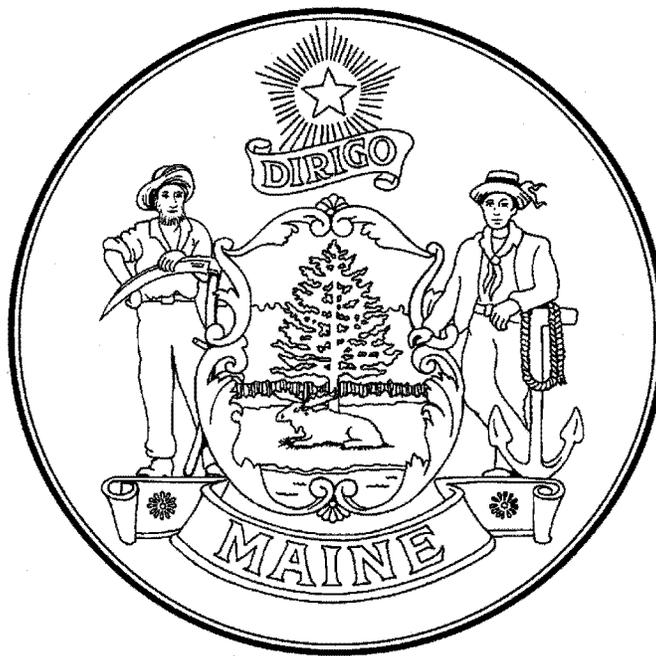


MAINE STATE LEGISLATURE

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MAINE STATE LEGISLATURE
Augusta, Maine 04333

October 24, 1997

TO: Members, Legislative Council

FROM: Dave Boulter, OPLA
Rose Breton, Executive Director's Office
Jim Clair, OFPR 

**RE: MATERIALS FOR YOUR 10/30/97 PERFORMANCE BUDGETING
RETREAT**

Please find enclosed a number of documents prepared by the staff working group in advance of your meeting next Thursday concerning the "strategic planning/performance budgeting initiative" presently underway in Maine State Government. Included in the enclosures is a draft agenda. It is anticipated that the meeting will take approximately two hours.

Once again, a reminder that your retreat is scheduled for:

Thursday
October 30, 1997
1:00 p.m. to 3:00 p.m.
Room 334 State House

Please call or stop by if you have any questions or need additional information.

enclosures

cc: Senator Bennett
Senator Michaud
Representative Kerr
Representative Kneeland

118TH MAINE LEGISLATURE

LEGISLATIVE COUNCIL

“STRATEGIC PLANNING/PERFORMANCE BUDGETING” RETREAT

THURSDAY
October 30, 1997
1 p.m. to 3 p.m.
Room 334 State House

AGENDA

- Overview of today's "retreat"
(5 minutes)
- Review of the Strategic Planning & Performance Budgeting Initiative
(15 minutes)
- Where is the Initiative now?
(15 minutes)
- Policy Implications for the Legislature
(15 minutes)
- Perspective from the Commission on Performance Budgeting's
Legislative Members
(35 minutes)
- Roundtable Discussion/Action Steps for the Legislative Council
(35 minutes)

- Review of the Strategic Planning & Performance
Budgeting Initiative

**Strategic Planning
&
Performance Budgeting:
A Guide for Legislators**

Office of Policy & Legal Analysis
Maine State Legislature
January 1997

WHAT IS STRATEGIC PLANNING?

Strategic planning is the process of developing a long-term policy-oriented plan that links the present with a vision for the future. Strategic planning sets out an agency's mission, goals, measurable objectives and strategies in order to provide direction for its operations. It allows an assessment of its performance and accomplishments on a multi-year view of objectives and strategies. It also provides a solid basis for making priority-based resource allocations and other decisions. In developing a strategic plan, an agency identifies strategic issues that the agency faces or will face over the course of the next few years, typically 4-5 years.

WHAT IS PERFORMANCE BUDGETING AND HOW DOES IT RELATE TO STRATEGIC PLANNING?

Performance budgeting ties the appropriation and allocation of state funding to clearly stated purposes and measurable outcomes. The goal of performance budgeting is to increase the accountability of state government and make better use of limited state funds. The public sees a state budget which links state expenditures to specific outcomes that benefit the public. Performance budgeting enables the public to evaluate the effectiveness of agencies in measurable ways.

Strategic planning is the foundation of performance budgeting. Once a strategic plan is in place, an agency can develop a budget that moves the agency toward achieving its objectives. For example, an appropriation to the Department of Environmental Protection might be tied to an objective such as, "By 1999, air pollutants will be reduced in Cumberland County to levels that meet federal standards." The appropriation represents the dollars necessary to implement strategies to achieve the objective.

From a Legislator's standpoint, performance budgeting, when fully implemented, will present a new way of reviewing state agency budgets. The current budgeting method makes incremental changes to existing spending levels in order to develop a new year's budget. It takes the prior year's budget and makes changes in the dollars appropriated and allocated to state agencies and other state-funded entities, adjusting for inflation and program changes. The budget reflects activities performed by state agencies and the levels of effort expended by employees. The current budgeting method, however, does not spell out the desired results to be achieved by the use of budgeted funds. Performance budgeting will provide Legislators with information to evaluate a budget according to specific policies and intended outcomes that are consistent with the intent of the Legislature. It connects results to spending, so that taxes and other state revenues are directed toward results rather than efforts.

What will Maine's performance budget look like, and what level of budget detail will be provided? Since this is a new approach in Maine, the answer is not fully known at this time. The process is underway for developing the format for Maine's performance budget and for deciding how state budgeting will transition from the current method to a

performance-based method. The Legislature ultimately must decide the process that will be used by agencies.

WHY IS MAINE IMPLEMENTING STRATEGIC PLANNING AND PERFORMANCE BUDGETING?

With the recent passage of LD 1790, “An Act to Implement Performance Budgeting in State Government” (Public Law 1995, chapter 705), the Legislature made a commitment to strategic planning and performance budgeting. The law provides for the development and full implementation of strategic planning and performance budgeting by the 2000-2001 biennium for all departments, agencies and programs supported with state revenues. The Commission on Performance Budgeting was created during the 117th Legislature to provide guidance and advice to both the Legislative and Executive branches regarding strategic planning and performance budgeting. The idea to initiate such a system began in 1991 when the Special Commission on Governmental Restructuring recommended that the State of Maine implement strategic planning and a performance-based system of budgeting.

The ultimate goal of strategic planning and performance budgeting is to focus on the quality of service provided, the results or benefits of these services and the best use of state resources to achieve those results. For Maine, strategic planning and performance budgeting is intended to:

- establish statewide direction in key policy areas;
- make state government more responsive to the needs of Maine citizens by emphasizing results and benefits rather than service efforts and outputs;
- provide the basis for aligning resources to address critical issues facing the state now and in the future;
- communicate accomplishments and results to Maine citizens;
- link the budget process and other legislative processes with priority issues;
- improve accountability for the use of state resources;
- coordinate the policy concerns of public officials with implementation efforts through interagency, intergovernmental and public sector/private sector relationships; and
- bring focused issues to policymakers and lawmakers for review and debate.

WHAT DOES THE STATUTE REQUIRE OF STATE AGENCIES AND LEGISLATIVE POLICY COMMITTEES?

Public Law 1995, chapter 705 requires each state agency or entity that receives a direct state allocation or appropriation to develop a strategic plan, to develop a performance budget for one program area for the 1998-1999 biennium and then to develop a performance budget for all programs for the 2000-2001 biennium. Throughout this process, these agencies and entities must consult with and receive comments from the legislative policy committee having jurisdiction over an agency and its programs (the policy committee).

In the short term, the statute sets forth these deadlines for state agencies to complete the following tasks in the strategic planning and performance budget process.

- **August 1, 1996:** **Draft strategic plan.** Each state agency must develop and submit a draft strategic plan to the State Planning Office, the State Budget Office, the Office of Fiscal and Program Review and the joint standing committee of the Legislature having jurisdiction over the agency's matters.
- **September 1, 1996:** **Performance budget proposal.** Each state agency must identify one program or subprogram to serve as a pilot and will develop performance budget proposals for that pilot program that are tied to measurable objectives. Each agency must consult with the legislative policy committee and certain state officials in this process.
- **February 1, 1997:** **Final strategic plan & pilot program review.** Each state agency must submit to the appropriate legislative policy committee for its review a final agency strategic plan and performance budget proposal for the pilot program.

In the long term, the statute sets a number of deadlines for full implementation of performance budgeting.

