

Management Note
**Management Challenges
for the New Governor**

Hurdles to Clear and Where to Find Help

Office of Management Consulting & Training



Since their initial meeting in 1908 to discuss interstate water problems, the governors have worked through the National Governors Association to deal collectively with issues of public policy and governance. The association's ongoing mission is to support the work of the governors by providing a bipartisan forum to help shape and implement national policy and to solve state problems.

The members of the National Governors Association (NGA) are the governors of the fifty states; the territories of American Samoa, Guam, and the Virgin Islands; and the commonwealths of the Northern Mariana Islands and Puerto Rico. The association has a nine-member Executive Committee and three standing committees—on Economic Development and Commerce, Human Resources, and Natural Resources. Through NGA's committees, the governors examine and develop policy and address key state and national issues. Special task forces often are created to focus gubernatorial attention on federal legislation or on state-level issues.

The association works closely with the Administration and Congress on state-federal policy issues through its offices in the Hall of the States in Washington, D.C. The association serves as a vehicle for sharing knowledge of innovative programs among the states and provides technical assistance and consultant services to governors on a wide range of management and policy issues.

The Center for Best Practices is a vehicle for sharing knowledge about innovative state activities, exploring the impact of federal initiatives on state government, and providing technical assistance to states. The center works in a number of policy fields, including agriculture and rural development, economic development, education, energy and environment, health, social services, technology, trade, transportation, and workforce development.

NGA's Office of Management Consulting & Training serves as management consultant to governors and their offices and as NGA's primary liaison to governors' chiefs of staff. The office helps governors lead and manage state government and assists staff in organizing and operating the governor's office. The unit provides these services as part of a state's membership in NGA.

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First Printing 2002, revised 2004
National Governors Association
444 North Capitol Street
Washington, D.C. 20001-1512

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Printed in the United States of America.

Visit the NGA Web site at www.nga.org

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Preface

As governors prepare to take office, they will have to confront and address a wide range of management issues. Staff of the National Governors Association (NGA) and its affiliates have prepared summaries of some critical management issues facing governors elected in 2004.

Each summary describes an issue, outlines the major challenges and roles for new governors, indicates how NGA can help (including at least one contact person), and lists relevant resources on the subject.

Transition coordinators and chiefs of staff are encouraged to seek assistance or further information from NGA staff by calling the contact person(s) listed in the relevant summary. For more general assistance, including referral to state counterparts and other available resources, contact Peter Wiley, Director, NGA Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org. For specific assistance on managing the budget contact the National Association of State Budget Officers at 202/624-5382.

The Transition into Office

Organizing the Transition Team

The Issue

Transition is the critical period between the election and inauguration, when the focus shifts abruptly from campaigning to governing. To get ready to govern, the governor-elect must first organize a transition team to help coordinate and implement the transition.

The New Governor's Major Challenges and Roles

In organizing the transition team, the governor-elect sets the tone not only for the transition, but also for the early months of the new administration. Major challenges in organizing the team include:

- separating the transition from the necessary activities surrounding planning the inauguration and the remaining activities of winding down the campaign;
- defining the responsibilities of the transition team and the criteria for a successful transition;
- selecting a person or small group to lead the transition team and clarifying the roles of the key players; and
- establishing ground rules for team coordination and communication.

The governor-elect also must determine his or her roles in the transition and with the transition team, including involvement in critical activities and decisions, such as appointments and budgets. If most responsibilities for transition details are delegated to the team, the governor-elect can concentrate on the long-term vision and agenda for the new administration.

How NGA Can Help

The NGA Office of Management Consulting & Training is available for consultation in organizing the transition team by telephone as well as through a site visit to the state capital. In addition, NGA provides a daily email service to the offices of governors-elect during transition to briefly outline issues the team may need to address. For more information, or to get on the e-mail list, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Transition and the New Governor: A Planning Guide*. Washington, D.C.; National Governors Association, 1998.

“Organizing the Transition Team.” *Management Note* (November 1990). National Governors Association, Washington, D.C.

Working with the Departing Administration

The Issue

Establishing a good working relationship with the departing governor and his or her spouse, staff, and cabinet will help smooth the transition for both the departing and incoming administrations. For the incoming administration, a smooth working relationship should make it easier to orient and support the transition office and team, facilitate the move to the executive residence and the governor’s office, and provide for the orderly transfer of authority to the new administration. For the departing administration, such a relationship should help members finish their term with class and prepare for life after the governorship.

The New Governor’s Major Challenges and Roles

Both the departing governor and the governor-elect set the tone for the transition; both should put aside any personal agendas or political differences in the interest of what is good for the state (namely, a smooth transition). The major challenges for the governor-elect in dealing with the departing administration include:

- establishing the ground rules for the transition;
- getting oriented quickly and properly on important issues (e.g., fiscal and budget status, emergency management readiness, outstanding appointments, and potential crises);
- learning from the experiences of those who have been there;
- coordinating and collaborating on matters of mutual concern; and
- understanding that leaving the governorship may be as difficult as entering.

The governor-elect sets the example for the transition team—by attitude and through action. He or she should meet with the departing governor soon after the election and as needed thereafter. The spouses and staff counterparts should do likewise.

How NGA Can Help

The NGA Office of Management Consulting & Training develops publications, conducts special seminars, and provides consultation to incoming administrations on the importance of, and the steps needed for, a smooth transition. Similar services are available for the departing transition team. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *The Departing Governor: Transition Out of Office*. Washington, D.C.: National Governors Association, 1998.

National Governors Association. *The Governor's Final Year: Challenges and Strategies*. Washington, D.C.: National Governors Association, 1990.

National Governors Association. *Becoming Governor: The Transition and First Year*. Washington, D.C.: National Governors Association, 1992.

National Governors Association. *Transition and the New Governor: A Planning Guide*. Washington, D.C.: National Governors Association, 1998.

National Governors Association. *Organizing the Transition Team*. Washington, D.C.: National Governors Association, 1990.

Smoothing the First Family's Transition

The Issue

The physical move to the executive residence and the emotional transition from private family to becoming the public First Family of the state require thoughtful orientation and planning, good communication, patience, adaptability, and good humor. The governor-elect and the transition team should remember to focus some attention on the private transition while also preparing to govern.

The New Governor's Major Challenges and Roles

Much can be learned from the departing First Family and the residence staff, and their assistance should be sought. The major challenges in smoothing the new First Family's transition include:

- reviewing the facilities, operations, and policies of the executive residence;
- determining how the First Family will use the executive residence;
- making decisions on residence staff;
- coordinating the physical move;
- clarifying for others the public and professional roles of the new governor's spouse;
- setting the ground rules for staff interaction with family;
- setting the ground rules for maintaining a private family life; and
- preparing for life in a "fishbowl."

In addition, the governor-elect should discuss with his or her spouse and children how the transition from private life into the public spotlight will affect the family. Meetings with

counterparts should be scheduled for advice and orientation. This time investment before becoming the First Family will pay off in sustaining the family thereafter.

How NGA Can Help

The NGA Office of Management Consulting & Training provides consulting assistance to gubernatorial spouses and organizes seminars for spouses' executive assistants and residence managers. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org. The office also plans special programs for spouses at the NGA Annual and Winter meetings. For more information on the Governors' Spouse Program, contact Marcia Lim, Governors' Spouses' Program Manager, Office of Management Consulting & Training, by phone at 202/624-7810, or by e-mail at m_lim@nga.org.

Relevant Resources

National Governors Association. *Becoming Governor: The Transition and First Year*. Washington, D.C.: National Governors Association. 1992.

National Governors Association. *Managing the Executive Residence*. Washington, D.C.: National Governors Association, November 2004.

National Governors Association. *Transition and the New Governor: A Planning Guide*. Washington, D.C.: National Governors Association. 1998.

Managing the Executive Residence

The Issue

With few exceptions, each state provides an executive residence for its governor. More than just a home for the First Family, the residence often is designated as a historic site and can be a showcase for state treasures. It also has many public uses, including official meetings and social events. Its multiple uses as a private residence, as a historic site, and a public facility all need to be managed effectively.

