CASE STUDY:
STATE OF LOUISIANA

USE AND THE EFFECTS OF USING PERFORMANCE MEASURES FOR BUDGETING, MANAGEMENT, AND REPORTING

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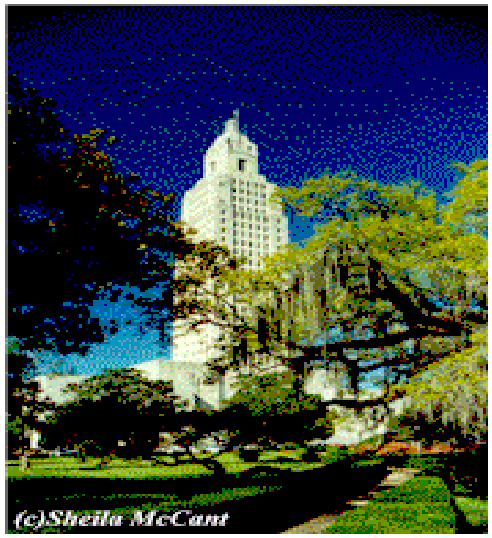

CONTENTS

EXECUTIVE SUMMARY

Since 1997, when landmark legislation was enacted, the State of Louisiana has been using performance measurement in all executive agencies as part of a "managing-for-results cycle" that includes multi-year strategic planning, annual operational planning, performance-based budgeting, and quarterly performance reports. Louisiana's performance-management system has been legislatively driven, as championed by the Louisiana House Appropriations Chair, Representative Jerry Luke Leblanc. Governor Mike Foster has strongly supported this system, ensuring that executive agencies have complied with performance planning, budgeting, and reporting requirements. Prior performance-reporting requirements were tied to specific governors and had been largely abandoned before the current law. Chairman LeBlanc was concerned that agencies had funds appropriated in large program blocks, under the state's program-budgeting system, with no formal links of the funds to specific plans or performance indicators, to hold agencies accountable for using the funds as intended by the legislature, or for achieving desired results. His 1997 law created those links. The governor's Office of Planning and Budget (OPB), on the executive side, and legislative appropriations and fiscal staff, play strong roles working with agencies to ensure those links are real. Legislative auditors play important roles examining issues of appropriateness of performance indicators, and the quality of performance data, to help agencies learn how they need to improve their indicators and the integrity of their measurement systems.

Legislators, especially those on the House Appropriations Committee, have referred to performance information in questioning department managers, particularly during budget hearings. To date, the use of performance information in the budget process has reportedly influenced decisions on funding new programs and making marginal increases or decreases to current programs. Performance information has reportedly not yet influenced decisions about agencies' "base" budgets. While state performance budgeting and the related managing-for-results cycle focuses on specific agencies and programs, Governor Foster has also initiated three long-range strategic planning initiatives—on economic development, workforce development, and children and families—that cuts across state agencies. These initiatives are backed by their own legislation and are led by commissions or task forces whose members come from different parts of government and the private and non-profit sectors. The state is working on linking agency strategic and operational plans to these cross-cutting strategic plans.

Agencies submit their quarterly performance data to the OPB and the legislature electronically, through the Louisiana Performance Accountability System (LaPAS), an Internet-based system that allows remote data entry and access. The public can access LaPAS and review agency performance information on the World Wide Web at: http://www.doa.state.la.us/opb/lapas/lapas.html. OPB makes all budget and planning forms, and guidelines for all parts of the managing results cycle, including strategic and operational planning, available on the Web at: http://www.doa.state.la.us/opb/pbb/pbb.html.

PEOPLE INTERVIEWED AND THEIR ORGANIZATIONS

Interviewee	Title	Organization
Jean Vandal Elise Read	Director, Fiscal Division Staff	House Appropriations Committee Staff
John Romback Gordon Monk	Legislative Fiscal Officer Staff	Legislative Fiscal Office
Paul Pendas David Greer	Assistant Director, Financial Audit Division Director, Performance Audit Division	Office of the Legislative Auditor
Joan Wharton Carolyn Lane	State Planning Management Director State Planning Management Analyst	Office of Planning and Budget, Division of Administration
Paula Roddy David LeBlanc	Undersecretary Director of Planning and Budget	Department of Social Services
Trey Boudreaux	Undersecretary	Department of Corrections
John Basilica	Director of Management and Finance	Department of Transportation and Development
Thomas Hagan Joanna Gardner	Undersecretary Operational and Strategic Planning	Department of Environmental Quality
Cleish Dawkins John Newsome Ted McMullin	Budget Director Research and Planning Project Manager	Department of Health and Hospitals
Anne Soileau	Deputy Director	Department of State Civil Service
Marilyn Langley Bill Tindall	Deputy Superintendent Executive Administrator	Department of Education

OVERVIEW AND BACKGROUND

The State of Louisiana uses performance measurement as part of a "managing-for-results cycle" that includes multi-year strategic planning, annual operational planning, performance-based budgeting, and quarterly performance reports. The system is grounded in legislation, Act 1465: The Louisiana Government Performance Accountability Act of 1997.

Act 1465 continues program budgeting, which the state had been using since 1989, with funds allocated primarily by agency programs rather than by line-item object of expenditure. However, Act 1465 added a large measure of accountability to the system, by requiring that agency program budgets be linked to strategic plans and operational plans, and have quantitative performance indicators and targets for each program. The annual appropriations act each year not only lists each agency's budget by program. It also includes the performance indicators and targets for each program. Act 1465 also specifies a role for the Legislative Auditor to verify agencies' reported performance and conduct performance audits. Act 1465 also has provisions, not yet implemented at the time of the GASB interviews (September 1999), to provide "rewards and penalties" to agencies based on performance. Rewards can include additional funds or added flexibility in how funds are used and reallocated during the year. Penalties can include funding reductions or in-depth performance audits to evaluate agencies and programs. The legislature and its staff, led by the House Appropriations Chair and legislative fiscal and budget staff, take an active role in the performance planning and budgeting process, along with the Office of Planning and Budget in the governor's Division of Administration, and the executive departments and agencies. Act 1465 applies to all executive-branch agencies (under the governor), including public colleges and universities. A 1999 act, not yet implemented at the time of the interviews, extends performance budgeting to the state's judicial branch.

Brief descriptions of main components of the performance-planning and budgeting cycle are:

- Five-year Strategic Plans containing the agency vision, mission, goals, strategic objectives, strategies to achieve their objectives, and key performance indicators of success. The department or agency program structure is also spelled out in the plan. Act 1465 requires that strategic plans must be updated at least every three years. The governor's Office of Planning and Budget recommends that agencies update their strategic plans annually. While Act 1465 requires strategic plans specific to each department and agency, the governor has initiated three "cross-cutting" strategic-planning initiatives, discussed further below.

- Annual Operational Plans are closely tied to agency budgets. They are the annual work plans for agencies. Operational plans describe short-term business strategies, and how (or what portion of) the strategic plan will be put into operation in the fiscal year of the plan. Act 1465 requires that an operational plan (OP) be submitted as part of each agency's annual budget request document. The OP includes specific annual objectives for each program, linked to the strategic objectives in the Strategic Plan, and performance indicators for each objective, with specific targets (called "performance standards") to be achieved for the indicators. Programs must include "balanced sets" of indicators in their plans.

- *Annual* Performance-based Budget *as Codified in Annual Appropriations Bills:* Agencies develop their OPs along with their budgets in a negotiated process with the governor's Office of Planning and Budget and legislative fiscal and budget staff. The Office of Planning and Budget compiles and submits the governor's Executive Budget and proposed appropriations bills to the legislature. The appropriations bills include proposed funds and performance targets for the program each year. The legislature conducts appropriations hearings and may question departments on their objectives and indicators, as well as proposed funding. After the appropriations bills are passed, including legislative adjustments, agencies submit adjusted performance targets based on actual budgeted amounts.

- Quarterly and Annual Performance Reports by agencies are the main accountability link. Agencies submit actual data for targeted indicators in their OPs every quarter through an Internet-based automated database, the Louisiana Performance Accountability System (LaPAS). LaPAS is accessible not only to the executive and legislative branches of government to review agency performance but also to the general public on the World Wide Web at http://www.doa.state.la.us/opb/lapas/lapas.html.

The Office of Planning and Budget describes Louisiana's managing-for-results process and publishes guidelines and forms for each part of the process on the World Wide Web at: http://www.doa.state.la.us/opb/pbb/pbb.html .

Brief History

Officials interviewed by the GASB research team referred to several past performance measurement initiatives in Louisiana, including one person who referred to a state budget from 1945 that included performance indicators. From a government-wide perspective, the main root of the "current story" of performance measurement and performance budgeting in Louisiana goes back to 1987, when the legislature enacted a program budgeting law. Two years later, then-Governor Buddy Roemer initiated strategic planning and performance accountability to support program budgets. But there were breakdowns in the system between the Roemer administration and the current initiative, as succeeding governors did not require agencies to continue strategic planning and performance measurement. The main difference in the current initiative is that it is legislatively driven, with requirements for performance planning and accountability spelled out in Act 1465. The legislative leader of performance measurement, and widely acknowledged "champion" of performance budgeting and accountability throughout the state government, is Representative Jerry LeBlanc, Chair of the House Appropriations Committee. Governor Foster has supported the initiative, which is consistent with a general performance focus he has wanted for the executive branch. His support is mainly felt through the Office of Planning and Budget, which helps agencies meet their performance-planning and reporting requirements. A chronological summary since 1987 follows:

- **1987:** The legislature enacts a program budgeting law, to be phased in over several years.
- **1989:** Governor Buddy Roemer and his Commissioner of Administration promote strategic planning and performance accountability to support program budgeting.
- **1991-1992:** All agencies had program budgets by this time, but the use of strategic planning and performance accountability was "spotty" (according to executive planning staff interviewed), especially in agencies that did not report to the governor.
- **1992:** The Roemer administrative ended, along with executive requirements for strategic plans and performance reports. Executive planning staff said they assumed a "gorilla planning and budgeting" role, in which the Office of Planning and Budget would help any agencies that wanted to install performance-based plans but had no leverage to institute them.
- **1995:** Governor Mike Foster was elected, emphasizing accountability, customer service, and government run like a business. There was also high turnover in the legislature allowing new leadership to emerge, including Representative Jerry LeBlanc as House Appropriations Chair. The legislature enacted a performance audit program and sunset reviews.
- **1997:** Representative LeBlanc led passage of Act 1465. Implementation for all executive agencies began, with development of plans and performance budgets for Fiscal 1997-1998.
- **1998-99:** At Representative LeBlanc's request, the Legislative Audit Office reviews the quality of agencies' performance indicators and ability to support their data. Deficiencies are discussed with agencies but not released as formal "findings."
- **1998:** New legislative language clarified requirements for higher education, allowing colleges and universities to substitute "master plans" for "strategic plans."

- **1999:** Act 1169 amended Act 1465 requirements, giving agencies more flexibility to submit balanced sets of indicators. The legislature passed an act mandating performance budgeting in the judicial branch of the State government. Governor Foster was re-elected.

FINDINGS

PEOPLE AND THEIR ROLES

Who has been involved in initiating, developing, and using performance measurement, and how have they been involved?

The Legislature: The acknowledged champion who played the biggest role in initiating the current statewide performance planning, budgeting, and measurement is Representative Jerry Luke LeBlanc, Chair of the House Appropriations Committee. He wanted to add performance accountability to the spending flexibility state agencies had through their program budgets. Representative LeBlanc has led the House Appropriations Committee in using performance measures in their budget deliberations. Many people interviewed related how committee members question agency staff on performance targets and indicators during appropriations hearings. People interviewed reported uneven use of performance measurement by other legislators. Those interviewed made some references to legislative oversight committees examining performance information, and raising performance-related questions, for departments under their review. But this does not appear to apply to all oversight committees. Also, as opposed to the House, interest in performance measurement in the Senate was referred to as "lukewarm" by interviewees. Representative LeBlanc was credited by interviewees as trying to educate members throughout the legislature on performance budgeting and measurement. Although interest in performance measurement varies among members, based on Act 1465, the legislature has the final say on which indicators are used to measure agency performance when it passes the annual appropriations act.