- **September 1, 1997:** **Identify program in similar policy area.** Each agency must identify at least one program within a policy area that has the same or similar goals and objectives as one or more other state agencies and they must together develop measurable objectives and coordinate strategies for achieving those objectives.

- **December 31, 1997:** **Group state agencies into common policy areas.** The State Budget Officer and the Legislative Council must consult with state agencies and develop a plan to group all agencies into policy areas formed around common goals and measurable objectives.

- **June 30, 1998:** **Joint strategic plan.** State agencies within each policy area must develop and submit to the State Planning Office joint strategic plans that identify common goals, measurable objectives and strategies for all programs. Copies will be provided to the legislative policy committees.

- **September 1, 1998:** **Joint performance budget proposal.** State agencies within each policy area must develop budget proposals for all programs that are tied to their joint measurable objectives and strategic plan.

HOW WILL STRATEGIC PLANNING AND PERFORMANCE BUDGETING AFFECT THE OPERATIONS OF STATE AGENCIES?

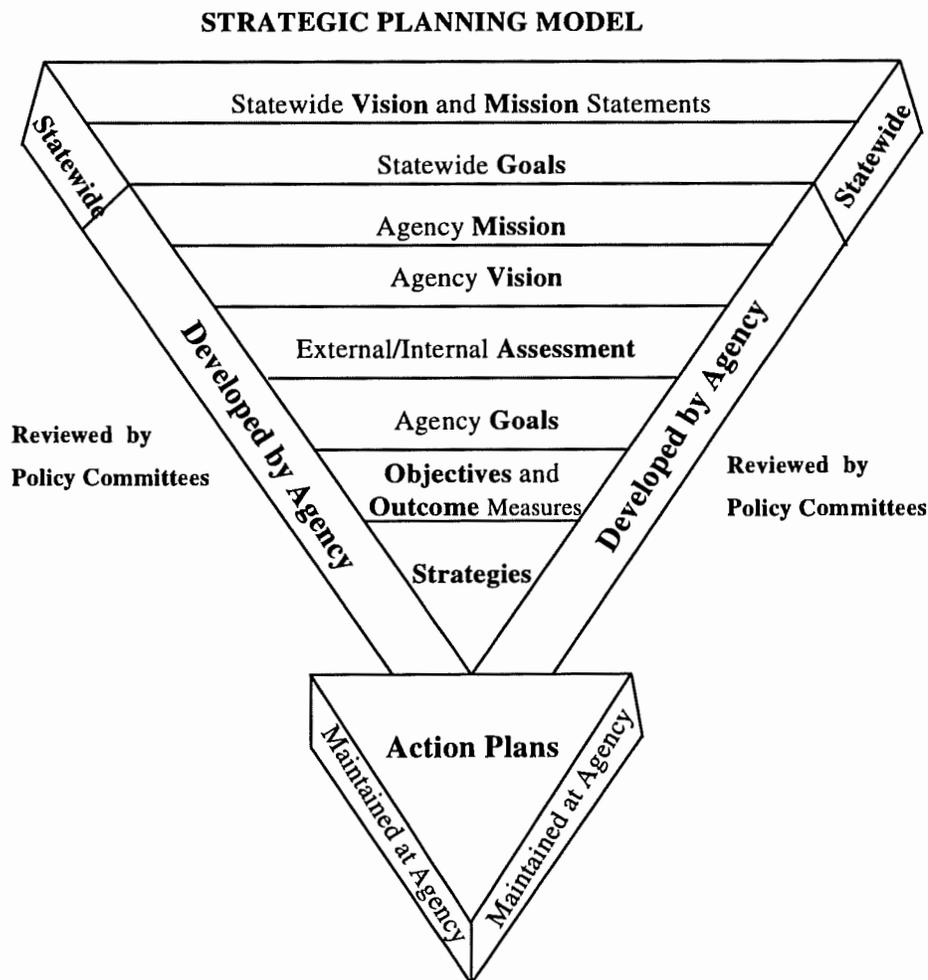
The effect of strategic planning and performance budgeting on the organization and operation of Maine state agencies will not be fully known until they are underway and being implemented by agencies. The law requires that, by September 1, 1998, state agencies be grouped according to common policy areas and that the agencies jointly develop budget proposals to accomplish common goals and objectives. For example, a goal to increase employment may involve the grouping of three agencies: the Department of Labor, the Department of Education and the Department of Economic and Community Development. A particular agency may have a variety of common goals and objectives and may be grouped with a variety of other agencies to accomplish those goals and objectives. This approach contrasts with the current budgeting method, under which agencies are listed separately and there is no formalized method of coordinating the appropriation and allocation of state revenues to achieve an intended result. Full implementation of performance budgeting recognizes that many issues facing the state cannot be addressed single-handedly by any one agency. Extensive cooperation among agencies will be necessary to accomplish common goals while making the most effective use of state resources.

WHAT ARE THE ELEMENTS OF A STRATEGIC PLAN?

Strategic plans have distinct elements which are developed at different levels of state government. The Governor, working with the Maine Quality Management Council, and the Legislature must develop a statewide vision and mission to serve as foundations for the agency strategic planning process.

Agencies initiate the remaining elements as they prepare their individual strategic plans. Each element is linked to the others and builds on the previous one. Agency strategic plans should be developed in a manner that is consistent with the statewide vision and mission.

As illustrated in the “Strategic Planning Model” below, the elements of an agency’s strategic plan are: vision statement, mission statement, external/internal assessment, agency goals, objectives and outcome measures, strategies and action plans.



The following is a brief description of each strategic plan element. The chart on the last page uses the hypothetical example of water quality to illustrate how these eight elements fit together to form a strategic plan.

Vision Statement - Some agencies include a vision statement in the strategic plan, others do not. A vision statement presents an ideal future for the people of Maine and the contributions that state government or a particular agency can make toward realizing that future.

Mission Statement - The mission statement serves as the foundation for a strategic plan. It lays out the broad, philosophical purpose of an agency. It answers the question, "Why does the agency exist?" It is a statement of what the agency does, why it does it, and for whom. The mission statement should be consistent with the statute that created an agency and specified its powers and duties.

Internal/External Assessment - An internal/external assessment is an evaluation of issues, trends and forces, both inside and outside an agency, that will affect how an agency accomplishes its mission. External factors include: demographic trends, public attitudes, economic changes, socio-political barriers and statutory requirements. Internal factors include: organizational structure, labor-management issues, fiscal conditions, and technology and equipment.

Goals - Goals chart the future direction of an agency. They are broad statements of policy which are ambitious and may not be immediately achievable. They should identify the major aspects of an agency's purpose from which priorities will be developed.

Measurable Objectives - Measurable objectives indicate what an agency wants to achieve. They are specific, measurable outcomes that can be achieved within a foreseeable amount of time. They define the actual impact on the public being served rather than the level of effort expended by an agency. Measurable objectives are tools to assess the effectiveness of an agency's performance and the public benefit derived.

Outcome Measures - Outcome measures are quantitative measures used to assess the results, or impacts, of government action or policy. They measure the change or difference the agency's action will have on the particular target group or issue area indicated in the goal and/or objective. Outcome measures are indicators of how successful an agency is at achieving its objective.

Strategies - Strategies are the specific approaches, methods and programs --a plan of attack-- by which an agency intends to achieve goals and objectives. They are the basis for an agency's budget and may represent a continuation of an existing program, a revision of an existing program or a new program.

Action Plans - Action plans detail agency actions to implement strategies. They include job assignments, time frames and resources needed. These work plans are developed and

implemented by an individual agency. They specify who actually is assigned to specific tasks, and how and when the tasks will be done. Although they technically are not part of the strategic plan, action plans are important steps in actually carrying out the elements of the strategic plan.

HOW ARE AGENCIES DEVELOPING THEIR STRATEGIC PLANS?

The State Planning Office (SPO), the Office of Training and the Bureau of the Budget are providing guidance to all state executive agencies on how to develop their strategic plans. All agencies have access to staff who are well trained in strategic planning. In the material provided to agencies, the SPO notes that strategic planning is a dynamic process--as an agency moves along it may become apparent that it is necessary to move back and revise a prior element. In the long term, the strategic plan should be continually re-evaluated so that it reflects new legislative priorities and the needs of the state and remains the guiding plan for an agency. The following are recommendations on the strategic planning *process* made by the SPO that may be of interest:

Designate Staff Responsible. The SPO suggests that a coordinator be selected from the agency's senior management team and that 1-2 people be given the lead responsibility for drafting the plan. The Coordinator or the Commissioner is usually designated as the appropriate contact person for Legislators.