The New Governor's Major Challenges and Roles

While preparing to govern, the governor-elect and his or her spouse also must prepare to manage the executive residence. Major challenges include:

- understanding existing policies governing the private use of the residence, including allowances or reimbursements for family subsistence and private entertaining;
- understanding existing policies governing the public use of the residence, including any rules surrounding its use for official meetings, events, and tours; rules regarding its use by private or public groups; and rules about alcoholic beverages and fundraising;
- clarifying the role of any residence advisory board;
- determining sources of funds and residence budgets;

- identifying staffing levels and patterns;
- selecting residence staff, including a residence manager; and
- establishing ground rules for the residence that fit the style and preferences of the new First Family.

Governors-elect and their spouses must clarify their roles in setting residence policies and in overseeing residence operations. The roles of others, including the residence board, the manager, staff, and security also must be clarified to promote effective residence management.

How NGA Can Help

The NGA Office of Management Consulting & Training conducts management seminars for residence managers and performs periodic surveys of residence operations. Staff can provide consulting assistance or referrals to residence managers in other states. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org or Marcia Lim, Governors' Spouses' Program Manager, at 202/624-7810, or by e-mail at mlim@nga.org.

Relevant Resource

National Governors Association. *Managing the Executive Residence*. Washington, D.C.: National Governors Association, 2004.

Recruiting and Selecting the Governor's Staff and Cabinet

The Issue

Competent and loyal personnel are key to the governor's ability to lead and manage state government. The recruitment and selection of the right people for gubernatorial staff and cabinet positions will largely determine the success of the governor and the administration.

The New Governor's Major Challenges and Roles

Once the transition team is organized and the governor's office structure is determined, immediate attention must be given to recruiting and selecting key gubernatorial staff and cabinet members. Major challenges include:

- determining the key appointments that need to be made;
- clarifying the roles and expectations for these positions;
- developing processes for recruitment and selection;
- assigning responsibilities for coordinating and implementing these processes; and
- developing strategies for involving the governor-elect in the process (e.g., consulting with others, dealing with friends and contributors, learning to say "no,"

considering holdovers, sequencing and announcing appointments, and avoiding potential embarrassments).

The governor-elect should help develop these strategies and clarify his or her involvement in the process. Most critically, it should be determined which appointment decisions will be reserved for the governor and which decisions will be delegated to the transition team and key appointees. The governor-elect should determine the appointment decisions that he or she wants to reserve and delegate the remaining decisions to the transition team and key appointees (typically these decisions relate to the appointment of supporting players in the governor's office and the cabinet agencies).

How NGA Can Help

The NGA Office of Management Consulting & Training can provide consulting assistance on overall recruitment and selection approaches. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Becoming Governor: The Transition and First Year*. Washington, D.C.: National Governors Association, 1992.

National Governors Association. *Organizing and Staffing the Governor's Office*. Washington, D.C.: National Governors Association, 2002.

Organizing and Operating the Governor's Office

Designing the Governor's Office

The Issue

One of the first tasks of a transition team is to design the governor-elect's office. Although governors' offices across the states vary greatly in size and scope, they all have similar basic functions and reflect and support each particular governor's personal style. As demands on the governor's office have grown, it has become more crucial to pay careful attention to the design and integration of key office functions.

The New Governor's Major Challenges and Roles

Organizing and staffing the governor's office is an ongoing challenge for both new and veteran administrations. The governor's management style should be mirrored in the office structure, the roles of the staff, and the operating style of the office. Designing a governor's office is not simply filling in the organizational boxes that depict formal reporting relationships, but rather defining the roles that staff are expected to play in dealing with and coordinating core functions and structuring how they interact with one another.

The major challenges in designing the governor's office include:

- understanding the major functions of a governor's office—internal management and external relations;
- choosing an appropriate structure for the immediate office of the governor that fits the governor's style and provides focal points for coordinating the major functions and extended offices (e.g., through the chief of staff, among a few senior aides, or distributed widely across a number of staff assistants);
- discovering and evaluating already existing systems and procedures, including those used by the departing governor's office;
- resisting the temptation to discard existing systems and procedures prematurely before getting properly acclimated;
- locating and linking systems to complement one another on administrative, management, and policy issues;

- modernizing and automating systems and procedures as demands and investments warrant;
- ensuring availability of an appropriate information systems/information technology (IS/IT) structure; and
- orienting and training staff responsible for delivering results.

How NGA Can Help

The NGA Office of Management Consulting & Training has studied the various functions and structural models for the governor's office. Direct consultation is available by telephone and through a site visit to the state capital. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Automating the Governor's Office*. Washington, D.C.: National Governors Association, 1998.

National Governors Association. *The Many Roles of the Governor's Chief of Staff*. Washington, D.C.: National Governors Association, 2004.

National Governors Association. *The Governor's Office Guide*. Washington, D.C.: National Governors Association, 1998.

National Governors Association. *Structuring and Operating the Governor's Office*. Washington, D.C.: National Governors Association, 2002.

"The Use of Deputy Chiefs in Governors' Offices." *Management Brief*. (October 1998). National Governors Association, Washington, D.C.

Integrating the Strategic Components of the Governor's Office

The Issue

Each function in the governor's office should be organized to strategically enhance the governor's vision and agenda. Office design should help integrate components of the office and lay the foundation for the governor's staff to operate as a team.

The New Governor's Major Challenges and Roles

Governor's office functions exist to manage the governor's priorities. A strategic approach requires attention to the organization of staff functions that reflect the governor's management style and work effectively together. Major factors to consider in thinking strategically about gubernatorial staff functions are:

- defining the governor's agenda;
- prioritizing the objectives of each function to best meet the needs of the governor's agenda;

- considering the role of deputies in managing functions and handling special projects;
- considering the strategic use of staff teams to handle important activities, such as scheduling, steering the agenda, and managing the relationship with the legislature; and
- evaluating various functions to see how they fit together and what cluster of operation components makes sense. Questions include:
 - Where should the scheduling office be located?
 - Should policy development be housed in a freestanding unit or coupled with another function?
 - How can constituent services be used with other functions in the office to get the governor's message out?
 - How does the policy staff link with the legislative relations function?

How NGA Can Help

The NGA Office of Management Consulting & Training offers transition assistance to governors and their transition teams. Staff have observed the configuration of many governors' offices and can offer various strategies for coordinating and linking functions in the governor's office. In addition, management seminars are conducted for gubernatorial staff to help them learn from functional counterparts in other states. These seminars are of particular benefit to staff of newly elected governors, who can interact with and learn from veteran counterparts from other states. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *The Governor's Office Guide*. Washington, D.C.: National Governors Association, 2002.

National Governors Association and Council of Governors' Policy Advisors. *Managing the Policy Agenda: Organizational Options for Governors*. Washington, D.C.: National Governors Association and Council of Governors' Policy Advisors, 1992.

National Governors Association. *Organizing and Staffing the Governor's Office*. Washington, D.C.: National Governors Association, 2002.

"Organizing the Policy Function." *Management Brief* (July 1997). National Governors Association, Washington, D.C.

Information Systems and Technology in the Governor's Office

The Issue

As governors' offices strive to improve service delivery, computers and other forms of office information systems and information technology (IS/IT) are important partners in their operation. Most functions in the governors' office used to be paper-driven and often required multiple staff just to manage the file cabinets. Today, governors' offices are sophisticated users of modern IS/IT systems and functions. These advances improve the level of service governors' staff provide to constituents while simultaneously making better use of limited resources.

The New Governor's Major Challenges and Roles

Technology has a role in almost every aspect of a governor's office. Along with computers, automated equipment and systems facilitate communications (via tools such as the Internet, home pages, e-mail, computer networks, and voice mail), manage documents (through databases and computer imaging), and even sign official documents (using automatic signature equipment). IT plays an important role in many key functions and processes in the governor's office, including:

- appointments to boards and commissions;
- correspondence and constituent services;
- press office functions;
- scheduling; and
- legislative relations.

Technology, such as hardware and software for handling constituent mail, makes these functions and processes more efficient and sometimes even paperless. Several governors' offices also have begun developing integrated office computer applications to enable computer systems designed for different functions in the office to share data and information.

