



Management Brief

NGA Office of Management Consulting & Training

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State Government Performance & Efficiency Reviews

An Overview of State Strategies

Fiscal conditions of recent years have led many states to initiate performance and efficiency reviews to reexamine state spending and government operations. These performance and efficiency reviews help states determine priority customer service areas and ways to improve efficiency and effectiveness. When going through such an exercise, **states have two primary goals: lowering spending and saving money in the short term, as well as improving performance and yielding additional savings in the long term.**

When examining state government performance, the key focus should be to determine core services and then identify budget limits and performance targets for each service. This short-term review can clarify greater changes that can be made in a given organization or process in order to improve efficiency in the long-term. Options include maintaining a program, restructuring or cutting back, or eliminating the program altogether. When focusing on ways to improve government efficiency, the key focus should be to determine the most effective organizational structure to deliver core services and then developing effective performance measures.

There are three key reasons why performance and efficiency reviews can prove beneficial to states. Performance and efficiency reviews:

- Serve as an effective method of cost-savings analysis;
- Help with prioritizing services to citizens; and
- Provide a targeted goal and legacy initiative for the administration of state government.

State Performance & Efficiency Reviews

The following list provides examples of performance and efficiency reviews initiated in a variety of states.

Arizona Governor's Efficiency Review

This efficiency initiative was established in January 2003 by Governor Janet Napolitano with the goal of improving the performance and efficiency of Arizona state government. Arizona's Efficiency Review (ER) was modeled in part after the Texas Performance Review (TPR). Governor Napolitano's Efficiency Review initiative: (1) was charged with finding practical and sensible ways to improve customer service, reduce costs, and eliminate duplication, and (2) draws heavily on internal state resources and experts in state government to staff and direct the effort.

Arizona's ER project was launched and rolled out in several distinct phases.

- Phase One (January –April 2003): ER focused primarily on locating potential savings in three pilot agencies: the Departments of Corrections, Economic Security, and Revenue.

- Phase Two (April –December 2003): The Governor issued an executive order in April 2003 making ER a permanent fixture of state government. The ER process expanded to six additional executive agencies, and ER began investigating potential savings in 12 statewide, or cross-cutting, issues that affect multiple agencies and offer greater potential for efficiency savings.
- Phase Three (January 2004): ER entered a third phase of fine-tuning its methods and approach. The Governor created a five-member steering committee made up of executive staff to take quicker action on agency ER projects, and statewide issues were consolidated and broadened into 10 areas and prioritized according to the greatest potential savings.

Website: <http://www.governor.state.az.us/er/index.htm>

Online Resources: Efficiency review reports (current and historical), the latest news about the efficiency review project, an update on the first year of operation, efficiency and cost-cutting projects implemented by state agencies (as well as best practices), and an overview on the 10 statewide issues affecting multiple agencies and targeted for long-term savings.

California Performance Review

Created by Governor Arnold Schwarzenegger in February 2004, The California Performance Review was developed using five guiding principles: put people first; save taxpayer dollars; be accountable and efficient; be visionary and innovative; and be productive and performance-driven. The California Performance Review has four major components: executive branch reorganization; program performance assessment and budgeting; improved services and productivity; and acquisition reform.

The CPR Commission was named in June 2004 and is comprised of 21 leaders from state and local government, the business and labor communities, and public policy experts, representing a broad range of interests and many years of combined experience. CPR submitted its report in August 2004 with recommendations to the Governor, and the Commission conducted public hearings throughout the state during August – October 2004 to gather testimony. Based on the CPR recommendations, the Governor has submitted two reorganization plans in January 2005 to eliminate 88 boards and commissions, and to create the new California Department of Corrections and Rehabilitation.

Website: <http://cpr.ca.gov/>

Online Resources: Current news reports and CPR updates, as well as the four volumes of the CPR report which contains comprehensive recommendations to reform and revitalize California's state government.

Commission for a New Georgia

Governor Sonny Perdue created the Commission for a New Georgia to analyze how government functions and to promote efficiency. Over the course of two years (through 2005), the Commission will initiate a series of task forces made up of private-sector Georgians. Each task force is designed to focus on a different aspect of state management. These projects will be staggered and vary in length, although three-to-four-month engagements are anticipated. The task forces are intended to be collaborative in nature and will be working with state government personnel to understand what the state is currently doing well and what can be improved.

- Active Task Forces: Administrative Services, Capital Construction, Fleet Management I, Fleet Management II, Leadership Development, Procurement, Public Finance Options, Receivables, and Space Management.

