

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1035

2005 HOUSE APPROPRIATIONS

HB 1035

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1035
Performance and Accountability

House Appropriations Full Committee

Conference Committee

Hearing Date January 11, 2005

Tape Number	Side A	Side B	Meter #
1	X	X	43.6

Committee Clerk Signature

Chris Alexander

Minutes:

Rep. Ken Svedjan, Chairman called the hearing to order and roll call was taken.

Rep. Al Carlson introduced HB1035 and explained the history of the work of the interim committee on Performance and Accountability, made up of 3 Representatives, 3 Senators, 2 citizen members and 2 Executive Branch members. Rep Carlson stated 4 main reasons why he thought the previous attempt (1995-96 Assembly) at such a process had failed: (1) Concentrated on too much detail concerning the input rather than concentrating on the outcomes or recommendations of the agencies. (2) Detailed performance budgeting information took longer to analyze than they had at the Legislative session (3) Performance measures were determined by Agencies with little input from Legislators (4) Focus was on the Agencies wanting programs rather than objective code lines in appropriation bills. The interim committee also asked people who had done this type of work for their own businesses and agencies to come and speak to the

committee, explaining how and why they do this work, and to give recommendations for the process. The interim committee decided that this process needed to be easy to understand and easily explained to people. 33 other states are doing this type of work in their governance and gave these recommendations to our process: (1) Keep the system simple (2) Authorize an Agency or committee to oversee the development and implementation of the system (3) Provide for adequate training (4) Define data to be measured so that everyone understands the results (5) Make sure the performance measurements are clear and precise (6) Have patience. The implementation of the system takes time (7) Use the data to make funding and policy decisions at the Legislative level.

Sen Ray Holmberg from District 17 spoke to the committee in support of HB1035. (meter #6.9) The Senator said he was skeptical of the process at first and listed the Senate's concerns: (1) the committee chairs were nervous that they would not have input in these policy decisions, and (2) that the process would not have the "buy-in" from agencies and folks from the private sector. The interim committee addressed these concerns and have included a collaborative process between Legislators, Agencies and private citizens, so that now the Senator can testify in support of this bill.

Alan Knutson from Legislative Council reviewed the structure of HB1035 and explained what each section of the bill included. (meter #11.2)

Rep. Pam Gulleon asked if the report that was submitted was from OMB and continued by asking how many agencies submitted performance measures.

Alan Knutson (LC) answered that the report was from OMB, and that the second question should be directed to Pam Sharp of OMB.

Rep Rick Berg testified in support of HB1035. (meter # 14.6) Rep Berg explained that this process of measuring success through outcomes was a much better process than measuring simply by the amount of dollars appropriated to a cause. Rep Berg cautioned the committee not create a "paper nightmare" and to keep the process simple. The object should be to achieve "alignment" which he explained meant that agencies would identify their top priorities and the public and the Legislature would agree or disagree to these priorities and then work toward a common focus or direction for the agency in the next biennium. If this "alignment" is accomplished, you then have something to evaluate in the next Assembly.

Rep. Al Carlson highlighted section 1 of HB1035, saying that this was the purpose of the entire process. Private citizens in the process allow for input from the users of the system and this bill expands the role of the Council to allow for a tie to the Legislative process. Rep Carlson further explained that section 6 of HB1035 explained what was needed within the strategic plan of each agency and how to evaluate these plans. And, section 7 takes this a step farther by asking for reports that look beyond just variances and into the services provided and the results identified. Rep Carlson explained that this process was worth the appropriations requested, but noted that even if the appropriations weren't approved, the concept of the process should move forward.

Rep. Pam Guleson asked what the budgeting process would look like in this new committee.

Rep. Al Carlson answered that that all of the information in this process should be included in the process OMB uses to recommend the budget. It is important that it all be one process, since separating the process is what caused the earlier attempt at this to fail. (meter #25.1)

Rep. Ken Svedjan, Chairman commented that the Legislative Council would build in consistency to this reporting format and that this would help centralize the process. In looking at

the processes used in other states we saw that the performance measures were right up front when planning budgets.

Rep. Ole Aarsvold asked if this process would blur the lines between the Executive Branch and the Legislative Branch of the government.

Rep. Al Carlson answered that he believed this process would further identify what the responsibilities are and set up a partnership between the two branches.