Clarify the Agency's Mandate. The SPO notes that understanding the statutory and regulatory requirements and their impact on the agency is essential to the process. In general, the agency's statutory mandates serve as parameters for an agency's mission and the foundation for much of its strategic plan. In assessing the state and federal laws and regulations that direct the work of the agency, it may become apparent that some are outdated or respond to a problem that no longer exists.

Identify and Involve Stakeholders and Legislators. Agencies are advised to involve many different parties concerned with the agency's activities from the start of the strategic planning process and actively seek their comments. These "stakeholders" include Legislators, constituent and client groups, businesses, local governments and others. The SPO suggests that if time permits, a meeting of stakeholders can help identify the issues and priorities for the agency from which to set the agency's goals. A later meeting to review the proposed strategic plan is also suggested. Some agencies have worked with Legislators informally from their policy committee to identify stakeholders. The SPO also recommends establishing an advisory committee of external stakeholders to meet more regularly to provide input and feedback on the strategic planning process.

The SPO makes the following points on the elements of the strategic plan:

Mission Statement. The agency may already have a mission statement that exists in statute or one that was developed previously that can be used. The mission statement should be in harmony with an agency's enabling statute.

Goals. The goals should reflect the issues and priorities identified in the statutes, through the assessment process, through input by staff and through input from the legislative policy committee and stakeholders. In addition, the Governor is urging agencies to adopt the economic goals and objectives of the Economic Growth Council and elements of his environmental agenda where appropriate.

Objectives. The administration is urging each agency to try to include at least one objective that addresses customer satisfaction. The agencies are also reminded that they will have to identify existing data sources, sampling techniques or new sources of information in order to develop cost-effective methods of collecting data for outcome measures. The data and collection methods must be accurate and reliable.

Strategies. In preparing strategies, agencies are advised to review each existing program within the agency in light of the goals and objectives that have been developed, asking if the strategy is still relevant and whether it should be changed or discontinued in order to effectively achieve the goals and objectives.

Selecting Pilot Program. Each agency is required by law to have selected one program or significant subprogram by September 1, 1996 to serve as a pilot to use for developing a performance budget for the upcoming biennium. The agencies were advised to consider an activity that represents 5-10% of the agency's budget, one that is clearly within the agency's core mission, and one for which the agency already collects data useful for outcome measures.

WHAT IS THE LEGISLATIVE POLICY COMMITTEE'S ROLE?

The Legislature's policy setting role and its oversight of state agencies are integral components of the strategic planning process. In the short term, the statute directs each agency to consult with and receive comments from the legislative policy committee on the draft strategic plan (that must have been completed by August 1, 1996) and on the selection of the pilot program for performance budgeting. Each agency must submit its strategic plan and the pilot program budget to the policy committee early in the 118th Legislature. The committee's role is to ensure that an agency's mission and goals accurately reflect the purpose and statutory mandate of the agency and the priority issues confronting the agency. The committee should also consider whether the agency has identified relevant measurable objectives and whether the strategies for achieving those objectives are appropriate.

In the long term, the policy committee will be periodically evaluating the strategic plan to ensure that it continues to reflect the statutory purpose of the agency and the priority issues facing the State. The Legislature is free to enact legislation that changes an agency's mission and goals to meet the changing needs of the public. The policy committee will also be reviewing the effectiveness of the various strategies in meeting the objectives and will be reviewing the budget based on this performance. This is the heart of performance budgeting. An agency's strategic plan may be a useful tool for assuring that proposed legislation is consistent with in an agency's mission.

THE LEGISLATURE'S STRATEGIC PLAN

As a state entity that receives a direct appropriation in the budget, the Legislative Branch also is subject to all of the requirements of the law. Last year, the Legislative Council appointed a planning subcommittee to coordinate development of the Legislature's strategic plan. The Strategic Planning Team consisting of legislators, representatives of each of the non-partisan staff offices, the Clerk of the House and the Secretary of the Senate developed a draft strategic plan for legislative review. This plan will be formally submitted in February, in accordance with the schedule established in law.

FINAL OBSERVATIONS

The strategic planning and performance budgeting process is intended to induce agencies to be more responsive and focus their energies and resources on achieving outcomes that are important to the State. Through strategic planning and performance budgeting, decision-makers and citizens will be able to see the outcomes and benefits produced by the dollars spent. Strategic planning and performance budgeting provide the tools to improve the performance of state government and ultimately to improve accountability to Maine citizens.

Sample Elements of a Strategic Plan (A Hypothetical Example)

Agency Vision	Agency Mission	External/Internal Assessment	Goal	Objective	Outcome Measures	Strategies	Action Plans
<p>We envision a state where all rivers and streams are safe and clean for recreational uses by the people of Maine.</p>	<p>To protect and enhance the quality of Maine's natural resources and its environment.</p>	<p>Despite great strides in improving the quality of Maine's rivers and streams, X miles still are not fishable or swimmable. Achieving minimum water quality standards remains a high priority of the agency.</p>	<p>By both reducing and avoiding pollution, all of the state's rivers and streams will be made fishable and swimmable.</p>	<p>By 2000, increase by 50% the miles of the state's Class C rivers that will support a cold water fishery.</p>	<ol style="list-style-type: none"> 1. The PPM of dissolved oxygen in Class C rivers. 2. The level of toxins in fish caught in Class C rivers. 3. The number of Escherichia coli bacteria per 100 millimeters between May 15 and Sept 15. 	<ol style="list-style-type: none"> 1. A non point source control program for development in urban areas. 2. An incentive program for voluntary reduction of industrial discharges to water bodies. 3. A farm assistance program to achieve "best management practices" in agricultural portions of river watersheds. 	<div style="text-align: center;">▼</div> <ol style="list-style-type: none"> 1. Identify farmers in Class C river watersheds. 2. Develop "best management practices" educational materials. 3. Provide on-site assistance to farmers.

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- Where is the Initiative now?

Memorandum

*To: Representative Elizabeth Mitchell, Chair
Senator Mark Lawrence, Vice Chair
Legislative Council*

*From: Evan Richert, Chair
Commission on Performance Budgeting*

*cc: Members, Commission on Performance
Budgeting*

Date: February 28, 1997

Subject: statewide goals

The Commission on Performance Budgeting respectfully requests that the Legislative Council consider endorsing a series of statewide goals that would lay the foundation for Maine's strategic planning and performance budgeting initiative.

Statewide goals are broad policy statements that reflect the general ends toward which the state directs its efforts. Statewide goals involve coordination among agencies with similar functions to achieve. As such they lay the foundation for strategic planning by policy area. The policy area will become the budget presentation unit under the process envisioned by PL 1996, chapter 705, the law that lays out Maine's performance budgeting framework.

The Commission believes that the goals should truly reflect the three branches of state government. As such, we have laid out a process to seek and incorporate input from the state's legislative, executive, and judicial branches. The initial goals were developed by the Statewide Quality Management Council whose membership is representative of all three branches. Now, we are seeking endorsement from the Legislative Council, the Governor and his Cabinet, and the Judiciary. Finally, once a judicial representative has been added to the Commission on Performance Budgeting (LD 430 currently before the legislature proposes to add a judicial member to the Commission), the goals will be adopted by Commission.

Enclosed you will find a copy of the draft goals forwarded to us from the Statewide Quality Management Council. Please review them and let me know if you have any wording changes. If you are comfortable with them, I would ask that the Council endorse them for adoption by Maine's Commission on Performance Budgeting.

Thank you for your consideration. If you have any questions, please do not hesitate to contact me or any member of the Commission on Performance Budgeting.

STATEWIDE GOALS¹

General Government

Maine's government will be effective and fiscally responsible. All Maine citizens will have access to judicial, legislative, and administrative processes. Recognizing that government's success depends on its employees, it will treat them responsibly and create an environment in which they can excel.

Economic Development and Workforce Development

Maine's economy will offer opportunities for every citizen to have rewarding employment and for businesses to prosper in a responsible manner, now and in the future.

Education

Maine's people will be life-long learners and have the knowledge and skills to live productive and satisfying lives. Our children will be prepared for life and work.

Cultural Arts

Maine's citizens will be enriched by the culture and heritage of its peoples.

Natural Resources Development and Protection

Maine's citizens, businesses and organizations will be stewards of the state's natural resources, so that their responsible use and development will sustain human and ecological life in perpetuity.

Health and Human Services

Maine's citizens will be healthy, physically- and emotionally-safe, and as self-sufficient as each is able to be. Our children will have the chance to be children and the support to become healthy, productive adults.