Legislative Staff: Staff of the House Appropriations Committee, and staff of the Legislative Fiscal Office (referred to as "legislative staff" in this case study) play key roles in development of performance indicators and annual performance targets, and in helping legislators use performance information in the annual budget process. These staff participate closely in negotiations with agencies in the development of strategic plans, annual operational plans, and budgets. In essence, these staff represent the legislature in these negotiations, which take place before the governor's executive budget is submitted to the legislature. In the negotiations, these legislative staff try to ensure that agency plans and budgets contain performance indicators and targets that will be acceptable to the members of the legislature. Because the legislature has final approval of which indicators are included in appropriations acts, the legislative staff have considerable leverage over which indicators agencies ultimately include in their operational plans. Legislative staff then brief members in agencies' plans, indicators, targets, reported performance, and key issues before appropriations hearings for each agency. They have also provided their analyses to oversight committees, but there had yet to be established, at the time of the interviews, regular joint meetings on budget and performance between oversight committee staffs and the fiscal and appropriations staffs.

Office of the Legislative Auditor: Both the Division of Financial and Compliance Audit and the Division of Performance Audit have played key roles in agencies improving their performance measures and their data quality. They have reviewed agencies' strategic and operational plans, and their performance indicators and measurement systems. In a special round of reviews requested by Representative LeBlanc, legislative auditors examined whether agencies have appropriate objectives and indicators that fairly represent their missions and authorizing laws and track with their strategic plans, and whether agencies have sound data-collection and record-keeping systems and can substantiate their performance data. Legislative auditors continue to review performance indicators and data when they audit agencies as part of their regular audit programs each year. Their roles are described in more detail below under "4. How is the quality of performance information perceived …?"

Governor: As described above, the Louisiana Governor's role in the use of performance measurement has varied with each governor. The current governor, Mike Foster, has supported agency strategic planning, performance budgeting, and performance measurement, especially through his Office of Planning and Budget. He has also initiated three long-range cross-agency and cross-sector strategic-planning efforts, for economic development ("Vision 20/20," available on the Web at: http://www.lded.state.la.us/new/2020.htm), workforce development, and children and families. Each of these initiatives is backed by separate legislation and is led by its own commission or task force that crosses agency and sector lines. These initiatives are discussed further below under "Uses and Effects of Performance Measurement: Uses of Performance Measurement for Strategic Planning and Performance Improvement."

Office of Planning and Budget: The Office of Planning and Budget (OPB) is in the governor's Division of Administration. A budget staff of 27 professionals and a planning staff of 9 professionals report to the Director of Planning and Budget. The planning staff, particularly the State Planning Management director and seven State Planning Management analysts (referred to as "executive planning staff" in this case study), have the primary role in the executive branch of assuring that all agencies develop adequate strategic plans, operational plans, performance indicators, and performance targets consistent with their budgeted resources. They have provided training and technical assistance to agencies, and they facilitate a management network of agency coordinators of strategic planning and operational planning. When agencies first developed strategic plans, OPB planners played a role assuring the plans were at an adequate level of detail to support operational planning, and were subject to quantitative measurement. This sometimes meant negotiating with agencies to change their strategic plans. They play a key role in annual negotiations with agencies on specific performance indicators and targets to be included in agency operational plans. They cooperate with legislative staff in these negotiations. OPB's planning staff also includes a Performance Database Coordinator. OPB controls which performance indicators are listed on LaPAS, and thus the kinds of data agencies can report. OPB planning staff also review agency quarterly and annual performance reports.

Executive Departments and Agencies: Some state agencies, based on their own management initiatives or their need to meet federal reporting requirements, have a longer history of performance measurement and strategic planning than other agencies. For example, a Department of Corrections manager described major measurement initiatives in that agency since 1991, with major revisions in 1995 and, later, with implementation of Act 1465. Department of Education managers described a department reorganization and strategic-planning effort that preceded Act 1465, and that set the stage for a major performance measurement and accountability initiative that applies to all local school districts and public schools in Louisiana. In implementing Act 1465, agencies have used their own internal processes to develop strategic plans and performance indicators. They have then negotiated indicators and targets with executive planning staff and legislative staff to determine their final performance plans and targets each year. When agency managers appear before legislative committees, especially the House Appropriations Committee, they may have to defend their performance indicators and targets as part of budget or oversight discussions. Agencies also report performance data each quarter through the LaPAS system. Agencies' own use of performance measures for management and improvement—as opposed to submitting indicators to meet requirements—varies by agency. As noted in various parts of this case study, some agency managers interviewed described specific performance-improvement efforts of their agencies, while other managers said they were mainly following the rules by submitting plans, indicators, targets, and data as required, without being committed to the process.

The Public and the Media: Roles of the public and the media in performance management in Louisiana have been limited to date. Most agencies have not involved the public in strategic planning and development of performance goals and indicators. However, one department interviewed (Environmental Quality) reported a large-scale outreach effort to obtain citizen and stakeholder input for setting priorities in its strategic plan. The Department of Transportation and Development reported that it had a long history, from before Act 1465, of regular public outreach for input to, and review of, proposed transportation plans, so the department could incorporate its usual public input into its required strategic and operational plans. The Department of Education reported using focus groups of parents and other local stakeholders to determine how to develop school performance report cards that parents would understand and be able to use. That department also used media campaigns to alert the public to the new education-performance accountability system it is implementing across the state. According to people interviewed, the general public has not yet shown a great interest in state agencies' performance information, but people and groups with specific interests have. Department managers reported that people from various advocacy groups (e.g., on health, the environment) and industry organizations have come to legislative hearings and cited their own interpretations of publicly available performance data. At least one manager thought some of these interested citizens have given their interpretations to legislators in advance, prompting related questions from committee members. Executive planning staff reported receiving many inquiries from citizens and private organizations since performance data have been available on LaPAS on the World Wide Web, including inquiries from organizations interested in doing business in Louisiana, and from members of the press who are investigating particular stories.

USES AND EFFECTS OF PERFORMANCE MEASUREMENT

What intended and expected uses and effects of performance measurement were articulated?

What actual uses and effects of performance measurement were identified?

Resource Allocation and Other Policy Decisions

Intent and Expectations

Most of the Louisiana officials interviewed, particularly legislative staff, mentioned some form of resource allocation as an important intended use of performance measurement. One legislative staff specifically noted an intention to find areas "where we can reduce allocations … through efficiency measures." Similarly, one department manager noted an intention of "identifying ineffective programs." But they were the exceptions. No one else interviewed specified intentions to add or reduce resources. Instead, people focused primarily on intentions to improve information for the legislative appropriations process. One legislative staff described how budgeting without performance data "has perplexed legislators here in Louisiana as long as we have been here. Are we spending our resources in the right area? We do some surveys and find that our spending is way out of whack with other states. The question comes up, 'Are they doing it more efficiently in other states? Does that mean we are getting a better product?' Nobody ever knew that answer."

Most of all, both legislative and department staff described an intention of improving legislative budget discussions and analyses, including dialogs between the legislature (including legislative staff) and executive departments that relate funding to performance. As a department manager put it: "What does it cost to get to a level of satisfaction with services that they had hoped to get? Could we afford it? Did some resources need to be shifted from one program to another? I think that there is a big benefit in having some good dialog over that. Before that it was just an appropriation. This is much more defined and laid out." One legislative staff summed up this intention: "We hope to get them to the point where the budget discussions are centered around the goals and objectives and targets and how we are meeting them, not just around politics."

Several department staff described how their focus in connecting performance and appropriations differed from that of budget and legislative staff. A Department of Education manager described the difference between his department's focus and the indicators required by the governor's and legislative budget staff: "Our expectations were really to try to set it at a broad policy-level focus, to get away from how many contracts you process this month. We didn't feel that that was giving anyone useful policy information. … Our charge is to educate kids. I wanted our focus to be on how well we are doing that. What are the things that we are doing to improve education? We try to keep a broad-picture focus on the policy area in terms of where we want to see things go, as opposed to getting into some of the nitty-gritty mechanical indicators. That has been a constant struggle …. We would much rather be at the broad-policy level rather than at the minute-detail level of some of these indicators."

The issue of department flexibility in using resources was discussed from two different points of view. One department manager saw the legislature's performance measures to program budgets as sending a message of trading off flexibility for accountability: "We are not going to control how you spend the dollars, yet we want to hold you accountable for them. They were more interested in outcomes." But legislative staff noted that before the current budget legislation (Act 1465), program budgeting in Louisiana *without* performance measures resulted in *too much department spending flexibility without accountability*. He felt that performance budgeting was intended, in part, to curb department movement of funds. "Representative LeBlanc felt that there was not an active understanding between the legislature and the government agencies as to what was expected to be accomplished. If that was somehow identified more clearly, then agencies would not be as free to move the money to other programs, then we would state a purpose and everybody would understand what the purpose was."

Managers from two departments described internal department intentions of using performance information to allocate resources. The Department of Education intends to use the ratings of schools throughout the state to determine spending, to support teachers in struggling schools, and target where state assistance teams are sent. (This is described further under "Uses of Performance Measurement for Strategic Planning and Performance Improvement" below.) The Transportation and Development Department intends to use three nearly completed infrastructure management-information systems, plus congestion-mitigation information, to allocate resources in agency budget development and capital resource planning.

Within the legislature, performance information was seen as a way to bring together policy-focused and fiscally focused legislators and staff. Legislative fiscal staff noted that in the past, before performance information was available, attempts to get oversight and policy committees to work with fiscal staff in the interims between legislative sessions did not work. "I do know that Chairman LeBlanc wants to see that happen in the House. He wants to have a subcommittee of Appropriations meet with the Transportation Committee or the Criminal Justice Committee and discuss not only fiscal matters but policy matters. We tried it in the Senate about seven years ago and the staff got so mad at us."

Actual Uses

In almost all the interviews, Louisiana officials described actual uses of performance information in resource allocation. Legislative staff, executive planning staff, and department staff all remarked that the inclusion of performance information in budget proposals in the last two years, including the proposed appropriations bill, has affected the budget process. Several people noted that while the "rewards and penalties" provisions of Act 1465 became effective in 1999, they have not yet been used to increase or reduce budgets. And no one linked explicit performance information to explicit decisions on the continuing "base" amount appropriated to agencies from year to year. But overwhelmingly, people interviewed said that performance information has been used in legislative budget discussions. As one legislative auditor remarked, "In the Appropriations Committee you are hearing legitimate discussions about deliverables we are getting."

Executive planning staff described a dramatic change in appropriations hearings before and after Act 1465 was implemented to bring performance information into the budget process: "Before 1997-98, when our office presented an executive budget in the appropriations bill to the legislature, the budget analyst would go to the table, and we would start a detailed presentation of what we added or subtracted from the budget. The questions from the committee would revolve around things like, "Why are you getting these new cars? Are we spending too much on paper clips or travel?" They were all input- and resource-oriented. As soon as we started doing real performance-based budgeting, that changed. Now the budget analyst goes to the table and gives a brief overview at a high level on what has changed in the budget, what has changed at the total expenditure level, and a few of the items that caused that. Then, our performance analyst goes to the table and gives an overview of the program structure, talks about major changes in performance, and the major factors affecting that performance. And then we bring the agency program manager to the table. The questions that the committee asks revolve not around dollars but revolve around performance: "You mean to tell me that you are only going to do X in one year?" That program manager has to sit there and defend performance; that has resulted in a true change in how the budget is reviewed by the legislature.