Challenges a new governor faces when assessing the technology needs for his or her office include the following.

- **Determining the extent to which the new governor personally wants to be involved in office technology.** This depends greatly on how comfortable the governor is with computers. Governors with computer skills often have made greater use of—and have proven to be more effective advocates for—technology. Governors with little computer knowledge often have turned to senior staff with these skills to oversee office technology needs.
- **Reviewing the computer equipment and associated applications left behind by the previous administration.** If such equipment or applications exist, a new governor should not act too hastily to eliminate the old system. Before making any major changes to the computer system, the new governor should first assess

the existing system to see whether it meets his or her needs or whether it can be customized to do so.

- **Determining necessary changes to, or overhauls of, the existing system.** If the existing computer hardware or software proves to be of little use, many issues of system design and purchasing must be dealt with immediately. Many governors' offices have had similar experiences with reworking the office system and can provide valuable advice in this area. The cost implications of these investments warrant careful consideration and consultation with others.
- **Deciding on staff to oversee IS/IT systems.** Many offices have particular staff whose job is to oversee, design applications for, and maintain the office technology. Some offices use an office manager to fulfill some of these roles, while other offices rely on outside consultants from state agencies or the private sector for help.

How NGA Can Help

The NGA Office of Management Consulting & Training provides consultation and referrals to state counterparts on office operations. For more information, contact Martha Hatcher, Deputy Director, Office of Management Consulting & Training, by phone at 202/624-5422, or by e-mail at mhatcher@nga.org.

Relevant Resources

National Governors Association. *Automating the Governor's Office*. Washington, D.C.: National Governors Association, 1998.

National Governors Association. *The Governor's Office Guide*. Washington, D.C.: National Governors Association, 2002.

Organizing the Communications Function

The Issue

The governor's communications office is a powerful conduit for communicating the administration's policies and programs to the people and providing a forum for citizen feedback to the governor. Organizing the communications function is a critical first step for the new administration.

The New Governor's Major Challenges and Roles

There are three critical issues that should be addressed early: assessing the communications function, defining the role of the press secretary/communications director, and determining the relationship between the governor's communications office and the cabinet public information offices. There are many ways to address these tasks. The challenge is to find the structure that best suits the governor.

Assessing the Communications Function. Managing the communications function involves more than a press strategy. Communications offices are involved in any number of governor's office activities, including media relations, public information, Web site

management, constituent services, scheduling, speechwriting, and proclamations. Some communications offices can focus on media relations, while other units are staffed to address functions such as constituent services, Internet communications, and scheduling.

Defining the Role of the Press Secretary/Communications Director. What areas and whom will this person supervise? What will his or her role be in policy development, scheduling, oversight of cabinet public information offices, and many other areas?

Determining the Relationship Between the Governor's Communications Office and the Cabinet Public Information Offices. In some states, the governor's communications director oversees these offices; in other states there is no direct link. Even for governor's communications offices with no formal authority over cabinet public information officers, steps can be taken to establish close relationships (e.g., conference calls, weekly reports, and monthly meetings). If a close relationship between these functions is desired, it is far easier to establish this link in the early days of the administration than to reorganize later. The governor's role is to decide which model works best.

How NGA Can Help

NGA offers seminars for governors' communications and press staff. Specific consultation and technical assistance also are available. NGA also can direct governors to state counterparts who have experience with the various models outlined above. For more information, contact Christine LaPaille, Director, Office of Communications, by phone at 202/624-5344, or by e-mail at clapaille@nga.org.

For more information about seminars, contact Martha Hatcher, Deputy Director, Office of Management Consulting & Training, by phone at 202/624-5422, or by e-mail at mhatcher@nga.org.

Relevant Resources

"Coordinating Agency Public Information Officers." *Management Brief* (September 1998). National Governors Association, Washington, D.C.

National Governors Association. *The Governor's Office Guide*. Washington, D.C.: National Governors Association, 2002. (See chapter on press and communications.)

Establishing and Using the Governor's Washington, D.C. Office

The Issue

Thirty-seven states have offices or other representation in the nation's capital, reflecting the increasing stakes of intergovernmental relations and the importance of maintaining a presence in Washington, D.C. These offices provide governors with direct liaison to Congress, the White House, federal agencies, and national associations, including collaboration with NGA on mutual policy concerns. New governors must decide how to use an existing office or whether to establish a new office if one does not exist.

The New Governor's Major Challenges and Roles

Whether or not a Washington, D.C. office exists, the new governor should consider its potential value to the state, the investment required, and the ways it can provide substantial returns on the investment. Assuming a positive conclusion, the major challenges in establishing or redirecting a Washington, D.C. office include:

- determining the office's desired intergovernmental roles and the level of involvement of the governor;
- identifying major intergovernmental issues, strategies, and priorities;
- structuring the major functions of the office to help pursue those issues, implement those strategies, and reflect those priorities;
- staffing and funding the office to meet these requirements and to stay within practical political and fiscal constraints;
- clarifying relationships and structuring communications with the governor, the governor's office, and state agencies; and
- developing processes for liaison and communications with the federal government and Washington, D.C.-based organizations.

The new governor has many options in meeting these challenges. Without a Washington, D.C. office, the major functions must be carried out from the state capital. With a D.C. office, the governor's presence is extended to the nation's capital.

How NGA Can Help

The NGA Office of Management Consulting & Training conducts surveys of existing Washington, D.C. offices and helps conduct operational workshops for new Washington, D.C. office directors. For more information on office design and operation, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

The NGA Office of Federal Relations works closely with staff both in the states and in governors' Washington, D.C. offices to promote NGA policy positions, track legislation, and facilitate liaison with Congress, the White House, federal agencies, and other Washington, D.C.-based organizations. For more information, contact David Quam, Director, Office of Federal Relations, by phone at 202/624-5309, or by e-mail at dquam@nga.org.

Relevant Resource

National Governors Association. *The Governor's Washington D.C. Office*. Washington, D.C.: National Governors Association, 2003.

Preparing to Govern

Ensuring Homeland Security Readiness

The Issue

The September 11 terrorist attacks against the World Trade Center and the Pentagon propelled homeland security to the top of the nation's agenda. September 11 emphasized the need for collaboration among governors and key state, local, and federal officials to prevent and respond to incidents of terrorism. However, a new governor should also understand that natural and man-made disasters demand a timely and coordinated response from federal, state, and local government agencies with assigned emergency roles and responsibilities. While the states have both experienced and developed comprehensive plans for natural disasters, the recent introduction of terrorism into this country has reinforced the necessity for a comprehensive strategy of prevention, preparedness, response, and recovery.

With lives, infrastructure, and resources often at stake, governors must become instant experts in homeland security and emergency management when their states are affected by terrorism or disaster. It is essential that a new governor become actively involved in a state's homeland security program shortly after taking office. The governor should be familiar with the powers and responsibilities of the executive office as well as the roles and responsibilities of state agency officials with primary and support roles for homeland security.

The New Governor's Major Challenges and Roles

As the chief executive, the governor is responsible for the public safety and welfare of the people of the state. During the transition and first weeks in office, a governor should review state authorities and responsibilities as provided by statute and outlined in the state's comprehensive emergency management plan and/or homeland security strategy. The emergency management plan is a blueprint and a vital source of information for a governor and state agencies. It should describe the state's natural and man-made hazards, assess the state's capabilities and readiness, establish procedures to ensure continuity of government operations, and provide the means for identifying and deploying assets from within or outside of the state through mutual aid agreements. Finally, the plan should describe the process for obtaining assistance from the federal government once there has been a Presidential Declaration. These are emergency management fundamentals, and the leadership of a governor can ultimately determine the success of these actions.

A new governor should initiate the following actions upon taking office:

- review the statutory powers, roles, and responsibilities of the executive office, including the authority to declare a disaster and issue evacuation and quarantine orders;
- identify key members of the state's homeland security and emergency management teams and review their roles, responsibilities, and authorities under emergency circumstances;
- understand the roles and responsibilities of all state agencies with primary and support functions as provided in the state's emergency management plan;
- ensure that the state has developed a plan to provide continuity-of-government operations;
- review the state's critical infrastructure protection process;
- ensure that the state has a methodology for the collection of essential emergency management information;
- assess state and federal emergency management funding resources and capabilities;
- assess federal homeland security funding for the state as well as any urban areas receiving supplemental funding;
- review the circumstances under which a state can request federal assistance;
- identify the types of state and federal disaster aid available to victims; and
- ensure the development of a crisis communication plan and public awareness strategy.