Justice and Protection

¹ Following are draft statewide goals for review by all interested parties. The purpose of statewide goals is to provide a broad strategic vision for the State of Maine that not only crosses department and agency lines by policy area, but spans the three branches of government. The policy areas are in bold, followed by the proposed goal.

Maine's citizens will be secure in their homes and communities. Those who commit crimes will be held fully accountable, while given opportunities to change; and the victim and communities, as much as possible, will be restored to wholeness.

Business Licensing and Regulation

Maine will foster a regulatory environment that protects the public through appropriate, impartial, and efficient regulation of products and services, while encouraging a positive business climate.

Transportation and Distribution

Maine's infrastructure will move people, goods, information, and energy safely and efficiently, shaping healthy communities, a strong economy and a clean, natural environment.

SELECTION OF PROGRAM BY POLICY AREA (JOINT OBJECTIVE)

- Agencies that were included within each proposed policy area were assigned by the State Planning Office and State Budget Office to a working group to develop a joint measurable objective.
 - Chapter 705, as amended by P.L. 1997, c. 184, required each state agency to participate in a pilot with one or more other agencies with whom common goals and objectives are shared.
 - The policy area strategic planning pilot was due September 1, 1997.
 - Joint measurable objectives and strategies were submitted to the State Planning Office, which was responsible for providing copies to the State Budget Officer, the Office of Fiscal and Program Review and the appropriate joint standing committees.
- ⇒ Questions: Are Executive Branch directives for strategic planning purposes with regard to development and submission of joint strategic plans and budgets in conflict with constitutional separation of powers?
- ⇒ Will the several policy committees with oversight responsibilities for the agencies grouped into certain “policy areas” be able to provide adequate agency oversight when there is a requirement for joint planning and budgeting?

DEVELOPMENT OF POLICY AREAS

Chapter 705, as amended by P.L. 1997, c. 184, states:

“By December 31, 1997, the State Budget Officer and the Legislative Council or the council’s designee, in consultation with state agencies, shall group all state agencies into policy areas, which must be formed around common goals and measurable objectives. ...”

- Such groupings of policy areas have already been proposed by the State Budget Office and State Planning Office.
- They have been used for the development of joint objectives to meet the September 1, 1997 deadline.

WHAT AGENCIES APPROPRIATELY BELONG IN THE POLICY AREA?

- CHAPTER 705 requires that the State Budget Officer and the Legislative Council, or the Council's designee, must consult with state agencies and designate new policy areas by December 31, 1997 for the purpose of fully implementing performance budgeting.
- Intent is to group all agencies into policy areas formed around common goals and measurable objectives. The State Planning Office and State Budget Office have proposed nine (9) policy areas.
- Will require all agencies within each policy area to develop and submit to the State Planning Office joint strategic plans that identify common goals, measurable objectives and strategies for all programs.
- Copies of joint strategic plans will be provided to the legislative policy committees.
- This must be accomplished by June 30, 1998.

⇒ Concern: May be in conflict with the current policy committee structure.

STATEWIDE GOALS

- Draft Statewide Goals have been developed by the Executive Department, with input from the State Quality Management Council.
- There is only one statewide goal identified for each policy area.
- The footnote on page 1 of the draft, states “the purpose of statewide goals is to provide a broad strategic vision for the State of Maine that not only crosses department and agency lines by policy area, but spans the three branches of government”.
- Although the Legislative Council has not yet taken any action with regard to statewide goals, they are currently being used as the foundation for the state’s strategic planning and performance budgeting initiative.
- The Legislative Council is being asked to review and endorse these statewide goals.

⇒ Question: Since the law does not require the adoption of statewide goals, the Legislature needs to decide whether it is beneficial to adopt statewide goals?

⇒ Does the Legislative Council wish to adopt the statewide goals as written or does the Council feel that the entire Legislature is the appropriate body to decide?

PROPOSED GROUPINGS OF AGENCIES
(Policy Area - Sample)

Government Operations and Support

- Department of Administrative and Financial Services
- Department of Audit
- Governor's Office
- Commission on Governmental Ethics & Election Practices
- Legislature (including Law and Legislative Reference Library)
- Maine State Retirement System
- Secretary of State
- State Planning Office
- Treasury

PROPOSED GROUPINGS OF AGENCIES
(Policy Area - Samples)

Health and Human Services

Children's Trust Fund
Department of Human Services
Maine Health Data Organization
Maine Hospice Council
Department of Mental Health and Mental Retardation

Natural Resources Development and Protection

Department of Agriculture
Atlantic Salmon Authority
Department of Conservation
Department of Environmental Protection
Department of Inland Fisheries and Wildlife
Department of Marine Resources

Justice and Protection

Attorney General's Office
Department of Corrections
Department of Public Safety
Department of Defense and Veterans' Services
Human Rights Commission
Judicial Department
Pine Tree Legal Assistance

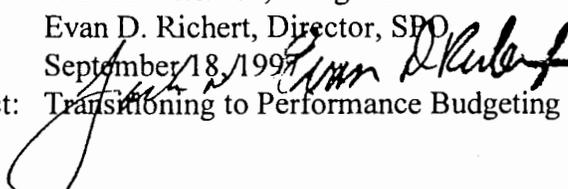
State of Maine
Bureau of Budget
State Planning Office

Evan D. Richert, Director
State Planning Office
38 State House Station
Tel: (207) 287-3261
Fax: (207) 287-6489

John R. Nicholas, Director
Bureau of Budget
58 State House Station
Tel: (207) 624-7810
Fax: (207) 624-7826

Angus S. King, Jr.
Governor

Memorandum

To: All Departments & Agencies
From: John R. Nicholas, Budget Director
Evan D. Richert, Director, SPO
Date: September 18, 1997 
Subject: Transitioning to Performance Budgeting

Under performance budgeting, agency strategic plans will be the foundation for budget development. Following a review of a sample of strategic plans by the Appropriations Committee on July 31, 1997 and the completion of the policy area strategic planning pilots, it is apparent that agency plans are incomplete.

- 30% of state agencies have not submitted a strategic plan
- Only 38% of agency objectives statewide express outcomes
- Fewer than 10% of agency objectives statewide have baselines and targets
- In some cases, strategic plan components do not encompass an agency's entire budget
- Legislative policy committees have had little input into agency strategic plans
- Legislators are unable to distinguish key programs within agency plans
- Legislators are unable to understand some of the objectives that are vague and unmeasurable

The Bureau of the Budget and State Planning Office, the two agencies which have been given the lead in implementing strategic planning and performance budgeting, will employ a three-prong approach to assist agencies with revisiting their strategic plans to ensure that they are complete enough to transition to performance budgeting. That approach includes:

1. automation of agency strategic plans
2. a review of all agencies' objectives with recommendations for improvements
3. a review of agencies' objectives as they link to current funding programs

The first step is to begin the automation of your strategic plans through the Budget Management System in accordance with the attached instructions.

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Next you should revise your objectives to ensure they are outcome-based, measurable, and achievable. It is also critical that you seek input from your legislative policy committee. You must be proactive in your approach. It was evident in the Appropriations Committee's review of agency plans that their criticisms could have been avoided had the departments been successful in engaging the committee earlier on in the strategic planning process.

Thirdly, you need to review your objectives to ensure that they cover all of your budget programs. We are asking that you match your existing objectives with your FY'98 funding programs in a matrix format that is provided herein by the Bureau of the Budget. You may find that your objectives or strategies may need to be revised to accomodate full funding of budget programs.

The program/objective matrix needs to be completed on or before November 30, 1997 and revisions to your strategic plan must be complete by December 31, 1997.

To assist you with these efforts, staff from the Bureau of the Budget and the State Planning Office have been formed into "SWAT" teams. The State Planning Office are evaluating each agency's objectives and you will hear from us shortly about which ones need revising. The Budget Office will assist you with the automation of your strategic plan and making the link between programs and objectives. The SWAT teams will meet with each agency one-on-one this fall and early winter to review the program/objective linking and will be available throughout the rest of 1997 to help you revise and finalize your agency strategic plan.

Enclosed you will find a schedule/timeline of critical dates, instructions for entering your strategic plan into the budget management system, instructions and matrix format for linking objectives and programs, and a listing of budget and planning staff assigned to your agency.

In the meantime, the transition to performance budgeting is moving forward for the 2000-2001 biennial budget. A new budget management system is proposed. The Commission on Performance Budgeting and the Appropriations Committee is guiding the development of a budget bill format. The Budget Office is developing new budget instructions and forms which will be issued to agencies in July 1998.

