

MINUTES
SENATE FINANCE COMMITTEE
February 11, 2003
9:03 AM

TAPES

SFC-03 # 2, Side A
SFC 03 # 2, Side B

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:03 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde
Senator Lyman Hoffman
Senator Donny Olson
Senator Ben Stevens

Also Attending: SENATOR RALPH SEEKINS; SENATOR TOM WAGNOR; CRAIG HOLT, Director of State and Local Issues, Enterprise Application Planning, Unisys Corporation, CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor.

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

Presentation by Mr. Craig Holt, Government Consultant
Accountability in Government: Measuring Results

Senator Wilken noted the purpose of this hearing is to review the missions and measures approach to funding government. He reminded that the Legislature began considering this practice five to six years prior and passed legislation to implement it three years ago.

Senator Wilken read a statement of Mr. Holt's credentials as follows.

Mr. Holt's primary area of focus with Unisys Global Public Sector includes IT [information technology] Assessment,

Integration, and Strategy. He has been a catalyst for change in the public sector for over 15 years and has worked in 4 different government agencies under three different governors. Craig has held positions such as Director for Management Information, Assistant Director for Customer Services, Managing Director for Productivity Services, and Chief Information Officer.

In November 1995, Mr. Holt founded a management consulting practice, and developed it into a multi-million dollar enterprise before being acquired by Andersen's Office of Government Services in March 2000. Unisys subsequently acquired this unit in June 2002.

Mr. Holt has provided IT and other management services to a wide variety of clients include[ing] the U.S. Federal Trade Commission (FTC), National Security Agency (NSA), Washington D.C. - Department of Public Works, State of New York - Department of Taxation and Finance, City of San Jose (CA), City of Seattle (WA), City and County of San Francisco, State of Alaska House Finance Committee, [State of] Colorado - Department of Transportation, State of Montana - Human Resources Department, and Auditor General of British Columbia. Mr. Holt also provides Strategic Consulting to elected officials at the State, City and County levels.

Craig has been the recipient of numerous awards throughout his career, most notably the Superior Civilian Service Award, Vision and Innovation Award, Investing in People Award, and National Excellence Award for Managing for Results.

CRAIG HOLT, Director of State and Local Issues, Enterprise Application Planning, Unisys Corporation, noted the "level of maturity", with regard to the matter of results-based budgeting, has increased over the past several years. His presentation cited pages in the handout titled "State of Alaska Senate Finance Committee Mission(s) and Measure(s) February 11-12, 2003, Juneau, Alaska" [copy on file] as follows.

Shifting from INPUTS to Outcomes

[Illustration representing money and resources on the left, decision-makers in the middle, and healthy families, natural resources and technology or education on the right.]

Mr. Holt informed that, in general, finance committees and chief financial officers focus most energy on determining the amount of funds available for allocation, i.e. inputs. He emphasized that the committee members are responsible for considering the inputs, "then

invest them for outputs". He cautioned against investing too much energy into the inputs.

Mr. Holt continued that the issue of inputs and outputs becomes further complicated as agencies present specific programs. He stated that the Committee must consider the programs in the context of how they affect the desired outcomes and results.

Mr. Holt approved of the part-time status of legislators in Alaska; however, he stressed the necessity for efficiencies in the limited time the Legislature is in session. He therefore noted that if most time is utilized "trying to understand the framework" of various programs, time could not be devoted to achieving results.

Why Agency Mission(s) are IMPORTANT!

"Virtually all of the results that government strives to achieve require the concerted and coordinated efforts of two or more agencies. However, mission fragmentation and program overlap are widespread and programs are not always well-coordinated."

-David M. Walker, Comptroller General of the United States, 2/10/99

Mr. Holt expressed that the challenge of the Committee Members is to implement "integrated approaches to the results you're trying to accomplish."

