A measure of the extent to which a service has achieved its goals or objectives, met the needs of its clientele, or met commonly accepted professional standards.</p>	<p>Percentage of offenders on work release successfully completing work release.</p>
<p>! Output Measure— An indicator of the number of units produces, services provided, or people served by and agency or program.</p>	<p>Number of miles of road constructed during 1998 construction season.</p>
<p>! Efficiency Measure— A measure of cost per unit of output.</p>	<p>Administrative cost as a percent of total number of grants made.</p>
<p>! Cost-Effectiveness Measure— A measure of cost per unit of outcome.</p>	<p>Cost per student successfully placed in a job related to the training provided.</p>

Part two.

Performance Reports Are Designed to Demonstrate Program Results

According to Minnesota law, the purposes of performance reporting are:

- To generate information so that the Legislature can determine the extent to which state programs are successful;
- To develop clear goals and priorities for state programs;
- To strengthen accountability to Minnesotans by providing a record of state government’s performance in providing effective and efficient services; and
- To create appropriate incentives and systems that allow and encourage the best work by state employees.¹

Although the language has been dropped from current law, part of the original guidelines in law for performance reports stated that the performance report information “should be specific enough so citizens can measure progress from year to year.” Goals, objectives and performance measures should be simple, straightforward and easily understood.

¹ *Minnesota Statutes*, Section 15.90, Subdivision 1

The law requires an agency's performance measures to include data showing actual performance relative to the agency's goals and objectives. Performance reporting aims for accountability in services quality, quantity, efficiency and effectiveness.² Performance data needs to be quantifiable and comparable over time.

Performance data should provide basic contextual information and key performance measures. As both a guide for internal agency decision-making and for policymakers making funding decisions about an agency, the performance data needs to provide the framework for, "How to think about performance measurement and management within an agency?" as well as, "How should the success of an agency's programs be judged?"³ Also, the Legislature should ask if an agency's goals and objectives are consistent with legislative intent.

In measuring performance, agencies need to think beyond inputs to results. Performance measures should focus on answering the question, "How successful was the program in accomplishing its goals and objectives?" While the number of clients served provides an important context, the measures also need to consider *results* of serving the clients *from the clients' perspective*:

- "Were the caller's questions answered to the caller's satisfaction?"
- "Was the job applicant placed in an appropriate job?"
- "Did the applicant receive the license promptly?"

Performance Reporting Replaced Input-Related Agency Accountability

The initial performance reporting requirements were passed by the 1993 Legislature. As part of the move from "input controls" to more emphasis on "outcomes," the Legislature provided agencies more flexibility in internal management. Perhaps the most significant change was dropping "complement control" (legislative control over agency staffing levels) from the appropriations bills. Prior to 1993, most agency appropriations included a maximum number of authorized "complement" or full-time-equivalent staff personnel that each agency was allowed.⁴

Agencies also received new authority to transfer operational funds between programs within an agency without legislative approval. The commissioner of finance now monitors these transfers and informs the Legislature but legislative approval is not required.⁵

Larger State Agencies Are Required to Submit Separate Performance Reports

Minnesota law requires 22 state agencies (see Table 2 for a list of these agencies) to prepare separate performance reports. These reports are to include the agency's mission, most important goals and objectives, and the most important performance measures for those goals and objectives.

² Update on Performance Budgeting, NCSL LegisBrief, Judy Zelio, October 1997

³ Minnesota Department of Finance, *Performance Reporting Guidelines*, 1998

⁴ For complement control language, see 1992 *Minnesota Statutes*, Section 16A.11, Subdivision 3

⁵ *Minnesota Statutes*, Section 16A.285

Table 2.
Minnesota State Agencies Required to Submit Separate Performance Reports

Department of Administration	Department of Human Services
Department of Agriculture	Department of Labor and Industry
Agricultural Utilization Research Institute	Department of Military Affairs
Department of Commerce	Department of Natural Resources
Department of Corrections	Pollution Control Agency
Department of Children, Families, and Learning	Department of Public Safety
Department of Economic Security	Department of Public Service
Department of Employee Relations	Department of Revenue
Department of Finance	Department of Trade and Economic Development
Department of Health	Department of Transportation
Department of Human Rights	Department of Veterans Affairs

The statutory requirements for these performance reports were significantly modified by legislation passed in 1998. Prior law specified a time frame that needed to be covered by the performance measures as well as types of data that should be in the reports. Furthermore, the Department of Finance required performance data to be reported in a standard format to fit into an electronic reporting system. Without the requirements, agencies have more flexibility in designing performance reports to meet their needs. The 1998 law changes also included direction that the reports should be succinct. (See subsequent section *Recent Revisions*, for additional information on recent changes.)

Some agencies have found performance reporting to be an important management tool. The performance report gives the agency a way to present its mission, goals and objectives and show what it is doing to fulfill them. Most agencies continue to struggle with developing appropriate performance data and particularly in developing measures of outcomes.⁶ One particular problem has been striking an appropriate balance between *measures of internal agency operation and measures of the agency's broader policy mission*.