Rep. Ole Aarsvold continued by asking whether or not it would be a problem coming up with good objectives and the abilities to measure them.

Rep. Al Carlson answered that he saw this as perhaps an obstacle, but not a problem. It forces us to ask ourselves who the evaluator is and what is their purpose. The process is designed to help the Agencies focus on their goals, not to get in their way. Rep Carlson distributed handout #6-1 (attached) entitled "Key Questions for Policy Makers" and asked that we keep these things in mind as we go through this process. (meter #28)

Rep. Mike Timm, Vice Chairman asked what would happen if an Agency failed to reach its identified goals.

Rep. Al Carlson reviewed section 8 of HB1035 (meter #31.7).

Rep. Ken Svedjan, Chairman added that the interim committee intended this bill to be an instructive vehicle rather than a punitive one, and said that the point was corrective action identifying why an Agency failed and setting up new systems that would help it to succeed.

Rep. Al Carlson continued that many Agencies have followed this type of process already and that it even worked in Human Services where it is harder to clearly identify objective data to measure.

Rep. Eliot Glassheim asked about the appointment of citizens to the committee and wondered if by doing this that we would elevate their participation in this process over the other citizens of the state and wondered if these appointed citizens might vary depending on their experience working in the area of the service provided by the process.

Rep. Al Carlson responded that this was point worth considering and mentioned that it was important that the citizen/taxpayer participate in the process.

Rep. Ken Svedjan, Chairman agreed that this idea of varying citizen appointments based on knowledge of the service was something that needed to be worked on in the committee.

Rep. Alon C. Wieland wondered if the committee had considered what the overall cost savings might be from running a more efficient government. (meter 37.7)

Rep. Al Carlson answered that he hoped that we would see considerable savings while delivering a better product..

Rep. Ron Carlisle asked why the 3 FTE's weren't recommended for the Legislative Council rather than in OMB and the State Auditor's office.

Rep. Al Carlson answered that this placement allows for the new workers to be close to the work they were doing since they each had specific functions to perform.

Rep. Bob Skarphol asked if the committee might limit the "paper nightmare" by developing a one page synopsis for reporting. (meter #40)

Rep. Al Carlson answered that the importance in reporting was uniformity. We are told that PeopleSoft software has a performance measures component to it and we hope to be able to incorporate this to help us create a uniform system that will be brief and save paper.

Rep. Jeff Delzer commented that a problem of the last attempt at this process was that most of the participation came from the Agency. What would happen if the Legislators disagree with what the Agencies wanted to accomplish, since ultimately it's the committee who sets the goals?

Rep. Ken Svedjan, Chairman answered that section 5 of HB1035 prescribes a process to use for Agencies to appeal recommendations of the Legislature. The committee attempted to set up a fair and balanced process and will have a responsibility not only to evaluate what has been recommended by an Agency but to help the Agency focus on what needs to be measured so that Agency can more easily accomplish its goals.

Rep. Al Carlson comment that they key in all of this was to readily identify what needs to be measured.

Rep. Jeff Delzer asked why the proposed standing committee would be made up of only 16 members, since most legislative committees are larger than this.

Rep. Al Carlson explained that there needed to be space on the committee for the citizen members and representatives from the standing committees, but said that the committee would be willing to look at alternative structures.

Mr. Dick Hedahl, a citizen member of the interim committee, testified in support of HB1035.

As a medium sized business who needs to manage divisions in 4 different states, we needed to develop a system to measure our performance and customer satisfaction. I think it would be beneficial to develop a similar system to help measure performance in the government. He stated that he was surprised at how many Agencies were already participating in some form of performance measurement, but added that since all of the processes were different, it was important that the committee help to standardize the system.

Rep. Eliot Glassheim asked if Mr. Hedahl's business divisions all measured the same things.

Mr. Hedahl responded that what was measured in each division varied but how they reported the results was the same in each.

Rep. Eliot Glassheim continued asking if the business measured qualitative data as well as quantitative. (meter Tape #1, side B, #1.0)

Mr. Hedahl answered that it is a struggle measuring qualitative data but that it's the type of thing where "you know it when you see it." Each division knows when they are producing quality work. It would be helpful in this process to have the Agency's input in measuring since they will know when the work is high quality or not.

Rep. Ralph Metcalf asked that as a private employer Mr. Hedahl's business would need to develop goals that would not stifle the responses of the workers involved in accomplishing those goals.