Senator Bunde relayed a statement commonly made by Senator Dyson regarding "people who fight over their victims." Senator Bunde asserted that the legislature encounters this mindset and asked whether the speaker had suggestions in overcoming this dilemma.

Mr. Holt emphasized the need to maintain focus on the intended result of the funding, such as safer communities, better families, reduction in substance abuse, etc. He surmised that this would change the priority from who "takes credit" for providing the service and instead give priority to ensuring healthier Alaskans. He furthered that the Legislature should also determine whether the State is the only party providing each service. He explained that if it is determined that more than one entity is providing a service efforts should be made to coordinate those activities. He qualified that the Legislature is not the appropriate government branch to actually implement the coordination.

Structure-Program Focus

[Organizational Chart showing Homeland Security Agency alignment]

Mr. Holt detailed the hierarchy of the 175,000-person organization. He pointed out that the Federal Bureau of Investigations (FBI), the Central Intelligence Agency (CIA), the U.S. Coast Guard, the Immigration and Naturalization Service (INS), and other agencies, are not specified in this pyramid. Instead, he noted, the chart states the intended results. He asked how the success of border and transportation security would be measured.

Senator Bunde responded that "hopefully" failures would not be the measurements.

Mr. Holt agreed and stressed the simplicity of missions and measures should be "intuitive"; not include every activity of an agency, but rather "what we hope to accomplish". He stated that once an effective mission statement is established, policies and investment decisions could be considered as they relate to achievement of the goals.

Key Concept: Mission Statement

SHOULD;

- Briefly state WHY department exists,
- Highlight UNIQUE contribution of department,
- Unify the core services/service group
- Be memorable and usable

SHOULD NOT;

- Be list of everything we do,
- Include statements of values,
- Include "qualifiers" of who, how well, how good,
- Contain language that is vague and unclear.

Mr. Holt gave an example of the National Aeronautic and Space Administration (NASA), stating that despite the recent tragedy of the Space Shuttle Columbia explosion, this agency's mission has once been to "get man to moon and back safely". He noted that the goal was very clear, despite the challenges in reaching that goal. He told of a NASA custodian who in responding to a journalist's inquiry of his job description quoted "get a man to the moon and back safety". Mr. Holt relayed that under further questioning, the custodian explained that if an astronaut were to slip on a dirty hallway floor, or otherwise be distracted by an unclean facility prior to a mission, that astronaut's ability to perform at full capacity could be hampered.

Mr. Holt stressed the need for the mission statement to be clear and concise so all members of an organization could remember and

follow it. He predicted that if the NASA mission statement had been superfluous, the custodian would have been unclear how his performance affected the mission of the agency. He noted that mission statements should not contain value statements or qualifiers.

Example "Mission Statements"

BAD Mission Statement

In partnership with the citizens of Alaska, protect the public from repeat offender crime by using the best correctional practices available to provide a continuum of appropriate, humane, safe and cost effective confinement, supervision, and rehabilitation services. The Department will carry out its responsibility while respecting the rights of victims and recognizing the dignity inherent in all human beings.

GOOD Mission Statement

The mission of the Department of Natural Resources is to develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest.

Mr. Holt remarked that an indicator of a bad mission statement is one that contains "more commas and periods than words". He pointed out that in the above example, "protect the public from repeat offender crime" is all that is necessary for an effective mission statement. He stated that although providing "a continuum of appropriate, safe and cost effective confinement" and "respecting the rights of victims and recognizing the dignity inherent in all human beings" are important, these are actually value statements and should not be included in the mission statement.

Mr. Holt also assured that the process of achieving the goal should not be included in the mission statement. He reiterated the Legislature's responsibility is to ensure that the intended results are clear and that the investments made are achieving those results.

Mr. Holt identified the key phrase in the "good" mission statement as "with the public interest". He expressed this mission statement "forces relevancy", explaining that the Legislature, as leaders, must determine the public's interest. He furthered that as time passes and the "rate of change increases dramatically", the importance of the Legislature's duty to identify the public interest increases.