How NGA Can Help

NGA's Homeland Security and Technology Division is presently conducting monthly conference calls with governors' homeland security advisors and subject experts on various topics ranging from critical infrastructure protection to intelligence sharing. The division disseminates a weekly newsletter via e-mail and provides best practices and technical assistance regarding homeland security issues. Twice a year, the division convenes the state homeland security officials for a two-day conference to discuss progress and challenges in homeland security.

Finally, NGA has produced a two-volume *Governor's Guide to Emergency Management*. Volume I addresses natural disasters and discusses the fundamental preparedness, response, recovery, and mitigation issues that a governor may face resulting from severe weather, earthquakes, and other natural disasters. Volume II addresses homeland security. This volume covers the following issues: crisis communications; interoperability and disaster communication; critical infrastructure protection; bioterrorism; agroterrorism; chemical, nuclear, and radiological terrorism; cyberterrorism; and federal initiatives.

For more information, contact Jerry Murphy, Director, Homeland Security and Technology Division, by phone at 202/624-7754, or by e-mail at jmurphy@nga.org.

Also, please visit the NGA homeland security Web site at [http://www.nga.org/center/homeland security/](http://www.nga.org/center/homeland%20security/).

Relevant Resources

Beauchesne, Ann M. *A Governor's Guide to Emergency Management Volume One: Natural Disasters*. Washington, D.C.: National Governors Association, 1998.

Beauchesne, Ann M. *A Governor's Guide to Emergency Management Volume Two: Homeland Security*. Washington, D.C.: National Governor's Association, 2002.

Hawkins, Michelle. *The Emergency Planning and Community Right-to-Know: State Profiles, 1999-2000* Washington, D.C.: National Governors Association, 2000.

Building the Governor's Team

The Issue

Members of the governor's staff should have several attributes in common, including loyalty to the governor, competence in their areas of responsibility, political acumen, dedication to service, and many other personal and professional qualities that warrant their appointment to these critically important positions. Yet a well-qualified staff does not necessarily make a good team. Building an effective team takes time and effort by the team leader and the team members.

The New Governor's Major Challenges and Roles

The governor, as team leader, and senior staff, as team coordinators, are responsible for building an effective gubernatorial staff team. Major challenges in building the governor's team include:

- creating an environment dedicated to teamwork and excellence;
- articulating clear goals and performance standards;
- clarifying the roles of staff units and team members;
- promoting and supporting good working relationships;
- establishing appropriate processes for access, communication, coordination, and decision-making;
- recognizing and respecting differences; and
- recognizing, rewarding, and celebrating team results.

As the team leader, the governor should set a good example of teamwork in his or her dealings with team members. Although the governor may look to one or more senior staff to coordinate the team, regular opportunities should be provided for interactions and teambuilding among all team members and with the governor (e.g., staff meetings, informal office and social gatherings, or executive retreats).

How NGA Can Help

The NGA Office of Management Consulting & Training provides consultation on teambuilding within a governor's office and cabinet. In the very early stages of an administration, such assistance includes help in designing an executive staff or cabinet retreat either before or after the inauguration. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Managing the Performance of Gubernatorial Appointees*. Washington, D.C.: National Governors Association, 1988.

National Governors Association. *Transition and the New Governor: A Planning Guide*. Washington, D.C.: National Governors Association, 1998.

Providing Liaison with State Agencies

The Issue

Although governors set the overarching program and management agendas for state government, the agencies of state government make those agendas happen. The heads of some agencies are appointed by the governor. Others may be independently elected or appointed by others. Although direct control may differ in these cases, all require effective liaison with the governor's office.

The New Governor's Major Challenges and Roles

The number of agencies and the amount of gubernatorial control of these agencies vary by state. Increasingly, governors designate specific staff members to provide liaison with clusters of state agencies, primarily to facilitate communication and coordinate and integrate policy development and implementation. Major challenges in providing liaison with state agencies include:

- defining the program and management authority and responsibilities of agencies;
- clarifying the discretion of agency heads in developing policy;
- determining the direction the governor will provide to agency heads and how their input will be solicited;
- developing formal and informal methods for ensuring program and management accountability;
- establishing clear lines of communication between the governor and agency heads and between staff and executive agencies; and
- setting the ground rules for coordinating and integrating major activities (e.g., casework, policy and budget development, legislative relations, media relations, and cross-agency initiatives).

As the chief executive of state government, the governor must take the lead in providing liaison with state agency heads. He or she can look to designated gubernatorial staff to help facilitate that process and help maintain effective agency and interagency coordination and integration.

How NGA Can Help

In dealing with governors' offices across the nation, the NGA Office of Management Consulting & Training is aware of the various ways in which governors organize and provide executive agency liaison. Consulting assistance is available from NGA staff or through referral to gubernatorial staff in other states. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Managing the Performance of Gubernatorial Appointees*. Washington, D.C.: National Governors Association, 1988.

National Governors Association. *The Governor's Office Guide*. Washington, D.C.: National Governors Association, 1998. (See chapter on policy and agency liaison.)

National Governors Association and Council of Governors' Policy Advisors. *Managing the Policy Agenda: Organizational Options for Governors*. Washington, D.C.: National Governors Association and Council of Governors' Policy Advisors, 1992.

Managing the Cabinet

The Issue

The composition, function, and operation of cabinets in state governments vary widely. In most states, members include major agency heads appointed by the governor and one or more senior members of the governor's staff. In other states, members include department heads who are statewide elected officials.

Cabinets can help manage state government, develop major policies and programs, communicate gubernatorial priorities and directives, coordinate interagency approaches, provide advice in developing gubernatorial initiatives, and mobilize resources to support and implement gubernatorial programs. Cabinet meetings can be effective and useful, or they can be disruptive and a waste of time.

The New Governor's Major Challenges and Roles

Effective cabinets do not just happen. They require careful preparation and continuing attention from the governor and his or her senior staff. Major challenges in managing the cabinet include:

- understanding the options for the cabinet;
- defining the cabinet's mission and role;
- defining and communicating performance standards;

- establishing ground rules and operating procedures for meeting, communicating, and decision-making;
- determining membership and the use and life cycles of subcabinets or "cluster" groups;
- clarifying relationships with the governor, among cabinet members, and with gubernatorial staff; and
- developing processes for maintaining effective cabinet interactions and meetings.

The new governor should assess the potential value and role of a cabinet, shape it to fit his or her style and priorities, and determine the desired level of personal and staff involvement. Although each governor uses a cabinet differently, all must ensure that their expectations are clear and that the necessary support and processes are provided to manage the cabinet effectively.

How NGA Can Help

The NGA Office of Management Consulting & Training has surveyed the structure and use of cabinets in the states. Direct consultation and referrals to other states are available. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Managing the Performance of Gubernatorial Appointees*. Washington, D.C.: National Governors Association, 1998.

National Governors Association. *Becoming Governor: The Transition and First Year*. Washington, D.C.: National Governors Association, 1992.

Using Cabinet Retreats to Direct or Redirect Priorities

The Issue

Each gubernatorial administration brings a different leader and a different team to state government. To lead, the new governor must set the direction for the administration—a vision for the state and an agenda that sets clear themes, goals, and priorities. To shape and steer that agenda, the governor must build and maintain an effective team of staff and cabinet members that will help deliver results and leave a legacy for future administrations. Cabinet retreats have been used by many successful governors to help build their team and direct or redirect priorities.

The New Governor's Major Challenges and Roles

In many gubernatorial campaigns, a platform for change is built through discussions of the major challenges confronting the state, the major programs the candidates would launch to meet those challenges, and the mandate the voters provide in electing one of those candidates. During the transition and early months in office, the new governor is expected to translate campaign promises into a clear program and management agenda and assemble a new team to achieve the administration's goals.

