

11/4/99

Investing

...

by Holt

HFIN

FILE

Alaska State Legislature

HOUSE Finance Committee

November 4, 1999

Investing in Results

Presented by:
Craig L. Holt, President
MTP Inc.

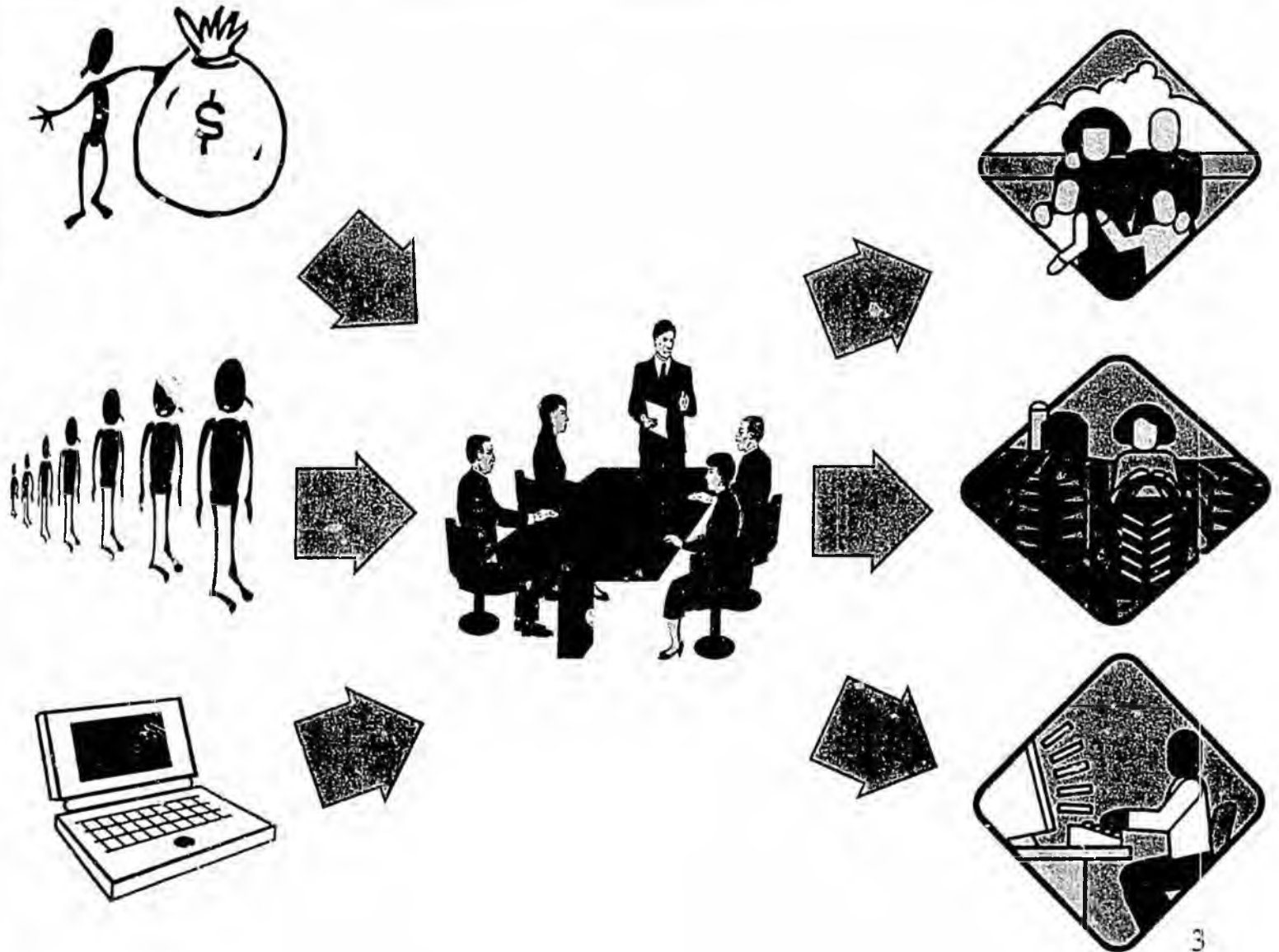
MTP

Why Mission Alignment is 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

Inputs to Outcomes/Program Impacts



Mission Statement

SHOULD;

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

SHOULD NOT;

Be list of everything we do,
Include statements of values,
Include “qualifiers” of who well/good ,
Contain language that is vague and unclear.

Mission Statement – Example (OASAS)

WHY the agency exists

Assist Clients in becoming “Self Sufficient”

Not WHAT you do;

Provide local assistance,
Distribute state aid

Not how WELL you do things;

Excellence
Quality

Not statements of HOW;

Through partnerships
Valuing diverse perspectives

Why Performance Measurement

“Too often, the government has failed to manage on the basis of a clear understanding of the results expected to be achieved and how performance will be gauged.”

*- David M. Walker, Comptroller General of the United States
Testimony before House Committee on Government Reform, 2/10/99*

What's IMPORTANT to measure?

Results.....not Activities

Result: The intended "outcome" of the effort.

Activities: The things done to accomplish the "outcome".

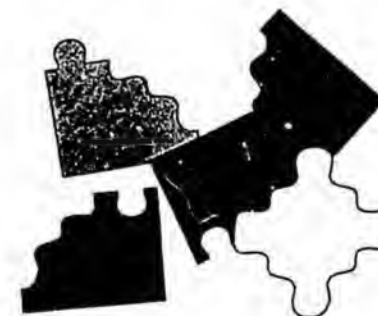
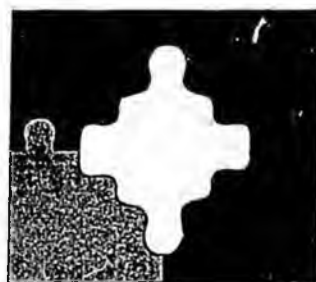
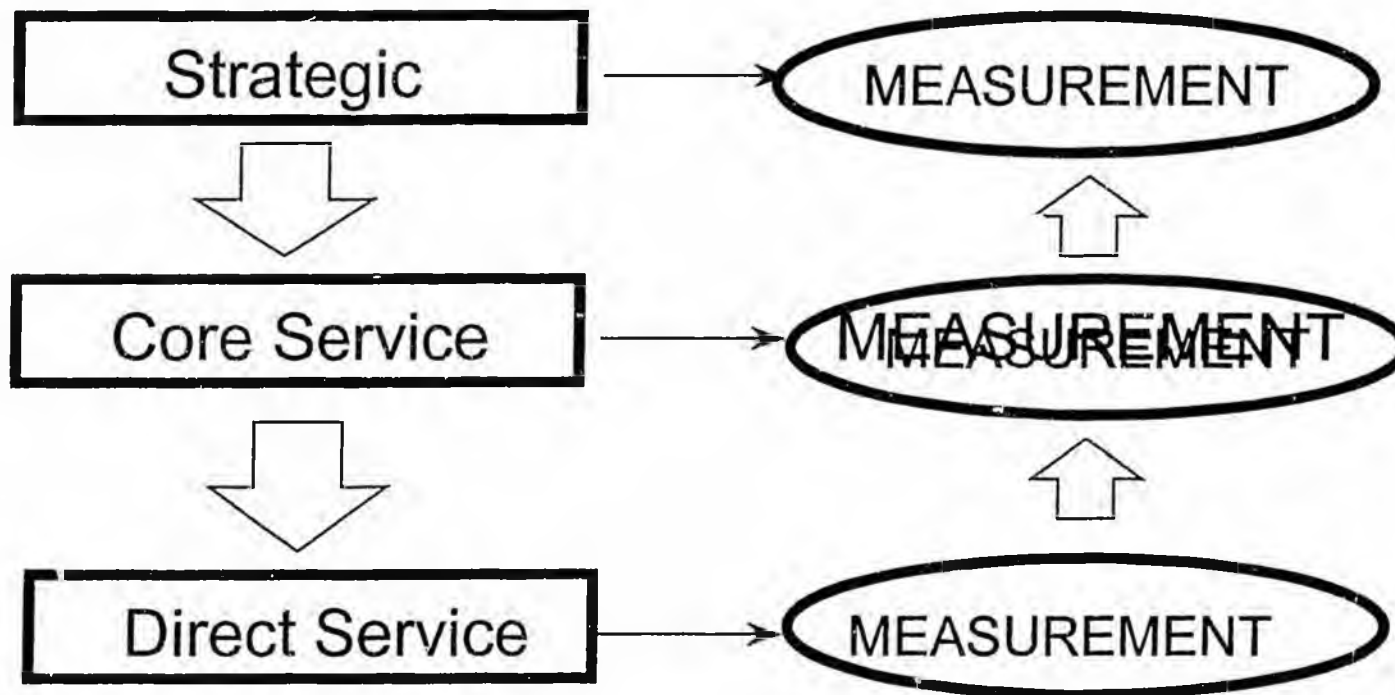
EXAMPLE - JOBS Training

