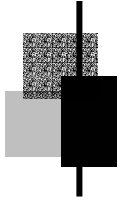


Making Government Work for Oregonians:
A Plan for Achieving Results-Based Government

Report By

Advisory Committee on Government
Performance and Accountability

January, 2004



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Executive Summary

Citizens are demanding greater accountability and results from government -- policymakers and public employees alike understand there needs to be a continuous effort for more efficient and higher quality services. Given these trends, a growing number of governments are looking at various models to help them identify their core functions, streamline processes and be more accountable for outcomes and customer service to their citizenry.

In Spring 2003, Governor Ted Kulongoski established the Advisory Committee on Government Performance and Accountability to help re-establish public trust in government by focusing on the following goals:

- Government services delivered to citizens and businesses that are efficient and cost-effective.
- Regulations and policies that are streamlined with improved customer service and responsiveness.
- Increased accountability for, and demonstrated value of, public resources and tax dollars.

To accomplish this task, the state must take an in-depth look at its essential functions and how it delivers services. Success will require a commitment to effectively deliver services while at the same time be cognizant of taxpayers concerns regarding budgeting and spending.

Priorities

The Advisory Committee developed a total of seventeen recommendations. From these recommendations, the committee identified six overarching priorities for immediate consideration..

- ◆ **Budget:** Develop clearly identified priorities for the budget that reflect the cost-effective achievement of outcomes.
- ◆ **Performance Measures:** Deepen and broaden process for applying performance measures across government with particular emphasis on cross-agency collaboration
- ◆ **Boards and Commissions:** Review relationship of boards and commission to core functions with the potential outcome of elimination, consolidation, alternative structures. Ensure remaining boards and commissions are accountable to the Governor.
- ◆ **Streamline Regulations:** Identify and streamline regulations and processes dealing with business start-ups, land use, and expansion of existing businesses
- ◆ **Government Operations:** Improve the efficiency of internal government operations and business services required to support core functions
- ◆ **Agency Head Expectations:** Implement written expectations for Agency Heads that focus on program/administrative outcomes and accountability to the Governor

Recommendations

Ensure agencies & programs are accountable for their performance

Recommendation: Develop a consistent framework for establishing a results-based government that identifies core functions and sets statewide priorities.

Desired Results: Identify core government functions and state priorities to focus resources and improve collaboration among various levels of government.

Recommendation: Improve the process for developing and implementing performance measures across government.

Desired Results: Consistent performance measures that are easily implemented, effectively linked to budgets, and used to inform decisions.

Recommendation: Review performance incentives for agencies and staff.

Desired Results: Agencies and employees recognized and rewarded for improvements in government performance and accountability.

Recommendation: Develop performance measures to benchmark regulatory streamlining efforts.

Desired Results: Regulations that are based on outcomes, not processes.

Recommendation: Improve public access to and review of state performance measures.

Desired Results: Greater public accountability of agency and program performance.

Recommendation: Develop Agency Head Expectations that align state goals and priorities with daily operations.

Desired Results: Increased job accountability and connection of agency performance to state goals and priorities.

Recommendation: Establish shared performance measures to improve the effectiveness of core functions and programs that cut across multiple agencies.

Desired Results: Enhanced inter-agency cooperation based on outcomes and alignment with core functions.

Align government structures to effectively deliver core functions

Recommendation: Agencies and programs aligned around core functions.

Desired Results: State agencies aligned to core functions with less duplication and greater cooperation.

Recommendation: Reduce redundancy of boards and commissions through elimination, consolidation and/or alternative structures.

Desired Results: Boards and commissions that support core functions and reduce redundant business operations.

Recommendation: Reduce the regulatory overlap among agencies

Desired Results: Fewer conflicting regulations and unnecessary jurisdictional overlap.

Make policies and regulations effective, responsive and user-friendly

Recommendation: Streamline land use regulations and permitting processes.

Desired Results: Land use and development bottlenecks are identified and resolved.

Recommendation: Streamline the process for starting a business in Oregon.

Desired Results: Registering and starting a business in Oregon is easier and quicker.

Recommendation: Streamline the regulatory environment for operating and expanding existing business.

Desired Results: Oregon's environment to operate and expand a business in Oregon is competitive with other states.