Website: <http://www.new-georgia.org/>

Illinois: The Public Accountability Project

In 1999, the Illinois Office of the Comptroller launched the Public Accountability Project (PAP) by which state agencies annually report on their SEA performance in carrying out their statutory missions. The intent of the project is to strengthen Illinois' financial stability while also enhancing the relationship between state government (service provider) and taxpayers (customers).

The Public Accountability Project is an on-going initiative focused on:

- Making state government more results-oriented
- Bringing about increased public awareness of state government programs
- Facilitating informed decision-making on the allocation of state resources
- Increasing public accessibility to information about state government programs and services

Website (last updated in 2003): <http://www.ioc.state.il.us/Office/PAP/>

Online Resources: History of the project, copies of annual reports, key information/documents related to service efforts and accomplishments (SEA) reporting, what other states are doing, and a place for state agencies to enter data.

Results Iowa

Since the early 1980's, beginning with the theme of quality management, Iowa has undertaken a variety of performance review initiatives. One current effort is "Results Iowa," a website which serves: (1) to provide Iowans with information about state government goals and progress in reaching these goals; and (2) to review performance measures and results with internal department directors to better track service delivery. Iowa's current administration reviews the website with department directors each quarter. The meetings serve to highlight excellent results as well as identify areas of concern and needed improvements. Each quarter, Governor Tom Vilsack and Lt. Governor Sally Pederson post an online report with their assessment of state government's recent performance.

Results Iowa includes the following features:

- A leadership agenda to attain five critical goals: better jobs, quality education, access to affordable health care, well-being for vulnerable Iowans, and cleaner water.
- An "operational scan" feature which provides economic, fiscal, and administrative indicators that affect state government's ability to better serve Iowans.
- A department performance section which provides department-by-department performance data and plans, as well as links to individual departments' websites.

Website: <http://www.resultsiowa.org/index.html>

Other Initiatives:

- **Iowa Excellence:** "Iowa Excellence" is an enterprise-wide effort designed to improve customer service and cut costs in state government. State agencies examine their performance using Malcolm Baldrige National Quality Program criteria (<http://www.quality.nist.gov/>).
Website: http://www.dom.state.ia.us/planning_performance/iowa_excellence/index.html
- **Iowa Reinvention:** In 2003, Iowa partnered with a consulting firm, Public Strategies Group (PSG), to help "re-invent government" by changing the culture and refocusing to a

customer-centric government. Iowa's chief financial officer was charged with overseeing the consultants' work to identify potential savings and reorganization opportunities. Under the agreement, PSG would receive 5 percent of any realized savings; the firm would be paid nothing if the expected savings did not materialize. According to Iowa Reinvention materials, the initiative accounted for \$85 million needed to balance Iowa's FY04 budget. PSG worked with Iowa over the next two years to implement the reorganization plans approved by the state legislature. In exchange for budget cuts, one reinvention measure granted five state agencies increased flexibility and authority as "charter agencies." (Public Strategies Group: <http://www.psg.us>)

Kentucky: Restoring Hope Initiative

In Kentucky, Governor Ernie Fletcher has utilized executive orders to review and improve state government performance. Governor Fletcher signed various executive orders in July 2004 to reorganize state government. Agencies involved in the reorganization include: Department of Personnel, Justice and Public Safety Cabinet, Cabinet for Health and Family Services, and the Finance & Administration Cabinet. Other issue areas and initiatives targeted for reorganization include: transportation, natural resources and environmental protection, workforce development, education, and commerce.

Website (with links to executive orders): http://governor.ky.gov/initiatives_accomplishments/

Massachusetts: Executive Branch Reorganization

Governor Mitt Romney initiated a review of all state capital spending projects in March 2003. The review was led by Governor Romney's Secretary of Administration and Finance and also focused on improving coordination of capital planning across independent authorities and local government. Based on this review, Governor Romney submitted an executive branch reorganization plan to the state legislature in May 2003 (under the authority granted him in Article 87 of the state constitution). The reorganization plan proposed changes to the existing cabinet and created new secretariats for education, economic affairs and commonwealth development. Many of these reform provisions (including the creation of a cabinet-level Executive Office of Economic Development) were passed and signed into law in June 2003.