Legislative staff, executive planning staff, and department staff described how legislators' questions in appropriations hearings have become much more performance-oriented. Legislative staff described how adding performance information to the proposed budget causes legislators to "ask about the important things. It elevates the level of discussion." The source of the change has been the House Appropriations Committee. On department manager noted: “The whole legislation was the brainchild of the Chairman of the Appropriations Committee on the House side. They are very interested in the performance indicators. We have found in the last two years of testimony that there were more and more questions about the indicators. They want to know why there is a variance.” But the change in legislative focus is spreading, according to a legislative auditor who noted that performance information “is changing the questions, even on the Senate side, and … they are only lukewarm.”

Executive planning staff described how legislators’ interest in performance information “has trickled back to the agency. … The program manager goes back [from budget hearings] and says, ‘Somebody is paying attention to this.’ They are taking it more seriously. That is the motivating factor. The legislature is going to ask me about this information, and it ought to be correct. We are seeing a big change motivated by that one factor.” This was confirmed by a department manager who said, “It is now being used in the budget process. If you have poor information, you are shooting yourself in the foot. If you can't justify the existence of this program, you run the risk that the legislature is going to pull the money. We have refocused our efforts to make sure that this information is good, accurate, and provides information that is necessary to justify the program.” Another department manager described negotiating performance targets with executive budget and legislative staff based on the amount of funds to be budgeted, and planning the department’s year to achieve the target.

No one interviewed mentioned substantial changes in the year-to-year “base” appropriations to agencies because of performance information. However, several people interviewed cited significant influence of performance information on proposals for new programs, program increases, and funding reductions. Staff from the Governor’s Office of Planning and Budget noted that “after we make a recommendation to an agency on their spending level, any appeals have to be based on performance. ‘It is going to affect my performance in this way, ’ or ‘You only gave me a million and I need 1.5 million in order to comply.’ ” The same staff described how agencies proposing new or expanded programs must show improvements in performance indicators in their budget requests and their strategic and operational plans. “In our … budget forms … our new or expanded services form has an area for performance. So if you indicate in your strategic plan … that you are going to bring on line, or expand, a new service, you ask for it operationally through those plans and link it back to objectives … and change the indicators to show the improvement. There are other places in the budget for that as well.” According to legislative staff, “The biggest use that the legislature has used of this data so far is when there is a proposal to add money to a specific program and to take money away using the amendment process. That is when they use this data to look at performance—if you are asking for $10 million more dollars, but you really only serve X number of people. That is where the data has been used.”

The legislative focus on the performance effect of new spending has influenced department thinking and the proposals they put forth. As one manager described, “If there is a budget problem that comes up or something that we want to do, two or three years ago we wouldn't think about performance indicators. Now whenever something comes up, the next thing out of our mouth is, ‘Okay, how is that going to affect our performance indicators?’ … We are always thinking … ‘If you come before the budget committee with this, how is that going to affect our performance indicators?’ It is a whole different school of thought that we have to go through. A couple of times that thinking has dictated, ‘Well maybe we don't want to do that.’”

A department executive described getting the message to operational managers that "if they want additional funding, then they have to justify it using the performance indicators."

Effect of Use

As described above, adding performance information to the budget process has led to more performance-based legislative discussions, which in turn has increased departments' focus on performance information and performance targets. In terms of actual appropriations, people interviewed felt performance information has mostly influenced decisions on proposed new programs, or funding increases and decreases to specific programs. One example was cited of this effect: "This year the governor put a number of enhancements for public education into the budget. Those enhancements were driven by … goals and objectives in that master plan for economic development. His staff testified before the legislature that we put that money in there to build the strategies and meet the goals and objectives of Vision 20/20."

Strategic Planning, Performance Monitoring, and Performance Improvement

Intent and Expectation

Act 1465, which established performance-based budgeting, also mandated strategic planning by state agencies. Agencies are expected to update their strategic plans annually, and to align the goals and objectives in their strategic plans with objectives and performance indicators in their annual operating plans, and with indicators and targets in their budgets and the appropriations bill. Annual updates are more frequent than required by Act 1465. As executive planning staff noted: "It is a continuous cycle, as you go through one strategic planning process and spin an operational plan off …. Although our law requires our strategic plan to be updated every three years, we strongly recommend an annual review and update so that you take that performance information and you use it for both budget and policy and management decisions. … Changing the strategic plan and seeing that through the operational plan." A department manager confirmed the cyclical idea by noting that his agency intends to use recent performance information to "help drive" its next planning retreat. Another department intends to establish a performance baseline for its strategic plan.

Two managers described their departments' intentions to use strategic planning beyond the mandates of 1465. Rather than just meet requirements, they have intended to take charge of what they want to accomplish, and focus on functions and performance standards instead of funding sources. An environmental manager discussed "establish[ing] what the needs and priorities are, instead of just bumbling along, from year to year [meeting] EPA grant requirements … and … state statutes. It gives us the ability to do some kind of shaping of what we are going to do—targeting certain areas and certain problems; saying this isn't moving up as well as we wanted it to. What can we do here to get this to an acceptable level?" Similarly, an Education manager said, "We want to look at students and what we are doing with students. We want to look at staff and what we are doing with staff. So we wanted to look at the functions surrounding things. We wanted to establish standards of what we expect students to know and be able to do."

Agencies are also expected to align their strategic and operational plans with three cross-cutting state strategic-planning efforts on economic development ("Vision 20/20"), workforce (led by the Workforce Development Commission), and children and families (led by the

Children’s Cabinet). Executive planning staff described these mechanisms evolving to encourage this alignment: “Act 1036 [of 1999] requires that Vision 20/20 components be incorporated into agency strategic plans. We will, beginning in July of 2000, have an annual Action Plan for Vision 20/20 that cuts across agencies. At that point, that must be incorporated into agency operational plans. Workforce Development already has certain components of operational planning. They can send it back to an agency if they find it to be unacceptable. They make budget recommendations to us as well. The Children's Cabinet is not quite that far along. ...We developed [budget forms] to isolate children and family programs’ … performance information … so we can look at them in context.”

A wide range of intentions and expectations were described for using performance measurement for improving performance. Both legislative staff and a department manager discussed intentions of improving efficiency. A legislative staff noted that the rewards that can be offered under Act 1465 should motivate agency improvement, as the rewards include “greater contract flexibility, greater transfer flexibility, [which] are near and dear to agencies.” Benchmarking is intended “not only for best management practices but also for best measurement practices. We encourage agencies to compare themselves to other states … and national organizations.” Another intended performance-improvement approach is to align manager and employee evaluation criteria with agency performance plans. As a manager who trained people in the system explained, “We taught that you tie your manager's objectives and expectations to the mission of the agency. … We tried to show them the trickle-down effect from the top all the way down throughout the organization.” Similarly, one department manager noted, “If people are doing a good job, we want to be able to recognize them.”

Managers of three departments described understanding outcomes that are not entirely under their agencies’ control and using the information to try to improve outcomes. The Department of Environmental Quality wants to determine the effects of its inspections on reducing polluting emissions by facilities it regulates. Health and Hospitals wants to “see trends … relationships between outcomes” and “head things off before it becomes a problem.” The Department of Education wants to “improve teaching and learning and to improve the academic performance of students,” although those teachers and students are part of local, not state-run, school systems. An Education manager described the department’s intentions of using new performance grades for every school to determine how to support struggling schools and their teachers, how to build community partnerships to support schools, and when and how to intervene in local districts and schools, with “three levels of corrective action” from providing assistance to a school, to, if necessary, “reconstitut[ing] the school.”

Two comments appeared to sum up performance-improvement intentions from two points of view. Executive planning staff noted that, generally, agency managers have only reluctantly participated in state performance measurement processes: “We have compliers now. They have to because it is the law. We are in the process of trying to convert them into being true believers.” A similar idea, from the perspective of a department manager, is: “We want our process to be something that is useful to ourselves. Something to help guide us day to day. If we can satisfy ourselves, the legislature will be happy with that too.”

Actual Use

Statewide strategic planning is proceeding across agencies, through what executive planning staff called “three mega-policy efforts.” Vision 20/20, on economic development, is modeled, to some extent, on the work of the Oregon Progress Board. The Children's Cabinet "is charged with developing a statewide strategic plan for the improvement of programs related to families and children. … The Workforce Development Commission … is looking at job training and job readiness across agencies. They actually have review authority over operational plans and can make specific budget recommendations too. With our performance indicators, we try to support that idea by developing common indicators for common programs or activities across the line." Managers of two departments referred to aligning their strategic plans with statewide plans. One said: "We have gone back, and we want to make sure that the benchmarks that were established in Vision 20/20 have a direct crosswalk to our strategic plan." The other manager remarked: "We started out with what the governor established were the goals for the state. … That has to be our super goal. Then within that we would say, 'Okay, for education what is our specific goal?"

Typically, department managers described three- to five-year strategic plans as setting the overall direction for a performance-based management cycle by aligning with the program structure, the annual operating plans, and the budget. Goals and objectives in the strategic plans must link with performance indicators and targets in the operational plans, budget, and appropriations bill. One department manager described performance linkages down to line facilities and regular internal management review: "We have an operational plan for each institution that flows functionally. All of the measures connect. They all tie into programmatic descriptions of what that program does. You have performance indicators tied to the program that ties to the operational plans; the operational plans tie to the budget. Those types of things tie to the things that we are monitoring on a monthly basis."

Several departments noted that they have had to change their plans based on executive planning staff and legislative staff reviews, to provide the level of detail desired for the budget process, and to ensure performance alignment. As one department manager described it: "The strategic plan and the operational plan had to link to the budget. A couple of times we got called on it. This doesn't match. Why doesn't it match? That got our attention to make sure that the numbers match all the way across. … We went back with our strategic planning and realigned our focus." Strategic planning was new to some departments, while two departments noted that they had been doing strategic planning for some time before Act 1465 required them do so. Several departments noted that they review and update their strategic plans annually. Departments described strategic planning updates as opportunities to assess what has been accomplished, determine new directions that may be needed, and to revise performance indicators that were not particularly useful because, for example, "They don't give us a good picture of how well we do our job."

Two departments commented on the extent of public and stakeholder involvement in their strategic planning process, giving opposite answers. One noted that they anticipated talking to stakeholder groups, but they ran out of time and resources to do so in the last cycle. Another department described a process of outreach to citizens, through questionnaires circulated and made available on the Internet, and to specific stakeholder groups, to obtain public input on the most pressing needs, before the department determined its strategic priorities. The Department of Environmental Quality (DEQ) also noted participating in the federal Environmental Protection Agency's National Environmental Performance Partnership (NEPP) process. NEPP provides greater flexibility for state environmental protection through a performance-based umbrella federal grant rather than categorical grants, which gave DEQ more flexibility in its strategic and operational planning.

A wide range of performance-improvement practices were described by department managers, including organizational restructuring, benchmarking, regular performance monitoring of operating facilities and divisions, and management-performance appraisal. Two department managers described using performance indicators for internal management communication, which keeps people focused on performance. One manager described the common understanding of department and lower-level performance expectations. "Internally, even the divisions have to communicate. … We went through all of their performance data. They understand what we are trying to do and what they are trying to do." Another manager noted: "The division heads are much more aware of the numbers that they are putting on this report, and then I give them copies of my quarterly reports …. They are more aware of how well they are doing on the measures, and they feel a need to explain to me what is going on if they [are off target]. It is a fairly substantial change." One department manager described linking organizational performance indicators to individual managers through their performance appraisals.

Two departments described major restructuring efforts (one used business-process reengineering) done in concert with their strategic planning. They both reported reorganizing along "functional" lines, breaking up organizational "silos" that were either aligned with specific things the department regulated or aligned with federal funding categories. The functional organizations have enabled the departments to create more of a common focus, with performance indicators in all divisions that align with state and department strategic goals instead of the separate focus of each of the old silos.