Improve the cost-effectiveness and efficiency of internal government operations

Recommendation: Improve the efficiency of internal government operations and business services.

Desired Results: Efficient internal operations that support the core functions of government.

Recommendation: Develop and implement an analytical model for determining the cost-benefit of programs and services.

Desired Results: An objective and consistent tool to evaluate the cost-benefit of a program or service.

Recommendation: Establish performance measures and standards for internal business operations.

Desired Results: Internal government operations with clear performance measures and a continuous improvement process.



Making Government Work for Oregonians: A Plan for Achieving Results-Based Government

Citizens are demanding greater accountability and results from government -- policymakers and public employees alike understand there needs to be a continuous effort for more efficient and higher quality services. The public wants to know how their money is being spent and that government is being a wise steward of scarce resources. Today's citizenry expects the same level of service from government as they do from the private sector—choice, quality, convenience and personal service. .

Early in Governor Ted Kulongoski's tenure, he made it clear that Oregon state government cannot afford to conduct business as usual. Restoring confidence in government has been a constant theme of his administration and he has already taken a variety of actions to underscore its importance. One such action was the creation of the Advisory Committee on Government Performance and Accountability. With a clear focus on performance measurement, regulatory streamlining and management practices, the Governor has selected issues that resonate with government, businesses, and the public.

Goals

In Spring 2003, Governor Kulongoski established the Advisory Committee on Government Performance and Accountability. He asked the 16-member Committee to help re-establish public trust in government by focusing on the following goals.

- ◆ Government services delivered to citizens and businesses that are efficient and cost-effective.
- ◆ Regulations and policies that are streamlined with improved customer service and responsiveness.
- ◆ Increased accountability for, and demonstrated value of, public resources and tax dollars.

Outcomes

By implementing the recommendations contained in this report and establishing an ongoing commitment for results-based government, the Advisory Committee envisions the following outcomes:

- ◆ A government with identified core functions. (Core functions are defined as essential operations--what government is in "the business to do".)
- ◆ Resources and agencies working towards aligning with these core functions to reduce overlap and increase interagency cooperation.
- ◆ Agency, program, and employee performance measured on results, not processes.
- ◆ Programs and services that are outcome-based and delivered in a manner that is efficient and responsive.
- ◆ Consolidated operations and procedures that lead to reduced costs, less processing time, or increased quality.

- ◆ Effective and consistent utilization of technologies to reduce costs and to bring services to the people, rather than people to the services.
- ◆ A culture that provides responsive solutions.

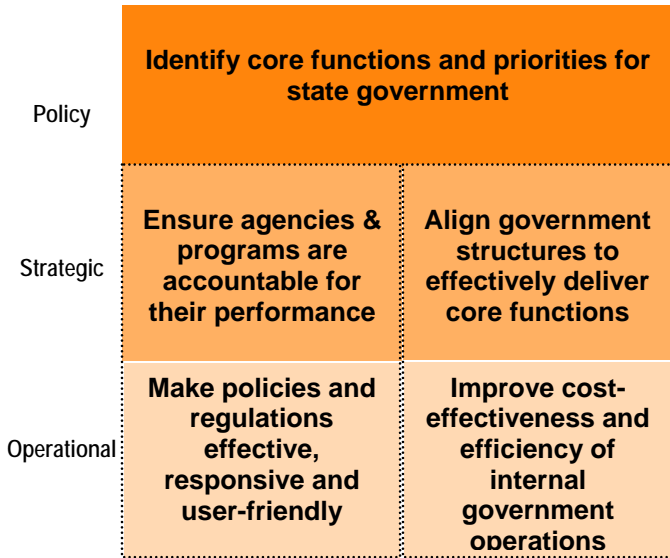
Initial Priorities

The Advisory Committee developed a total of seventeen recommendations focused towards results-based government in Oregon. While all of these recommendations are suggested, the committee recognized that they all can't be accomplished at the same time. As such, the committee summarized several of the recommendations in the following high priority actions: (Note: these actions are in no particular order)

- ◆ **Budget:** Develop clearly identified priorities for the budget that reflect the cost-effective achievement of outcomes.
- ◆ **Performance Measures:** Deepen and broaden process for applying performance measures across government with particular emphasis on cross-agency collaboration
- ◆ **Boards and Commissions:** Review relationship of boards and commission to core functions with the potential outcome of elimination, consolidation, and/or alternative structures. Ensure remaining boards and commissions are accountable to the Governor.
- ◆ **Streamline Regulations:** Identify and streamline regulations and processes dealing with business start-ups, land use, and expansion of existing businesses
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A Framework for Results-Based Government