Result = Person gets a Job

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



Cascading Alignment - "The Picture"

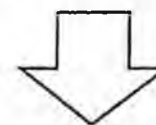


Cascading Example: NY OASAS

Strategic:

- % Clients who improve after leaving treatment

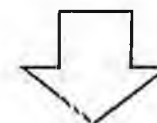
Strategic



Core Service:

- % of clients who improve in their vocational status 6 months after leaving treatment.
- % change in clients not returning to Criminal Justice System.

Core Service



Direct Service:

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

Direct Service



Cascading Example(s): Transportation & TANF

Strategic:

% citizens that have less than a 30 minute commute from home to work.

Core Service:

% of cities with daily bus service

Direct Service:

- Bus utilization.
- Dollars per rider.

Strategic:

% Client Self Sufficient

Core Service:

% of former clients returning to welfare within 18 months.

Direct Service:

- Cost per client served.
- % of clients getting jobs

Balanced Performance Measures Example: JOBS

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*

Performance Budgeting “Premise”

Alignment & Accountability
MUST precede Performance
Budgeting, else this becomes
just another “budget justification
process”.

Shifting from Spending to Investing

Budget:

How much do we “get”

Focus is on spending

Tends to “assume” costs

“check book” orientation

Invest:

What did we “get”

Focus is on results

Tends to “challenge” costs

Revenue orientation

In What & At What Level?

- Agency Level - Mission
- Program Unit - Specifics within Agencies
- Outcomes - Broad (cross cutting) Goals
- Combination - Agency & Outcomes

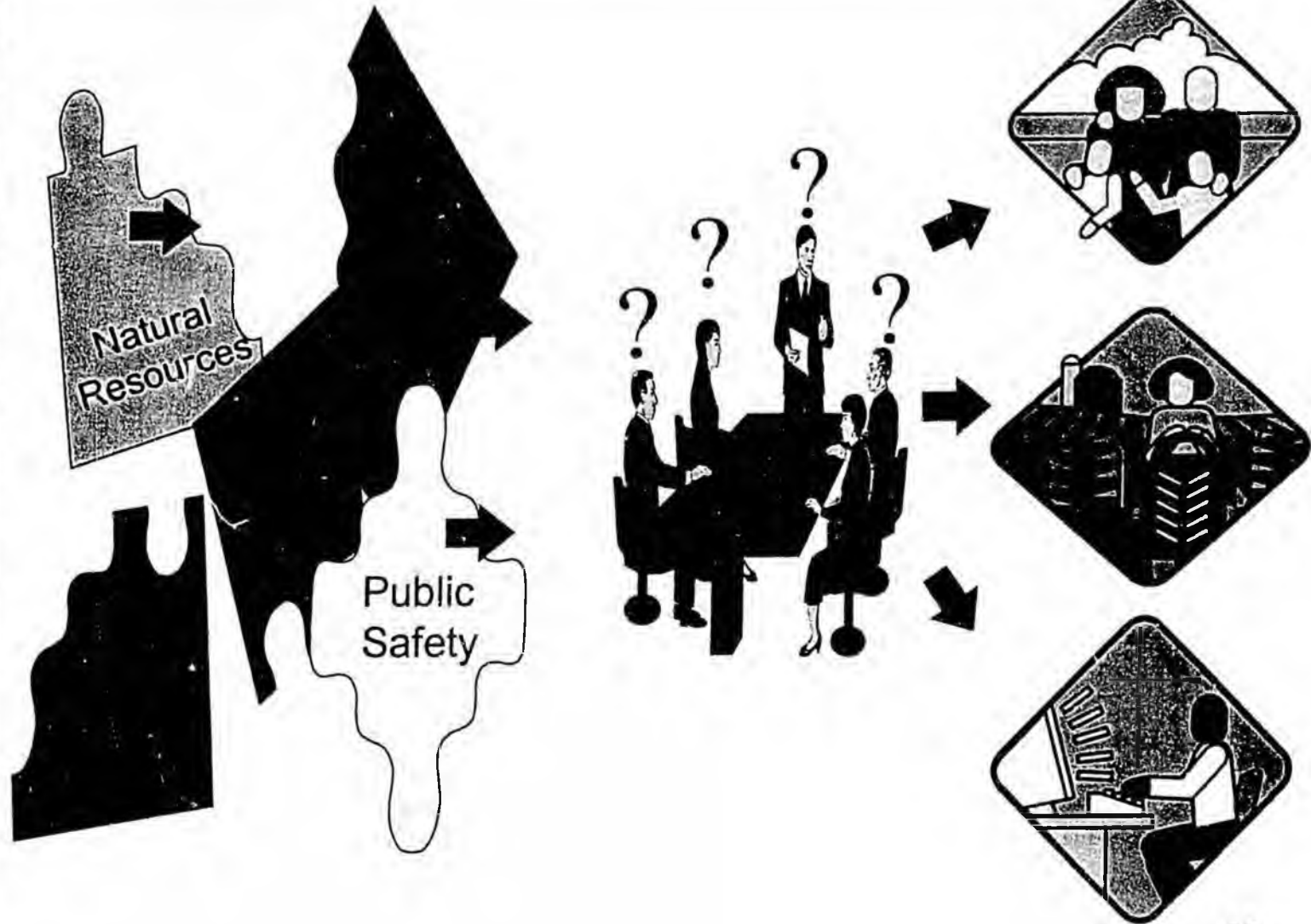


Investing in Agencies



- % spent on administration.
- % spent on Over Time.
- Ratio of managers to staff.
- Layers of management.

Investing in Programs



Investing in Results



- % of Kindergartners ready to succeed in school.
- # of children abused or neglected per 1,000 persons under age 18.

Organizational Budgeting -vs- Investing in Results

Organizational Structure	Core Services			\$'s
	People Get Jobs	People Are Safe	People Are At Home	
Income Support	X	X	X	Program
Employment Srv.	X			Program
Adult Protect.		X		Program
Medical Asst.	X	X	X	Program
Home Care Srv.		X	X	Program
Administrative	?	?	?	Program

Outcomes/Results

Investing in Results: KEYS*

- Articulate a Results Orientation,
- Coordinate crosscutting programs,
- Show how strategies will be used to achieve goals,
- Show performance consequences of budget and other resource decisions,
- Build the capacity to gather and use performance information.

* Source: GAO/GGD/AIMD-99-69 (February 1999)

KEY QUESTIONS FOR POLICY MAKERS ?