Mr. Hedahl responded that there was always the risk of the worker recommending things just to please the boss, rather than because it would help achieve goals. This process should be set up in a way that allow the Agencies room to state their goals so that the committee can recognize them.

Rep. Ralph Metcalf commented that in short we needed open-minded managers in this process that would not take away the Agency's ability to think.

Rep. Ken Svedjan, Chairman commented that an assessment of the customer base would feed into the measurements as well.

Mr. Hedahl agreed.

Rep. Francis J. Wald asked Mr. Hedahl if he believed there were shortcomings in the way the state evaluated and rewarded it's employees. (meter Tape #1, side B, #4.6)

Mr. Hedahl answered that government has less merit rewards so it needs to come up with alternative incentives and bonuses while identifying and setting proper goals.

Ms Pam Sharp from the Office of Management and Budget testified in support of HB1035, by reviewing written testimony (handout #6-2, attached). Within the testimony, Ms Sharp answered Rep. Pam Gulleeson's earlier question regarding the number of Agencies who submitted performance measures, by stating that several Agencies already had performance measures in place and that most Agencies had a strategic plan in place, but that there was little consistency in the format of these plans.

Rep. Ron Carlisle asked if these appropriations were in the Governor's Budget.

Ms Sharp answered no, and clarified that although this process is valuable to the budget process, it does not directly tie a goal or a performance measure to a specific dollar amount in a budget.

Rep. Bob Martinson asked why this wasn't in the Governor's Budget since you stated that you believe this should be appropriated.

Ms Sharp answered that the appropriation for this has to be directly tied to this bill since it would confuse the budget if the bill was not passed, and this process died once before because OMB tried to do it alone. This time we would not attempt to do this on our own.

Rep. Ken Svedjan, Chairman commented that there will need to be training done to do this well.

Rep. Ole Aarsvold referred to page 3, section 5, lines 23-25 and asked how any reconciliation would work between and conflicting parties.

Ms Sharp responded that the intent is for the elected official to state their concerns and work it out with the committee toward a resolution.

Rep. Ole Aarsvold commented that the budget and the appropriations would be a heavy hammer to those Agencies who didn't agree with the committee's findings.

Rep. Ken Svedjan, Chairman commented that the final decision is made by the committee, but the spirit of the things is to come to a common goal.

Rep. Ole Aarsvold suggested that there needs to be a process for resolution that may even contain statutory requirements to assure that the process can move along rather than stalemating.

Rep. Ken Svedjan, Chairman commented that this concern will be taken under consideration as this bill moves along into subcommittee discussions. (meter Tape #1, side B, #14.7)

Rep. Bob Skarphol asked what amount of time that an Agency would invest in this process?

Ms Sharp answered that this would take a considerable amount of time for an Agency that may be comparable to the time spent on budget preparation.

Rep. Ken Svedjan, Chairman commented that more work would be required early on in the process, but we would push for brevity and conciseness and eventually it will all fall into place. It is not intended to take up too much time or contain too much paper.

Mr. Gordy Smith from the State Auditor's Office testified in support of HA1035. (meter Tape#1, side B, #15.7) Mr. Smith distributed handout #6-3 (attached) and stated that the purpose of this process was to improve accountability and to allow for a better disbursement of resources. This process allows for state Agencies to tell their success stories as well as to seek input for those agencies that were not able to fulfill their goals. The establishment of a permanent committee for this process is important because it provides for a place for communication

between the Agencies and the Legislature as to what the expected focus will be. This will also set parameters for strategic planning. Efficiency measures seem to be lacking in the performance measures of the Agencies we reviewed. To determine a way to collect this data would be import. For example we could collect statistics on the cost per client served and whether the treatments seem to be working just by checking to see if they have had to return or not. Cost savings might be qualitative rather than in dollars going back to the general fund.

Mr. Tom Freier of the ND Dept of Transportation testified in support of HB1035. (meter Tape#1, side B, #21) Mr. Freier distributed handout #6-4 (attached) and said that he believed in accountability based on Agency outcomes and customer service. His Agency has a strategic plan which is very precise and developed for the employees of the Agency. Implementation of the plan is measured because "What gets measured, gets done." DOT does a new strategic plan annually and removes those projects that were accomplished. DOT already has many performance measures in place and has a "performance measure report card" listing the 5 goals of the strategic plan. This is a brief document that is used to see how well DOT is doing regarding customer satisfaction. Mr. Feier commented that if you have limited resources, you need to use them where they are most needed. If you can accomplish this, you are succeeding as an Agency.