In an era of declining budgets and heightened expectations, federal, state, and local governments are embracing the concept of results-based government by focusing on greater accountability, better communication to the public on how tax dollars are being used, and better tools for



managers to set and achieve performance objectives. For purposes of this report, “results-based government” means a system that is focused on efficiently delivering core functions with measurable outcomes. Virginia, Idaho, Washington, and Arizona, to name just a few, are embarking on bold agendas to transform government. Working towards a results-based government requires a clear framework that allows the Governor, legislators, and state agencies to work toward a common set of goals and outcomes while enhancing the effectiveness of their own operations. Developing this framework is no simple task—the state must take an in-depth look at its core (essential) functions and how it delivers services. The Committee established a five-part framework for developing a more results-based government.

Making It Work

The central premise of these recommendations is that government must first define its core elements and what desired results or outcomes it should achieve. Without a common understanding of the purpose of government, we risk spending time rearranging the deck chairs on the Titanic, rather than making calculated changes in direction that can lead to measurable results.

Best practices from other states and regions demonstrate that results-based government is most successful when:

- ◆ A systematic approach is utilized that starts with a clear definition of government priorities, core functions, and desired outcomes which then serves as a focal point for implementation.
- ◆ The framework is developed and supported by both administrative and legislative bodies, with early and continual involvement by the legislature.
- ◆ Legislative bodies can effectively use information from a results-based framework to make informed decisions.
- ◆ Agency performance expectations and measures are directly tied to state priorities and outcomes.
- ◆ The budget process is linked to state priorities and core functions so the availability of resources goes hand-in-hand with the ability of agencies and boards to effectively deliver high priority services and programs.

Action Plan Recommendations

A. Develop clearly defined core functions and priorities for state government

Efforts aimed to improve government accountability have been in existence for several decades, yet earlier efforts typically focused on one specific area instead of a comprehensive view that linked measures and processes to the core functions of government. Government can work to have efficient operations, but if that efficiency is not directed toward the core functions or high priorities of government then we have focused our efforts on the wrong issues. Put another way, as stated by management guru Peter Drucker, “There’s nothing so inefficient, as making more efficient that which should not be done at all.”

Focus

A coordinated approach to results-based government

Clear priorities and identification of core functions and outcomes

Recommendation A-1: Develop a consistent framework for establishing a results-based government that identifies core functions and sets statewide priorities.

The Executive and Legislative branches should approach a systematic strategic planning process.

Action:

- ◆ Examine the core functions and services of state government in a time of fiscal constraint.
 - Is there a defined public purpose for this function (i.e. public accountability, equity or fairness) that requires it be administered or regulated by government?
 - What is the value or benefit to the citizens of the state?
 - What are the desired outcomes of this function?
 - How do we ensure accountability and effectiveness for this function?
- ◆ Identify how the Governor, Legislature, Agencies and Boards/Commissions contribute to these functions.
- ◆ Determine priorities and outcomes that define a set of expectations for these core functions. The Governor’s office should work with the Legislature to organize performance standards into the state’s priorities and to agree on how standards can be used to inform and enhance decision-making.

Desired Results: Identify core government functions and state priorities to focus resources and improve collaboration among various levels of government.

B. Ensure agencies & programs are accountable for their performance

Focus

Clear performance measures and incentives

Budget allocation linked to performance measures

Flexibility, innovation and adaptability are now key concepts for government as well as business. Therefore, performance must be measured by progress and results, not just the processes or procedures. Accountable government will create a culture that continually focuses on its core mission and effectively delivers its essential services.

Performance measures have been required for state agencies since 1993 when ORS 291.100 required “the development of a statewide system of performance measures designed to increase the efficiency and effectiveness of state programs and services.” In 2001, The Oregon Progress Board was moved to the Department of Administrative Services and its enabling statute was modified to “establish guidelines, based on best practices, for state agencies to link performance measures to Oregon Benchmarks.”

