SB 511

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 511 (Senator Jones, *et al.*)
Budget and Taxation Appropriations

State Agencies - Managing for Results

This bill establishes a 13-member Managing for Results (MFR) Strategic Planning Committee for the purpose of developing a MFR "State comprehensive plan" for the improvement and preservation of State resources and services and to monitor the MFR process in State agencies. State agencies are required to develop a MFR agency strategic plan.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Existing State personnel could be used to support the MFR process. Any expense reimbursements for committee members are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The MFR Strategic Planning Committee consists of 13-members: two members of the Senate appointed by the Senate President; two members of the House of Delegates appointed by the House Speaker; the Secretary of Budget and Management or the Secretary's designee; six representatives of State agencies appointed by the Governor; and two members of the public appointed by the Governor. The Secretary of Budget and Management serves as the planning committee's chair.

Committee members serve four-year staggered terms and may not serve more than two consecutive terms. Members are not eligible to receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations. The Department of Budget and Management (DBM) must provide staff support for the planning committee.

The planning committee must: (1) provide oversight of agencies in the development and implementation of the managing for results agency strategic plan; (2) develop and submit to the Governor, General Assembly, and DBM, on a biennial basis, a managing for results comprehensive plan; (3) review the report on agency objectives and performance measures on a biennial basis, select applicable objectives and performance measures that correspond to the goals developed in the managing for results comprehensive plan, and limit the number of performance measures to 100 or less; and (4) meet at least twice a year to evaluate the progress of agencies in achieving the goals developed in the comprehensive plan. The planning committee must report to the Governor and General Assembly by December 1 of each year on the status of the managing for results comprehensive plan.

Every two years, State agencies, in conjunction with DBM, must select no more than six goals per agency that are compatible with the MFR State Comprehensive Plan or consistent with the agency's mission if the goals identified in the comprehensive plan do not apply to the agency. State agencies must develop and submit to DBM by August 31 of each year, as part of the budget process, a managing for results agency strategic plan. The State agency must maintain documentation of the internal controls established to evaluate performance measures that are subject to review by the State, including the Legislative Auditor.

The Office of Legislative Audits (OLA) is authorized to audit the performance measures to determine their reliability. DBM is required to submit certain reports to the planning committee and to the Senate Budget and Taxation Committee and the House Appropriations Committee. **Exhibit 1** provides a timeline for the MFR process.

The planning committee must report to the Governor, the Senate Budget and Taxation Committee, and the House Appropriations Committee by October 1, 2003 on the feasibility of providing agency or employee rewards or incentives for achieving statewide goals, or for establishing agency or employee penalties or disincentives for failing to achieve statewide goals.

Exhibit 1
MFR Process Outline

Date	Annually	Even Year
May1	Secretary of DBM must report to the planning committee on the progress made by agencies in achieving goals developed in MFR agency strategic plan. [3-1004 (a)(2)]	
June 1		Planning committee must develop and submit to the Governor, General Assembly, and DBM a MFR State comprehensive plan. [3-1002 (g)(2)]
July 1		Agencies, in conjunction with DBM, must select no more than 6 goals. [3-1003 (a)]
August 31	Agencies must develop and submit to DBM as part of the budget process a MFR agency strategic plan. [3-1003 (b)]	
October 1		Secretary of DBM must report to the planning committee on the agency objectives and performance measures developed in the MFR agency strategic plan. [3-1004 (a)(1)]
November 1	Secretary of DBM must report to the planning committee on the progress made by agencies in achieving goals developed in MFR agency strategic plan. [3-1004 (a)(2)]	Planning committee must review the report on agency objectives and performance, select objectives and up to 100 performance measures to measure achievement of goals. [3-1002 (g)(3)]
December 1	Planning committee must report to the Governor and General Assembly on the status of the MFR State comprehensive plan. [3-1002 (i)]	
3rd Wednesday of January	Secretary of DBM must present to the Budget Committees a report on the progress of agencies in achieving the goals developed in the MFR agency strategic plan and the progress of the planning committee on monitoring and evaluating the goals. [3-1004 (b)]	
Twice a Year	Planning committee must meet twice a year to evaluate the progress of agencies in achieving the goals developed in the comprehensive plan.	

Current Law: DBM established a MFR program for State agencies effective with the 1998 session. The existing program is not codified in law.

Background: MFR is a future-oriented process that emphasizes deployment of resources to achieve meaningful results. These desired results are based upon identifying the needs of customers and stakeholders and are used to improve the quality and cost-effectiveness of programs and services. If it is well used, MFR facilitates planning, accountability, continuous improvement, and efficiency in agency performance and budgeting.

Current MFR Structure

Use of MFR began in 1997 as an initiative by the Governor. Implementation was phased-in over a four-year period. At the 1998 session, DBM required that executive agencies incorporate agency vision statements, mission statements, and key goals into their budget requests. By the 2000 session, agencies were to have developed complete MFR submissions, including key goals, objectives, and performance indicators with measurement data and use them to support their budget requests.

MFR is designed to shift the focus of government from processes to outcomes. Currently, a steering committee meets periodically to review policy and implementation issues. Each State agency has developed an agency-wide mission, vision, goals, objectives, and performance measures. Similar information has been established for each program in the budget. State agencies submit MFR data to DBM in August of each year, along with their budget submissions. An employee designated within each agency coordinates the MFR submissions. Agencies may submit unfunded requests to DBM, which must be accompanied by data showing how MFR goals would be reached with the additional funding. The current process, however, does not permit comparative assessment of goals in disparate policy areas such as weighing goals in the health area versus education or environment.

Problems with Current MFR Implementation

MFR lacks a statutory basis to give it permanence and direction. Statewide goals are not developed in conjunction with the General Assembly, nor are goals reviewed and revised periodically based on progress. MFR is not used as a tool for allocating resources or agency accountability. It is not apparent that DBM or the Governor use MFR when preparing the budget. MFR is being crushed under the weight of its own processes. There are too many goals and objectives, and the number of performance measures is estimated to exceed 10,000. This limits the usefulness of MFR as a tool for decision making. Performance measurement data lacks reliability. OLA has audited selected measurement data for three years, finding that nearly two-thirds of the data cannot be certified. State agencies generally appear to lack operational definitions for measures, internal controls for data collection and retention, and documentation. Accordingly, the effectiveness of MFR as a management tool in the State has been mixed. On the positive side, the provision of outcome data by agencies allows elected officials to hold public managers accountable for outcomes and serves as a management tool in some agencies.

State Fiscal Effect: Existing State personnel could be used to support the MFR process established in this bill. General fund expenditures would not be directly affected.

OLA Administrative Costs

Under the current MFR initiative, OLA has been auditing selected agency performance measures for the last three years. The performance measures to be audited are selected by the Department of Legislative Services (DLS) in accordance with a plan approved by the Senate Budget and Taxation Committee, House Appropriations Committee, and Joint Audit Committee. On average, OLA audits approximately 45 performance measures annually. The audits are conducted with three equivalent staff positions at a cost of $200,000. It is assumed that existing OLA staff would be used to audit the performance measures required under this legislation.

DBM Administrative Costs

DBM advises that two additional positions (a budget analyst and a program analyst) at an annualize cost of $115,000 are needed to comply with the bill's provisions. DLS advises that existing staff within DBM and other State agencies could perform the functions set-out in the bill. MFR has been in place in Maryland for three years. DBM already has at least two full-time equivalent positions dedicated to this initiative.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of Legislative Audits, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2003
ncs/jr

Analysis by: Hiram L. Burch Jr.

Direct Inquiries to:
(410) 946-5510
(301) 970-5510