Rep. Jeff Delzer commented that State Agencies often look on the Legislature as being "uninformed." He asked if this process gave DOT a better understanding of what direction the Legislature would like the Agency to go?

Mr. Freier answered that DOT has always been an Agency who believed in sharing information encouraged others to become involved in the process with them as the more people you collaborate with, the more informed your decision will be.

Rep. Jeff Delzer commented that as it stands now, the Agencies tell us what they want to do. He questioned what would happen if the Legislature would disagree with the direction of the Agency. Would an open-minded Agency still want the involvement of the Legislature?

Mr. Freier answered yes and explained that State Agencies should always be looking for new perspectives that give an alternative opinion regarding the setting of goals.

Rep. Eliot Glassheim stated that he was impressed that the Agency wanted to meet its "legal, ethical and professional obligations" (referring to handout 6-4), and cautioned that the Legislature should keep this in mind as well as there is potential for conflict between the Agencies and the Legislature in setting goals. Rep Glassheim questioned if there was a way to avoid this potential conflict or what could be set in place in the process that would minimize the potential.

Mr. Freier answered that DOT saw this as an opportunity rather than a roadblock.

Mr. Robert Potts of the ND University System testified in support of HB1035. Mr. Potts distributed handout # 6-5 (attached). Mr. Potts reviewed his written testimony and explained the performance measures used within the ND University System. Mr. Potts offered to speak with any representatives concerning this system.

There were no opponents to HB1035.

Rep. Ken Svedjan, Chairman closed the hearing on HB1035.. (meter Tape #1, side B, #43.6)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1035

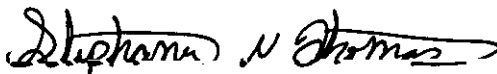
House Government Performance Division

Conference Committee

Hearing Date January 26, 2005

Tape Number	Side A	Side B	Meter #
1	X		1-End
		X	1-3918

Committee Clerk Signature



Minutes: **Chair Carlson** opened the hearing on HB 1035, relating to information included in the executive budget; and to provide an appropriation.

Chair Carlson: Discussion of bill section by section. (SEE HB 1035)

Rep. Glassheim: I see the major emphasis is section 1, is evaluating and assessing agency performance, and effective and proficient measurements. There needs to be something that gets at quality measures, and accomplishing the purpose of the agency measures.

Rep. Skarphol: Could you give us an example?

Rep. Glassheim: In another state they did something where before their performance measures, the Highway Patrol was evaluating themselves in terms of the number of tickets written, or the number of miles patrolled. When they switched the performance measures, they switched to the goal of safe highways. Then you were measuring your performance by a different standard than earlier ones. The performance measures were not only used to evaluate agencies, but to change the focus and to say, what is it we're trying to accomplish. Have we got the right goals?

Chair Carlson: You can look at performance in two ways, did you spend all the money, and did the money you spend get the results your looking for? We need to change the mindset to the result, and not the money. Is it a hammer, or is it a reporting device? It could be both.

Gordy Smith, State Auditor: As far as this goes, typically the word effective, as used in performance measurements, is trying to look at the quality of what your trying to do. The word efficient is going to try to measure how you did that.

Rep. Glassheim: Efficient then is not a cost per unit?

Gordy: Exactly. You would look for a cost per unit, if you could. Typically in state government, if you look at performance measures, the majority that we saw were more effectiveness measures, to tell how we are achieving our goals. Not as many of them were efficiency ones, because sometimes those are hard to come up with.

Rep. Skarphol: If you read the further explanations, where they talk about numeric values, I can see where an agency would look at this and say how do I do this. My vision of this would be that this would be able to be compiled in a rather short form, with the numeric values you've accessed, but than have some kind of appendix that would give you a little further explanation.

Gordy: I agree. The more measures, or the lower level that the committee or legislators want to get to, the bigger the risk that your going to end up with a document this thick that your going to have a tuff time finding your way through.

Chair Carlson: That would be shown in the measure, and the data?

Gordy: That's exactly right.

Chair Carlson: There's a package that the state owns in the people soft program, and what is the name of that?