Oregon’s existing approach to performance measurement is relatively sound and can serve as the starting point for improvements. Yet, there is still little connection between performance measures and core functions or budgets, and little consistency for how performance measures are developed and applied across agencies and programs. Furthermore, there is a lack of consensus among policymakers about how performance measures can balance issues of outcomes, efficiency, cost, and customer service.

Recommendation B-1: Improve the process for developing and implementing performance measures across government.

Oregon should take the following steps to improve its existing performance measure system:

Action:

- ◆ Link performance measures to the state’s budget, both at the agency and program level. For each significant agency program, the primary goals and measures of success should be clearly stated.
- ◆ Sharpen the definitions of goals and performance measures to be more specific and quantitative, develop targets that are benchmarked to best practices, and promulgate preferred performance measures and methods of data collection for areas that are common to many agencies (e.g. customer satisfaction).
- ◆ Develop agencies performance measures that directly tie to core functions and state priorities.
- ◆ Establish a clearinghouse of information and technical assistance within DAS to assist agencies in identifying best practices, and setting targets for performance measures using national best practices.

Desired Results: Consistent performance measures that are easily implemented, effectively linked to budgets, and used to inform decisions.

Recommendation B-2: Develop Agency Head Expectations that align state goals and priorities with daily operations.

Clearly, agency heads are a critical link in the accountability chain. True change can only be realized and sustained if an agency head is committed to it and there is accountability for job performance. Several states have instituted Performance Agreements for the following reasons:

- ◆ Communicate Governor’s vision and values
- ◆ Provide clear direction on administration goals and issues
- ◆ Strengthen alignment of results-oriented goals with daily operations
- ◆ Foster collaboration across organizational boundaries
- ◆ Provide results-oriented basis for individual accountability
- ◆ Improve effectiveness and efficiency of government services
- ◆ Recognize successes

Action:

- ◆ Develop a written list of “Agency Head Expectations” that allow agency heads to commit to agency-specific measurable results consistent with a set of statewide management standards.
- ◆ Review of each Agency Head Expectation agreement and results quarterly by the Director of State Government Operations and, at least annually, by the Governor.
- ◆ Make agreements available to the public.
- ◆ Examine alternatives to existing board and commission governance and accountability.

Desired Results: Increased job accountability and connection of agency performance to state goals and priorities.

Recommendation B-3: Review performance incentives for agencies and staff.

It is time that government closely evaluates various incentive programs, financial and other, that have been effectively used in the private sector, while still ensuring public accountability for incentives.

Action:

- ◆ Re-examine the existing employee incentive and award programs against models in the public or private sectors and incorporate best practices to their effectiveness.
- ◆ Develop and adopt a set of agency performance incentives that rewards efforts for enhancing productivity.
- ◆ Tie employee incentives to performance measures that are linked to the improvement of efficiency of essential government functions.
- ◆ Enable agencies to reinvest a percentage of savings into training and technologies that will continually improve effectiveness.

Desired Results: Agencies and employees recognized and rewarded for improvements in government performance and accountability.

Recommendation B-4: Establish shared performance measures to improve the effectiveness of core functions and programs that cut across multiple agencies.

There are few common measures of efficiency for agencies performing similar functions. Advisory Committee members took two high priority areas of government and worked through a set of questions to refine how performance measures can be developed across agencies to achieve shared results. Using child well-being and economic development, the subcommittee gathered representatives from 19 state agencies, as well as outside partners and advisors, to develop recommendations on how agencies could work together to establish a set of coordinated and prioritized performance measures to minimize the number of independent measures each agencies tracks.

Action:

- ◆ Continue to refine the process developed by this committee to develop an interagency model for the coordination of performance measures and management systems. The process would:
 - Clearly define shared measures related to cross agency priorities,

- Establish ownership roles within each agency that define contributions to desired performance, and
- Identify shared issues and opportunities to reach those desired levels of performance in a manner that coordinates resources among agencies.

Desired Results: Enhanced inter-agency cooperation based on outcomes and alignment with core functions.

Recommendation B-5: Develop performance measures to benchmark regulatory streamlining efforts.