Thank you for your support and ongoing commitment to performance budgeting. We know that it is extra work for all of you. But with your assistance, we can focus state spending on results and improve the public's understanding of the state services they receive for their tax dollars.

If you have any questions, please contact your budget analyst at 624-7810.

Strategic Planning/Performance Budgeting SWAT Teams

	SPO	Budget
Executive Branch Agencies		
Administrative & Financial Services, Dept of	Jody Harris	Joe Shaw
Agriculture, Food & Rural Resources, Dept of	Collin Therrien	John Bradley
Conservation, Dept of	David Keeley	Tom Cusick
Corrections, Dept of	Bill Ferdinand	Tom Cusick
Defense & Veteran's Services, Dept of	Bill Ferdinand	Joe Shaw
Economic & Community Development, Dept of	Smoky Payson	John Bradley
Education, Dept of	John DelVecchio	Dawna Lapotosky
Environmental Protection, Dept of	David Keeley	Tom Cusick
Ex Dept - Governor, Office of	Jody Harris	Joe Shaw
Ex Dept - Public Advocate, Office of	Jody Harris	Joe Shaw
Ex Dept - State Planning, Office of	Jody Harris	Joe Shaw
Human Services, Dept of	Jody Harris	David Lachance
Inland Fisheries & Wildlife, Dept of	David Keeley	Tom Cusick
Labor, Dept of	Smoky Payson	John Bradley
Marine Resources, Dept of	David Keeley	John Bradley
Mental Health/Mental Retardation, Dept of	Jody Harris	David Lachance
Professional & Financial Regulation, Dept of	Jody Harris	John Bradley
Public Safety, Dept of	Bill Ferdinand	Joe Shaw
Transportation, Dept of	Jody Harris	Joe Shaw
NonExecutive Agencies		
Arts Commission, Maine	Collin Therrien	George Bernstein
Atlantic Salmon Authority	David Keeley	Tom Cusick
Attorney General, Dept of	Bill Ferdinand	Joe Shaw
Audit, Dept of	Jody Harris	George Bernstein
Baxter State Park Authority	Collin Therrien	George Bernstein
Children's Trust, Inc	Jody Harris	David Lachance
Criminal Justice Commission	Bill Ferdinand	George Bernstien
Education, State Board of	John DelVecchio	Dawna Lapotosky
Ethics/Elections Practices Commission, on Governmental	Jody Harris	John Bradley
Finance Authority of Maine	Smoky Payson	John Bradley
Health Data Organization, Maine	Jody Harris	David Lachance
Historic Preservation Commission, Maine	Collin Therrien	George Bernstein
Historical Society, Maine	Collin Therrien	George Bernstein
Hospice Council, Maine	Jody Harris	George Bernstein
Housing Authority, Maine State	Smoky Payson	George Bernstein
Human Rights Commission, Maine	Bill Ferdinand	George Bernstein
Judicial Dept	Bill Ferdinand	John Bradley
International Trade Commission	Smoky Payson	John Bradley
Legislature	Jody Harris	Dawna Lopatosky
Library, Maine State	Collin Therrien	George Bernstein
Licensure of Water Treatment Plant, Advisory Bd	David Keeley	David Lachance
Maine Maritime Academy	John DelVecchio	Dawna Lapotosky
Museum, Maine State	Collin Therrien	George Bernstein
Pine Tree Legal Assistance	Bill Ferdinand	George Bernstein
Property Tax Review Bd	Jody Harris	George Bernstein
Public Broadcasting Corporation, Maine	John DelVecchio	Dawna Lapotosky
Public Utilities Commission	Jody Harris	John Bradley
Retirement System, Maine State	Jody Harris	George Bernstein
Saco River Corridor Commission	David Keeley	George Bernstein
Science & Technology Foundation, Maine	Smoky Payson	George Bernstein
Secretary of State, Dept of	Jody Harris	Joe Shaw
St Croix Waterway Commission	David Keeley	George Bernstein
Technical College System, Maine	John DelVecchio	Dawna Lapotosky
Treasury, Dept of	Jody Harris	George Bernstein
University of Maine System	John DelVecchio	Dawna Lapotosky
Workers Compensation Board	Jody Harris	John Bradley

**TRANSITIONING TO PERFORMANCE BUDGETING
LINKING PLANS TO BUDGETS**

SCHEDULE OF CRITICAL DATES

Bureau of Budget provides instructions for automating strategic plans and for linking strategic plans to FY'98 program budgets	Sept 15, 1997
Agencies enter strategic plan information into Budget Management System	Sept 30, 1997
SPO provides feedback to agencies on objectives	Oct 1, 1997
SPO/BOB provide overview to Cabinet	Oct 8, 1997
Budget Office solicits bids on Budget Management System	mid-October
SPO issues Performance Budgeting Notes with evaluation of agency objectives	late October
SWAT team meets with each agency	Oct-Nov
Agency submit Program/Objective matrices	Nov 30, 1997
SWAT team provides technical assistance	Oct-Dec 1997
Agency revisions to Strategic Plans finalized	Dec 31, 1997
Legislature enacts statutory changes to facilitate budget development process for performance budgeting	Winter 1998
Budget Office issues FY'00-01 budget forms and instructions	July 1998

AUTOMATING STRATEGIC PLANS

Instructions

Every department and agency is expected to enter its' strategic plan into the Budget Management System. *Please enter your most current goals, objectives, and strategies.* This information will be used by the State Planning Office and the Bureau of the Budget to substantively analyze each of the agencies strategic plans. This analysis will form the basis of the one-on-one discussions between each agency, the State Planning Office, and the Bureau of the Budget. *Please enter your strategic plan information no later than September 30, 1997.*

The following steps will enable agencies to enter their strategic plans:

- ✓ Log on to the Budget Client System
- ✓ Select the option of Performance Budgeting
- ✓ In the upper right hand dialog box, select Department Goals
- ✓ Enter your Department/Agency 3 letter alpha umbrella or use your mouse button to click on the field to pull up a list
- ✓ After entering each of your agency's goals, click on the Department/Agency goal number (agency goal numbers are automatically generated by the computer) to enter the agency objective
- ✓ After you have entered your objective, you will be required to select a Statewide Objective which connects to your Department/ Agency Objective. You will be able to select from a list. This list currently contains **draft Statewide Goals**. Select one of these goals to connect to your Department/Agency Objective. **For the time being, the statewide goal will not be used in any manner, however the system requires this linkage.**
- ✓ Do not enter objectives that relate to internal or administrative aspects of your department or agency (the "so-called" management goals and objectives). **For the time being, indirect administrative functions will be separated from the strategic plan.**

Instructions for Completing the Program/Objective Matrix:

The purpose of this matrix is to ensure that all current services funding for **FY98** can be connected to the objectives within each Departmental strategic plan. This exercise will assist agencies in determining whether their strategic plan has omitted programs that currently receive funding. To complete the matrix, please follow these steps:

1. A separate matrix must be completed for each fund (e.g. 010, 012, 013, 014, 015).
2. Under program number, list all existing programs included in the FY98 work program and programs initiated from recent legislation.
3. Along the Objectives columns, list the goal and objective numbers that are provided in the most recent version of the strategic plan. (Note: do not provide strategy information).
4. Under each objective, provide the **total** amount of all line categories (i.e. Personal Services, All Other and Capital). It is not necessary to show these items separately on the matrix. However, this level of detail should be available since your budget analyst/examiner will be reviewing it with you. Note: the most recent total appropriation/allocation by program is enclosed.
5. Complete the indirect administration costs column for each program that has indirect costs as defined below. Indirect administration costs represent those costs incurred that provide support services for all programs across the Department such as payroll, accounting, purchasing, etc. Note: positions that are performing administrative/support functions directly for a program are not indirect. Please contact your budget analyst/examiner, if further clarification is needed on a specific department situation.
6. Summarize the objectives and indirect administration costs for each program and compare the grand total program cost to the aggregate of the FY98 work programs. This reconciliation is intended to ensure that all current services funding can be matched to objectives in the strategic plans.
7. This template is available in various versions of Lotus from the Budget Office. Columns can be added to accommodate the number of objectives in your strategic plan. Your budget analyst/examiner is available to provide you with this matrix or answer questions or comments.