Several departments noted specific performance indicators they monitor over time to measure progress. The Department of Correction gave the most thorough description of its internal use of performance measurement to manage the department. A Corrections manager described a wide range of diagnostic indicators tracked by institutions and reported monthly to executive management, such as charts of disciplinary actions, complaints, percent of inmates working, inmate education summaries, inmate use of health services, violence reports, incidences of diseases (e.g., AIDS, TB), mental health and substance abuse contacts, employee drug tests, and vacancies. "It is a good barometer of how each institution is performing. It helps me ask questions about what is going on. There is a team that evaluates this information, and there is a summary page on the front of the report that indicates where the big fluctuations are." Corrections also reported its benchmarking efforts: "We look at best practices from other states. … We got funds to look at different programs in the juvenile area to try to get a feel for what was working. We work with the National Institute for Corrections for technical assistance. They use us as a benchmark for other states. We have a lot of benchmarks in Louisiana that they use nationally."

Effect of Use

The most explicit example of the use of measurement for actual performance improvement was provided by the Department of Corrections, involving diagnostic analysis of measures to determine a pattern of abuse of health services by inmates, and instituting a solution. "One of the charts is for health care. … We look at the population at each institution, the number of sick calls per inmate, the doctor calls, prescriptions per inmate, x-rays per inmate. … Another chart is our duty indicators, showing how many inmates are working. We saw during the summer months especially, and sometimes during the winter months, that the level of limited duty was increasing, and we were trying to figure out why. We found that the number of sick calls was climbing. We instituted medical co-pay, and it dropped. The inmates were abusing the system because they didn't want to go out and work when it was hot. They would decide, 'Hey, I am sick.' They would go see the doctor, the doctor would put them on limited duty. … When we instituted the medical co-pay, it is $3 dollars out of their pocket. If they are indigent, they get to see the doctor. We don't deny them services. For the rest, they had to make a decision like you and I. We dropped about 50%, and it showed that we had an abuse of the system. So we could then focus more of our attention on the ones that were really sick."

<u>Accountability and Communication</u>

Intent and Expectation

By far the most frequently mentioned "intention" of the current system of performance measurement, planning, and budgeting in Louisiana was to increase accountability. Most of these comments concerned holding state agencies accountable to the legislature for what the agencies were doing with their budgeted funds. A legislative staff described how program budgeting *without* performance reporting had reached a point where agencies received large lump-sum program allocations, with no requirements for specific uses or levels of performance and, hence, no accountability to use the funds as intended. He noted how the House Appropriations Chair "often tells the tale of the legislature appropriating the money, leaving to go home, and yet during the interim, the whole focus changed." One department manager expressed a similar sentiment, saying the intention of the recent system "was to get a handle on a state that was kind of running amuck. We were throwing a lot of money at the budget, but we didn't know what was going on here." A few department managers went beyond how the funds were used, to mention an intention of achieving accountability for performance. For example, "Accountability for results—what are we getting for that money?" And accountability for "effectiveness of the way the agency was operating … efficient use of resources" or accountability to "do more with less." Executive planning staff said legislators "just want to know the truth about what is going on."

One department manager had a less sanguine view of the intentions of the legislature, its staff, and executive planning staff: "To be brutally frank, I think that it was envisioned as a way politically to control through … some of the definitions that they put on it. … It makes it very controlling as to what they expect you to report. The way the law is structured, we [agencies] suggest but we are not the final judge. … For me, that gets back to the implementation of it. It might have been intended to try to give agencies more flexibility and to hold them accountable, but what we see is that … staff either in the legislature or in the administration … when the day gets long, it gets down to those staff have to come up and produce something. So they ended up with a lot of control over what goes in or what doesn't go in."

One department manager referred to accountability *within* an agency, based on an intention to begin monthly reporting to the agency head. An Education manager referred to a system of performance accountability of local school boards and schools that is being implemented. Report cards are issued on all public schools in the state, and underperforming schools will be held accountable for "an acceptable level of growth each year towards that [targeted] level of performance."

In addition to accountability, people interviewed mentioned a number of other intentions or expectations for performance measurement systems that involve communication. Some of these comments had to do with improving communications between the legislature and executive agencies. As a legislative staff put it, “Another goal for this is that everybody has the same information. … The same indicators.” A department manager noted a hope for constructive dialog with the legislature on specific service issues, such as maintenance, improvement, and safety: “That is the type of discussion that I would hope performance measurement would get us to.”

Many comments by people interviewed had to do with the intention of better communication with the public. Executive planning staff noted that the House Appropriations Chair also talked in terms of accessibility to data by the public. His quote is that “this genie is not going back to the bottle.” The same staff said, “We are trying to push the agencies to put their strategic plans on the Internet so that it is easier to keep a handle on what is going on. We would like the public to see these plans too.” Department staff mentioned intentions to do annual reports, newsletters, press releases, or brochures for the public on their priorities and levels of performance. Department of Environmental Quality (DEQ) managers described why they wanted to reach out to get input *from* the public in developing their strategic plans: “It was a conscious decision [to connect with citizen groups because] the department in the past had been perceived as being a regulating entity … in tune with … the regulated community. … There was the perception that the department was oriented strictly toward business, not necessarily … toward the welfare of the citizens. … There is public perception that the environment is getting worse, and worse, and worse. … In fact it is not, it is getting better … much better. … The reason that we made that conscious decision to connect to the public was to say we are really here to protect the environment, and you are one of our customers, our stakeholders. You are not a regulated entity, but you are the people we are really trying to work for. … It is part of the move towards more customer services and the general public at large.” DEQ also intends to provide feedback to the public on what priorities emerged from its planning process.

Actual Use

There was a wide range of comments by people interviewed concerning use—and non-use—of performance information for accountability. One department manager mentioned “sunset review” of programs every two years. There were several comments related to “more scrutiny” by the legislature and auditors. One legislative staff said, “There are a whole lot of different groups looking at it: the House, the budget offices. There is a whole lot more focus on: ‘Are you doing what you said you were going to do in your appropriation? And what are your goals for the future?’” There were several comments by legislative staff on agencies improving the information provided, as a result of legislative scrutiny. One said, “I think that agencies are being more careful, refined in what information they submit to the legislature. They are more apt to make sure that they give useful data.” Another said, “Legislators ask questions related to performance. We have had several situations where there has been dramatic turn around after the first questions about their data.” Similarly, a department manager commented, “At least we have a much clearer idea of what we are going to report to the legislature and what other people are going to observe about what we are doing.” One legislative staff noted that legislators beyond the appropriations committee are picking up on performance data: “This information is very useful to the standing committees, not just appropriations, not just a budget tool. The members picked up on this a lot faster than I thought they would.”

There were a few comments about the lack of use of performance information, or about accountability-related uses that could be considered negative. For example, one department manager noted, "The legislators have never asked a question about the variances. It is more a formality." A legislative staff said, "It isn't used that much. The legislators use it when they want to beat somebody up." Another department manager described how he felt that indicators required by executive budget and legislative staff skewed his agency's accountability from its core performance to administrative details: "Of those 200 indicators [in the appropriations bill for his agency], the bulk of those indicators, if you broke them out, would fall into our state activity budget … meaning all of the admin work that we do …, which we find to be kind of ironic. When we look at other states for admin, they have very few indicators, if any, because it is such a small percent of the budget. So out of our 3.X billion budget, 67 million are administrative activities, and two-thirds of our indicators are tied to those."

Another use of performance information framed as accountability-related was the provision of performance information by state contractors and grantees. As noted by legislative staff: "We added performance-based provisions to our contracts at the same time this went into effect. … Agencies are getting scared with all of this accountability stuff where money flows through an agency to a third party. Now I am going to be held responsible for their results. They realize that I have to report this, so I want to get something back that is meaningful to me. … Agencies have become much more demanding of their third party contractors now. We have also worked with some of the grant programs to get some consistent performance data."

One department manager mentioned performance information as something used for internal department communication, for "constant feedback and interaction with my staff." However, most comments on communications beyond accountability to the legislature concerned communications with the public. Several department managers mentioned state or federal requirements—or in one case, a traditional state practice—of public reports, public hearings, or public meetings that were in effect before the current statewide performance measurement system. In some cases, specialized performance information was already being provided to the public. In other cases, when state strategic planning and performance budgeting went into effect, these public processes could feed into the department's performance plans.

A great deal of Louisiana performance information is available to the public on the Internet. Many of those interviewed referred to the LaPAS system used for performance reporting, parts of which are made available for public view on the World Wide Web. As described by executive planning staff: "Anyone can view the performance information …. You can drill down through departments, agencies, programs down to the objective level. Just about any way that you want to go and call up information and view it, and it will include a variety of facts about each of the reports. It will indicate what is the standard, the objective, the indicator name. The same staff also noted: "They have a website under Economic Development, and the entire Vision 20/20 plan, including the benchmarks and the targets for 5 or 10 years, are all online." Several department managers referred to their departments posting performance information for public view on their websites. The Department of Education, for example, said it made school-performance report cards available on their website and would add school-district performance reports.

In addition to making information available on the Internet, the Department of Education described other efforts to inform the public about performance. Staff send school-performance reports to parents, and they have run public service messages on radio and television to make the public—especially parents of school children—aware of information that would be reported. They have also entered into partnerships with advertising companies to get free space on billboards to alert people to the information available. With the state's new educational accountability system, with consequences for poor performance for students and schools, the department wanted to be sure parents and communities understood what was coming: "Our accountability initiative is a major new program and has some very significant consequences when it comes to closing a school. We have also instituted a high-stakes test for 4^{th} and 8^{th} graders, meaning that if you don't pass you don't go on to the next grade. So getting information out to parents and communities about these programs has been a major effort. Informational brochures and pamphlets—the demand for those has been unbelievable." To help determine what information to distribute and how to present it, the department held focus groups with parents: "Those focus groups have been what we call our lifesavers. It helped us clarify information, expand information, add more information. We have constantly tried to consider that perspective—how best to communicate this information."

The Department of Environmental Quality (DEQ) described its outreach efforts to obtain *input from the public* to help determine the priorities for its strategic plan. Early in the planning process, DEQ staff conducted interviews of 250 stakeholders who told them, among other things, that DEQ needs to reach out to the public more. Then they made a broader outreach effort, as described by a DEQ manager: "We start off by sending out queries and asking for input from the general public and anyone else that would like to respond. We also have a site on the Internet where we send out press releases. There were also publications that went out. We sent out questionnaires. We got good coverage. We had a whole list of items that we asked people to indicate what they felt were most important. It may vary by area—heavily industrialized vs. rural. Once those come back in, those are sorted and analyzed to indicate the most important items as far as the public is concerned. We also get feedback from environmental groups as well as industry organizations."

Effect of Use

The effects of using performance measurement for accountability of departments to the legislature, as described by two department managers, have been to make department staff more aware of, and serious about, performance information, and to improve internal department communication and understanding of performance. As one described it: "Everybody now has the same numbers. Everyone knows that the legislature is serious about this. It is not going away. We have to be on the same page. We have to talk to each other. If the numbers change, you have to let me know. Why is it changing? It has definitely forced the communication between four different offices. In previous administrations it was done pretty much at a very high level. Now we all have to swirl together and come up with a consensus." As another described: "I do think that it has had more of an impact internally. People are becoming more cognizant of the fact that we are going to be measured. … When I started doing the strategic plan and the operational plan a number of years ago, people did not really take the numbers that they turned in very seriously. There were numbers that I can say were literally pulled out of the air. Over the years, the knowledge that, yes, we are going to do strategic planning, it is important, and now it is a law—people are taking it much more seriously, and they are looking at what they are doing much more seriously. It is much more specific now."