1. What's your Mission?
2. What are your programs and how do they contribute to the Mission?
3. Who are your customers?
4. What are your 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 our investment?
9. * *Is there duplication between agencies?*
10. * *Are other options viable to accomplish these outcomes?*

Caution - "Simplify to Succeed"

Resist the urge to over complicate for "perceived" completeness. Begin by having each program unit, agencies, submit the following;


- At least one efficiency & one effectiveness measure for each program result.
- Brief narrative to support measure.
- Graph depicting baseline, actual & potential results.
- Quarterly reporting to OMB
- CSSB 169 (FIN am H)

PIT FALLS (Lessons from the “Pit”)

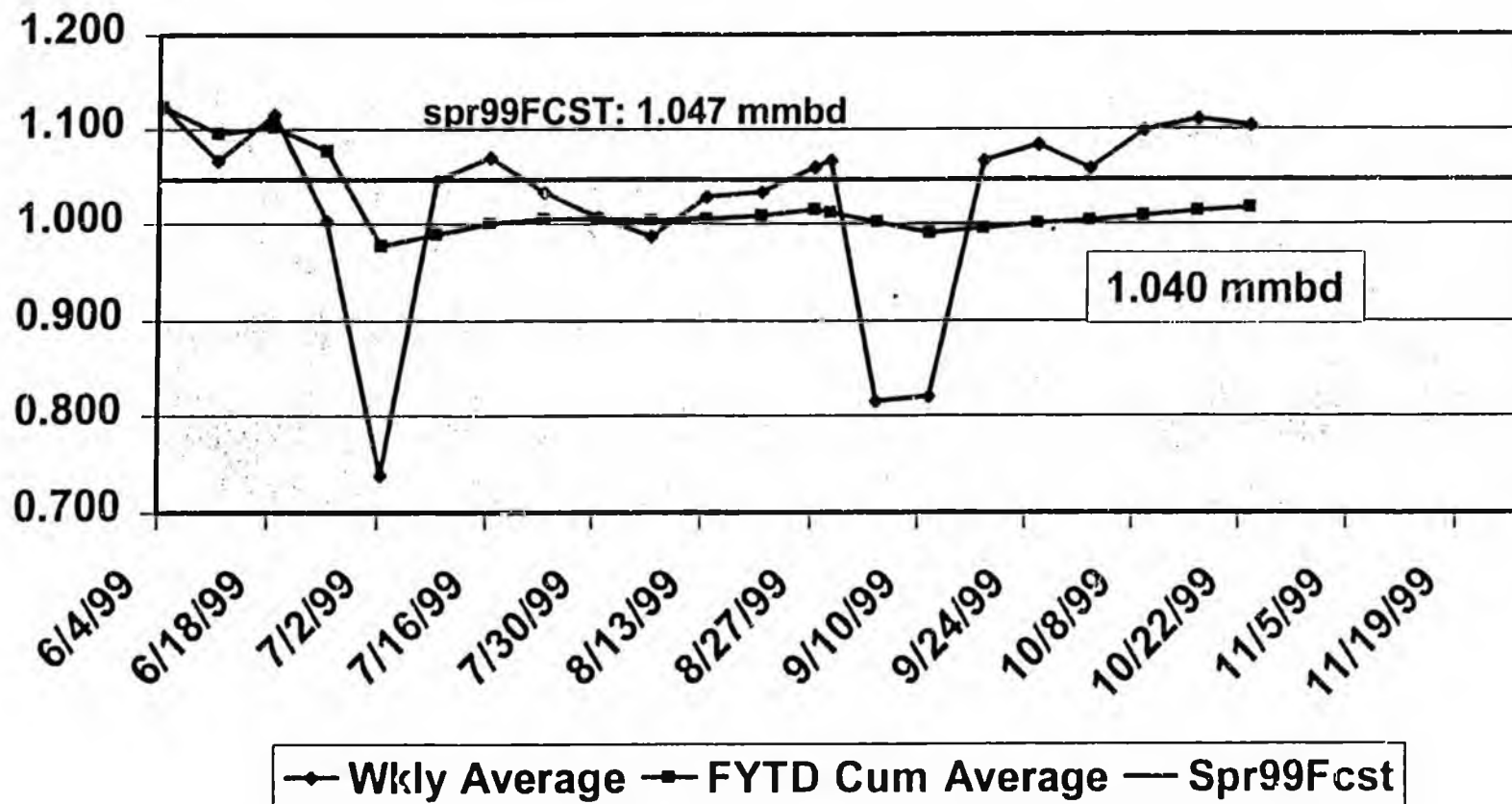
- ✓ There MUST be agreement by the committees that they will follow an agreed upon approach - Speaker and President KEY.
- ✓ Legislative and Executive MUST agree on a shift from spending to investing. The debate on where to invest will still remain.....
- ✓ Create accountability mechanisms - between the Executive and Legislative. (Performance Contracts)
- ✓ Not everyone(Executive and Legislative) will “want” to change. Predetermine the consequences.....
- ✓ Reward appropriate behavior (Executive and Legislative)

PIT FALLS (Lessons from the “Pit”)

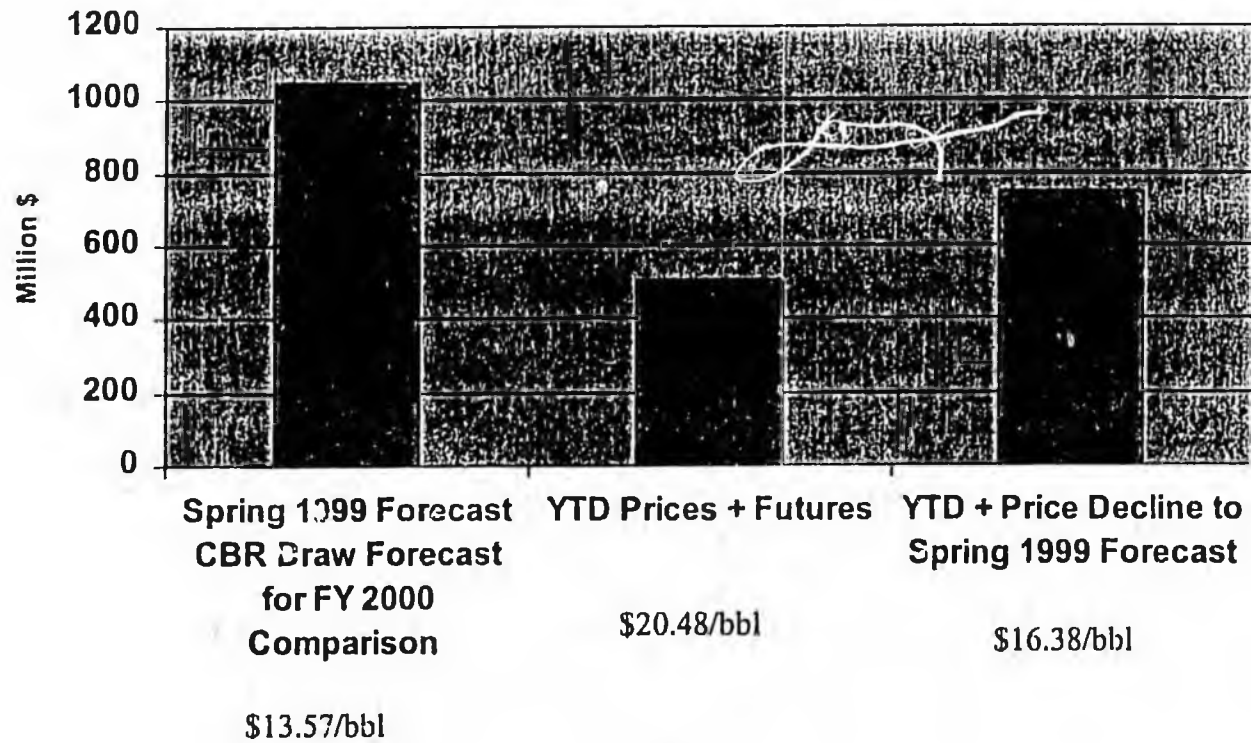
- ✓ Focus is to improve - not keep score. Resist the urge to “judge” the numbers too quickly.
- ✓ Build in a quarterly review process, and be ready to make mid-course corrections.
- ✓ Most Financial Systems “count things” and will probably have to be modified, to provide results based information
- ✓ Remember- no one wins -if poor investments are made!