Most governors look to their staff and cabinet to help shape the administration's agenda and to reinforce and support it by developing and implementing agency agendas. Many governors hold cabinet meetings at frequent intervals (weekly, biweekly, or monthly) to deal with current concerns and maintain effective communication. Some governors hold cabinet retreats at regular intervals (semi-annually or annually) for team building and to develop long-range strategies. Short (e.g., one hour) and frequent cabinet meetings tend to be more tactical and informational. Long (e.g., one day) and less frequent cabinet retreats tend to be more strategic in reviewing progress and redirecting priorities, and cyclical in determining where an administration is in its development and in planning how to meet the major challenges it will face in the months ahead.

The first year in the cycle of an administration is perhaps the most critical—in setting the tone, charting the course, and building the team. A new governor might consider cabinet retreats at the most critical junctures of that first year. For example, a retreat could be planned:

- **just prior to or shortly after inauguration** to acquaint the new cabinet team and senior staff with one another, clarify roles, articulate the governor's values and vision for the administration, and plan strategies for the first legislative session;
- **at the midpoint of the first legislative session** to review legislative progress and how the team is functioning and make needed adjustments;
- **at the midpoint of the first year** to shift gears from the recently concluded legislative session to the challenges of program implementation; or
- **at the end of the administration's first year** to review accomplishments and shortfalls, formalize the administration's goals and priorities, and plan second-year strategies.

Semi-annual or annual retreats can be used thereafter to review progress and plan strategies.

How NGA Can Help

Staff of the NGA Office of Management Consulting & Training has assisted governors in planning and conducting cabinet and senior staff retreats. Direct consultation is available by telephone regarding the timing, agenda, and processes for retreats. More active assistance can be arranged for agenda design and on-site facilitation. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Managing the Performance of Gubernatorial Appointees*. Washington, D.C.: National Governors Association, 1988.

National Governors Association and Council of Governors' Policy Advisors. *Managing the Policy Agenda: Organizational Options for Governors*. Washington, D.C.: National Governors Association and Council of Governors' Policy Advisors, 1992.

The Governor's Policy Agenda

Transforming the Campaign Agenda into Policy Goals

The Issue

An immediate challenge for new governors is to convert the promise of the campaign platform into a working set of policies for the state. Myriad policies exist in executive orders, legislation, administrative rules, and precedents. Finding a way to put the incoming governor's imprint on existing policy is part of the job. More important is the task of translating the governor's mandate from the voters into a framework for action.

The New Governor's Major Challenges and Roles

The following 10 points outline early assignments and delegations that can help a governor quickly assume command of the policy agenda and activate a broadly based process to accomplish it.

1. Prepare a campaign commitment and goals document. Use it to develop a tracking system that will monitor when and how the administration achieves or revises the goals articulated on the campaign trail.
2. Develop a communications plan, including coordinating key gubernatorial and cabinet communications events, consistency of messages, and press relations.
3. Review the budget and proposed legislation for consistency with goals and priorities.
4. Conduct briefings for cabinet and agency officials and their legislative liaisons on administration priorities and ground rules.
5. Develop and coordinate the implementation of criteria for gubernatorial decision documents or briefings.
6. Conduct briefings for task forces, commissions, and independent agencies on administration priorities.
7. Establish coordination among policy development, program design, and budget formulation.
8. Coordinate intergovernmental affairs.
9. Establish an early warning system on emerging issues, problems, and opportunities likely to affect the state and the administration or its policies.

10. Develop and implement procedures for the review of proposed and adopted legislation and appropriations.

How NGA Can Help

The tasks described above imply the formulation of a coordinated process for policy development and implementation. The NGA Office of Management Consulting & Training offers direct assistance to governors in organizing and identifying administration priorities and policy goals, via telephone consultation or strategic reviews and planning retreats. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resource

National Governors Association and Council of Governors' Policy Advisors. *Managing the Policy Agenda: Organizational Options for Governors*. Washington, D.C.: National Governors Association and Council of Governors' Policy Advisors, 1992.

Communicating the Governor's Vision

The Issue

Governors face important challenges as they attempt to build awareness and acceptance of their agenda. Advances in communications technology enhance a governor's ability to convey his or her message. To do so, governors need to crystallize what that agenda should be and how they will pursue the dissemination of their message. An effective communications strategy can help build public confidence in government, increase the public's attention to issues, and gain support for the governor's agenda.

The New Governor's Major Challenges and Roles

Communication must be an integral part of the policy process. The governor must organize a top-notch policy apparatus that helps refine his or her vision, lays out the options for action, and devises a strategy for communicating intentions and results. The governor's communications director and/or press secretary must be part of the policy development team. The team's challenge is to:

- identify the audience—the stakeholders;
- tailor the message and make it stick;
- coordinate activities with agency public information officers;
- cultivate the media;
- synchronize the communications effort with the schedule;
- develop graphic illustrations for the media; and
- use all opportunities to promote the message (e.g., budget briefings, statewide Sunday newspaper supplements, opinion editorials, and the governor's schedule).

An effective communications strategy is relentless without being too intense. It is honest and does not promise more than it can deliver. It touches all interested parties early and often. It minimizes surprises and is inclusive. It makes the best use of advances in telecommunications without being victim to them. It goes beyond convention.

How NGA Can Help

NGA provides new governors with technical assistance on communications in a number of ways. NGA offers management seminars for press secretaries and speechwriters. In addition, NGA provides consultation for policy and communications directors on crafting the key governor's messages—the inaugural, state-of-the-state, and budget addresses.

For more information on NGA's management seminars, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org. For more information on crafting the governor's key messages, contact Christine LaPaille, Director, Office of Public Affairs, by phone at 202/624-5344, or by e-mail at clapaille@nga.org.

Structuring the Policy Management Function

The Issue

Governors who set a clear policy agenda and have an effective structure for managing the agenda substantially increase the odds that they will fulfill the expectations of the electorate, remain in office, and leave a legacy for their state. Those who lack an effective policy management structure run the risk of losing control of their agenda to others and of spending time on the minutiae of government. Because effective management of the governor's policy agenda requires a solid structure for shaping and steering the agenda, new governors have some critical early decisions to make about the organizational options open to them.

The New Governor's Major Challenges and Roles

In deciding the structure of the policy management process, the governor should consider the following questions.

- *What are the roles of the governor and his or her senior staff in this process?* Many governors start by identifying their personal style and preferences. They can then identify those who will shape and steer the agenda. This requires a clear definition and communication of management roles among the key players—the chief of staff, press secretary, policy director, governor's counsel, legislative liaison, and agency liaison.
- *What are the various options for organizing and housing a policy unit?* Many governors expect a policy unit to identify emerging issues, analyze possible solutions and strategies, provide the governor with information needed to make policy decisions, and oversee policy implementation. There are three major organizational options for housing such a policy unit. It can be housed in the governor's office, housed within an integrated policy/budget office, or be a freestanding entity. Policy units within the governor's office either stand alone or

are the result of clustering one or more other functions with policy (e.g., policy and legislation). Variations on those options include an informal policy group coordinated by the governor's office and informal policy groups within the governor's office.

- *What additional ways exist to help shape and steer the governor's agenda?* In addition to their offices, governors can use other people and processes to manage their agenda. Some possibilities include obtaining citizen input; using a formal steering group; using cabinet councils on cross-cutting issues; using task forces on specific issues; meshing the agendas of the governor and agencies; and integrating policy, budget, and legislation.

How NGA Can Help

The NGA Center for Best Practices offers an objective, confidential analysis of the organization and operation of a governor's policy office. Direct consultation is available by telephone and through on-site reviews. For more information about this technical assistance service, contact John Thomasian, Director, NGA Center for Best Practices, by phone at 202/624-7881, or by e-mail at jthomasian@nga.org.

Relevant Resources

National Governors Association and Council of Governors' Policy Advisors. *Managing the Policy Agenda: Organizational Options for Governors*. Washington, D.C.: National Governors Association and Council of Governors' Policy Advisors, 1992.

"Organizing the Policy Function." *Management Brief* (July 1997). National Governors Association, Washington, D.C.