In addition to programs and services, interagency performance measures can be developed for regulations. Just as businesses need to constantly improve their processes to maintain margins, regulators must adopt a similar mode of continuous improvement. Measures like application processing time, direct and indirect cost, and rework percentages can be benchmarked, and performance can be managed. Agencies should design applications to optimize processing for the typical applicant—in other words, get really good at the routine, and then deal with the non-routine as it comes up. In our globally competitive business environment, it's important to adopt an approach that is always focused on how to continuously improve from year to year.

Action:

- ◆ Ensure that business regulatory agencies establish benchmarked measures to continuously improve processing time, cost, and customer satisfaction.
- ◆ Start with the top focus areas identified in the business climate survey.
- ◆ Ensure that employee performance evaluations are directly tied to regulatory benchmarks and customer satisfaction.
- ◆ Continue to provide customer service and problem-solving training to employees of regulatory agencies to foster an environment of continuous improvement.

Desired Results: Regulations that are based on outcomes, not processes.

Recommendation B-6: Improve public access to and review of state performance measures.

There are few meaningful public input and review processes in setting and evaluating performance measures. Requiring all agencies to make their measures available through the Internet and other appropriate means can improve public access and review of state performance measures.

Action:

- ◆ Maintain a simple, publicly available web site with each agency's individual performance measures and results. In addition to oversight and review by the heads of government, members of each agency and the public should be able to readily see and track the progress of the agencies against their commitments for improvement.
- ◆ Develop and implement a public outreach plan that enhances public involvement in the review and oversight of government performance measures.

Desired Results: Greater public accountability for agency and program performance.

C. Align government structures to effectively deliver core functions

State programs and agencies have evolved over time and operate in a relatively decentralized and independent fashion that is more reflective of outside influences, funding mechanisms, or political will rather than an overarching strategic design. The result is programs dispersed across agencies, each with their own constituencies and with little natural incentive to collaborate.

The role of various agencies, boards and commissions should be directly associated with the core functions of government. Public programs should have a clearly defined purpose that cannot be effectively delivered by other means. These recommendations are designed to evaluate the purpose of public programs and the core functions of agencies and boards to ensure they are in alignment with, are necessary for, and can serve to promote the core functions of state government.

Focus

Enhanced interagency cooperation

Effective and accountable Boards and Commissions

Recommendation C-1: Agencies and programs aligned around core functions.

From an outside (non-governmental) perspective, it is difficult to understand the assortment of programs that cut across state government. For example, there are various agencies involved with natural resource management or small business development. By aligning agencies and programs along core functions and assuring that agencies communicate with each other, it will be easier to determine where duplication may occur, and how to enhance interagency cooperation.

Action:

- ◆ Identify how agencies and their significant programs are aligned with core functions of government: map agency structure using core functions as the central organizing theme.
 - How does each agency or program contribute to the desired results of state government?
 - How do the desired agency and significant program goals identified in Recommendation B-1 correspond to the desired outcomes of state government? Are the functions unique to this agency or program? Is it duplicated among other agencies?
- ◆ Compare functions and capabilities to current and future demands: What results will they need to deliver in the future?
- ◆ How will their capabilities need to change in order to deliver future results?
- ◆ Identify opportunities for reducing unnecessary duplication and better aligning agencies and programs with core functions.
- ◆ Hold agencies accountable for interagency collaboration around core functions and outcomes. Identify how interagency cooperation is tied to performance measures. Use best practices models from across the nation as models.

Desired Results: State agencies aligned to core functions with less duplication and greater cooperation.

Recommendation C-2: Reduce redundancy of boards and commissions through elimination, consolidation, and/or alternate structures.

Over time, the need for and functions of boards and commissions change. Government should ensure that its boards and commissions continue to be necessary government functions and directly contribute to core functions.

Action:

- ◆ Determine the primary function of boards and commission as they relate to product, regulatory or policy issues.
- ◆ Evaluate the current need and structure for Boards and Commissions:
 - What event, issue, or need prompted the creation of the board/commission?
 - Does the issue or need still exist; is the regulation still necessary?
 - Are there private sector groups/associations that perform similar functions?
- ◆ Consolidate or eliminate boards or commissions that are either duplicative in function or are not performing a vital government function.

Desired Results: Boards and commissions support core functions and reduce redundant operations.

Recommendation C-3: Reduce the regulatory overlap among agencies.