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- FY 1999 a Very Bad Year for State Unrestricted Revenues (\$1350.6 Million and a \$1021.3 million Draw on the Constitutional Budget Reserve)
 - FY 2000 Oil Prices have rebounded to above \$19.75/bbl average so far this year. Even so we would need \$33.85 for the rest of the year to balance the budget (\$28/bbl annual average)
 - FY 2001 and beyond oil price have downside risk as evidenced by the futures market. We would need \$29/bbl to balance the budget at current spending levels.
 - We forecast that in FY 2001 and beyond that ANS production will stabilize at just above 1.0 million bbl/day.
 - Current spending levels will continue to require annual borrowing from the CBRF.
 - The CBRF may be exhausted as soon as FY 2002 (\$10/bbl oil) or as late as FY 2006 (\$20/bbl).

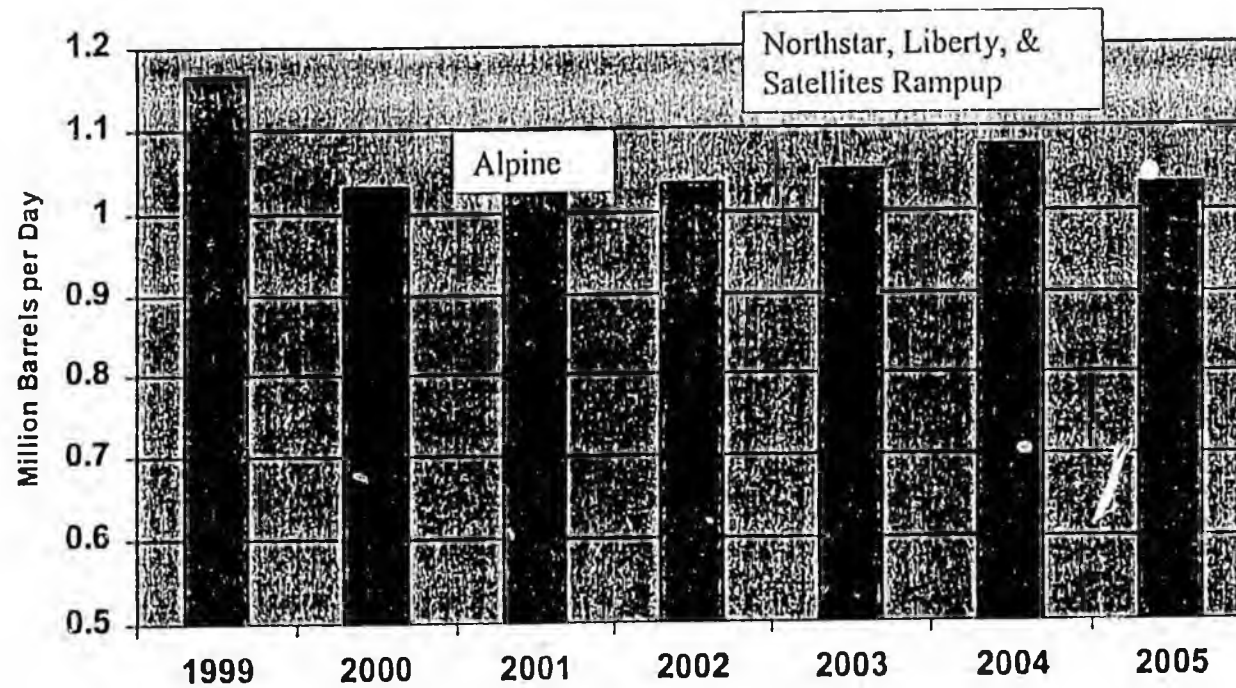
FY 2000 ANS Production



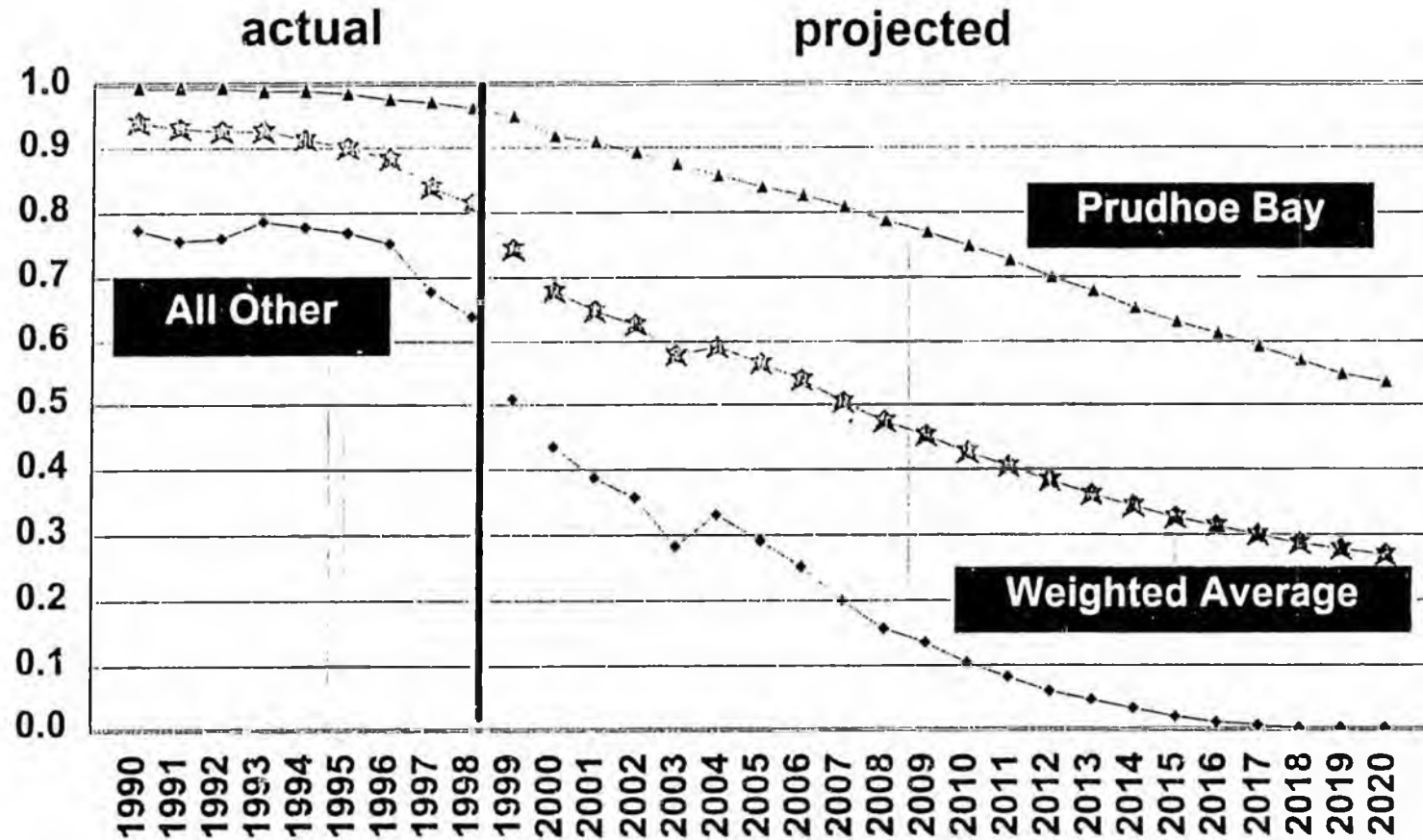
CBR Draw Forecast for FY 2000 Comparison