The effect of making performance information available to the public has been that people with particular interests—rather than the public at large—have inquired about performance data, and some have made use of it. As one department manager related: "It hasn't carried over to the citizens and taxpayers or media. For the health advocacy groups, they will go over the appropriations bill, and they know every number in it. Sometimes they will relay stories to the press; the press will call the secretary to find out what is going on." Executive planning staff implied that the press has started to use the state's performance information available on the Internet as a source: "When this information is out there, the press can see it. We get calls from the press when they are investigating an issue; they will call and ask us to walk them through the performance information to understand what they are seeing, what the information means. It is amazing how many more calls we get from the media and the public now that this information is sitting there." Executive planning staff also mentioned others who have been making inquiries based on state performance information posted on the Web: "We are getting benchmarked by some private organizations. It is not as frequent as I think that it will become eventually. We get a lot of calls from other governments. I have gotten calls from private sector organizations as well as non-profits. … We frequently get calls from investors, people who are looking at Louisiana or are looking to do business with one of our quasi-public corporations. They look at the performance indicators."

PERFORMANCE MEASUREMENT IMPLEMENTATION ISSUES

How is the quality of performance information perceived, and how have performance measurement quality issues been addressed?

The general sense to emerge from the interviews concerning the quality of performance information is there have been, and still are, information-quality problems but that significant improvements in information quality have been made since Act 1465 was passed in 1997. In commenting on the quality of performance information and efforts to improve quality, Louisiana officials addressed three broad issues:

- The number of indicators reported statewide (generally considered too many);
- The quality of the indicators (as opposed to the data);
- The quality of data, measurement systems, and sources of comparison.

Role of the Office of the Legislative Auditor

Before discussing each broad issue in turn, it is worth focusing on the special role the Legislative Auditor's staff has played in identifying information quality issues, and helping agencies improve quality. In the initial planning, budgeting, and reporting cycle after passage of Act 1465, the House Appropriations Chair asked the Legislative Auditor to assess the quality of agency performance information. At the request of the Appropriations Chair, the audit staff did not issue formal audit findings about performance measurement in that first round of assessment. Instead, the auditors gave agencies guidance on how to improve performance information, set the stage for agency-legislature "negotiation" of revisions to indicators, put agencies on notice that the legislature was interested in quality information, and gave the legislature a sense of the state of the practice of performance information in Louisiana. Two of the Legislative Auditor's divisions played different, complementary roles. The Financial and Compliance Audit Division essentially assessed the quality of the data and whether agency mission statements and performance indicators were rooted in the laws governing each agency. The Performance Audit Division primarily assessed the quality of the indicators, whether they were meaningful, and whether they produced valid information for assessing each agency. Managers of both audit divisions described a multi-year process of initial performance measurement reviews, with the performance audit division taking about two years to complete all 20 departments. They noted that in most subsequent audits, they have also been examining performance measures and data. Legislative audit staff described the role of each division as follows.

Legislative Financial and Compliance Audit Division: "We decided to … devise some very straight-forward steps for looking at a program: 1. What are your measures? It is in the law, in the general appropriations act? What are your key performance indicators? … 2. What system do you have in place to collect this information and to be able to report on it? … They would say that this particular indicator is handled by Susan. We would talk to her, and she would describe the process. The process may have been a great process, or it may have been a weak process. We took note of the quality, whether we thought it was sufficient. 3. What did you report? Then they would show us the information that they reported. … Did the information resemble the number reported? Was the number well supported or not supported? 4. As a financial group we did not question whether the indicator was a good indicator, whether we thought it made sense, whether it was the best way to measure. That wasn't our job. That was more for … the performance audit function as well as the legislature and the budget office."

Legislative Performance Audit Division: "We were looking primarily at validity of information. … We were using the same set of objectives for each and every executive-branch department to assess how meaningful, useful, valuable their reported data was. … We felt that the objectives had to be time-bound and measurable. …Without that, then the performance measures didn't mean very much. That is one example of [our] criteria …. Through that round of audits, we … presented the information to the legislature for the information of the committee folks. With that round of reports, the information started to get better. Because of the legislature, because of the threat that we would come back? Probably. As a result of that, we have seen much more meaningful and thoughtful information. … In every performance audit we do, we are continuing to stress the significance of the importance of good information."

Concerns About the Number of Performance Indicators

Legislative staff, executive planning staff, and department staff all commented on the number of performance indicators of departments—and in total for the state of Louisiana. Almost all who commented on this issue suggested that there were too many indicators. According to executive planning staff, "We still have 6,043 indicators in our system. … I hope it will drop down to 5,000 [for 1999-2000]." Legislative staff remarked, "The volume of data has been a problem for everyone involved." A department manager noted: "They are yelling and screaming that 6,000 is way too many."

People interviewed mentioned several reasons why Louisiana has so many indicators in the statewide reporting system. According to executive planning staff: "As we began working with agencies, the first reaction was the kitchen-sink approach. If you want data, I am going to give you data, and it was everything they measured. Just volumes of information down to the transaction." One department manager acknowledged that agencies did this and why it is hard to eliminate indicators: "I think that it was a tendency on every agency's part to throw everything that we do into the indicators. Because that takes up so much paper, we had to scale it back.

Then the fear became, 'Well, we say we do 20 things, and now we are scaling this back to two, then you are saying that your whole budget is based on these two little things. That is not fair for us because we do so many more things. These two are no more important than these other 18.'" Another department manager expressed frustration with trying to get staff to improve their indicators: "I have some people reporting junk, and I can't get them to understand that it is junk. They want to be able to count what they do, every little thing. I don't necessarily want all of those numbers. We are constantly trying to get the right measures."

Executive planning staff suggested they are seeking fewer indicators that are "balanced" in the type of information presented: "I always stick out my hands. A handful of indicators. A balanced set of indicators. I don't mean 50,000. … Input, output, efficiency, outcome. We also threw quality in there as well. Oftentimes, it is an outcome because our governor is interested in improving those customer services. For that reason we are very interested in quality—five indicators. A balanced set and we are now free to develop those in a way to tell a clear story. We also stress explanatory notes in order to explain why performance is doing this, which it often is. We use those five sets of indicators." Executive planning staff also noted one approach being considered to reduce the number of indicators regularly tracked on the statewide reporting system, without completely eliminating accessibility to some data: "If we present something as a key indicator or a supporting indicator it has to be tracked on the system. We find that some of the information is better to be included in the explanatory notes. … So we are exploring different ways to present the information to make it available but not to have it be something that we have to track on the system necessarily. So we will see a compression of this information to more of a balanced set of indicators."

Legislative staff described their efforts to reduce the volume of data to that which is most important: "We are doing a survey right now for indicators that are not meaningful. [Current indicators] are listed on 100 pages with 50 on a page. It just overwhelms you. We would like to whittle them down to the most important ones. Something that has a fiscal effect. …We want [agencies] to tell us to keep an indicator, to drop an indicator, or to recommend another. This way it gives us all an opportunity to look at what is important. … I told our staff to go through your agencies and pick out just a handful of [indicators] that really mean something. Focus on those from now on. Look at the big-issue-oriented ones. The ones that are meaningful." However, several department managers suggested that some measures they must report that are *not* meaningful—some referred to "bean counts," others to administrative measures—were required of them by others, such as executive planning staff or legislative staff.

Concerns About the Quality of the Indicators

People from all four different perspectives involved in our interviews—legislative staff, legislative audit, executive budget, and department managers—raised concerns about the quality of performance indicators (but not necessarily about the quality of the data—see below). As one department manager said, "I question the quality of the measures. The data that we use for the measures [are] good. …Is it an accurate count? Yes, I am satisfied with that. Is it the right thing to count? No, I am not satisfied with that." However, most people who raised concerns also said the indicators have been improving significantly from year to year since the first round of implementing Act 1465. One manager said his department "has a healthy attitude about not being satisfied with the status of the system. We have taken additional steps to try to improve what we are measuring—both our strategic plan and our performance measures." Another department manager noted, "We are constantly trying to get the right measures. I have notes in my LaPAS report that say this is a terrible measure; we don't ever want to use this again. I know that this year we are going to want some new objectives."

A number of people raised concerns about a lack of alignment or relationships among agency missions, goals, objectives, processes, and indicators but also said that departments are making improvements along these lines. As expressed by executive planning staff: "We have people that give us indicators that seem to relate in no way to their actual process. We are seeing the information become more reliable." A department manager agreed: "What we found was that a lot of the performance indicators that we were using were changed because the program people didn't think that they represented what they were actually doing. It has changed because they want to be able to tell the story of what they do." Legislative staff said, "What is still a big problem … besides not having a firm meaningful indicator, is not having …concrete goals." Similarly, legislative audit staff said: "We found … there were big disconnects between each piece of information. You had the mission statement, you had the goals, you had the objectives, and you had the performance indicators. The mission might not even state what the law says you are supposed to be doing." But audit staff also cited improvements: "From year to year we are seeing vast improvements in not only measures, but objectives. … We had objectives out there that made no sense at all. Now the objectives at least begin to tell us what they are trying to accomplish. … In my opinion, the measures are not where they need to be yet. Are they improving? Yes, annually."

One sign that the state does not have the best performance indicators, according to legislative staff, is that indicators don't always provide an early warning of problems: "Something will happen at an agency, and we realize that there is absolutely nothing in any of their objectives or in their performance data that would let us know that was happening." Along these lines, a Corrections manager noted that his department identifies emerging problems and seeks to capture added relevant information. As an example, he noted, "The HIV drugs were breaking our budget. So trying to project what we were dealing with was important. We had to have more information."

Several managers referred to their departments' efforts to develop quality performance measures, outside of the statewide processes related to Act 1465. A Department of Education manager said that in a matter of weeks after the interview "we will have one of the first critical performance indicators of school performance that we have been working toward for three years. We have had a lot of other indicators—200 and something—but we will just be getting what we consider a critical indicator coming this year." Two departments (Corrections, and Transportation and Development) referred to their work with national professional associations to develop measures compatible with national standards. Corrections, in particular, noted how it anchors its measures to the standards of a professional accrediting body: "Corrections has an extensive list of performance indicators. I think the crux of the creation of the system was based upon ACA accreditation. ACA is the accreditation body for the Department of Corrections. Louisiana is only one of two that I know of that are fully accredited by ACA. ACA comes with over 450 standards for institutions."

Department managers and others interviewed acknowledged that questions raised by legislators, auditors, and others have influenced them to improve their performance measures. As one department manager related, "The quality of the outcomes is questioned by everyone—

the legislative staff and others. That is why we are going through the process of trying to make them more meaningful." One of the most frequent processes mentioned for revising indicators was "negotiation," involving departments negotiating with legislators and their staff, executive planning staff, and legislative auditors to develop better performance indicators. One legislative auditor described an ongoing negotiation process, which feeds back into their performance audits: "When the legislature started talking, they said, 'These measures were presented by agency X. We don't like these measures. We want this.' That communication starts back again. … We start communicating back and forth on it. We start negotiating. The information is getting better. The development of it is continuing." A department manager noted, "We are in that negotiating mode. We had a meeting about a month ago with our budget person, and the legislature trying to refine the indicators."

Concerns About the Quality of Data, Measurement Systems, and Bases for Comparison

There was less overall consensus among those interviewed about the quality of the data and of departments' measurement systems. Most department managers' comments on data quality were consistent with this assessment by a legislative staff member: "We think that for the most part, the data submitted has been accurate." However, people with different perspectives offered other views. Executive planning staff said: "We have indicators, and we try to do this with humor, that fall into categories like *Greasy Pigs:* These are indicators that the definitions change every year; perhaps the method of calculation changes. You can't get a real handle on it. *Orphans:* That is the indicator where people say, 'I don't know where that information came from.'"