Council on Domestic Violence & Sexual Assault

Previous Assumption:

The CDVSA was working to decrease the number of Domestic Violence & Sexual assaults in Alaska.

The Discovery:

1. A vast majority of the funding for CDVSA was being spent on increased space in shelters for victims of domestic violence.
2. The focus was on warehousing victims rather than prevention.

Mr. Holt commented that although the sheltering of victims is worthwhile, given the limited amount of federal funds available for the Council's activities, the assumption of decreasing the number of assaults could not be achieved. He suggested that the mission could be changed to focus on providing more shelters, but warned that this would create a "no win" scenario, as the core problem would not be addressed.

Mr. Holt stressed that investments must be made in prevention. He qualified that this would decrease the amount of funding for shelters and that there would be a period of time before the prevention efforts reduce the number of victims requiring services. However, he advised that other service providers, such as faith-based organizations, could "step in here as a bridging strategy".

Correctional Industries

Previous Assumption:

Correctional Industries was set up to train inmates with work skills that they could use upon release from the Department of Corrections.

The Discovery:

1. Most inmates in the program were not going to be released until they were well past the age of useful employment.
2. The program was severely restricted in what types of industries it could engage in, thereby limiting it's ability to give inmates marketable job skills.

Mr. Holt interpreted the first discovery, noting the inmates recruited into the program are "career criminals", or those serving a life sentence. He informed the Members that the reasoning is to avoid a high turnover of trained workers. He stressed this is typical, as correctional industries are operated as a business and thus requiring a stable workforce.

Mr. Holt furthered that the funds are not utilized to train inmates

who would likely be released and subsequently require employment, but that the funds are used to teach skills for which there is no job market. He explained that prison industry legislation is often enacted under encouragement from the business community to prevent competition for the private sector. Therefore, he summarized that this program effectively trains inmates, who would never be released, to perform jobs that are not available.

Mr. Holt expressed that although the current process has merits, it should not be considered rehabilitation or job training.

What's IMPORTANT to measure?

Result: The intended "outcome" of the effort.

NOT Activities: The things done to accomplish the "outcome".

EXAMPLE - JOBS Training

Result = Person gets a Job

Activities = Person's case is established
 Person is trained
 Person receives child care assistance
 Person is taught interviewing skills

Mr. Holt noted all the activities are important; however, the goal remains to get person a job.

Mr. Holt relayed an incident involving a large municipal government and his unsuccessful efforts to implement a results-based budget approach to the human resources department. He told of two operating divisions within the agency and the unwillingness to coordinate efforts and resources to provide childcare for participants during both the period of receiving job training as well as once employment is obtained. He surmised that due to the hardship on participants to obtain childcare through the agency once they begin working, many would opt to leave their employment. He remarked that the agency representatives blame the participants for the failures of the program.

Mr. Holt informed that this problem remains unsolved as the parties claimed to not have the "political will" to implement the necessary changes.

"Balanced Set" of Measures

[Illustration of a scale containing money on one side and productive citizens on other side. The balance of the scale is

labeled "How Well".]

Mr. Holt detailed the chart.

AT EASE

Mr. Holt qualified that the balance between efficiency and effectiveness could be unequal, depending upon the services invested in. He stated that efficiencies could be more important in some programs and effectiveness more important in others.

Mr. Holt emphasized the importance of completing the "cycle" rather than just enabling clients, particularly in human services programs such as rehabilitation programs. He stated that clients should have the ability to maintain employment for a sufficient period of time after completion of a job-training program.

"Balanced": JOBS Program

Program: Welfare to Work

Efficiency:

Cost per client that gets a job.

Effectiveness:

- Average time to move from Welfare to Work
- % of clients placed above minimum wage
- % of "repeat" clients

Mr. Holt commented, "You don't need a whole lot of measures but you need important ones."