ANS Production

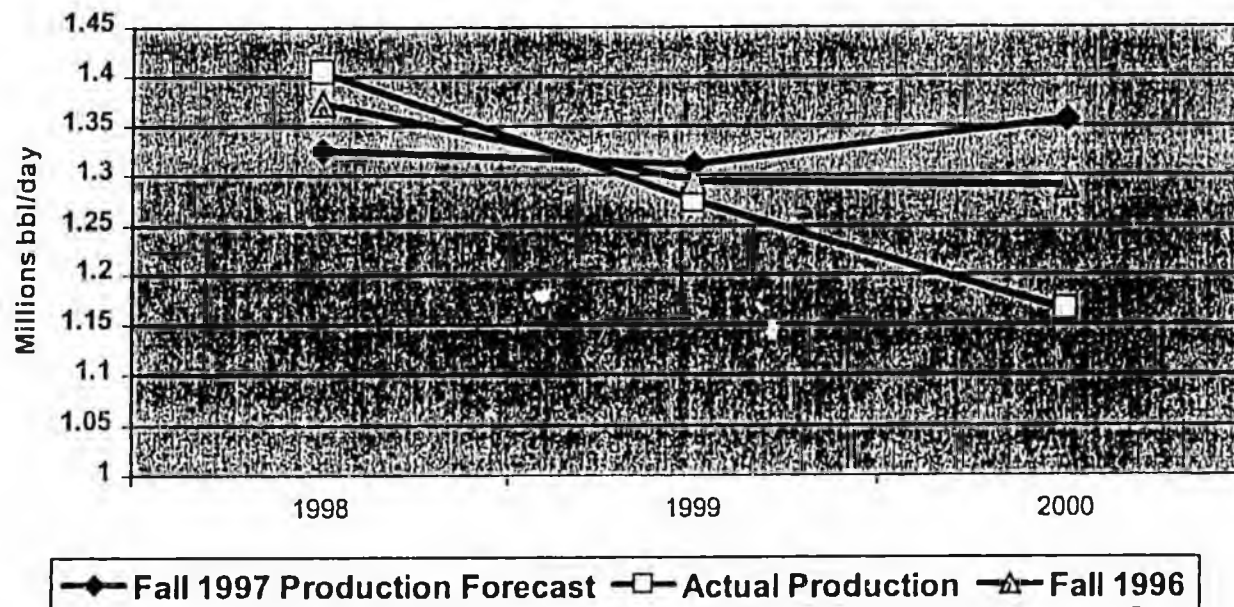


Economic Limit Factor (ELF)

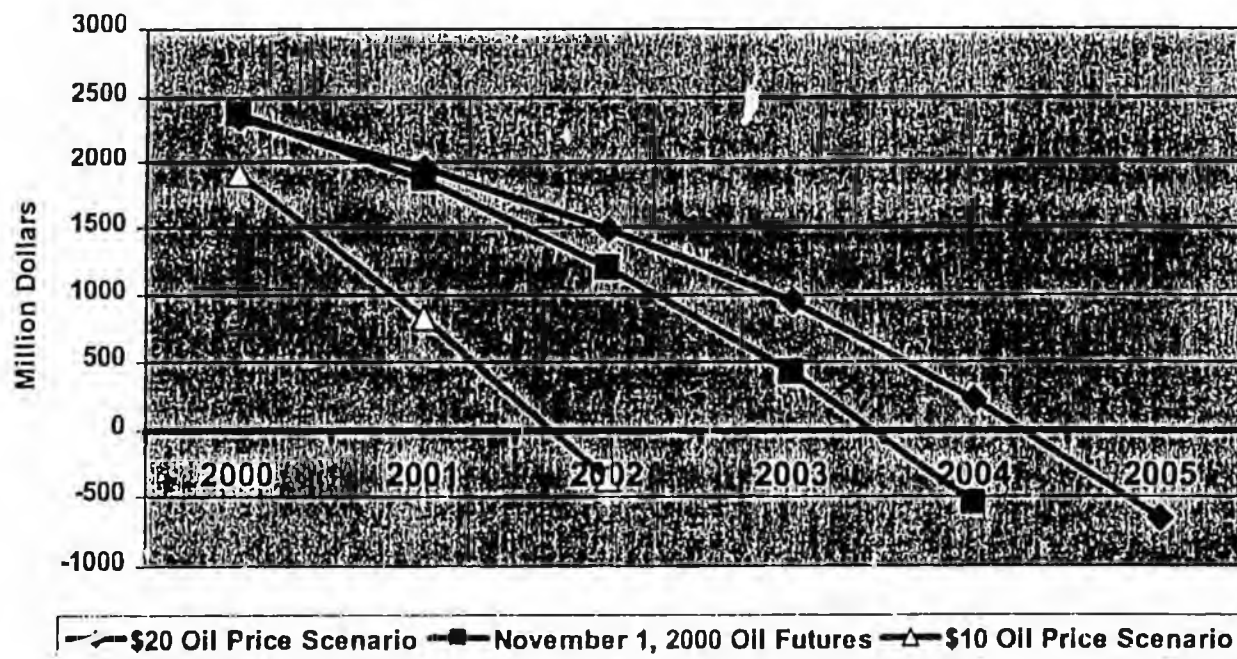


2004 BUMP: PBU-Sat, Alpine, Liberty and Known Onshore

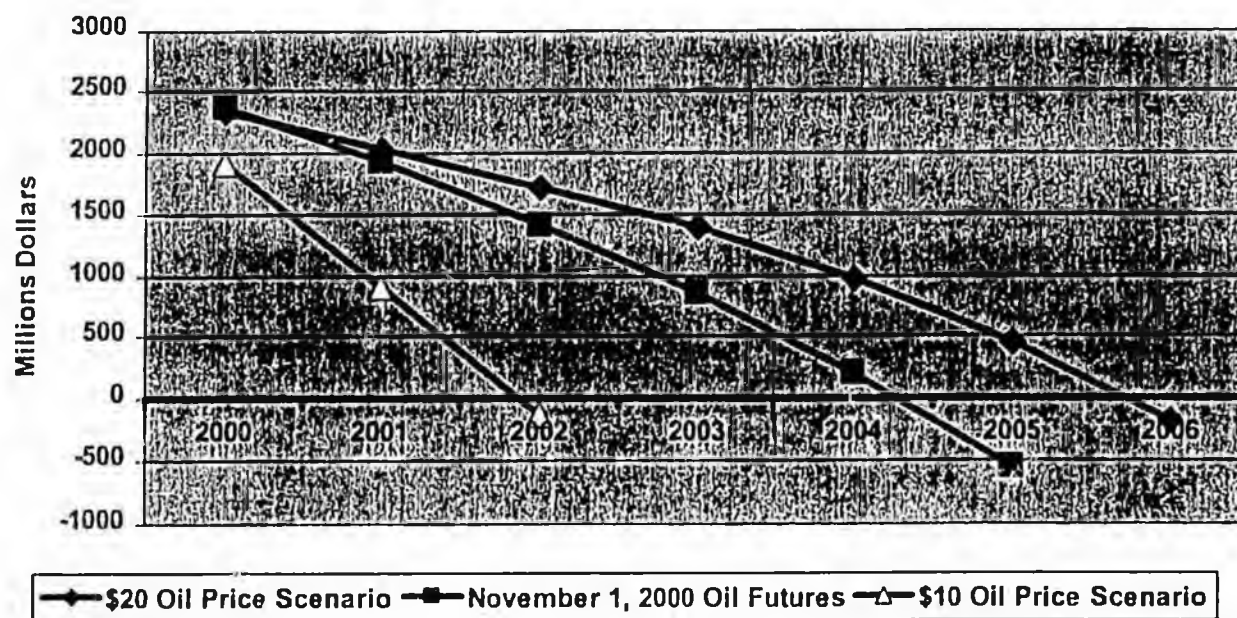
Oil Company Optimism Reflected in the Department of Revenue Fall 1996 & 1997 Production Forecast