Legislative audit staff in 1997 performed a series of analysis of program authority and performance data. They noted how "the legislature [has] called people on the carpet about junk information. 'That is obviously junk information.'" Legislative auditors attributed data-quality problems to weak measurement systems, including a lack of backup records: "I don't think measurement systems are there. In most cases, they don't have a management tool to measure when it comes budget time, or quarterly progress-reporting time; they sit down and figure out the best numbers that they can. There is not real good solid information to support that. … It is not uncommon at all that … the system is not very good for gathering the information … And [if you] say, 'Show me where this $2 million comes from,' … they really don't have support for it." However, legislative audit staff indicated that data quality has been improving: "The existing data today is ten times better than it was." Managers from two departments mentioned the legislative auditors "questioning the numbers and the validity of the numbers", and how they worked "behind the scenes" with legislative auditors to make improvements. To maintain the integrity of the system as it changes, executive planning staff described how "we are very clear about maintaining a very clear audit trail. A lot of that is built into LaPAS and even into our budget-development process. When we ask an agency for additional information or to question a number, we do it in writing, and we keep the records."

Two managers described using departmental automated edit checks and auditors to improve data quality. The Department of Corrections examines its own institutions: "We send our audit team out to go to the institutions to determine where the institutions may be weak in one area, to focus in on that area in more of a quality-assurance view." The Department of Education examines data submitted by local school districts: "The districts send in an electronic file with the information on it. Our computer takes that file and does a whole series of edits on it and sends back an error report down to that district. Then we go back in and clean up and check out these things that we found were problems. … Because the student data [are] used in our funding formulas, we also instituted an audit process, where we have state auditors that actually go out and audit the data through out the year. Our student data has been cleaned up every year."

Several department managers mentioned questions raised by the legislature and other interested parties as influences to keep them improving data quality. As one manager related, "There have been questions from industry, environmental groups, questions constantly about how did you get the data and back it up. There are questions sometimes from the legislature that probably come from these groups. They really want to look at these 20 entries and know how you arrived at these." A manager from another department said that on "data quality overall, our legislature has questioned everything that we do. We feel we have some very good procedures in place. They are constantly getting better. And we are constantly looking for ways of improving it."

A Corrections manager described how a few years before Act 1465, the department "got burned" by publishing inaccurate performance data, and has since paid great attention to maintaining quality data, including clear definitions of indicators across the department. "In 1994 and 1995, a professor from LSU was trying to do a performance [and] cost comparison between private and publicly run prisons. He took these reports and come up with his conclusions that the private institutions were coming in lower. We looked into it and determined that the privates were underreporting. The public was over-reporting. … We had to go back in and do a complete overhaul of our reporting system because there was not accurate information. … We had different perceptions of what the definitions were. Some were too vague. … It caused us to take a real hard look at what our indicators are and make sure everybody understands the importance of the accuracy and definitions. We go over this. This is performance indicator 101. Do any of you have problems with this? Have you had problems with this definition? We updated it again last year. So we are constantly looking at it to make sure it is accurate. That is why we turned to the monthly review of this. Really looking at the variances. It allows us to go through and really validate the information."

One additional concern raised by legislative staff has been a lack of "norms" from outside the Louisiana government for comparing with Louisiana departments' goals and performance levels. "You don't even know if your goals are at the proper level unless there is a norm to go by, and often that norm doesn't exist in the private sector. For hospitals, there may be some. For natural resources, you can't find good private indicators." Legislative staff described how they are trying to address this problem: "We are developing what we call regional norms … and then using that as an indicator so there is some meat behind it. The trouble there is that each state does them differently. We have two major surveys coming out on corrections and on Medicaid. There is a lot of digging to do yet in those two areas. Education and Higher Ed [surveys] are also going."

What kinds of organizational supports are provided, and how have organizations been changing to accommodate performance measurement?

Louisiana officials interviewed described a variety of organizational supports and changes to accommodate the state's performance measurement, planning, and budgeting systems. People interviewed described a range of training and technical-assistance efforts, including support for a management network of agency planning and measurement coordinators, and provision of written guidance. Other forms of support for measurement involve information technology and organizational changes, such as adding or shifting staff, or reorganizing a department, and developing internal audit or program-evaluation capabilities.

Training, Technical Assistance, Written Guidance, and Management Networking

Legislative staff, executive planning staff, and department managers all mentioned training provided by the Office of Planning and Budget to assist agencies in learning the new systems and requirements. Executive planning staff from that office described how they provide a combination of standardized and customized training, with follow-up technical assistance as desired by each agency: "What we try to offer the agencies is training in the requirements in the law, and then the process to do this. How do you develop a balanced set of indicators? We also offer a great deal of technical assistance. A lot of it is customized. We have general courses that we provide to managers of any organization. But, most of our folks customize that to fit a particular organization and take it on the road. … Next week we are doing a customized OP [operational planning] training session for our Department of Health. Each of our planning analysts is available to answer questions throughout the year about anything. Generally we try to focus on the key processes or elements in the whole cycle and offer general courses and specific courses." The planning staff noted that they have added measurement training to the regular state management training program: "Some of the training is done through our Comprehensive Public Training Program, which provides a certified public manager's program."

In addition to providing training and technical assistance to departments, the Office of Planning and Budget supports a "management network of our designated coordinators for strategic planning, operational planning, and performance accountability. We have a network of these folks, and we have put their names and e-mail addresses and such out there. We also regularly communicate with them. … We offer training through these coordinators, and we try to keep them informed and provide them training workshops as well. You also have a timeline on the website, which tells everything that is due each year and when it is due. … We also bring all of these coordinators together so they can talk to each other. … We are going to bring the strategic-planning coordinators back together and talk about: 'What did you find useful? How did you coordinate internally? How did you conduct your internal/external assessment?' … This is to share ideas among them. … Next month we are also going to have our operational coordinators in because we are issuing our budget development package in about ten days. … All of the forms will go on the Internet, and we will bring all of our operational-planning coordinators in to go through the requirements for the operational plan, new developments, and to talk about problem issues.

The Office of Planning and Budget also provides written guidance in the form of a state management manual called *ManageWare,* first published in 1991. The office was preparing the third edition at the time of the interviews, to be published on the Web. *ManageWare* provides not only the requirements and the guidelines, but also the 'how to.' Their website www.doa.state.la.us/opb/index.htm currently provides "the guidelines for all of these processes in simple form; we have all of the forms, formats. This year we are moving all of your budget forms on to the website as well as instructions. … In addition, you have the guidelines for strategic planning, which outline all of the requirements by law in a format for planning. We have the guidelines for development and revision of our performance standards, guidelines for actual reporting of performance through LaPAS. On and on and on. All of this is out there."

A Civil Service manager described how that department supports other agencies in personnel-related performance measurement: "What we did was issue a state internal benchmarking program. We came up with everything that we had records on that we could report to them. So we would tell them, 'Okay this is what your agency did, and this is what the state did as a whole.' We had turnover, leave taken, disciplinary actions. … Then we got the folks together after they had the data for a while and asked if this was helpful. They liked it. They liked it a lot. … Because this search for benchmarks in the field is so difficult that we felt that we would start with something concrete that we all can understand and lets see where we can go from there. … That is one of my indicators, that 75% of the people that received the agency profiles or benchmark reports said that they like them and that they use them."

Managers from four departments described providing their own department training or technical assistance. A Corrections manager described how that department has, since the early 1990s, been providing measurement-related training and technical assistance, and how it continues to do so: "How do we get the new information out there? Each month we have a training session at a different institution. … Here is how to report the data and here are the definitions. … We expect you to know what is going on at your institution. Hearing it from the warden. That is what we had to do. Set up that level of accountability. They have to take personal responsibility for it. It heightened the awareness, and it heightened the interest. We pushed it; we set that level of accountability, so they in turn knew it was important. They then sent their key people to the training on what was going on. That was how we got it out. We also had executive staff meetings each Monday." A Transportation manager described how that department supports its performance measurement and improvement efforts by its involvement in "a national-quality initiative" of the transportation community and the federal highway administration, and how the department gets support from "the Louisiana Transportation Research Center. It is our research arm of the department, and it is co-located at LSU. … Those people have held training for us on performance-based budgeting and on performance measurement and strategic planning."

State legislators also receive support in working with performance measurement. Legislative appropriations staff described their role in supporting members of the legislature: "Part of our job is to make the members understand the information and explain what the indicators mean, what are the advantages and what are the pitfalls. They have a hard time understanding it because it is a work in progress. We try to encourage them with questions about agency performance so that they will become accustomed to using the measures. They have really picked up on that."

Information Technology and Related Support

The most frequently mentioned information-technology support for performance measurement is the state's LaPAS performance-reporting system, an Internet-based system that allows the public, the legislature, governor's staff, and department staff across the state to view agency performance. Agencies do their quarterly performance reporting directly on LaPAS. A legislative staff feels the state succeeded in making it easy for agencies to report data: "Agencies do not like the quarterly reports. It had to be as easy as possible for them to use. I think that the computer guys we have did a fabulous job and took advantage of technology." Executive planning staff described how LaPAS works to maintain data-accuracy standards for state systems, while allowing agencies and the legislature to produce their own customized analyses and reports: "The goal is accurate information. If we let agencies submit a report, we would spend so much time comparing it against standards. So we control what they can enter. They enter just a minimum amount of information. We populate the database, and they track. They can print out either through the View function or the Infomaker software. That software is used by the agencies to access the financial accounting system. They do ad-hoc reporting or pipelining to Excel or some other software for analysis. They do the same with the performance information. They can generate ad-hoc reports to look any way that they want them to look. …Our legislature recently pipelined the data through Excel into the Filemaker, which is software they used on the legislative side. They too can generate ad-hoc reports." Planning staff also noted that LaPAS automatically calculates actual performance variance from targets, and that agencies must include explanatory notes for variances greater than five percent. Executive planning staff also noted that they "provide a lot of technical assistance for the LaPAS system. We have a help desk for functionality and a help desk for activity issues."

Three managers discussed their departments' information-technology support for performance measurement, including investments they made to support their own management and improvement initiatives. These included an information system developed prior to Act 1465 in the Department of Correction, infrastructure management systems under development by the Department of Transportation and Development, and an "alignment of data systems" by the Department of Education. One department manager also provides training staff to develop basic technology skills for working with their systems and data.

Organizational Changes

State of Louisiana organizational changes that support performance measurement vary from broad department reorganizations to creation of internal department audits, program evaluations, and related capabilities, to additions or shifts in staffing.

The broad department reorganizations, described by the Departments of Environmental Quality and Education, were not done in response to the statewide planning, budgeting, and performance measurement initiatives. Instead, they were part of specific improvement initiatives by the department to refocus themselves along functional lines. However, these reorganizations have had the effect of making responsibilities of functional units clearer, which in turn facilitated development of strategies, operational plans, and performance measures. The DEQ manager noted that their improvement initiative "also caused us to put emphasis on program auditing as a department. Up until 2 years ago, we didn't have an internal audit staff. Today … out of an agency that has over 1,000 full-time personnel, we have an audit staff of 7 people. Enough people to go into a program periodically, looking at, 'How well are you really doing? How well are you coming up to what your objectives are?'"

A Civil Service manager also described developing program-evaluation capabilities, as well as a technical-assistance unit to follow up on the internal evaluators: "We don't feel that we can adequately evaluate programs. So consequently we are changing our organization and creating a program-evaluation unit that goes out and evaluates programs. We would really like to be in the coaching mode rather than the auditing mode. So a second unit … will be … helping people working on things identified through program evaluation."

The state government did not add resources to executive branch departments to staff performance measurement functions and activities. As described by executive planning staff, "They had to do it with existing resources. Some of them have brought in coordinators. They did it by reallocating a position or co-opting something." Some positions were added to the governor's Office of Planning and Budget and to the legislative fiscal staff to support the new statewide planning, budget, and measurement systems. Legislative staff noted that when the current House Appropriations Chair "came in, he developed a larger fiscal staff. In his mind, he envisioned that they would be part of this whole performance-budget process. The intent is to use the data to help analyze the budget." Office of Planning and Budget staff noted that their measurement planning staff "doubled" with implementation of Act 1465, which amounted to an increase from four to eight positions. They also noted, "We have seven currently; one got stolen by another state agency."