Administrative Costs Indirect vs. Direct

Position Title _____

- A. Does the position provide indirect support for all programs and objectives across the Department? Yes No
- B. Does the position indirectly support multiple objectives and programs? Yes No
- C. Does the position spend less than 50% of its time directly on a program/objective? Yes No
- D. Does the position not work with the public directly? Yes No
- E. Does the position perform duties solely for a Central Administration Unit? Yes No
- F. If a position supports department wide functions or fits one of the criteria listed below, then it would be generally considered indirect administrative costs.
- * Commissioner, Deputy Commissioner, Associate Commissioner Yes No
 - * Auditing Yes No
 - * Budgeting (except program budgeting) Yes No
 - * Building Support Services (e.g. custodial support) Yes No
 - * Clerical Support Yes No
 - * Finance Yes No
 - * Human Resources Yes No
 - * Information Services/Data Processing Yes No

If you answered "Yes" to the majority of boxes, then this position is considered indirect administration.

Note: Program is defined as a grouping of activities and expected results that are directed toward the accomplishment of a set of goals and objectives representing a department, bureau, division or operational entity to which the Legislature appropriates or allocates resources.

Strategic Plan for the Maine State Legislature

February 1, 1997

Mission Statement

The legislative branch, as directly elected representatives of Maine people, openly establishes policy and allocates resources in the public interest, responsibly, fairly and independently; promotes the public health, safety and well-being of Maine people; and ensures the rights and liberties guaranteed by the Constitution of Maine.

Broad Goals

- A. Foster the public trust by ensuring an open and fair process for the enactment of laws.
- B. Ensure the institutional independence of the legislature as a separate branch of government.
- C. Provide leadership in the formulation of informed and coherent policy.
- D. Ensure that the state's policies as enacted into law are responsibly administered.
- E. Ensure the preservation, maintenance and appropriate use of the State House and grounds as an act of the public trust granted to the Legislature by the People of Maine.

Objectives & Strategies

For Goal A -- *Foster the public trust by ensuring an open and fair process for the enactment of laws.*

Objective 1. By the year 2000, increase public confidence in the state legislative process by 20% from the 1997 baseline.

Strategy 1. Develop a formal education/outreach program that is designed to improve the public's knowledge of the legislative process and the role of the Maine State Legislature.

Strategy 2. Establish an on-going mechanism for keeping the public informed on current and historical legislative matters, processes, debates and decisions.

Outcome measure: % increase in public confidence in the legislative process.

Objective 2. By the year 2000, increase public access to the state legislative process by 20% from the 1997 rate of utilization.

Strategy 1. Create a public-friendly atmosphere in the State House with the development of a Visitor Center and orientation materials on the State House and grounds, Legislature, its committees and offices.

Strategy 2. Establish improved access to the Legislative process using interactive information technologies including the Internet, interactive television (ITV) and legislative cable television (L-Span).

Strategy 3. Improve public access to the legislative process and facilities by persons with physical disabilities, in compliance with the Americans With Disabilities Act.

Outcome measure: % increase in public access to the legislative process.

For Goal B -- *Ensure the institutional independence of the legislature as a separate branch of government.*

Objective 1. By the year 2000, legislative members will indicate a 20% increase in the capacity of the legislature for independent information analysis, policy formulation and decision-making, from the 1997 baseline.

Strategy 1. Develop an internal training program for legislators that emphasizes the principles of leadership in government and the Legislature's constitutional responsibilities in order to ensure institutional independence of the legislative branch.

Strategy 2. Increase the availability of independent information and analysis for committees and legislators by the legislature's nonpartisan offices.

Strategy 3. Provide enhanced institutional support to the Senate and House and their members by the Secretary's and Clerk's offices and leadership offices.

Strategy 4. Acquire access to department information systems in compliance with law in order to facilitate independent information analysis, policy formulation and legislative decision-making by the Legislature on state agency matters.

Outcome measure: % increase in capacity of legislature for independent information analysis, policy formulation and decision-making.

Objective 2. By the year 2000, 80% of the legislative members will indicate that they have sufficient resources to fully carry out their functions as an independent branch of government.

Strategy 1. Acquire, maintain and effectively manage the resources necessary to carry out the functions of the legislative branch.

Strategy 2. Reduce reliance on state agencies for information by increasing the capacity of the legislative branch to research and provide information to committees and legislators.

Strategy 3. Provide enhanced constituent-related services to legislators.

Strategy 4. Develop partnerships with post-secondary educational institutions to provide academically based information to the Legislature on policy issues.

Strategy 5. Provide enhanced support for the production, distribution and disposition of legislative papers.

Outcome measure: % of legislators who have sufficient resources to carry out their functions.

For Goal C -- *Provide leadership in the formulation of informed and coherent policy.*

Objective 1. By the year 1998, ensure that at least 60% of agency-related bills are directly connected with and cite the appropriate agency's strategic plan.

Strategy 1. Develop a training program for legislators on Maine's strategic planning process and expectations.

Strategy 2. Develop policies and procedures for committees to link legislation favorably reported out of committee to appropriate agency(s) strategic plans.

Outcome measure: % of agency-related bills that are connected to the agency's strategic plan.

Objective 2. By the year 2000, 98% of all legislation favorably reported out of committee and having a fiscal impact on a state agency will include measurable outcomes and relate to the appropriate agency's strategic plan and performance budget.

Strategy 1. Develop a training program for legislators on Maine's performance budgeting process and outcomes measures.

Strategy 2. Develop policies and procedures to identify measurable outcomes and relate an agency's strategic plan and performance budget to all legislation having a fiscal impact on a state agency

Outcome measure: % of relevant legislation that includes measurable outcomes relating to agency's strategic plan and performance budget.

Objective 3. By the year 2000, 90% of committee members will indicate that bills favorably reported out of their committee have contributed to an informed and coherent policy.

Strategy 1. (same as B.1.1) Develop an internal training program for legislators that emphasizes the principles of leadership in government and the Legislature's constitutional responsibilities in order to ensure institutional independence of the legislative branch.

Strategy 2. (same as C.1.2) Develop policies and procedures for committees to link legislation favorably reported out of committee to appropriate agency(s) strategic plans.

Strategy 3. Establish a benchmarking process for demonstrating the achievement of those goals and objectives of state agency(s) strategic plan(s) that are related to legislatively established policy.

Strategy 4. Establish a process for the review and assessment of nonagency bills relative to their consistency with existing state policy.

Outcome measure: % of committee members who indicate bills favorably reported out of committee contributed to an informed and coherent policy.

For Goal D -- *Ensure that the state's policies as enacted into law are responsibly administered.*

Objective 1. By the year 1997, increase to 100% from the 1996 baseline, the number of major substantive rules that are reviewed and decided, in accordance with the statute governing legislative oversight of agency rule-making.

Strategy 1. Establish a process and protocols for identifying and tracking major substantive rules through the legislative review process established by law.

Strategy 2. (same as B.1.2) Increase the availability of independent and information analysis for committees and legislators by the Legislature's nonpartisan offices.

Outcome measure: % of major substantive rules that have been reviewed and decided.

Objective 2. By the year 1998, increase to 95% the number of agencies that, when reviewed, will be found in substantial compliance with the laws governing the agencies (including rule-making requirements) and stated legislative policy direction.

Strategy 1. Establish a process and protocols for committee review of agencies' activities and programs including strategic plans, outcome measures, performance budgets and compliance with rule-making requirements.

Strategy 2. (same as B.1.2) Increase the availability of independent and information analysis for committees and legislators by the Legislature's nonpartisan offices.

Strategy 3. Establish an incentive process and procedures that recognizes and encourages agencies to exceed minimal compliance with stated legislative policies.

Strategy 4. Establish a process and procedures for requiring corrective action measures for agencies found not to be in substantial compliance with law and stated legislative policy direction.

Outcome measure: % agencies that are found to be in substantial compliance.

Objective 3. By the year 2000, increase to 70% from the 1997 baseline the percentage of Maine people who indicate the state's policies as enacted into law are being responsibly administered.

Strategy 1. (same as A.1.1) Develop a formal education/outreach program that is designed to improve the public's knowledge of the legislative process and the role of the Maine State Legislature.

Strategy 2. (same as A.1.2) Establish an on-going mechanism for keeping the public informed on current and historical legislative matters, processes, debates and decisions.

Strategy 3. (same as A.2.2) Establish improved access to the Legislature and its deliberations using interactive information technologies including the Internet, interactive television (IT) and legislative cable television (L-Span).

Outcome measure: % of citizens who indicate the state's policies are responsibly administered.

For Goal E -- *Ensure the preservation, maintenance and appropriate use of the State House and grounds as an act of the public trust granted to the Legislature by the People of Maine.*

Objective 1. By the year 2000, 70 percent of persons using or visiting the State Capitol grounds will indicate they believe the State House and grounds are being maintained and used in a manner appropriate to their historical significance.