Press Releases and Resource documents:

1. Reform provisions signed into law (6/30/03)
http://www.mass.gov/eoaf/gov_veto_docs.htm
2. "Romney submits executive branch reorganization plan" (5/14/03)
http://www.mass.gov/portal/govPR.jsp?gov_pr=gov_pr_030514_Article_87.xml
3. "Romney Administration launches capital project review" (3/19/03)
http://www.mass.gov/portal/govPR.jsp?gov_pr=gov_pr_030319_capital_review.xml

New Mexico Performance Review

In 2003, Governor Bill Richardson directed his team of cabinet secretaries and agency heads to conduct a comprehensive two-phase performance review to find ways to save money and improve delivery of state services. New Mexico's performance review focused on six priority issues: health, human resources, information and telecommunications management, transportation, corrections, and contract management. The Performance Review team issued a report in August 2003 containing 92 recommendations covering a wide range of ideas for saving money, increasing efficiency, collecting delinquent taxes, and improving customer service throughout state government. The second report from August 2004 contained 41 additional recommendations. Innovations started under the performance review include: identifying

unnecessary contracts, initiating a new tax collection program, and improving telecommunications and information services to state agencies.

Website: <http://www.governor.state.nm.us/performanceview.html>

Rhode Island Fiscal Fitness Initiative

Governor Donald L. Carcieri initiated an efficiency audit in 2003 which resulted in an eight-month examination of state government with the purpose of driving down costs and improving government service. The Rhode Island Department of Administration managed the project with a team of 55 public employees and with business reengineering strategy provided by AMK Consulting Group. The audit report (released in February 2004) detailed 140 ideas for improved management efficiency and cost reductions that could be realized through centralizing services, consolidating programs, renegotiating contracts, and ending state leases. The audit identified the potential for more than \$180 million in annual taxpayer savings with process reforms to be implemented through executive orders as well as legislative action.

In 2004, Governor Carcieri issued three executive orders in connection with the Fiscal Fitness initiative: creating the cabinet-level Office of Health and Human Services (unifying the delivery of health care and social welfare programs), centralizing state property management, and centralizing state information technology management.

Website: <http://www.governor.ri.gov/fiscalfitness.shtml>

South Carolina Governor's Commission on Management, Accountability and Performance

Governor Mark Sanford created the Commission on Management, Accountability and Performance (MAP) by executive order in June 2003. The Commission consisted of two constitutional officers and a bipartisan panel of 12 private sector leaders with business and industry experience. Ten task forces comprised of volunteers and over 30 staff and consultants contributed to this project. The MAP Commission was charged with studying how government does business in order to save taxpayer money, increase accountability, improve service, consolidate functions, return jobs to the private sector and help make South Carolina more competitive in a global economy. In August 2003, the Commission launched two online surveys to gather input and collect cost-saving ideas from state employees and private citizens. The Commission also: organized public hearings across South Carolina to solicit citizen input; conducted a public poll to solicit opinions from 500 randomly-selected citizens; held focus group discussions with citizens and public employees; and obtained input from directors of all state agencies through agency interviews.

The Commission submitted its report to Governor Sanford in September 2003, and while the South Carolina House of Representatives passed several components of Governor Sanford's restructuring initiative in 2003, the majority of these efforts stalled in the state senate. In October 2004, Governor Sanford unveiled "Contract for Change," a five-point legislative agenda focusing on income tax relief, government restructuring, more educational choice, tort reform, and updating senate rules in the state legislature. Governor Sanford noted that updating the senate rules was most critical given its impact on the outcome of other reform initiatives.

In January 2005, Governor Sanford submitted a budget to the state legislature containing a variety of recommended cost-cutting measures based on the MAP Commission report. The government reorganization plan remains another agenda item for the year. (Proposed changes include reducing the number of constitutional officers included in the Cabinet to allow for more direct gubernatorial appointments, and consolidating certain state agencies.) The proposed changes to

the senate rules, passed on January 11, 2005, will improve the process of deliberation to minimize the impact of filibusters that cut off debate and the consideration of bills, and will reduce the number of senators needed to bring a bill to a vote

Website: <http://www.mapcommission.sc.gov/>

e-Texas/Texas Performance Review

The Texas Performance Review (TPR) was created by state Senate Bill 111 in January 1991 and signed into law by then-Governor Ann Richards. Senate Bill 111 required the Legislative Budget Board, the state's chief budget-writing body, to conduct a review of state agencies and the programs, services, and activities operated by those agencies. In February 1991 the budget board designated the Comptroller of Public Accounts to head the operational review by working internally and in conjunction with other involved agencies to develop a project plan and to create a project team using staff from various state agencies and individuals from the private sector.