Budget Proposals Are Required to Include Performance Data

While certain state agencies are required to prepare separate performance reports, another requirement of the 1998 legislation is that *all* agencies must provide performance data on programs in their biennial budget documents.⁷ The purpose of this performance data is to help the Legislature determine the extent to which programs are successful. Providing the performance data in the budget documents will facilitate discussion of performance as legislative committees and fiscal divisions discuss agency budget proposals.

Program performance measures may include indicators of outputs, efficiency, and outcomes. The Department of Finance's budget instructions to state agencies stated that: "All budget narratives must articulate clear statements of mission and priorities, and link proposed changes in funding and service delivery to changes in expected performance."⁸ While some performance data has been presented in the budget documents in the past, the biennial budget documents presented to the 1999 Legislature will be the first to have this data required for all programs.

⁶ Memo from Peggy Ingison, Assistant Commissioner, Department of Finance, December 12, 1997

⁷ 1998 Laws of Minnesota, Chapter 366, Section 21

⁸ Biennial Budget Instructions, Department of Finance, July 7, 1998, page 7

Department of Finance Manages Performance Reporting

The Department of Finance manages both the separate state agency performance reports and integration of program performance reporting into the budget documents. The law directs the commissioner of finance to ensure that the separate performance reports are complete, succinct, accurate, reliable and compiled in such a way as to be useful to the public, legislators and state government managers.⁹ Minnesota law also charges the commissioner of finance with preparing budget forms and instructions for all agencies including guidelines for including agency performance measures.¹⁰

The Legislative Auditor is directed to periodically review selected agency performance reports. The auditor is expected to comment on the contents of the report as well as the quality and appropriateness of the performance measures.

Other Efforts to Measure and Improve Performance

Minnesota state government undertakes several other approaches to measure and improve the performance of agencies and programs.

- ***Minnesota Milestones.*** The Minnesota Office of Strategic and Long Range Planning has released *Minnesota Milestones 1998, Measures That Matter*, an update of previous *Milestones* information. The *Milestones* document looks at broad goals for the state and a series of indicators to determine progress toward those goals. The Milestones were developed under the direction of Governor Carlson to set a broad policy perspective for the state.
- ***The Minnesota Quality College*** in the Department of Employee Relations is intended to create and support a culture in state agencies that seeks to evaluate and improve performance. The Quality College provides training on the integration of strategic planning, performance management, total quality and performance management and measurement.
- The ***Management Analysis Division*** of the Department of Administration provides training on development and use of performance measures.

Performance Reporting Process: Recent Revisions

The performance reporting process was revised in the 1998 legislative session. The process described in this paper is that which is currently in law after those revisions. A group of executive branch staff and legislative staff reviewed performance reporting requirements and results in the fall of 1997.

There was general agreement that some agencies had embraced performance reporting as a management tool and had obtained significant benefits. The process of identifying goals, objectives and performance measures helped agencies to better define their purpose and focus employee work. There was also agreement that many agencies have had difficulty in identifying appropriate measures of the impacts of their programs. There was also a difficulty in linking the performance information in separate reports to the information presented in the budget documents.

⁹ *Minnesota Statutes*, Section 15.91, Subdivision 2

¹⁰ *Minnesota Statutes*, Section 16A.10, Subdivision 1

The law was changed in 1998 to required more performance information in the biennial budget documents. While the requirement for the largest state agencies to prepare separate performance reports was maintained, agencies were allowed much more flexibility in the content and format of those reports. The role of the Legislative Auditor was changed from reviewing and commenting on every agency performance report to doing so on a smaller number of reports that it chooses. Now the Legislative Auditor's role is similar to conducting periodic audits.

Part three.

Issues for the Legislature

Under the *Minnesota Constitution*, the Legislature is responsible for raising revenue and making appropriations of state money. The Legislature must also set the accountability rules that go with those appropriations. While the various legislative finance committees approach this accountability in somewhat different ways, the performance reporting requirements now in the law are intended to provide the finance committees and policy committees with information about agency and program performance. Questions regarding performance reporting that committees could consider include:

- Is the agency mission consistent with legislative intent for the agency?
- Do the goals and objectives support the mission?
- Are agency programs consistent with mission, goals and objectives?
- Is the information useful? Does the performance information provide an overall perspective of how well the agency is doing in meeting goals and objectives?
- Is the information complete yet succinct?
- Does the agency measure its performance in terms of outcomes rather than only outputs?
- Do the performance measures used by the agency provide a picture of overall agency performance or do they tend to concentrate in the areas that make the agency look good?
- What are the implications for agencies or programs that are meeting performance goals and objectives?
- What are the implications for agencies or programs that are *not* meeting the goals and objectives?
- Are proposals for starting new programs or eliminating existing programs consistent with agency mission, goals and objectives?
- What are the goals and objectives for a proposed new program? When will it be known if a new program is meeting goals and objectives?

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Notes:

Performance reports prepared by state agencies in 1996 are available on the Department of Finance's Internet web page at <http://www.finance.state.mn.us/budget/bis/performs/reports.html>.

This *Money Matters* issue is an update of a *Money Matters* paper published January 4, 1995, titled "*State Agency Performance Reports*."

Prepared by:
**Fiscal Analysis Department,
Minnesota House of Representatives©November 1998**