Strategy 1. By the year 1998, the Master Plan for the State House and grounds and a schedule for implementation of the full plan will be approved.

Strategy 2. Establish an ongoing mechanism for surveying legislators, staff and visitors as to the State House facilities and grounds, their condition and use.

Strategy 3. Develop a long-range plan, budget and process for the preservation and maintenance of the State House and grounds that ensure their aesthetic and historical integrity.

Strategy 4. Develop a plan and protocols for the use of the State House and grounds that are in keeping with their aesthetic and historical integrity and significance as the seat of state government.

Outcome measure: % persons using or visiting State Capitol grounds who indicate the State House and grounds are being maintained and used appropriately.

(Excerpt from the Legislature's Strategic Plan)

Goal A: Foster the public trust by ensuring an open and fair process for the enactment of laws.

Objective 1. By the year 2000, increase public confidence in the state legislative process by 20% from the 1997 baseline.

Strategy 1. Develop a formal education/outreach program that is designed to improve the public's knowledge of the legislative process and the role of the Maine State Legislature.

Strategy 2. Establish an on-going mechanism for keeping the public informed on current and historical matters, processes, debates and decisions.

Outcome measure: % increase in public confidence in the legislative process.

(Excerpt from the Legislature's Strategic Plan)

Objective 2. By the year 2000, increase public access to the state legislative process by 20% from the 1997 rate of utilization.

Strategy 1. Create a public-friendly atmosphere in the State House with the development of a Visitor Center and orientation materials on the State House and grounds, Legislature, its committees and offices.

Strategy 2. Establish improved access to the Legislative process using interactive information technologies including the Internet, interactive television (ITV) and legislative cable television (L-Span).

Strategy 3. Improve public access to the legislative process and facilities by persons with physical disabilities, in compliance with the Americans with Disabilities Act.

Outcome measure: % increase in public access to the legislative process.

(FORMAT)

CURRENT SERVICES (PART 1) BUDGET BILL (B3)

Appropriations. There are appropriated from the General Fund for the fiscal year ending June 30, 2000 and June 30, 2001 to the objectives listed, the following sums.

FY00

FY01

LEGISLATURE

Objective

Benchmarks

PROGRAM

FTE Count
Personal Services
All Other
Capital

TOTAL PROGRAM

PROGRAM

FTE Count
Personal Services
All Other
Capital

TOTAL PROGRAM

***TOTAL OBJECTIVE, GENERAL FUND**

***OVERHEAD COSTS ASSOCIATED WITH OBJECTIVE**

Objective

Benchmarks

PROGRAM

FTE Count
Personal Services
All Other
Capital

TOTAL PROGRAM

***TOTAL OBJECTIVE, GENERAL FUND**

***OVERHEAD COSTS ASSOCIATED WITH OBJECTIVE**

***TOTAL, LEGISLATURE**

(FOR ILLUSTRATIVE PURPOSES ONLY)

CURRENT SERVICES (PART 1) BUDGET BILL (B3)

Appropriations. There are appropriated from the General Fund for the fiscal year ending June 30, 2000 and June 30, 2001 to the objectives listed, the following sums.

	<u>FY00</u>	<u>FY01</u>
LEGISLATURE		
By the year 2000, increase public confidence in the state legislative process by 20% from the 1997 baseline.		
Benchmarks (need to be identified)		
Legislature		
FTE Count	7.75	7.75
Personal Services	258,385	271,304
All Other	51,005	52,535
Capital	<u>5,000</u>	<u>0</u>
TOTAL PROGRAM	314,390	323,839
Law and Legislative Reference Library		
FTE Count	2.25	2.25
Personal Services	75,024	78,127
All Other	14,808	14,903
Capital	<u>0</u>	<u>0</u>
TOTAL PROGRAM	89,832	93,030
TOTAL OBJECTIVE, GENERAL FUND	404,222	416,869
OVERHEAD COSTS ASSOCIATED WITH OBJECTIVE	60,633	62,530

(FOR ILLUSTRATIVE PURPOSES ONLY)

(PART II) BUDGET BILL
(SUPPLEMENTAL)

Appropriations. There are appropriated from the General Fund for the fiscal year ending June 30, 2000 and June 30, 2001 to the objectives listed, the following sums.

	<u>FY00</u>	<u>FY01</u>
LEGISLATURE		
By the year 2000, increase public confidence in the state legislative process by 20% from the 1997 baseline.		
Benchmarks (need to be identified)		
Legislature		
FTE Count	3.00	3.00
Personal Services	127,585	133,965
All Other	25,000	25,750
Capital	<u>5,000</u>	<u>5,000</u>
TOTAL PROGRAM	157,585	164,715
TOTAL OBJECTIVE, GENERAL FUND	157,585	164,715
OVERHEAD COSTS ASSOCIATED WITH OBJECTIVE	23,638	24,707

- Policy Implications for the Legislature

**119th LEGISLATURE
ADOPTING A PERFORMANCE BUDGETING PROCESS IN 1999**

CALENDAR	117th Leg; 1st Regular (1995)	118th Leg; 1st Regular & 1st Spec'l. (1997)	119th Legislature; 1st Regular (1999) KEY DATES
December	12/6/94 - Budget Overview for New Legislators	12/3/96 - Budget Overview for New Legislators	12/2/98 - 119th convenes
January	12/12/94-Budget meeting with Gov.-elect and Leg. Council	12/18/96-Gov. briefs Leg. Council & 3 AFA members	
	1/7/95 - EFY95 available	12/23/96 - Admin. provides "EFY97" bill draft to OFPR	
February	1/23/95 — EFY95 P.H.	1/03/97 - Admin. provides "Part 1" bill draft to OFPR	
	1/27/95 — EFY 95 W.S.	1/6 - 7/97 — EFY97 P.H.	
	2/8/95 — EFY 95 W.S.	1/8-10/97 — EFY97 W.S.	
	2/17/95 — EFY 95 enacted	1/13/97 — EFY97 enacted	
March	2/28/95 — Joint AFA/Policy Cmte. Part 1 P.H.	1/16/97 — Joint AFA/Policy Cmte. Part 1 P.H.	
		1/31/97 — Policy Cmte.'s report back to AFA	
		2/3/97 — Policy Cmte.'s report back to AFA	
April	3/24/95 — Joint AFA/Policy Cmte. Part 1 P.H.	2/14/97 — AFA Part 1 W.S.	
	3/27/95 — Policy Cmte.'s report back to AFA	3/12/97 AFA Splits 8-5	
	4/11/95 — AFA Part 1 W.S.	3/25/97 — Part 1 & Part 2 enacted	
	4/19/95 — 2nd EFY 95 bill in AFA W.S & enacted	3/26/97 — Gov. signs	
May	5/3/95 — 2nd EFY 95 bill in AFA W.S & enacted	3/27/97 — 1st Reg. Adjourns	
	5/17/95 — 2nd EFY 95 bill in AFA W.S & enacted	1st Spec. Begins	
June	6/2/95 — AFA Part 2 W.S.	5/28-29/97 — APP Table	
	6/29/95 — APP Table Part 1 enacted	6/1/97 — Supplemental 979899 budget enacted	
	6/30/95 — APP Table Part 2 enacted	6/20/97 - Veto Day; 1st Spec. adjourns	

* 1995 detail excludes AFA consideration & Leg. enactment of PRTF enabling leg'n., bond issues or other fiscal policy bills assigned to AFA.

Abbreviations: AFA (App.&Fin. Affairs)
: P.H. (Public Hearings)
: W.S. (Worksessions)

: EFY97? (Current yr. budget)
: GPA (Gen. Purpose Aid)
: Part 1/Part 2 (Next biennium)

**MAINE STATE GOVERNMENT'S
PERFORMANCE BUDGETING INITIATIVE:**

POLICY IMPLICATIONS FOR THE LEGISLATURE*

ISSUE #1. "The way in which the Legislature reviews the Governor's budget proposals will need to change".

Proponents of the Performance Budgeting (PB) initiative often state that the Legislature needs to "elevate the level of debate" when reviewing the budget. Rather than asking the traditional "input/output" oriented questions presently asked of state agency officials, legislators should be asking "outcome" oriented questions, thereby leaving the details of an agency's budget to the Commissioner/Agency Head of that particular agency.