Throughout the state’s system of business regulation, there are examples of overlap and/or conflict between multiple state agencies, and between state and local governments charged with similar missions. These activities and standards may be required by law and are sometimes appropriate to ensure accountability. Yet others leave regulators with little discretion to make changes, or originate from problems that are no longer current. We believe this Advisory Committee can be a vehicle for gathering, reviewing, and recommending necessary changes to the legislature.

Action:

- ◆ Use the results of the business climate survey and other sources of information (recommendation D-1) to identify where jurisdictional overlap and regulatory duplication/conflicts occur. Develop actions plans to address these barriers.

Desired Results: Fewer conflicting regulations and unnecessary jurisdictional overlap.

D. Make policies and regulations effective, responsive and user-friendly

In general, Oregon businesses and regulators want to protect our environment, workers,

Focus
Streamlined regulations
Customer-friendly permitting

consumers and public health and safety. Yet how regulators deal with businesses can make the relationship collaborative or combative. Every day, agencies and individual regulators make decisions about whether to issue a permit, levy a fine, or determine the conditions under which a particular activity must be carried out. Fostering an attitude focused on helping businesses succeed has proven to increase the efficiency and flexibility of operations and achieve desired results with minimum cost to business and government.

Recommendation D-1: Identify critical areas for regulatory streamlining.

Oregon businesses compete in an increasingly global and rapidly changing marketplace. In addition to manufacturing jobs, companies are now sending research, customer service, and software development functions overseas. This exposes them to competition with firms and facilities based in countries with vastly different regulatory environments. Global competition and sweeping technological advances require governmental entities to have a higher level of responsiveness and an ability to quickly adapt to the changing needs of citizens and businesses.

Oregon's regulatory environment must keep up with this rapidly changing business environment. Permit processing times and levels of service that were acceptable two or three years ago are no longer fast enough, and will be perceived as even slower in the not-too-distant future. Oregon's regulators must adopt a "continuous improvement" approach to such issues as cost, cycle time, and customer service. Additionally, Oregon needs to find ways to protect consumers, workers and the environment without imposing regulatory burdens that drive business investment to other countries.

Action:

- ◆ Conduct a business climate survey of Oregon businesses to identify their perception of the state's regulatory environment and develop specific action plans for streamlining regulations.

Desired Results: Regulatory challenges are clearly identified with action plans for resolution.

Recommendation D-2: Streamline land use regulations and permitting processes.

The ability to construct and expand physical facilities must be a critical focus area for streamlining. The Governor, through Executive Order EO-02, has started an industrial lands availability process, focused on "shovel ready" sites. However, the regulatory barriers to construction and development that occur once the shovel gets picked up and used are also significant. These regulatory systems run the gamut from local land use processes and ordinances to state environmental protection restrictions. While no individual process or permit is necessarily onerous, the cumulative impact of all of them can be.

Action:

- ◆ Use information from the business climate survey and other sources of information to evaluate the process for constructing or expanding buildings and identify the critical bottlenecks for obtaining permits and meeting regulatory requirements.
- ◆ Identify actions plans to eliminate or reduce bottlenecks and to streamline land use regulations and permitting processes.
- ◆ Improve local permitting processes through collaborative partnerships and state leadership when necessary.

Desired Results: Land use and development bottlenecks are identified and resolved.

Recommendation D-3: Streamline the process for starting a business in Oregon.

Small businesses are the state's largest creators of new jobs, and virtually every Fortune 500 company has its roots in a small business. Oregon needs to be a leader in making it fast, simple and efficient to start a new business. However, starting a new business in Oregon is often complicated. While assistance is available through the Business Referral Center in the Secretary of State's

Corporations Division, multiple filings with multiple agencies are still required, and few transactions can be completed on-line. Moreover, there is no integration between state and local government filings and reporting.

Action:

- ◆ Streamline the procedures for registering and starting a business in Oregon including the consolidation of business forms and on-line filing, registration, and professional licensing.

Desired Results: Registering and starting a business in Oregon is easier and quicker.

Recommendation D-4: Streamline the regulatory environment for operating and expanding existing businesses.

The expansion and retention of existing Oregon businesses is acknowledged as the most productive way the state can encourage the creation of new jobs. As with the need to streamline the process of starting a new business, Oregon needs to aggressively address the layer of state and local regulations on the operation and expansion of existing businesses. Particular attention should be paid to those regulations that serve a limited public protection purpose, or create barriers to entry or expansion of individual industries.