Governing for Performance

Improving Service Quality

The Issue

For most of the past two decades, the private sector has pioneered the use of service quality initiatives with much publicized success, both in the United States and abroad. Indeed, service quality has been a driving force in helping companies survive and thrive in a globally competitive marketplace.

Under a variety of labels and initiatives, governors are working to transform the culture of state government into a high-performance workplace. The bottom line is to help make government services simpler, faster, and more cost effective.

The New Governor's Major Challenges and Roles

Often there are multiple reasons that a governor may want to launch a major quality initiative. Some governors may want to replicate successful experiences elsewhere, either from private industry or at another level of government. Some view such initiatives as providing the tools to meet a major management challenge, such as streamlining operations to free up dollars for the direct delivery of services or improving the image of government as responsive to public concerns. Some bring to governance a management philosophy that embraces many of the core principles typically followed in improving service quality.

There is no cookbook of recipes from which a governor can choose to improve service quality. Approaches can and should be tailored to fit the experiences, challenges, and management philosophy of each governor and state. From the lessons learned and advice provided by governors who have pioneered major quality initiatives, the most critical factors for success include:

- ensuring the governor's personal commitment and involvement;
- establishing partnerships with key stakeholders;
- using structures to help steer and support the enterprise;
- building early successes and rewarding them;
- developing capacity within; and
- focusing on results.

The governor's primary role in all matters of governance is leadership—including the improvement of service quality. In launching or expanding a quality initiative, the governor must want to do it and must be involved in the process. To sustain these efforts, the governor's commitment must be real and reinforced by words and deeds. This requires far more than lip service or photo opportunities or occasional accolades. It requires a fundamental commitment to core values in how the business of government gets done.

Successful executives, including governors, focus on results. In simple terms, this means identifying goals and desired outcomes, providing the tools needed to achieve results, holding people accountable for results, measuring progress as best as possible, and staying focused. If the bottom line for improving service quality is to help make government services simpler, faster, and more cost effective, then this indeed is a formidable undertaking.

Transforming state government into a high-performance workplace is an enormous challenge, but impressive results await those who stick with it. Governors who have pioneered initiatives and stuck with them have saved millions of dollars, reduced process time, untangled red tape, boosted customer satisfaction, and created a more fulfilling work environment.

How NGA Can Help

In dealing with governors' offices across the nation, the NGA Office of Management Consulting & Training is aware of various state initiatives to improve service quality. State quality coordinators are available to consult with staff of new governors interested in launching or expanding initiatives to improve service quality. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Governors Association. *Improving Service Quality: A Governor's Guide for Launching or Expanding Major Quality Initiatives*. Washington, D.C.: National Governors Association, August 1998. (Note: includes the profiles noted below in an appendix.)

National Governors Association. *Improving Service Quality: Profiles of Four Governors Who Have Pioneered Major Quality Initiatives*. Washington, D.C.: National Governors Association, February 1998.

Privatizing State Government Services and Assets

The Issue

Governors have looked to the strengths of private-sector management in providing and improving traditional government services. Part of many governors' approaches to building effective management of state government has been the selective targeting of services and functions for privatization.

The New Governor's Major Challenges and Roles

The privatization debate raises basic questions about the general philosophy and role of government. Are there needs that should be met only by government? Can government be run "more like a business" and, if so, how? Are there particular services that should be subject to competition? Each governor must confront and resolve these questions before determining the role privatization will play in his or her administration.

Privatization may enhance a government's ability to respond to management challenges by offering innovative alternatives to the traditional methods of organizing, financing, and delivering public services. Privatization efforts in states include contracting out for goods and services, distributing redeemable vouchers for services such as childcare, selling assets or negotiating lease arrangements, and privately financing infrastructure construction. These activities share an emphasis on using competitive forces to increase efficiency, improve service, and reduce costs.

In considering approaches to privatization, states should identify how best to organize and manage privatization initiatives. Privatization program strategies need to identify civil service and labor regulations, legal and legislative constraints, and public attitudes and perceptions. Successful efforts will make the privatization message a central part of the governor's program and will include an ongoing commitment to build support among public employees and private citizens.

How NGA Can Help

The NGA Office of Management Consulting & Training provides management assistance to governors' offices. For more information, consultation, and referral to state programs, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

"Recent Studies on Privatization." *Management Brief* (July 1994). National Governors Association, Washington, D.C.

Council of State Governments. *Private Practices: A Review of Privatization in State Government*. Lexington, Ky.: Council of State Governments, 1997.

Implementing Performance-Based Government

The Issue

State governments must help chart a course that uses all the creative energies and resources of its citizens, government employees, and nongovernmental institutions. Citizens expect state governments to be excellent managers of the state's finite fiscal resources with results, not inputs, being the most important measure of performance. State governments must reallocate funds to match priorities, anticipate and address problems before they fester, leverage dollars through partnerships with other organizations and institutions, and provide a complete accounting to taxpayers on the use of their tax dollars.

The New Governor's Major Challenges and Roles

Successful performance-based governance will include the elements of a shared vision and measurable goals, as well as the operational elements of performance measures tied to performance budgets. Cultural change and continuous monitoring for improvement may be necessary to help produce the desired results.

Performance-based governance begins with a vision of the state's future that is shared by its citizens and leaders. That shared vision must be translated into measurable goals that will help show the progress made. If a gubernatorial effort is to be successful, these factors are typically included:

- an objective strategic plan that is shared across party lines and is used by key decision makers;
- involvement of citizens, constituency groups, and the public and private sectors to build broad-based ownership and involvement in the plan's success;
- involvement of both the legislative and executive branches through a bipartisan consensus; and
- commitment of the governor's personal time and energy.

The development of performance measures and their use in performance budgets is an extremely useful tool in helping governors direct state government while achieving statewide priorities and holding agencies accountable for the needed results. Performance measures define quantitatively the results a particular agency is attempting to achieve. Their use in the budgeting process helps estimate the results that can be achieved at particular expenditure levels. Governor's successful operational performance programs have included:

- extensive education efforts within the state's executive branch to help achieve the organizational, behavioral, and cultural changes necessary to bring about an understanding of, and investment in, performance measurement and performance budgeting;
- involvement of a broad spectrum of agency managers and elected officials in the process to create ownership and broad support;
- education and involvement in the system design by the legislative branch—both legislators and legislative staff—to build support for the proposed systems of performance measurement and budgeting;
- a phase-in of the effort using first those agencies whose managers show leadership and interest in the new approach;
- clear use of the measures in the budget formulation, review, and decision-making processes; and
- implementation of a communications strategy for employees and their unions, the media, and the public to communicate how performance measures and performance budgeting will make government more responsive and accountable.

How NGA Can Help

The National Association of State Budget Officers (NASBO), an NGA affiliate, collects information on states' performance measures and strategic planning efforts. NASBO can provide states with a variety of resources, and its staff will customize information to fit the needs of a particular state. For more information, contact Scott Pattison, Executive Director, National Association of State Budget Officers, by phone at (202) 624-5382, or by e-mail at spattison@sso.org.

The National Governors Association also provides assistance to governors' offices in agenda development, strategic planning retreats, and management reviews on topics such as working with the cabinet. For more information, contact Peter Wiley, Director, Office of Management Consulting & Training, by phone at 202/624-7895, or by e-mail at pwiley@nga.org.

Relevant Resources

National Association of State Budget Officers. *Budget Processes in the States*. Washington, D.C.: National Association of State Budget Officers, 2002.

National Association of State Budget Officers. *Restructuring and Innovations in State Management*. Washington, D.C.: National Association of State Budget Officers, 1996.

National Governors Association. *An Action Agenda to Redesign State Government*. Washington, D.C.: National Governors Association, 1993. (This publication contains information on performance-based governance.)

Using Information Technology to Transform State Government

The Issue

In an era when state governments are being forced to do more with less, technology offers a wide array of tools to achieve this end. Information technology (IT) is improving the quality of services, making them more timely and accurate, increasing the efficiency with which they are delivered, and providing the same or a better level of services with fewer resources. IT also is making government more accessible through innovative Internet applications, video kiosks, and automated telephone voice-response systems. The evolution of electronic government represents a bold new way of doing the state's business to provide a government that serves its citizens and businesses more productively and more efficiently.