**Constitutional Budget Reserve Cash Balance for
Various Future Oil Prices and Flat Operating Budget,
Education Increasing with Population Growth of 1.5%**



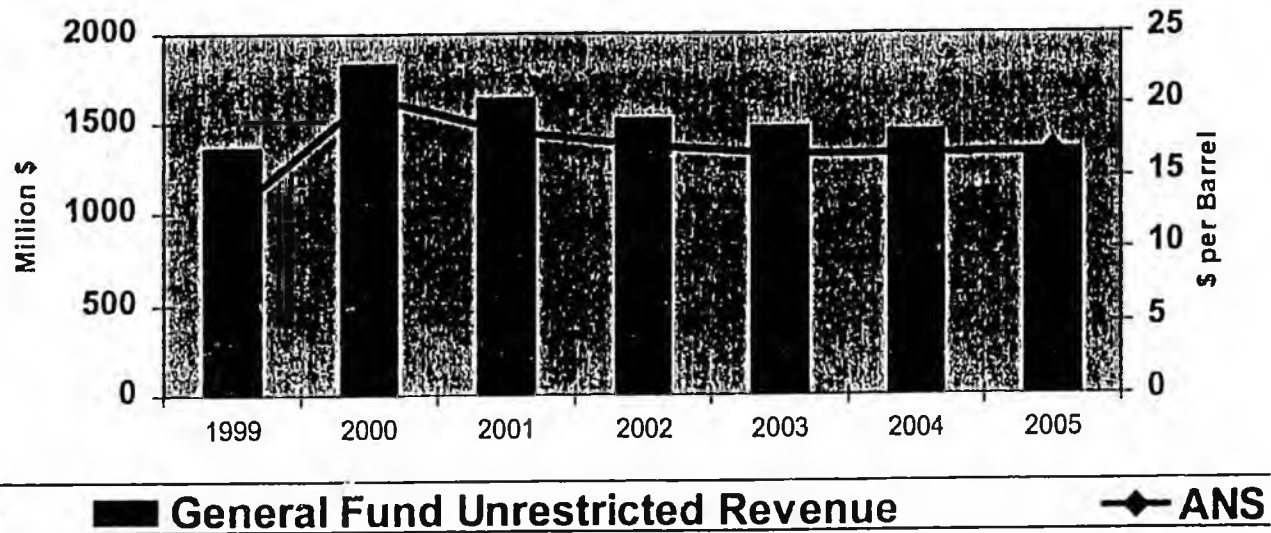
**Constitutional Budget Reserve Cash Balance vor
Various Future Oil Prices Operating Budget Cut 5%
per year through FY 2005, Education Increasing with
Population Growth of 1.5%**



November Revenue Update Using Futures

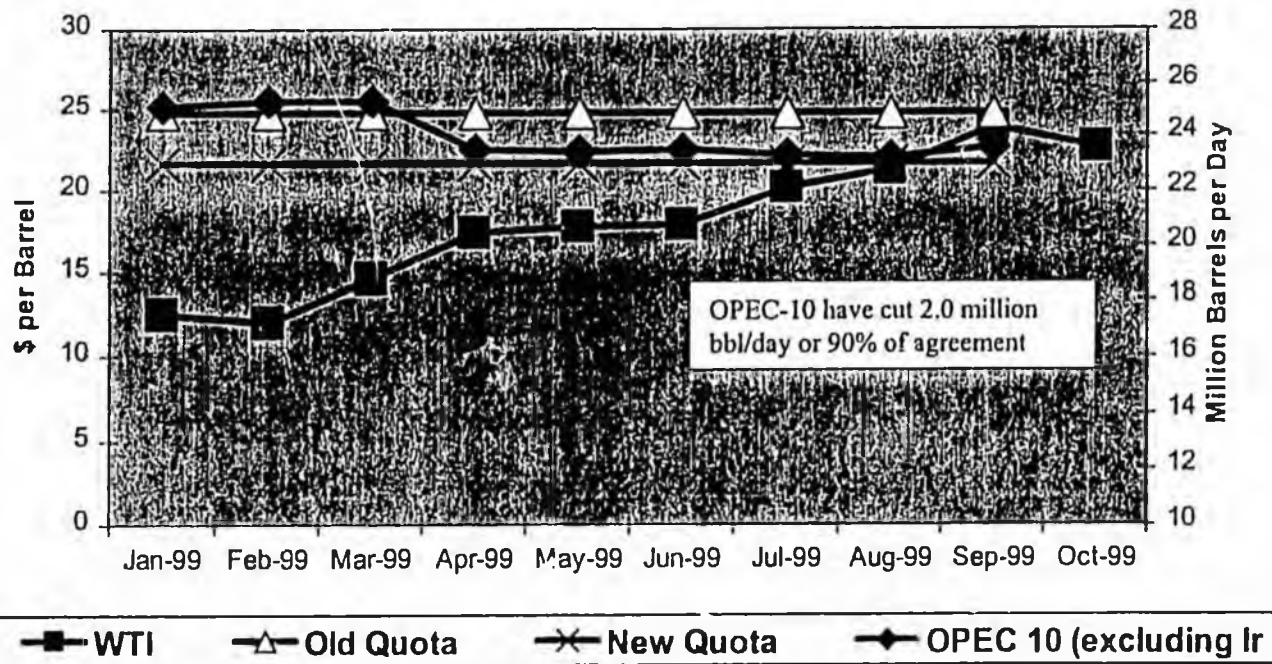
Fiscal Year	ANS Price (\$/bbl)	ANS Production Million bbl/day	General Fund Unrestricted Revenue Millions \$
Actual 199	12.59	1.164	1350.6
2000	20.48	1.031	1829.4
2001	18.09	1.064	1636.3
2002	17.05	1.035	1517.2
2003	16.56	1.049	1468.3
2004	16.58	1.076	1449.2
2005	16.71	1.031	1348.0

