

**Department of Legislative Services**

Maryland General Assembly

2007 Session

**FISCAL AND POLICY NOTE****Revised**

Senate Bill 102

(The President) (By Request – Administration)

Budget and Taxation

Appropriations

**State Agencies - StateStat**

This Administration bill establishes a StateStat management accountability process for Executive Branch agencies that replaces, for selected agencies, the existing strategic planning process.

The bill takes effect June 1, 2007.

**Fiscal Summary**

**State Effect:** General fund expenditures increase \$361,444 in the Department of Budget and Management (DBM) in FY 2008 for four new regular positions, start-up costs, and ongoing costs for travel and supplies. These costs may be offset by savings generated by the StateStat process, but those savings cannot be estimated at this time. Future year increases reflect inflation and employee turnover. Revenues would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	361,400	335,700	352,700	370,700	389,600
Net Effect	(\$361,400)	(\$335,700)	(\$352,700)	(\$370,700)	(\$389,600)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** The Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Analysis

**Bill Summary:** The Governor may require any Executive Branch agency to participate in StateStat. An agency selected for participation must submit as part of its annual budget submission a strategic plan and performance measurement report to the Secretary of Budget and Management. The StateStat strategic plan has to contain the information currently required in the Managing for Results (MFR) strategic plan. Each agency selected to participate in StateStat must:

- adopt a strategic plan and establish goals for its operation;
- adopt a comprehensive set of performance and citizen satisfaction measurements;
- regularly and frequently:
  - submit timely and accurate data;
  - review and analyze its submitted data; and
  - attend accountability meetings to assess its performance;
- continuously review its strategies and tactics to meet its goals; and
- continuously assess its progress toward meeting its goals.

In conducting its audits of Executive Branch agencies, the Office of Legislative Audits may determine the reliability of an agency's performance measures identified in its StateStat strategic plan.

**Current Law:** Each Executive Branch agency is required to submit an MFR strategic plan to the Secretary of Budget and Management in conjunction with its budget submission. The plan must include:

- a mission statement;
- a description of the agency's goals;
- a description of the objectives and performance measures to achieve the agency's goals:
  - performance measure statistics for at least the previous two fiscal years; and
  - performance measure estimates for the current and subsequent fiscal years;
- a discussion of the agency's progress in meeting its goals and performance measures;
- a description of the internal controls established to ensure the reliability of the data it collects and reports; and

- an identification of the customers and stakeholders it serves.

The Secretary of Budget and Management reviews agency strategic plans annually and may recommend appropriate changes to agency budgets.

**Background:** StateStat is modeled on the CitiStat process in Baltimore City implemented by then-Mayor Martin O'Malley in 2000. CitiStat is a management accountability process that relies on databases to track agency performance and redirect resources to areas in need. CitiStat, in turn, was modeled on CompStat, which was implemented by New York City Police Commissioner William Bratton to reduce crime.

CitiStat requires each agency director to submit bi-monthly accountability reports to the mayor covering key agency functions. Data are also collected from the city's citizen complaint hotline and incorporated into the accountability reports. Every two weeks, agency heads appear before city leaders, often including the mayor, to report on their progress in meeting their goals and to respond to questions and complaints. Problems identified during these meetings are expected to be resolved in a timely fashion, with follow-up occurring in subsequent meetings. CitiStat was awarded a \$100,000 prize from Harvard University's Kennedy School of Government for Innovation in American Government.

In fiscal 2007, the CitiStat office in the Baltimore City Mayor's Office employed eight staff members and had a total budget of \$510,000. Start-up costs were estimated to be about \$285,000 in 2000, including approximately \$20,000 to configure and equip the CitiStat room where agency heads present their data and respond to questions. City officials credit the program with improving the efficiency of city services and saving the city more than \$350 million over six years, largely in reduced overtime costs and employee absenteeism. However, the city's call center, established after the initial introduction of CitiStat, costs about \$4 million annually, and serves as a primary data source for CitiStat databases. Call-ins are logged centrally into the system and tracked by the CitiStat database.

**State Fiscal Effect:** General fund expenditures could increase by an estimated \$361,444 in fiscal 2008, which accounts for the bill's June 1, 2007 effective date. This estimate reflects the cost of hiring four new administrators and research staff to manage the StateStat process within DBM. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	\$326,604
Configure and Equip StateStat Facilities	32,000
Travel and Supplies	<u>2,840</u>
<b>Total FY 2008 State Expenditures</b>	<b>\$361,444</b>

Future year expenditures reflect (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses for travel and supplies.

DBM reports that the departments of Public Safety and Correctional Services, Human Resources, and Juvenile Services will pilot StateStat in fiscal 2008. Since StateStat does not require any additional reporting other than what agencies already provide under MFR, the Department of Legislative Services (DLS) assumes that these agencies can carry out the program's requirements with existing resources.

DBM requested six new positions to implement the StateStat process, including developing new data collection and reporting templates for the three pilot agencies, establishing procedures for collecting and verifying data on a more frequent basis, and analyzing data in an effort to identify potential cost savings. However, given that only three agencies will be piloting StateStat, and that the Governor's office will be assisting with start up and implementation, DLS believes only four positions are warranted. If StateStat expands to include more agencies, additional staff may be needed.

DBM notes that Baltimore City officials credit CitiStat with saving the city almost \$350 million over the program's six years, largely in reduced overtime and employee absenteeism. It anticipates that StateStat will generate similar savings in the three pilot agencies, which will more than offset the program's costs over time. However, until StateStat establishes a track record with its pilot agencies, DLS cannot reliably estimate the likelihood or amount of savings the program will generate.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 137 (The Speaker, *et al.*) (By Request – Administration) – Appropriations.

**Information Source(s):** Governor's Office, Department of Budget and Management, Baltimore City FY 2007 Operating Budget, Department of Legislative Services (Office of Legislative Audits)

**Fiscal Note History:** First Reader - January 30, 2007  
mll/ljm Revised - Updated Information - February 2, 2007  
Revised - Enrolled Bill - April 30, 2007

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