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January 11, 2007

TO: The Honorable Kelli Linville
House of Representatives

FROM: Victor A. Moore, Director

SUBJECT: **ESHB 1242 – UPDATE OF OFM ACTIONS**

I am writing to update you on the Office of Financial Management's (OFM) progress in implementing the provisions of ESHB 1242. This legislation is having an effect on the quality performance data available to decision-makers and enabled performance data to play a significant role in preparing the Governor's 2007-09 budget. Performance measure reviews are now under way and show great promise in not only improving the relevance of performance measure data but in helping people understand how to use this data in the context of investment decisions. Here is a brief discussion of what has been accomplished to date.

Performance Measure Assessments

Last year, OFM hired two excellent individuals with the necessary knowledge and experience to lead the assessments: Brian Willett and Jeffrey Showman. Their skills enable us to offer general training and consultation to agencies on performance measure-related topics, in addition to conducting reviews.

The proposed assessment tools and methodologies were developed and then refined in a pilot review with the Department of Information Services. Our approach is to bring agency and OFM staff together to collaborate on the assessment of performance progress. The assessment is designed to complement other initiatives that are part of the Governor's management framework (i.e., Government Management Accountability Program (GMAP), Baldrige Assessments, etc.) and performance audits.

The assessments look at the agency's strategic plan and the agency's activity performance measures reported to OFM. In particular, the review focuses on the following questions:

- Do the measures and data tell a compelling story about agency performance and intended outcomes of budgeted activities? Is the contribution to statewide results apparent?
- How well do the existing performance measures conform to the standards of relevance, timeliness, understandability and reliability?
- Does analysis of the data indicate stable and predictable future results, or is something changing that may require attention?
- What does analysis of the data demonstrate about progress toward targeted performance levels?
- If improvement is warranted, are specific strategies identified to address the performance gap?

Enclosed is an information brief provided to agencies about the scope and approach of the assessments.

Assessments have been completed for three agencies and two administrations in the Department of Social and Health Services (DSHS). Assessments for the Department of Community, Trade and Economic Development and several other DSHS administrations are expected to be completed by the end of this month. We are encouraged by the number of agencies that have volunteered for assessment as soon as our schedule allows. The assessments are taking much less time as we gain more experience, and we hope to have the great majority of agencies reviewed by the end of the year.

I have included a copy of the Department of Information Services (DIS) and the Department of Social and Health Services Children's Administration assessments for your review. We will soon have all the completed assessments available on the OFM website.

Performance Measures and Budget Development

The Governor conducted an extensive public involvement process last summer to seek citizen input on their performance priorities for government. With the assistance of Stuart Elway, we held workshops in seven cities around the state. At each workshop, 50 randomly-selected citizens identified statewide priorities, reviewed and commented on current performance indicators for those priority areas, and suggested more relevant indicators of success. A summary of the findings from these workshops can be found on the Governor's website at http://www.gmap.wa.gov/citizen/exec_summary.pdf.

Last year, OFM conducted the third biennial Priorities of Government (POG) process as a primary forum for analyzing performance information for investment decisions. Teams of agency experts led by OFM and Governor's office staff were convened around ten statewide result areas. The impact of GMAP and other performance initiatives was evident in the increased quantity and quality of performance data available to the teams, as well as the increased sophistication in the teams' analysis of the data and their impatience with data gaps. Team members also received the results for the Governor's citizen workshops to consider in their deliberations.

The POG result teams were tasked to develop prioritized lists of current activities and proposed changes. Teams were given a dollar allocation, deliberately less than necessary to purchase the status quo, in order to facilitate a real prioritization discussion. Teams were asked to set aside all criteria except one – the contribution that investment would make to the statewide result. Teams were asked to make the following four lists, known collectively as the "purchase plan":

- **Highest priority purchases** – Teams were asked to use no more than 90% of their allocation on these items. Teams did not have to provide a priority rank for each item in this section.
- **Lowest priority purchases** – Each team provided priority rankings for the items recommended for purchase with the last ten percent of their allocation.
- **Buy Next List** – The dollar constraint posed by the allocation meant that no team could purchase all the activities that contribute to the result within the allocation. Teams were asked to prioritize other activities they felt would make an important contribution to the result. This section includes those items ranked in priority to "buy next."
- **Do Not Buy List** – Teams were asked to identify any current activities or new ideas proposed by agencies that either would not make a significant enough contribution to the assigned statewide result or were not essential to supporting a state government strategy to implement the result. The items on one team's "Do Not Buy" list might make an important contribution to some other result.

A summary of the teams' performance assessments and their purchase plans can be found in the POG report and individual team reports at http://www.ofm.wa.gov/budget/pog/reports.htm.

The POG team reports don't begin to capture the rich discussions of the teams and the insights gained about the specific types of data needed to improve investment analysis. Jeffrey Showman and Brian Willett served as POG team facilitators to ensure these insights will be leveraged in the performance assessments and in improvements to our performance measure tracking and reporting systems.

The budget documents published on our website include the agency activity inventory which describes for each agency activity:

- What the agency does for whom and why
- The proposed cost for the 2007-09 budget
- The expected results and/or related performance measures

Activity inventories by agency and result area are available on our website at http://www.ofm.wa.gov/budget07/activity/default.asp. We also publish updated performance measure tracking reports each month at http://www.ofm.wa.gov/budget/manage/default.asp.

Thank you for your support of these efforts. Please let me know if you have any questions or if we can be of further assistance.

Performance Measure Assessment Information Brief

What are these assessments? This summer, the Office of Financial Management (OFM) will begin a process designed to review every Washington State agency's activity-related performance measures as directed by ESHB 1242. The assessment will focus on the measures and data currently reported to OFM.

The goal of the legislation is to assess whether agencies are making progress toward statewide results and improve the quality of the performance measurement information used by OFM, the Legislature, and the Priorities of Government (POG) teams during the budget development process.

What resources will we need to commit to the assessment? Very little - The review will focus on information already reported to OFM, and will be conducted by OFM staff. The assessment staff will need some time with the agency Budget Officer or other key performance measurement personnel for an informational kick-off meeting and a wrap-up feedback session, and access to them to answer any questions that arise during the review process.

What connection is there between this assessment and the other initiatives like GMAP, Performance Audits, and the internal self-assessment? All the initiatives have one thing in common – They need good data from meaningful performance measurements to be useful. The short-term goal of this assessment is to give you suggestions about whether you are measuring the right things and whether those measurements tell a compelling story about your agency's performance. Over time, these assessments should help refine the performance measure information you report externally and use internally, and minimize reporting redundancies.

How will my agency benefit from this assessment? OFM staff conducting the reviews will be available to agencies for general training and consultation on performance measure-related topics. The reviews will offer an opportunity for OFM and agencies to collaborate on the assessment of performance progress.

What will the assessment cover? The primary focus of the review will be the budget activities and associated performance measurement information reported to OFM in the Performance Measure Tracking System. Expect specific answers to the following questions:

- Do the measures and data tell a compelling story about agency performance and intended outcomes on budgeted activities? Is the contribution to statewide results apparent?
- How well do the existing performance measures conform to the standards of relevance, timeliness, understandability and reliability?
- Does analysis of the data indicate stable and predictable future results, or is something changing that may require attention?
- What does analysis of the data demonstrate about progress toward targeted performance levels?
- If improvement is warranted, are there specific strategies identified to address the performance gap?