Mr. Holt shared that in another state, the job training cost is \$18,000 for each participant. He stated that this might not be efficient, but the effectiveness of securing employment could be more important.

Cascading Alignment-Example
Office of Alcohol and Substance Abuse

Department:

- % Clients who improve after leaving treatment

Program Measures:

- % of clients who improve in their vocational status 6 months after leaving treatment.

- % change in clients not returning to Criminal Justice System.

Service Measures:

- % of programs achieving substantial compliance.
- % of clients successfully completing treatment.

Mr. Holt opined, "It's one thing to get a job, it's another to get a job that sustains an income that keeps them off of welfare."

Mr. Holt continued describing the \$18,000 per client program. He relayed that he asked the success rate of this program in terms of the length of time that clients maintained employment. He learned that no such measurements were available because all federal funding for the program was eliminated six weeks after the client completed the training.

Mr. Holt commented, "...certain systems are set up to show a certain type of success."

Key Questions for POLICY MAKERS

1. What is your mission?
2. How do agency Programs contribute to the Mission?
3. Who are the customers of their Programs?
4. What are the Program Outcome Performance Measures?
5. How did you do last year?
6. What do you intend to do differently this year?
7. What are your strategies/priorities for this next year?
8. Which measures are you going to use to validate and monitor the state's investment?
9. Is there duplication between agencies?
10. Are other options viable to accomplish these outcomes?

Mr. Holt recommended the Committee and Agencies "should be very comfortable in answering" these questions.

Mr. Holt pointed out the questions are "sequence dependant", explaining that if the mission could not be agreed upon, other action must be stopped until agreement is reached. He qualified that disagreement would occur; however if the mission could not be agreed upon, the programs would not matter.

Linking Department Mission/Outcomes

EXAMPLE ONLY

[Graph listing departments vertically, Senate Priorities horizontally, and indication of programs.]

Mr. Holt noted this graph identifies which programs contribute to each priority.

Mr. Holt informed this graph determines whether programs align with the identified priorities. He furthered that Committee Members' could then decide if adequate effort is invested into a priority.

Mr. Holt then pointed out that the Performance Measures shown on the graph reflect, "how well your priority is being accomplished, " despite what departments are involved. He explained, "It allows you just to say 'are you making progress on your priorities' versus just making progress within an agency" and emphasized, "That is a fundamental difference in view."

PIT FALLS (Lessons from the "Pit")

Focus is to improve - not keep score. Resist the urge to "judge" the numbers too quickly.

Build in a quarterly review process, and be ready to make mid-course corrections.

Same process does NOT equal same "content" - there will be disagreement on agency mission/program.

Most Financial Systems "count things" and will probably have to be modified, to provide results based information.

Remember - no one wins - if poor investments are made!

Mr. Holt stressed the need to focus on improvement instead of scorekeeping, particularly because of the difficult economic climate. He warned that keeping score "doesn't do anything", giving an analogy of identifying faulty products at the end of an assembly line

Mr. Holt recommended addressing this matter as a challenge to the departments to provide the best possible return on the investment. He also cautioned against making significant changes only once a year, preferring quarterly reviews and adjustments.

Mr. Holt next addressed the differences in opinions that would occur with the change in gubernatorial administrations. He remarked, "Just because you're using the same process does not mean you will completely agree on the content."

Mr. Holt compared the House and Senate Finance Committees to a

corporation's board of directors, in that the Committees are responsible for the investments made.

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor, expressed the Administration anticipates working together with the Legislature on the missions and measures framework. She told of an action plan under preparation to implement the intentions made by Governor Murkowski in the recent State of the State address. She expressed that the results based budget approach would be utilized to achieve the Administration's goals.

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Co-Chair Wilken recalled that Ms. Frasca was associated with the inception of the missions and measures methodology for Alaska.

Ms. Frasca affirmed and told of her experiences ten years prior.

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 10:14 AM