General Fund Unrestricted Revenue and November 1999 Oil Futures Prices

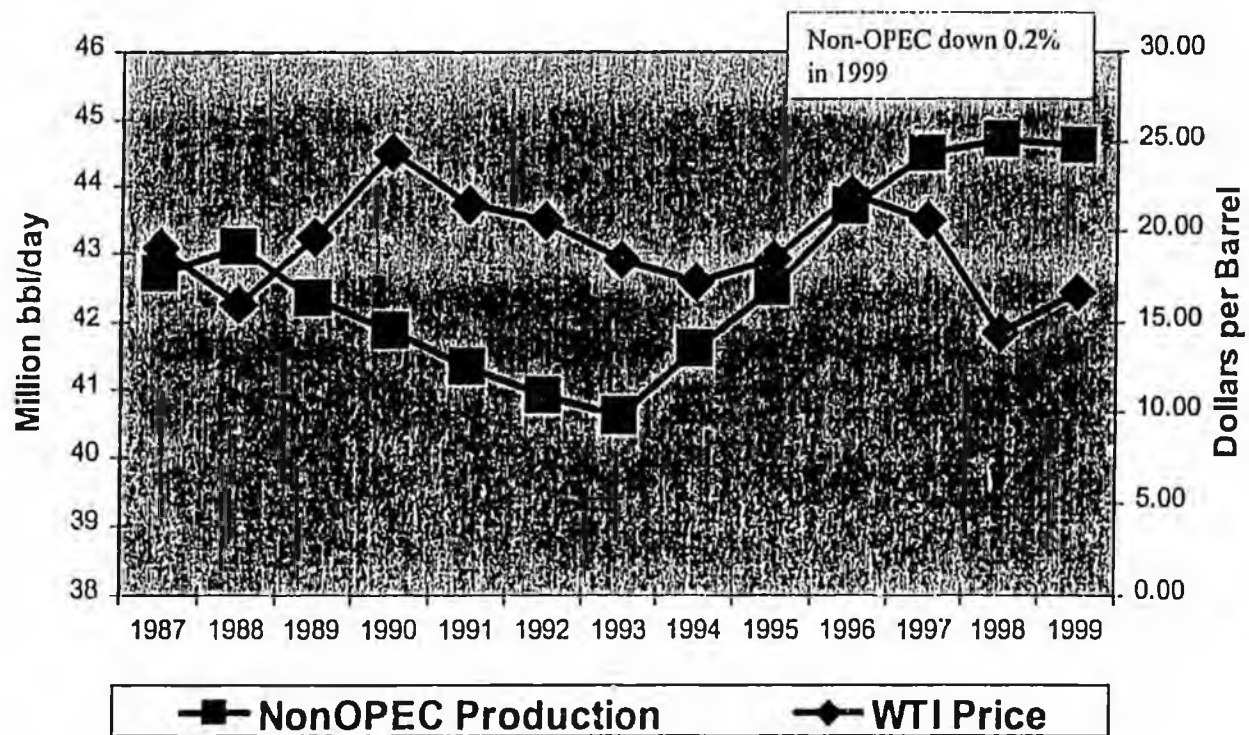


Total State Revenue Picture FY 1999				
Investment Earnings			(millions \$)	
	Unrestricted		863.5	
	Restricted		1599.3	
		Total Earnings		2463
Oil Revenue				
	Unrestricted		913.2	
	Restricted		140.3	
		Total Oil		1054
Non-Oil Revenue				
	Unrestricted		392.4	
	Restricted		1019.1	
		Total Non-Oil		1412
Federal Revenue				
	Restricted			1455.3
Total Revenue				<u>6383.1</u>
Adjustments for Spending Purposes				
	Unrestricted to Restricted		879.8	
	Restricted to Unrestricted		17.8	
Net Disposable Unrestricted Revenue				1307.1
Total Adjusted Unrestricted Revenue				1289.3
Total Adjusted Restricted Revenue				5093.8
Total Revenue				<u>6383.1</u>

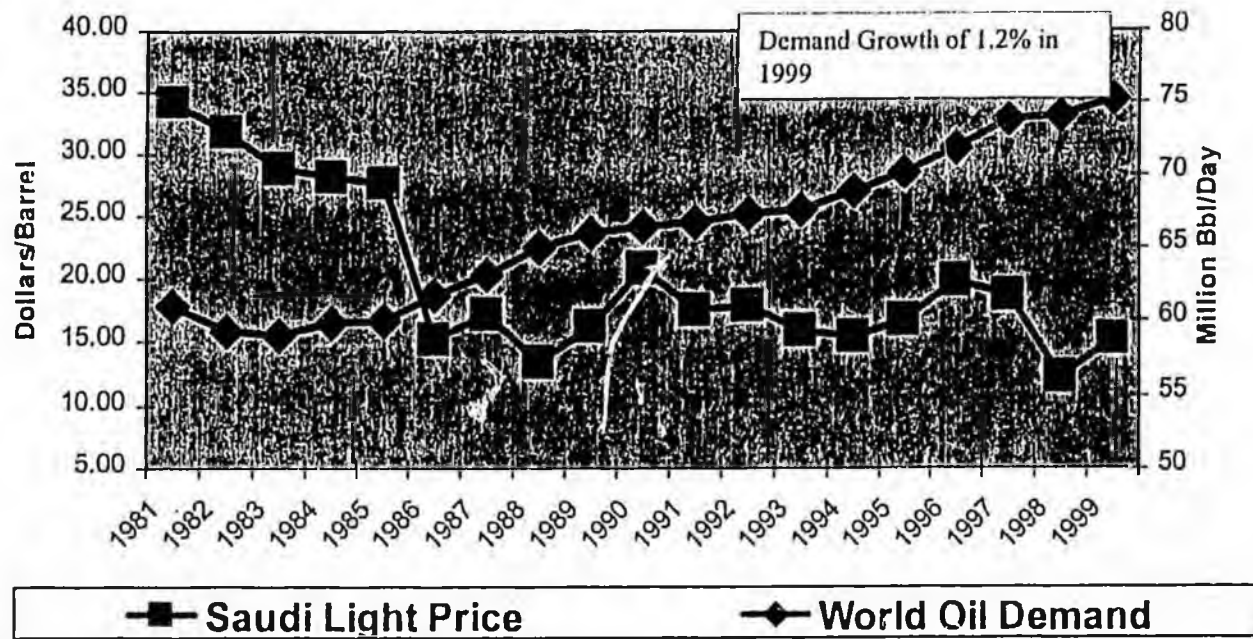
OPEC Production (Excluding Iraq) and Oil Prices--January 1999 to September 1999



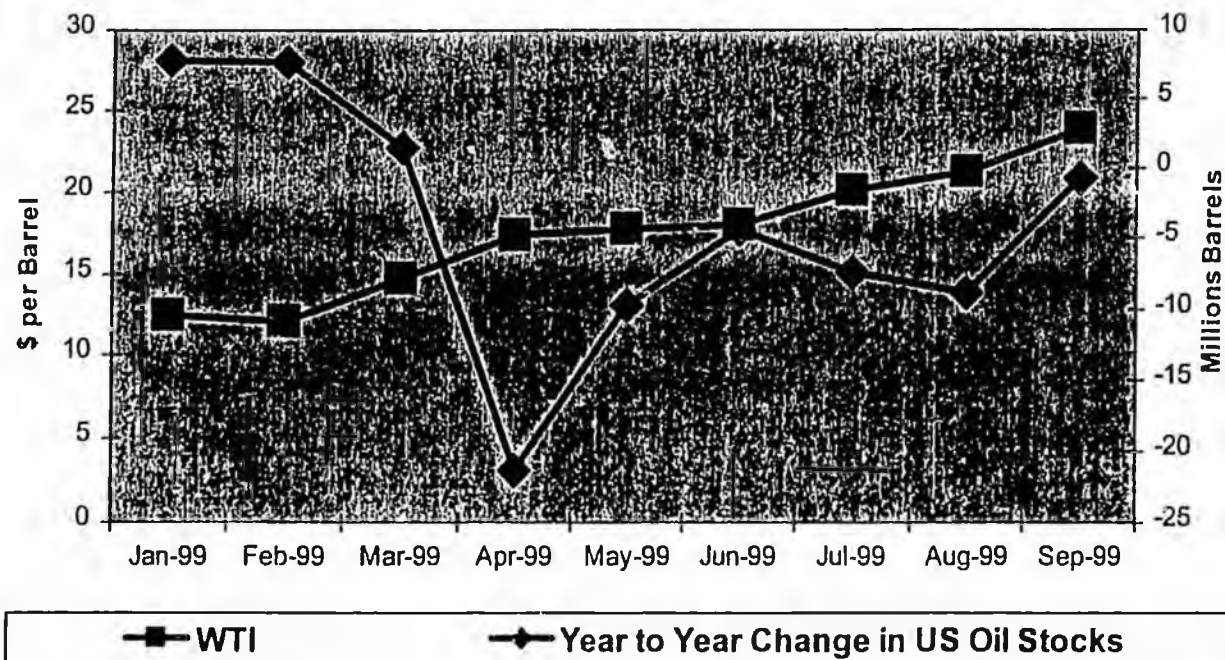
Non-OPEC Production and Oil Prices (1988--1999)