EVOLUTION OF PERFORMANCE MEASUREMENT

What barriers have been identified to making effective use of performance measurement, and how are those barriers being addressed?

As described by officials interviewed, the barriers to effective use of performance measurement encountered by Louisiana fall into three broad groups: problems that are primarily *human barriers,* problems that are primarily *technical or conceptual difficulties,* and problems that are a combination of the two.

Human Barriers to Effective Use of Performance Measurement

Disagreements Among Participants About Performance Indicators and Plans

By far the most frequently mentioned human barrier—and the most frequently mentioned barrier overall—concerned disagreements among department, executive budget, and legislative officials (particularly staff, but also members and auditors) about what performance indicators should be targeted and reported by departments, and how to formulate their strategic and operational plans. This issue is especially dominant when taken together with the related concern—that legislative and executive budget officials do not allow agencies enough flexibility in their indicators and plans. These problems were almost exclusively voiced by department managers, though a legislative auditor and an executive planning staff made similar comments from their perspectives.

Some department managers expressed frustration at reaching agreement with several people from outside the department, as in this comment: "We are kind of in a Catch- 22, trying to make everybody happy because we don't want our budget cut, because we need the resources to meet whatever performance indicators that we have. … They [several legislative and executive planning staff] determine some of the information that is put in the bill. … One of them would call us and … would say, 'Yes that sounds good and reasonable.' A week later, the other ones would call us and tell us, 'Why don't we do this?' And they weren't talking to each other. In the process, one gets mad because their stuff didn't get in; we have four bosses we are trying to satisfy. Nobody wants to take the responsibility. That has never been told to us. Whose responsibility is it as to what goes in? So we have had meetings after meetings trying to put this together." Another department manager said, "One problem in Louisiana is there are so many control agencies that different people were giving different instructions. That irked me to death. I got audited and they told me to do it differently than the budget office told me. That is not fair."

Executive planning staff also expressed frustration at reaching agreement on plans and indicators: "It is very difficult to get five or six key players to speak with a common voice. Each of them has their own agenda, or his own perception. We have tried to have working groups of representatives from the oversight groups: the auditors, the legislative fiscal office, our office, the house and senate staff. We still run in to situations where the agency will call and say, ‘Well, the analyst over at the [legislative] fiscal office told me I have to do this.’ That will continue until we really hone this to a good working process.”

Other department managers carried the complaint further, saying executive budget and legislative demands skewed performance measurement away from indicators, away from what the department felt was most important. One department manager cited conflict and inflexibility: “There is conflict. They [executive budget and legislative staff] want year-to-year continuity. … We want to change an indicator because it is not useful, but they don't make the change in the computer. This makes the day-to-day work on things difficult. … When priorities change, that seems to be a big obstacle. The indicator is set in stone. … When you look at performance-based budgeting and our reengineering, frankly you would be stupid not to expect some of these indicators to change.” Another manager went so far as to characterize the issue as a battle for control of the department’s budget and direction: “They came up with indicators that we didn't agree with. But the staff of the two bodies said, ‘Yes this is what we wanted to see.’ From that perspective, we have had a hard time trying as an agency to maintain control of our budget and keep it from being taken away by the legislative-staff process or the administration staff. That is a constant ongoing struggle to try to maintain some control of what you want to see happening and …where we want to go.”

A legislative auditor confirmed that legislators don’t view performance the same as departments do: “Members of the legislature … want to know certain things about programs, whether it is particularly meaningful or not. They want it included but it may not be necessarily what the agency believes is significant and important for that program.” Also, executive planning staff described a practice of creating “leverage” with the legislature that could reinforce departments’ feelings of embattlement: “We will have situations where an agency is not responding to what we want, and we will call the committee staffer and say, ‘You know, when this comes before committee, someone better ask about it.’ It happens, and sure enough the agency does something about it. We work together and leverage, as we need to.”

A special case of departments that feel they must answer to too many masters are those that are largely federally funded, and have detailed federal reporting requirements. As described by a legislative auditor: “Some federal programs have a lot of indicators. … Is what is being reported on a state level? What is needed at the federal level? No one has ever answered that question. So we have the legislature telling agencies these measures are key indicators. Then we have the federal government saying, ‘No, we need this.’ So what is the agency supposed to do? …Sometimes they are pulled in two directions; some could even be conflicting. Are we going to build data systems for reporting at the state level how we report at the federal level?”

People’s Attitudes Toward Performance Measurement, and Reasons for Their Attitudes

The second largest type of human barrier concerned “attitudes” of people, both in executive branch departments and in the legislature. People interviewed did not explicitly make this connection. However, department managers’ frustrations at working with legislative and executive budget officials, as described above, could be a key to department managers developing a positive attitude toward using performance measurement or, as some people interviewed said, changing their “mindset” and demonstrating “buy-in” to the process. Some department managers, frustrated at their lack of control of the process, may feel their performance indicators, and the planning and reporting processes, “belong” to the legislature and executive planning staff. That reduces managers' commitment to a process they don't "own," or even feel they jointly own. That can be behind comments by managers, such as: "You are really hesitant to be really proactive with it because if you open your mouth, it is more work for you and no help. So no one really wants to push it. I have been doing this so long that I have no faith in it." It can also be behind observations of people just following the forms and rules, rather than really focusing on the intent of performance-based planning and budgeting. As described by legislative staff: "Where people really don't want change is an attitude of, 'Give me the form and show me what to do and be done with it.' … It is getting past that, that is important." A legislative auditor observed: "They are still just thinking about going through the processes of reporting … not using measures as a management tool."

Another contributing factor to managers not taking the current state performance measurement, planning, and budgeting systems seriously is that many of them had been there before. As an executive planning staff described: "I have a budget in the office from 1945. It has performance indicators in it. When I worked in the state planning office, I did the budget …. I had to fill out a form that had a mission, a goal, and indicators, and so on. Very few people really paid any attention to that information. When we first started … in 1989, with strategic management, we would get in these program descriptions, and you could tell that it was xeroxed from the year before. Some people might have changed the fiscal year, but it was the same old stuff over and over. It was meaningless." The same staff noted, "One of the things that we had a problem with is that everybody thought that it would go away. Hold your breath, make a book, and put it on the shelf and that will be the end of it." In confirming this attitude, a department manager said, "The legislature can change their mind next year and start doing something totally new. Nobody wants to commit 120%. I have been in budget for 20 years, and we have had four different ways of doing budgets. We do what they expect us to do."

A legislative auditor and several department managers brought up a lack of commitment and understanding by legislators—beyond the House Appropriations Committee—as a barrier to more extensive and effective use of performance measurement. As one manager put it, "Until the legislature grasps the idea of performance indicators and performance budgeting, some of the agencies are not that serious. … Until the legislature is educated in the uses of performance indicators … it is really not going to be utilized to its fullest extent." Understanding and acceptance of performance measurement has been particularly lacking in the Senate, which was "just lukewarm on it," according to a legislative auditor. While acknowledging uneven commitment to performance measurement in the legislature, several people interviewed commended the House Appropriations Chair for trying to spread the message beyond his committee, inducing more legislators to take performance measurement seriously.

Limitations Related to Turnover, Staff Capabilities, and Other Resource Constraints

Legislative staff, executive planning staff, and department managers all mentioned forms of staff limitations as barriers that have been encountered in implementing performance measurement. In some cases, it has been a problem using inexperienced staff due to staff turnover or reassignments. As described by legislative staff: "The governor's budget office … had a lot of new people. We had a lot of new people. Not many people that really knew their agencies. … If we have really experienced analysts that really know their agency, they can get to what is important really quickly. If you have someone new who doesn't know anything about this agency, the agency may be able to stall them or give them squishy indicators." Executive planning staff said, "We have a 24% turnover rate. That is what makes it so hard." Similarly, a department manager said, "Somebody who really did a terrific job [on the strategic plan] for the whole office isn't working on it now, so you have to go back to square one."

Other people interviewed described how departments varied in the capabilities of their staff to deal with performance measurement, and with related new state systems, such as LaPAS. As a legislative staff described, "Not everybody has the capability to pick up this thing and do it. There are different levels of sophistication in the agencies. … There were people who had difficulties with the technology, who didn't know what a scroll bar was. So the interactive part was difficult." Similarly, a department manager noted, "There was a tremendous overestimation of the knowledge of using the Internet to report."

Several department managers mentioned the effects of resource limitations. For some, the problem was a matter of not having enough staff working on the planning, measurement, and budgeting processes to do as good a job as they would have liked.. Another manager mentioned that broader funding limitations make it necessary, but difficult, to keep the focus on performance for the long haul: "You will never have all of the money you need. You only make a small amount of progress each year. …To keep that focus is hard."

Other Human Barriers to Effective Use of Performance Measurement

People interviewed mentioned a number of other human barriers to effective use of performance measurement, including the three mentioned here:

- *Difficulty of gaining the cooperation of non-gubernatorial departments:* As mentioned by a legislative staff, "We have the governor's office and their executive branch agencies, and then we have other statewide elected officials with departments that we can't control so well."
- *Agencies have "low-balled" targets:* As one department manager described, "One of the problems that they ran into was that agencies were low-balling to make themselves look good. We had to negotiate that. 'I say that I can only do 5.' 'No I think that you can really do 10.' We had to get out of the widget mentality. What is the true performance indicator and what is the effect? That has been so hard."
- In the opinion of a legislative staff member, *the performance message doesn't always make it down to line staff:* "We talk to the big-wigs, but it never quite gets down to the people that are making the widgets."

Technical or Conceptual Difficulties in Using Performance Measurement

Difficulties Defining and Measuring Administrative Activities

By far the most frequently mentioned technical difficulty was how to measure administrative activities. The state decided to attempt to develop common administrative performance indicators that could be used by all departments. After years of effort, people interviewed reported little progress but a lot of frustration. As described by legislative staff: "That has been the subject of years and years of debate. How do you measure administrative cost? I don't know that we are any further along with that than we have been for a long time. We end up measuring what they do, almost counting things, such as phone calls, pieces of mail. It is very hard to compare administrative functions across agencies." A frustrated department manager said, "What measures do they want to see for administration? They took it on and said that we will develop something five years ago, and we still haven't seen any. Nobody has been able to develop them because they want the canned approach. Every department is the same." There were many, many more comments about problems defining and measuring administrative activities, but the two comments above sum up the sentiments expressed.

Other Technical and Conceptual Difficulties

Louisiana officials mentioned a variety of other technical and conceptual difficulties. Two managers generally cited conceptual difficulties in developing good performance indicators. In the words of one of them, "Our greatest challenge is exactly where we are today, developing good performance measures. It is not easy." More technical problems cited included past and current difficulties with the LaPAS performance reporting system. A department manager said, "The LaPAS reporting thing has been a nightmare. … There were a lot of bugs in the LaPAS system for at least the first six months. It was very frustrating." Legislative staff described a problem with LaPAS that was current at the time of the interview: "It is designed to collect data from the agencies, not to query off of. For them it works fine. The end users, like us House and Senate staff, don't have the same ease of access. … We have to keypunch a lot of stuff. The first two or three times we did this we actually used hard-copy information. Now we have gotten it to the point where we can download it and cut and paste, not to the point where it can be queried. … A lot of time is spent getting the data into a certain form, not in analyzing it."

Executive planning staff described two problems with performance measurement legislation, one which had been addressed, and one which had not. Act 1465 was too prescriptive at first—requiring one of each type of indicator (input, output, outcome, efficiency, quality) for each objective. "People were forcing indicators into categories that they didn't belong." The act has since been amended to allow agencies greater flexibility in submitting, as the planning staff referred to it, a "balanced set of indicators" for each program. Another problem with current legislation, according to executive planning staff, is: "Our process at the moment does not have the ability to hold agencies accountable for agency-wide indicators. We can show them as general information in the bill. But, the way our bill is written, you are accountable at the program level."