Since 1991, TPR has worked to make state government more effective and efficient by challenging and questioning “the basic assumptions underlying all state agencies and the programs and services offered by the state.” TPR has produced an annual report since 1991 to identify cost savings and ways to improve efficiency across sectors of government services. In 2003, the Comptroller’s office identified savings and additional revenue of \$1.7 billion in general revenue funds for the next biennium, as well as another \$2 billion in savings and revenue gains for other funds in the state budget for a total of nearly \$3.65 billion. These recommendations range from bringing agency staff and management ratios in line with those found in the private sector to completely eliminating certain state agencies as they currently exist.

Website: <http://www.window.state.tx.us/etexas/>

Online Resources: This website contains links to various agency-specific performance reports including the Capital Metropolitan Transportation Authority, the Public Utility Commission, and the Texas Board of Chiropractic Examiners. Other general, statewide reports are available including “The Challenge of Change in Texas Government,” “New Ways to Govern Texas,” as well as the most recent update (April 2003) “Special Report to the Legislature: Additional e-Texas Recommendations.” This report includes recommendations in a variety of areas including education, general government, and health and human services.

Virginia Governor's Commission on Efficiency and Effectiveness

Governor Mark Warner created the Commission on Efficiency and Effectiveness in January 2002 with the core purpose of re-examining state government to see how effectively it serves Virginia citizens and how efficiently it provides them with needed services. The Commission was chaired by former Governor L. Douglas Wilder, who guided the Commonwealth through the last recession.

The Commission was charged with four main goals:

1. Identify redundant and ineffective services;
2. Recommend ways to streamline and consolidate state agencies and programs;
3. Suggest how state government may make better use of technology to improve service delivery and reduce costs; and
4. Advise as to how state government may employ progressive management tools to make state services more efficient.

On December 18, 2002, the Governor's Commission on Efficiency and Effectiveness officially submitted its final report to Governor Warner. In 2003, Governor Warner submitted to the

Virginia legislature a series of reform proposals (many based on the Commission's findings) aimed at making government more accountable, efficient and responsive in an era of severe fiscal constraints.

Website: <http://www.governor.virginia.gov/Initiatives/EffCommission/EEHome.htm>

The Warner 2003 Reform Agenda (includes results of legislative action):

<http://www.governor.virginia.gov/Initiatives/Legis2003/index.htm>

Washington: Priorities of Government Budget Review

In August 2002, Governor Gary Locke initiated a "Priorities of Government" (POG) budget approach to address a \$2.6 billion deficit for 2003-05. The state's Office of Financial Management worked with a consulting firm, Public Strategies Group (PSG), to develop the new budgeting process to identify results-oriented priorities as the basis for budget decision-making. This government-wide assessment and evaluation of state services required establishing a clear set of results that citizens expect from state government. Next, selected executive and agency staff worked to consider agency activities within the framework of ten priority statewide results.

The Results Teams were charged with:

1. Viewing state government as a single enterprise.
2. Developing ideas for achieving results at less cost through creative budget solutions.
3. Reprioritizing spending, eliminating programs or consolidating similar activities in different agencies to achieve the best contribution to the specified results.

The teams developed a spending plan in keeping with the biennium's revenue forecast, and Governor Locke incorporated various recommendations into the 2003-05 budget submitted to the legislature. The legislative budget enacted in June 2003 contained many of these recommendations. This POG approach also guided the 2005-07 budget proposal which Governor Locke submitted to the state legislature in December 2004.

Website: <http://www.ofm.wa.gov/budget/pog/default.htm>

Ongoing Performance Measurement

In addition to the performance and efficiency reviews described in this management brief, many states have established ongoing performance measurement initiatives, most often within their departments of administration. Some notable efforts include the **Minnesota** Department of Administration's Management Analysis Division (MAD) which has provided fee-for-service management consulting to other state agencies since 1985; the **Pennsylvania** Office of Management & Productivity created in April 2003 to implement and evaluate programs and processes designed to increase state government efficiency; and the Commonwealth of **Virginia**'s website, "Virginia Results," (housed in the Department of Planning & Budget) which has served as an assessment tool since January 2001 to evaluate how state agencies are delivering core services.

Additional Information

NGA's Office of Management Consulting & Training can provide states with information on performance and efficiency reviews and the management and streamlining of state government. For more detailed research on state initiatives described in this brief, please contact Christie Amberman, Management Analyst in NGA's Office of Management Consulting & Training (202/624-5370; camberman@nga.org).