The New Governor's Major Challenges and Roles

While many states are applying recent IT innovations to make government more accessible, cost effective, and responsive to citizen needs, there is concern that the technology is simply automating existing practices. Automating existing functions may offer limited efficiency improvements, but the real challenge for governors is to use IT to implement change across the state enterprise based on a thorough examination of business cases and desired outcomes.

Most states now offer Internet applications and video kiosks that make government services available 24-hours a day. Citizens can use these technologies to check welfare benefits, pay taxes, review employment opportunities, obtain fishing licenses, and register automobiles. States use satellite, cable, and video technology to bring educational opportunities to citizens at home and at work; and to give physicians in rural areas access to medical information from hospitals and universities located throughout the state and to provide medical consultations to remote locations.

States and the private sector are investing millions of dollars in statewide telecommunications networks. As states enter the Information Age, these networks are greatly increasing states' ability to marshal government, industry, and academic resources to enhance competitiveness, improve services, and reduce costs.

A new administration perhaps has the best chance to make major changes in how IT is integrated into state government. New administrations also have the chance to build on the technological successes of their predecessors and to learn from past failures. Key challenges include:

- determining the level of gubernatorial involvement to bring better technology to the state and state government;
- determining and evaluating the structure of the state's IT management and operations and its ability to add value to the governor's agenda;
- effectively managing state IT resources across the enterprise through a strong, centralized authority (e.g., a chief information officer) who is accountable to the governor;
- determining which business processes will gain the most from reengineering;
- marshaling and coordinating resources for governmental technological improvements as well as financing the necessary statewide infrastructure improvements to bring about long-term advances;
- ensuring that systems are state-of-the-art, accessible to the general public, and flexible enough to change as IT evolves;
- ensuring collaboration among state agencies to maximize the use of IT; and
- building public and legislative support for change and using public forums to highlight how IT can help state government manage more effectively and provide better service and public policy outcomes.

How NGA Can Help

NGA has created two online toolkits to assist governors in building their IT programs. The first toolkit identifies IT best practices that states have used to streamline operations and provide superior customer service. The second toolkit identifies innovative approaches for delivering programs and services through IT in three key policy areas, namely, Medicaid, education, and homeland security. Based on this work, the NGA

Center for Best Practices can assist governors with a broad array of IT management strategies and practices.

For more information, contact Erin Lee, Senior Policy Analyst, by phone at 202/624-5392, or by e-mail at elee@nga.org; or Martha Hatcher, Deputy Director, Office of Management Consulting & Training, by phone at 202/624-5422, or by e-mail at mhatcher@nga.org.

Relevant Resources

National Governors Association, *Building Better e-Government: Tools for Transformation*. Available at: www.nga.org/center/egovernment.

National Governors Association, *Policy Solutions Toolkit*. Available at: www.nga.org/center/ittoolkit.

Revenue and Budget

Revenue Forecasting

The Issue

Although most governors assuming office are aware of their tax and budget responsibilities, the responsibility for making revenue estimates often is realized later. In some cases, failing to understand the economic and revenue assumptions that underlie the budget can be an expensive lesson for new governors. Economic forecasting in the public sector varies widely with respect to who is responsible, which process is used, and whether or not a state has a history of reliable estimates.

The oldest truism about a forecast is that it will be wrong. The purpose of a revenue forecast is not to predict what revenues will be but to identify a future path for revenues and then to identify and quantify the risks above and below that path.

Another misconception about forecasts is that they describe what is happening with the economy. The press most often trumpets a single number, such as "Revenues Up \$200 Million." This figure reveals nothing about the economy but instead indicates that revenue collections have risen by \$200 million since the last forecast. This increase could occur even if the economy were declining during the same period because the last forecast was far too conservative.

The New Governor's Major Challenges and Roles

The revenue forecast is the starting point for the governor's budget. The assumptions made and the timing of those assumptions, along with the updates that may occur throughout the budget process, are important starting points for any governor. There are some common issues that a governor should ordinarily review.

First, does the state have a history of maintaining an objective forecast, or is the forecast a more political document? The trend among states has been toward consensus forecasts that may include legislative, academic, and corporate participation. In this way, there is shared responsibility and prior agreement on the starting point for the budget, including when updates and revisions will occur. This consensus is essential to enable valid comparisons of the proposals originating from the governor, legislature, or other interests throughout the budget period.

Second, important questions must be asked. Have recent forecasts been reliable? Have recent forecasts closely predicted revenue or have they significantly missed their targets?

What can improve the accuracy of the forecast? Most states rely on a three-step process for their forecasts often beginning with a reliance on a national economic model usually supplied by a private economic firm. The national information is usually downloaded to a state economic model, sometimes developed by the same firm, so that it meshes with the national model, and supplemented with off-model adjustments. These later adjustments refer to the fact that, in addition to law changes and other empirical assumptions that are made in the national and state models, forecasters often must attempt to measure behavioral and other changes that require judgment or experience in that state. An examination of the unique economic factors of a particular state is critical to predicting revenue growth and decline. A best-practices policy would suggest that all assumptions and changes to the models, or off-model adjustments, are identified in a consistent public format, and that any changes in methodology are clearly stated.

Third, short-term or quarterly variances in revenue should not be viewed as significant other than to signal change. In practice, quarterly estimates can be affected by collection practices, errors, and other issues, offering enough evidence to justify taking a long-term view of revenues for policymaking purposes.

Fourth, a best-practices policy also would include regular analysis of variance. In some states, all variance is accounted for in one of three ways-economic, technical, and standard error. States cannot change the fact that national economic projections may be in error (e.g., the gross domestic product may grow by 3.5 percent rather than the assumed 3.1 percent); they may err with their off-model adjustments or miss a key law change, or its implementation date, with respect to their own state model; or they may make simple arithmetic errors. If each forecast is compared with its predecessor on this basis, all errors can be accounted for. More important, errors that should be changed are identified, allowing the process to be more accurate each time it is used.

How NGA Can Help

The National Association of State Budget Officers (NASBO), an NGA affiliate, can provide technical assistance to states through the experience of its members. For more information, contact Scott Pattison, Executive Director, NASBO, by phone at 202/624-5382, or by e-mail at spattison@sso.org.

Relevant Resources

National Association of State Budget Officers. *Budget Processes in the States*. Washington, D.C.: National Association of State Budget Officers, 2002.

National Association of State Budget Officers. *Good Practices in Revenue Estimating*. Washington, D.C.: National Association of State Budget Officers, 1989.

National Association of State Budget Officers. *Budgeting Amid Fiscal Uncertainty*. Washington, D.C.: National Association of State Budget Officers, 2004.

National Association of State Budget Officers. *Budget Shortfall Strategies*. 4th Edition. Washington, D.C.: National Association of State Budget Officers, 2004.

Maintaining Budget Reserves and Budget Stabilization Funds

The Issue

One lesson states learned during the recession of the early 1990s was the value of a budget reserve or “rainy day fund.” State balances peaked in fiscal 2000 at 10.4 percent of expenditures, but more recently as revenues failed to keep pace with spending needs, states drew heavily on their budget reserves. In fiscal 2004 figures, balances as a percentage of expenditures are estimated to fall to 3.5 percent of expenditures.

Although budget reserves ordinarily are not designed to provide full protection against a major economic change such as a recession, they do provide governors with added time to make changes to their budgets when revenues fail to meet expectations. Budget reserves can decrease some of the pain of cuts and other actions required to compensate for revenue shortfalls. The duration of a downturn and its severity are important factors to be considered when determining when to use rainy day funds. To address a shortfall, reserves can fill the gap before the economy picks up again or before spending reductions and/or tax increases are implemented. Reserves clearly help, but they do not replace the hard choices that accompany poor economic conditions. During fiscal years 2002 and 2003, rainy day funds and reserves were not sufficient to cover the huge shortfalls that occurred in state budgets. Conversely, during a strong economy states must review their reserve, spending, and tax policies with an eye toward long-range fiscal stability.