For example, if a legislator asks questions now about traditional input/output data such as the capital expenses of a particular office (eg, how many personal computers will this appropriation purchase? is it more cost-effective to purchase the PC's outright or enter into a lease-purchase agreement?) or the real estate lease payments of an agency (eg, what are the lease payments per square foot? what is the length of the lease? what are the cost escalators for the length of the lease?) or the results of a subsidy program (eg, how many clients were served? what is the average subsidy payment? when do the checks go out each month?), PB proponents say that the Legislature should focus instead on the outcome that that agency has stated can be achieved if it receives an appropriation/allocation of a certain amount. Legislators' questions, therefore, should revolve around only the desirability/feasibility of the proposed outcome and the price tag the agency has estimated for that outcome and not necessarily the input/output data needed to achieve that outcome.

It is important to say that Agency personnel have expressed strong reservations about providing fiscal data, or having the Legislature appropriate resources, below the "objective" level (ie, strategy and action plan fiscal data).

POLICY ISSUES: Do agencies have the necessary "baseline data" upon which S.M.A.R.T. (ie, Specific, Measurable, Achievable, Reliable and Time-certain) objectives are developed? Is the Legislature prepared to relinquish control over the details of the budget to the various Agencies of State Government in favor of final decision-making over outcomes? Will the Legislature instead work on the budget at two different levels - the traditional detailed "input/output" programmatic budget as well as the proposed "outcome" performance budget? If so, will there be sufficient time in the Legislative schedule each session to accomodate what could become a bifurcated process? Can the Legislature effectively review the performance budget and enact a biennial budget by March 31st each First Regular Session? Can the Legislature effectively assess the accuracy of an appropriation/allocation request without understanding how that request was developed?

-2-

ISSUE #2. “The various “operating guidelines” under which State Departments and Agencies presently operate will need to be loosened”.

PB proponents contend that they will need “maximum flexibility” in order to meet their end of the “contract” that they will be entering into with the Legislature in the performance budgeting milieu. Stated another way, many Agency personnel involved in this initiative state that if the Legislature is to hold them accountable for achieving the stated/budgeted outcome, then they will need much more latitude as to how their resources are to be managed.

From the Legislature’s perspective that means that the proponents will ask: that the appropriation or allocation of resources to a “program” (eg, circuitbreaker, GPA, Bureau of Taxation, Tree Growth, etc.) change to the appropriation/allocation of resources to “objectives” (eg, “90% of customers external to State Government will rate services as high quality”, “by 1999, increase the number of high school graduates who enroll in post-secondary education programs by 5% over the 1997 baseline . . .”); that the “position count” process (whereby General Fund and Highway Fund positions are established as specific jobs the parameters of which (number of weeks/year, number of hours/week, etc.) can not be easily altered) will have to become an FTE (full-time equivalent) process whereby the agency is left to best configure the staffing levels for a stated outcome; that the financial order process by which an agency can transfer/allot/receive/expend monies will need to be revised so as to empower agency heads and/or the State Budget Officer to move funds within specific parameters; that the 30-day waiting period in effect while the Legislature reviews intradepartmental transfers of funds will need to be eliminated; etc.

POLICY ISSUES: Does the loosening of the “operating guidelines” mean that the Legislature is comfortable with the Executive Branch making fundamental changes to the Legislature’s enacted budget? Is the appropriation of resources to objectives specific enough? What threshold of change by an agency from the original legislative appropriation/allocation will trigger legislative review/action?

ISSUE #3: How will the Legislature hold agencies accountable?

PB proponents have stated that this initiative will improve “accountability” in State Government. This position holds that, because the public does not know what we have *accomplished* with the expenditure of state funds, the only accountability now is measured by making sure that a program’s budget is not exceeded. Accountability under the PB initiative will be *to the outcome*.

Webster’s Dictionary defines “accountable” in two ways: 1) “required to render account; answerable”; and 2) “capable of being explained”. The Legislature has traditionally used the first definition of accountability: agencies are asked to *give an accounting* of how they plan to expend the resources being requested; they are subsequently asked to *answer* programmatic questions about actual expenditures. PB proponents, however, have stated that one’s accountability will be to the stated/budgeted outcome: agencies should be *capable of explaining*

why they reached, or did not reach, their stated/budgeted objective. Legislators have been informed that performance budgeting shouldn't be about "gotcha's" by the Legislature if an agency is unable to achieve its objective or must ease an objective's measure/timeline.

POLICY ISSUES: Once again, do agencies have the necessary "baseline data" to effectively develop, manage and measure their objectives? How will the Legislature determine whether the proffered objectives are valid (ie, an audit/review of one's methodology)? How will the Legislature determine whether the objectives have been reached (ie, a "performance audit")? And how will the Legislature determine whether the data used throughout the budget process are valid? Will the Legislature rely on the agencies to audit their own work? Or will a new performance auditing function have to be established? And, ultimately, what are the consequences if the objectives are not achieved?

ISSUE #4: How will the public's participation in the legislative process be impacted if current program data are not easily available?

The public, the press and the lobby will need a significant amount of time to understand the performance budget. The Commission on Performance Budgeting voted earlier this year on a budget "format" (eg, the "B(3)" format) that would retain some of the program data presently included in the budget. It is unclear at this point in time whether the inclusion of that program data will continue beyond the presentation of the 2000-2001 biennial budget.

The absence of program data, or, even the splitting of program data, will have an impact on the Legislature's ability to answer commonly-asked questions by the public, press and lobby. For example, the legislator asked by a constituent whether the "Tree Growth Tax Reimbursement" program has been properly funded and on what date the public hearing has been scheduled could have greater difficulty answering that question if program data is absent entirely from the performance budget or split among many objectives.

Are the agencies of State Government prepared, if traditional program data is substantially changed or removed from the Governor's budget submissions, to make this information available to the Legislature?

ISSUE # 5: PL 1995, C. 705 calls for the establishment of statewide "policy areas" and "statewide goals and objectives". What does this portend for the relationship between the branches and a possible realignment/ reorganization of agencies and legislative joint standing committees?

The Maine Constitution establishes the role of the Legislature as that of policy-maker; the Executive has the role of implementing established policies. PL 1995, C. 705, the enabling legislation for strategic planning and performance budgeting, calls on the State Budget Officer and the Legislative Council (or its designee) to develop "policy areas" by December 31, 1997. State agencies are then granted the authority to develop joint strategic plans within each policy area by June 30, 1998 and to develop joint budget proposals by September 1, 1998.

The first attempt at “policy areas” has been developed by the Cabinet, Bureau of the Budget and State Planning Office. The Legislative Council is being asked to endorse nine statewide policy areas and goals. Absent specific input from the Legislature, the Executive Branch will proceed on developing the statewide policy areas, goals and objectives as a means toward submitting a performance budget in compliance with PL 1997, C. 705, as amended.

Is there a “separation of powers” issue if the Executive Branch is establishing statewide, strategic planning and performance budgeting policies? More specifically, who should be making final decisions about statewide policy area, goals and objectives? Is the Legislature prepared to reorganize its policy committee structure in response to any realignment of policy areas?

Has the Legislature sufficiently articulated what it wants as an “outcome” from the Strategic Planning/Performance Budgeting initiative?

* NOTE: Developed by the Office of Policy & Legal Analysis and the Office of Fiscal & Program Review upon request. Does not represent any formal position of the Legislative Council.

SARAH C. TUBBESING
EXECUTIVE DIRECTOR
OF THE LEGISLATIVE COUNCIL



Sally Tubbesing
Legislative Council Info.

MAINE STATE LEGISLATURE
OFFICE OF THE EXECUTIVE DIRECTOR
LEGISLATIVE COUNCIL

October 31, 1997

TO: Members of the Legislative Council
FROM: Sally *Sally*
SUBJECT: Follow-up on Performance Budgeting Workshop

Jim Clair has provided the enclosed listing of key policy issues that Representative Kerr identified in his remarks yesterday.

Enclosure
cc: Joy O'Brien, Secretary of the State
Joseph Mayo, Clerk of the House
Legislative Staff Directors
Teen Griffin, Legislative Information Office

STRATEGIC PLANNING/PERFORMANCE BUDGETING” RETREAT

Overview: Rep. Kerr

- Agenda

- Key Issues:

What level of control does the Legislature want over the State Budget?

Is the Legislature prepared to dramatically change the way in which it is organized?

Is the Legislature prepared to appropriate/allocate additional funds for “core” functions related to the initiative (such as a new computer system, strategic planning, performance auditing, etc.)?

At what level does the Legislature delegate certain policy responsibilities to the Executive Branch?

Has the Legislature provided enough time to implement this initiative?

What is accountability and how do you measure it?