Action:

- ◆ Review existing business regulations to identify and evaluate their impact on public protection (consumer, worker, environmental, health and safety). Those with little public protection should be considered for re-design or elimination.

Desired Results: Oregon's environment to operate and expand a business in Oregon is competitive with other states.

E. Improve the cost-effectiveness and efficiency of internal government operations

Organizations involved in process improvements efforts often rush to the details of operations -- hoping to make an immediate impact. However, improvements to operations are most effectively implemented after core functions are defined and agencies and programs are aligned with these functions. At this point, agencies should assess what operations and business services are more or less important to core functions, how human and capital resources are allocated to high and low priority activities, and how each agency can reduce its focus on low priority activities and streamline the operations of high priority ones.

Focus

Efficient business processes

Implementation of analytic model

Recommendation E-1: Improve the efficiency of internal government operations and business services.

Although internal operations and business services are, by their nature, not typically considered core functions of government, their ability to support core functions pose a different set of questions that need to be taken into account. The efficiency of internal operations can directly contribute to the cost-effectiveness, timing and customer-orientation of government.

Action:

- ◆ Use a consistent assessment template across each agency to identify how their internal operations and business services can be more efficient and customer-friendly. The tool should address questions such as:
 - Is the operation or service necessary to support program activities?
 - Is the operation or service unique to an agency or duplicated among agencies?
 - If it is duplicated, how does performance compare between agencies?
 - Are there transactional or enterprise functions that could be consolidated or centralized?
 - How are efficiency, effectiveness, and costs measured?
 - How are similar functions provided in the private sector? How does performance compare?
- ◆ Establish appropriate governance models including consolidation, centralization, or shared services that can rationalize services that are duplicated across agencies and leave more specialized or unique services at the agency level.

Desired Results: Efficient internal operations that support the core functions of government.

Recommendation E-2: Develop and implement an analytical model for determining the cost-benefit of programs and services.

In many cases, government models to evaluate or compare cost-effectiveness of programs or services include only operating costs and omit opportunity costs associated with capital assets that are already owned. Maximizing the cost-effectiveness of programs will depend on having an objective and comprehensive method to evaluate the total costs and benefits of a program or service and determine the most effective delivery model (distributed, consolidated, centralized, outsourced, or shared). In some cases where services are delivered with inefficient use of capital assets, other allocation of resources should be considered including the sale of the asset and the ability to invest the proceeds in more productive uses.

Action:

- ◆ Develop and implement an analytical tool for determining cost-benefits of government programs and services. Use national models as a starting point for developing the tool.
- ◆ Use the tool for evaluating the total costs of programs and services, starting with those identified as central to core functions.
- ◆ Once the total costs are calculated, the program needs to be compared with the total costs of a bench-marked alternative, e.g. private sector, shared model or other public jurisdictions. The results of this comparison, with delivery assumptions, will determine the most appropriate means for carrying out the program or service.
- ◆ Establish a capital fund that would permit proceeds of capital sales to be reinvested in a more cost-effective manner.

Desired Results: An objective and consistent tool to evaluate the cost-benefit of a program or service.

Recommendation E-3: Establish performance measures and standards for internal business operations.

Oregon does not have a system of performance measures or statewide standards for business functions that are internal to state government operations yet require dedicated resources (e.g., IT services or account administration). As such, there is no way to measure the efficiency, effectiveness or quality of these systems, even though there are industry metrics for all of them. Having a common set of metrics is essential to identifying future improvement or consolidation initiatives.

Action:

- ◆ Develop and adopt a set of state performance measures for all business functions, using industry benchmarks as targets.
- ◆ Compare performance among agencies and benchmark to the private sector to promote continuous improvement and sharing of best practices.
- ◆ Adopt process and staffing standards.

Desired Results: Internal government operations with clear performance measures and a continuous improvement process.



On a final note, the Advisory Committee meetings afforded all participants – public and private sector – a great opportunity to learn from each other. The members recognize that there is no “silver bullet” or magic formula that will result in overnight change; rather, the recommendations cited in this report require long term commitment to make them sustainable over time. They also require leadership and collaboration among state agencies to work towards a common vision of performance and accountability. To this end, the members have committed to continue their involvement and support in this important process.

Acknowledgements

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