Barriers that Are Both Human and Technical or Conceptual

Most "technical" barriers include at least a small human element. Some problems, such as those described here, are technically difficult and involve a large human component that helps make the problem a significant barrier to effective use of performance measurement.

Difficulties of Using Rational Models in a Political Environment

The political environment of government can cause departments to propose, or elected officials and their staff to request, unrealistic performance targets. Also, department managers can find it hard to explain decisions or performance progress, made in complex technical environments, to legislators who want direct answers. This can happen, for example, when a complex, performance-based model results in a counter-intuitive decision, or when short-term reports are provided on a problem that requires a long-term solution. Three Louisiana examples follow:

- *Unrealistic targets:* According to legislative staff: "We have a real problem with Corrections because of certain things they use as targets: 'We don't want to have any escapes, so that is your target. We don't want to have any suicides, so that is your target.' How realistic is that?"

- *Complex rational decisions:* According to a transportation manager: "The pavement-management system … helps to tell you precisely how to make the most efficient use of your money. … It is a tough thing to explain to the legislature. … It is telling you that spending a dollar on this road today is going to extend the life of it ten more years. This one is already gone; it is going to die. You are going to need to spend five dollars on it to fix it. Spending the dollar on the other road is the best use of the money. Politically that is very hard to explain. This one is falling apart, and my constituents are complaining, and you are spending the money over here. I don't get it."
- *Short-term reporting on long-term solutions:* According to an environmental manager: "[In] the non-source [water pollution control] program, in order to see results from this they expect as a minimum a five-year time frame. Ten years is a much better time frame. If you look at trends over 10 years, then you can see that this is working or this is not working. Here we are trying to give out information on a quarterly basis. Trying to explain that is very hard. You can't show the results that quick. That is especially hard to explain to the legislature."

Difficulty of Targeting Outcomes a Department Considers Beyond its Control

Several department managers expressed concern that they are being held accountable for results they cannot control. Some departments may shy away from outcome measures for that reason, or other indicators that legislators or the executive administration would like to see. Department managers made many comments about how external influences affect the results of their indicators. For example, two managers cited how the economy affects staff turnover and vacancy rates. Another mentioned how it affects performance in reducing welfare rolls. Another noted that his agency mainly funds local school districts—it is up to those districts to achieve results. An environmental manager described a particularly interesting example: "We have 32,000 miles of water in Louisiana. … Most facilities' … discharge limits are pretty much in some type of control. What we don't have a lot of control over is the weather. As the weather gets hotter and longer there is less oxygen in water, and it fails to meet standards. … Fish die…. [Federal] EPA wants to know how we have improved the water. The Division of Administration wants to know how we have improved the water. This is something that is absolutely beyond our control. When you go to some of these program managers and say we have to use this as an indicator, they absolutely go ballistic. … We have indicators that say we estimate that we will have X number of fish killed this year. Next year, if the weather is extremely hot, we may have more fish killed. ... It is a results-oriented indicator that everybody wants to see. We can't deliver, and we know it. Some of these things are very slippery."

Other Barriers that Combine Technical and Human Problems

Louisiana officials interviewed mentioned other barriers that combine technical and human difficulties. For example, difficulties with data can cause the legislature to lose interest. According to a legislative staff, "We have not quite gotten to the point where we are not complaining about data, but we have gotten closer. That bogs down the legislature. When that happens, they throw up their hands and say, 'Whatever, you guys work it out.'" One manager mentioned a lack of staffing for new state measurement requirements in the context of many other requirements facing the department at the time, such as welfare reform and Y2K. Their staff with technical abilities were stretched very thin. Another manager raised the difficulty of staying on top of the system and keeping department plans and measures up-to-date in a constantly changing environment: "What I find myself stuck with each year is, 'Well, I wrote these last October, they don't really work for you now, and you see that you can make them better the next time, but the lag time makes it such that I never catch up. I have never gotten the right ones at the right time. … The thrust of what we do is changing so significantly right now that we will probably have to completely redo the five-year strategic plan that we did last year. I don't know if you ever catch up, whether you ever get on target or not."

What lessons have been learned from the performance measurement experience to date?

The "lessons learned" that emerged from the Louisiana interviews fall into two broad groups:

- Lessons for developing a sense of importance, value, or "buy-in"
- Practical implementation lessons

Lessons for Developing "Buy-in," Changing the Culture, and Institutionalizing Measurement

Several Louisiana officials cited the need for strong *leadership* on several levels. Two department managers referred to department leadership. One said, "There is a certain amount of change management that has to occur. … It is something that you have to emphasize. It is extra work. It has to come from the top, and it has to be sincere. There has to be some sustained involvement on the part of senior management to make this more than words, to make it part of the corporate culture and see the value of it." Another said, "In order for any of this to work, it is a real question of leadership. If we didn't have the leadership that the [department head] brought to bare, we wouldn't have been able to do everything that we have done." Legislative staff cited the importance of "executive branch buy-in," including leadership within the budget office from budget and planning people. Executive planning staff cited the importance of Louisiana's champion of performance management, the House Appropriations Chair: "The biggest factor in our success is the total support form Jerry Luke LeBlanc. He has been our savior."

People also stressed the importance of generating a high level of involvement in agencies. Legislative staff commented, "We explained this to the people in charge to go through the process. Very often, then, they would turn around and hand it down to somebody at the program level or the finance office and say, 'Do this.' Those people didn't have the benefit of any of the discussions. We quickly realized that we needed to cast that net broader and bring in more people." A department manager noted the critical role of leadership "in bringing everybody together to see the big picture."

Another lesson related by several people is that when legislators take performance measurement seriously, so do departments. A legislative staff described this example: "Until the members started asking about it, agencies didn't worry about it. In a hearing, the [legislative] fiscal office … said these answers don't make any sense. One of the committee members said, 'What do you mean? … They didn't make any sense to me.' So I called the agency and they said that they didn't know what the numbers were either. Well, let me tell you, word went out through the executive branch about this. Their CFO had to come to the legislature with his tail between his legs and say that he was sorry. They played tapes of the meeting for members of their staff of that agency."

A department manager's top lesson was to clarify roles and expectations, and build on learnings along the way: "There needs to be a better understanding between what is expected by the legislature, what is expected by the state planning office who has responsibility for pulling everybody's indicators together, and expectations internally. It is not just a project that you can come in tomorrow and expect it to be up and running. It is going to have to evolve as you learn and become wiser."

Several people stressed the need for flexibility to allow people some comfort and help them take ownership of their performance. As legislative staff noted, "Goodness is very subjective, and it is important that there be enough wiggle room for people to live with." A legislative auditor stressed the need for departments to have more say about their indicators: "We have heard that comment fairly frequently. [Departments] feel forced to use certain indicators. You don't feel like buying into something if you don't feel it is a good indicator. … Most of that is not coming from the budget office. Often it comes from legislative members, and a few of the staff members feel that this is more relevant for their purposes."

A lesson learned by one legislative staff was to help legislators recognize good work in government: "Politicians at first blush are more likely to use it as a hammer. ... It is great information if you have a bone to pick with someone. … Staff has to also be able to help the members see and understand how good some of these people are doing. Members don't realize how good people are. [Chairman] LeBlanc has continued to emphasize that this is not something to be used negatively. Where we recognize good efforts too. If you are doing good things, don't you want to show that? Don't you want to come up with ways that demonstrate that? Some of the agencies have taken that to heart."

Executive planning staff stressed the importance of grounding state performance measurement in legislation: "I like the fact that this is a legislative initiative. We have experienced the situation where something is perceived as a gubernatorial initiative … one governor's idea and it didn't last. Legislatively, you can institutionalize it."

Practical Implementation Lessons

Several people interviewed felt implementation might have been smoother if the state had moved, as a legislative staff suggested, "just a little bit slower. Maybe a trial run for a whole year before you actually jump in. I think that we would have done better if we would have phased in agencies department by department. Perhaps a third over three years." Similarly, a department manager suggested, "Don't try to develop performance measures too soon. Be sure you know what you want before you start." Another manager said, "I would be real sure that I wouldn't start implementing this until I knew how. Don't just ask agencies to spin their wheels. Start small and build on it. It didn't have credibility because people were so angry about it."

Legislative staff stressed remembering to educate legislators: "We have to pay respect to the fact that it is not just budgeting based on outcomes; it is also an educational tool. So if we get down to three outcome indicators for a program, that might not mean anything to a legislator unless he has other notes that are attached to that. We are going through the growth of it, and it is a continuing process." Similarly, a department manager emphasized: "Explain [your indicators] when you can. I have the opportunity to go before the legislature and explain, 'This is what this means, this is what that means.' … The real danger of performance indicators, having them out there without the necessary explanations." The same manager said, "Make sure you have accurate information because it will hurt you."

Several people suggested that instructions and requirements for departments could have been more effective if they were simpler. As one department manager related, "When you have to get hung up in all of those terms, it is very frustrating. And then to say that you have to have one of these, and one of these, and one of these. It seems like busy work like we got when we were kids in school. I would try to avoid that." Others stressed the need to provide more help to departments, or for departments to seek help. Executive planning staff noted, "In hindsight I wish that, at least for the medium or large agencies, that we could have said, 'Here is a position.' To add some help. They really did need some help." A department manager said, "Get some help. Don't try to do it in isolation." He stressed the value his department got from working with other states through a professional association. Another manager noted, "I was lucky that I had a planning officer that give me feedback and helped me figure out where to go. That was invaluable."

Finally, some people cited lessons learned that can be viewed as "reality checks" for implementing performance measurement. As one legislative staff said, "No matter how much you summarize this, there is still a lot of information." Several managers stressed that training is important, but staff won't really "get it" until they've been through several cycles of planning and measurement. As one manager said, "Until you really work with it, it is all so confusing." Several people echoed this manager's sentiments: "This is a lot like bringing up a child. You have to go through it."

What are future expectations for the use of performance measurement?

Hopes and Expectations Relating to Incentives and Budget Impact

Several people interviewed described how they expected or hoped some form of incentives, or stronger budget impact, will energize future implementation, especially when the "rewards and penalties" provisions of Act 1465 are eventually implemented. A legislative staff said, "As we identify some that are eligible for rewards and penalties … then it will become more real to the agencies." A department manager said, "I hope that we can demonstrate that we are efficient and that might result in additional resources." A legislative auditor expressed concern that "one of the penalties was execution of performance audits. Of course, I immediately got on the phone and told [legislators] I had a problem of execution of performance audits as a penalty. But I lost that battle. It may be execution *by* performance audit."

Another legislative staff was hoping the budget impact of performance measures would increase by getting the performance discussion to apply to departments' "base" budget. The staff said that currently, " it is only when someone is trying to add a little piece or take a little piece away that you get this discussed. Part of that is the inherent nature of the legislative process. We want to take it a step further. Start at zero and discuss everything." An education manager described connecting performance plans with funds to individual schools: "One of the things that we are trying to move toward is that every school will have an improvement plan that will be supported by all of their funds—local funds included—and all of those funds would be incorporated into the single-school improvement plan. How are you spending your dollars in this school?"

Other Future Expectations

A legislative staff thinks the automated reporting system will boost measurement use: "I think that LaPAS is really going to help us as we get used to using it. It is a fabulous system." A

Civil Service manager noted, “We are not training the agencies how to use this in a human resource program. I think that will be very high on our list over the next few years. We are not there yet. I don't think that we know enough to do it.” Two department managers expressed very different expectations about the future of performance measurement in Louisiana. One said, “It is a statute now. Statutes could change. A different administration. . . . The future is unknown to a great extent.” But the other manager said, “I think that measures are here to stay.”

REFERENCES

See State of Louisiana website for reference materials.