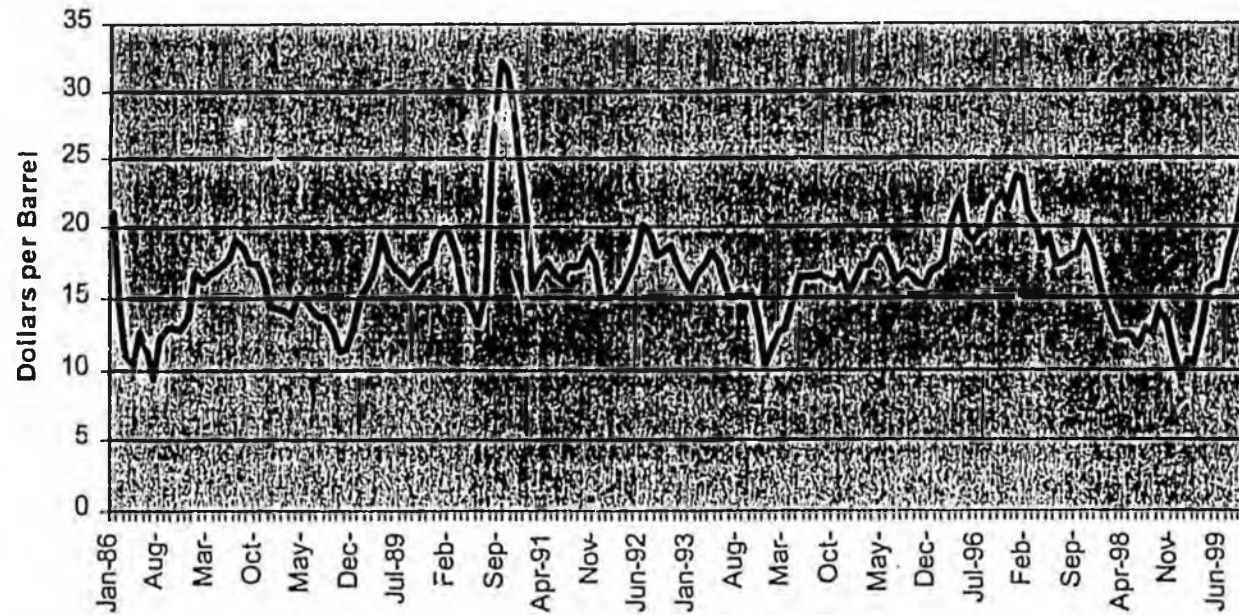
World Oil Demand and Saudi Light Oil Price



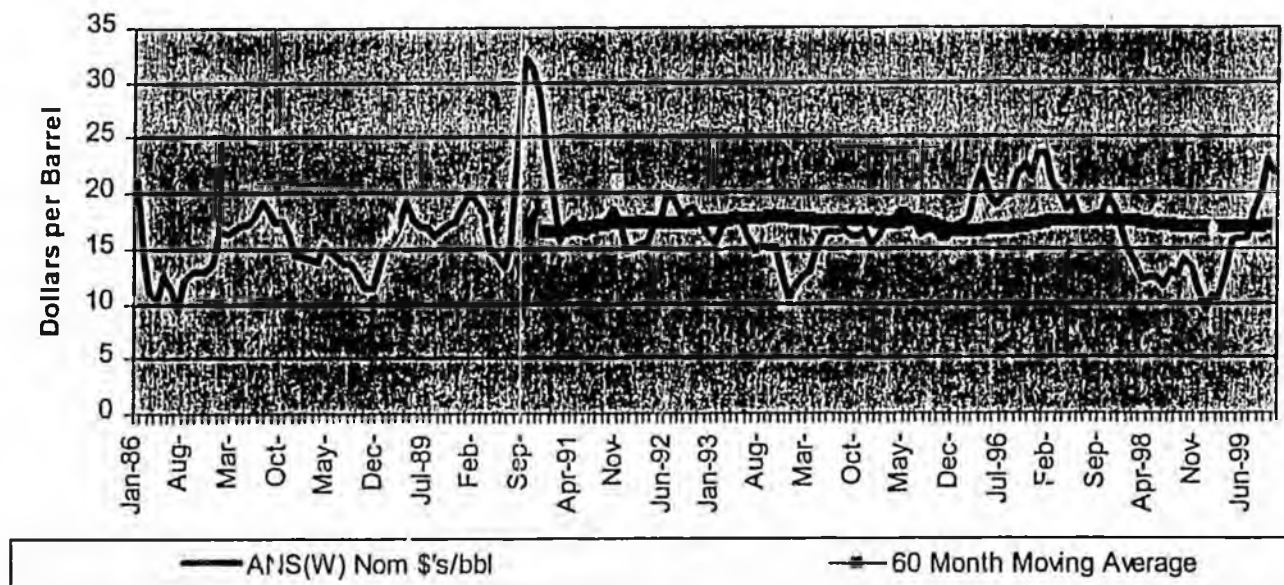
WTI Price and Year on Year Change in US Crude Oil Inventories



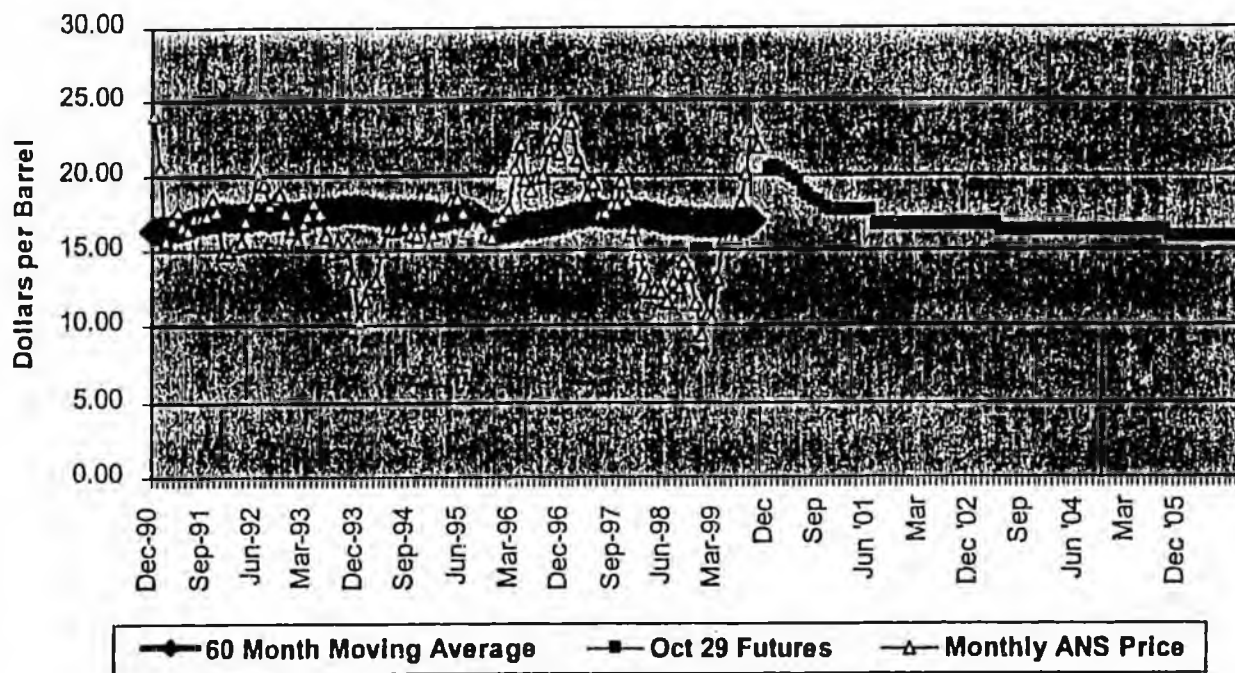
ANS Spot Price for West Coast Delivery (January 1986--October 1999)



**ANS Spot Price for West Coast Delivery (January 1986
-October 1999) and 60 Month Moving Average Spot
Price**



**ANS West Coast Spot Price 60 Moving Average--
December 1990 to September 1999 and November
1999 Futures Price Structure**



Alaska Department of Revenue One Year Ahead Oil Price Forecast Track Record