The New Governor’s Major Challenges and Roles

National economic growth often is thought to be the primary determinant of state economic growth. In many states, the recent disintegration of revenue growth is the product of national economic trends. As a result, governors’ policies generally do not affect their state economies in the short run. Determining an appropriate reserve and when to rebuild recently used reserves requires judgments by the governor. These decisions will vary based on current and projected economic circumstances and a state’s past practices.

Some states’ financial experts maintain that a reserve balance of 5 percent of expenditures is a reasonable benchmark. In part, this figure depends on the degree of control the governor has over state appropriations. If possible, it is best to gain legislative concurrence on an appropriate percentage reserve in advance of the budget submission to ensure that an appropriate level of reserves survives. Together, the reserve and the budget are part of the overall plan for strong state fiscal management. A major economic change such as a recession can cost a state 10 percent or more of its revenue base, so program and other changes will be required to rebalance the budget. During fiscal years 2002 and 2003, rainy day funds and reserves were not sufficient to cover the huge shortfalls that occurred in state budgets.

State policies vary on how reserves are built and how they are used. They range from informal structures, where all or some of the state surplus is appropriated into the fund at the end of the year and can be spent by appropriation the next year, to constitutional or statutory requirements dictating by formula when tax revenues are transferred to the fund

and that they can be spent only when triggered by certain economic events. Statutory or constitutional provisions requiring rainy day funds are more common.

In addition to formal budget reserves, informal reserve funds play an important role in states' budget stability. According to Moody's Investors Service, informal reserves are reflected in actions such as increasing the portion of pay-as-you-go capital, issuing debt for shorter periods, and shortening the time span for bill payments. States have used many of these techniques during the last two fiscal years to deal with recent budget crises.

How NGA Can Help

The National Association of State Budget Officers (NASBO), an NGA affiliate, can provide descriptions of state budget stabilization funds as well as data on the balances held in them during the past several fiscal years. For more information, contact Scott Pattison, Executive Director, NASBO, by phone at 202/624-5382, or by e-mail at spattison@sso.org.

Relevant Resources

National Association of State Budget Officers. *Budget Processes in the States*. Washington, D.C.: National Association of State Budget Officers, September 2002. (Presents information on the structure of state budget stabilization funds.)

National Association of State Budget Officers. *Budgeting Amid Fiscal Uncertainty*. Washington, D.C.: National Association of State Budget Officers, 2004.

National Association of State Budget Officers. *Restructuring and Innovations in State Management*. Washington, D.C.: National Governors Association, 1996. (Includes information on states' changes to budget reserves.)

National Governors Association and National Association of State Budget Officers. *The Fiscal Survey of States*. Washington, D.C.: National Governors Association and National Association of State Budget Officers, April 2004. (Reports on balances held in budget stabilization funds.)

Ensuring Debt Management

The Issue

Many states rely on borrowing to finance capital assets. In the course of borrowing, many states establish debt management policies to guide their decisions. Governors set the overall fiscal theme of their administration through the establishment of prudent debt policies. Although the public may not be aware of state fiscal management practices, such as debt management, a well-articulated capital program with a well-conceived debt management plan helps instill confidence in fiscal stewardship.

By approaching debt management prudently, states ensure their access to capital markets when the use of such funding is necessary to meet critical public needs. In following a set of debt principles, states strive to maintain and improve their credit ratings, thus ensuring

access to capital markets at the lowest possible cost. Access to capital markets is vital to meet the important capital outlay needs that can ensure a state's competitive advantage.

The New Governor's Major Challenges and Roles

As the chief executive of the state, the governor directs overall financial management. Maintaining access to bond markets at a reasonable cost is important in carrying out a capital improvement program. By articulating a debt management plan, the governor has a better chance of success in carrying out the state's financial program. Even during an economic downturn, states need to maintain certain policies to ensure that their credit rating remains strong. Although the advent of an economic downturn may not be within a state's control, its reaction to fiscal decline is.

The interplay between the economy and financial management becomes most pronounced during an economic downturn. During the current economic slump, the credit ratings of several states were downgraded, in many instances due in part to fiscal management practices that do not meet usually recognized standards of good financial management practices.

Governors can develop debt policies to communicate long-range financial plans to both the public and investors. Maintaining a strong vote of confidence from investors in state debt signals astute leadership by the state's chief executive. Central to formulating a debt management plan is the concept of debt affordability. Although there is no magic number to use for debt affordability, indicators based on a percentage of personal income or percentage of revenues help in setting limits.

How NGA Can Help

NGA's affiliate, the National Association of State Budget Officers (NASBO), monitors developments in state finance and management, including states' debt management policies. Recent NASBO conferences have featured presentations by experts in the financial community on topics such as developing state debt management policies, maintaining balance in state budgets, and using pension obligation bonds. For more information, contact Scott Pattison, Executive Director, NASBO, by phone at 202/624-5382, or by e-mail at spattison@sso.org.

Relevant Resource

National Association of State Budget Officers. *Debt Management Practices in the States*. Washington, D.C.: National Association of State Budget Officers, April 1994. (Provides overall guidelines for establishing or revising a debt management policy and examples of state practices. Topics featured in the publication include establishing debt affordability limits, linking capital planning to debt management, integrating debt policies into the operating budget, and providing oversight on total state debt.)

Restructuring State Operations and Systems

The Issue

Current economic uncertainty and major decreases in state revenues present the opportunity to bring new approaches to managing state government. Unlike the private sector, which can shed unprofitable lines of business, most state government services are a fixed commodity. For example, elementary and secondary education, health services such as Medicaid, corrections, and higher education account for the majority of state spending and cannot be changed as important parts of the budget. Instead, states must seek new approaches to managing and delivering these and other services.

New directions states are taking involve restructuring major activities to improve operations, reviewing all state programs and procedures through statewide commissions, and developing and implementing results-oriented measures and management systems.

The New Governor's Major Challenges and Roles

New governors might establish a study group to evaluate services, organizations, civil service policies, service delivery, and budget authority and responsibility. Many states have been reviewing their operations in recent years due to the sharp decline in available revenue. Some are implementing changes, and governors may want to seek information from other states as a starting point. Some of the potential areas to address include restructuring government functions to address overlapping jurisdictions, duplication, management inefficiencies, and costly administrative overhead.

The uncertainty of revenues and federal funding coupled with public demands for improved government performance is providing the impetus for management changes in many states. States are restructuring major services and improving their operations through extensive reviews. Examples include the following.

- States are restructuring major state functions, including social services, corrections, and environmental programs to improve the management and efficiency of state government. Other restructuring includes changes in service delivery, such as contracting with the private sector, to provide government services; and developing performance contracts for major service programs.
- States are conducting statewide reviews of expenditures and revenues as part of an effort to maintain long-term balance and stability in their budgets. Some of these efforts involve commissions to evaluate programs and delivery systems, while others focus on modifying the revenue structure used to finance state government. Other states are implementing long-term strategies related to state reserves and expenditures.
- States are changing budget procedures to implement performance-based budgeting and integrate strategic planning in budget decisions. These changes involve developing systems to link budget decisions to specific goals and outcomes as a way of managing limited resources.

The uncertainty of economic growth, revenues, and the growth of citizens' service expectations have placed a great deal of pressure on states to deliver quality public services without any significant increase in public resources. Reviews of government activities often garner lots of recommendations but one criticism of these has been recommendations are never implemented.

How NGA Can Help

NGA's affiliate, the National Association of State Budget Officers (NASBO), monitors state developments in restructuring. *The Fiscal Survey of States* can be helpful. For more information, contact Scott Pattison, Executive Director, NASBO, by phone at 202/624-5382, or by e-mail at spattison@sso.org.

Relevant Resources

National Association of State Budget Officers. *Restructuring and Innovations in State Management*. Washington, D.C.: National Association of State Budget Officers, 1996. (Analyzes the new directions states are taking in state management. The report is divided into four sections: budget and planning changes, quality management, privatization, and infrastructure finance. Each chapter includes examples of state changes. It also provides recent examples of state practices in privatization, budget and planning processes, and agency mergers and consolidations.)

National Governors Association and National Association of State Budget Officers. *The Fiscal Survey of States*. Washington, D.C.: National Governors Association and National Association of State Budget Officers.