Curt Wolf: Enterprise Performance Management

Chair Carlson: Have you seen that, or had any experience with that?

Sheila, OMB: The budget portion in EPM is still not working.

Chair Carlson: Can't get it working, or we haven't bought it?

Sheila: We bought it, and Higher Education, in our office, has been working over a year to get it working.

Curt: It is embedded in the EPM product, which is a very small piece of the total functionality of what's it that particular system.

Rep. Monson: If you've been working on trying to get this going for over a year, have you been getting help from the people soft help desk, or help line?

Curt: I'm unprepared to answer that question, because I was unaware that we were having problems implementing the software.

Chair Carlson: Where have you been going for help?

Sheila: When we signed the original contract, with people soft and maximus, the budget module was embodied in the financial scheme of the people's software. After we started our implementation, it got moved over to the EPM module. When we initially entered into our agreement with people soft and maximus to implement people soft, the budget module was in the financial module. After we started this process, they moved budget over to EPM, so it was a brand new untested event.

Rep. Skarphol: Are you saying the budget preparation module is what your talking about here, that isn't working for you the way you'd hoped?

Sheila: That is correct.

Rep. Skarphol: Hadn't you not originally thought about not utilizing that portion of people soft, because it didn't interface?

Sheila: We have always assumed that we would continue with bars, and utilize the people soft budget module for the preliminary work that the agencies do, or annual budgets.

Rep. Skarphol: Do you have to reenter data between people soft and bars?

Sheila: No. The accounting numbers and payroll numbers all come in from people soft.

Chair Carlson: When you prepared your budget this time, you sent some performance measure requests out when you did your budget proposal narrative, give us your reaction to that?

Sheila: I think some were very good, and some not. I think a lot of agencies who were in the process of their strategic plan, and chose not to provide the old measures and goals.

John Gray, Job Service: I'm pleased that your considering HB 1035. I've been a long time manager, one struggle is the response to the statutes that govern your operation.

Rep. Skarphol: I liked your comments. Performance and accountability just doesn't pertain to you folks in the agencies. It should pertain to us equally. We need to decide are there any changes to be made to the bill. Beginning on line 9, is there a reason why we don't have language that says in consultation or with the advise of state agencies?

Allen Knudson, Legislative Council: There needs to be one agency that is responsible for overseeing the system.

Rep. Glassheim: It appears that you can have 6 additional members of the house appointed, who can vote. I don't know about having a committee with varying members, and voting at different times.

Chair Carlson: The logic behind it, for example, if we're dealing with the Department of Human Services, if whoever chairs that section is not on the committee, we thought that they should have an opportunity to have some input in the process.

Rep. Glassheim: Do you think they should have a vote, or will they be equally effective if they were at the table?

Chair Carlson: They all got elected to the office of the House of Representatives, or the Senate. Therefore, why could they vote in their regular committee, but not in this one.

Rep. Monson: I can see where it would be very cumbersome. Somebody may object to who was invited and say I'm an expert, I know more about that than the people you invited.

Chair Carlson: Does your agency have a strategic plan?

Commissioner Rick Clayburgh: We don't call it a strategic plan, but it ties in with our technology in a number of areas. It's written out, a game plan we follow.

Rep. Skarphol: I also think it's appropriate that I make comment about the fact that in the technology thing, we need a strategic plan, then a business plan that shows how you're going to implement that strategic plan, then a technology plan that shows how you're going to implement your business plan.

Chair Carlson: Do you remember what agencies got that request for performance measures?

Sheila: We sent them out to everybody.

Rep. Skarphol: Is the money in the Governor's budget?

Chair Carlson: There's no money in the Governor's budget.

Rep. Glassheim: Could the agencies give me a preliminary sense of what we're asking to do, and what does it mean to them?

Arvy Smith: I may have some background in strategic planning. We went through a strategic planning process, and we did contract with someone to help us. I was frustrated with strategic planning consultants, because we get so off on doing new things and addressing issues, and all kinds of things, that we don't get back to what are we supposed to be doing, and how well are we doing it. We're in a position where we think we're going to attempt to do it internally. From that point we would not have added costs.

Chair Carlson: If you spent 3 million dollars on tobacco sensation, you could tell me how you spent it, and relating to any national information or survey, you could say that we assume that smoking is down 5% among high school students.

Arvy: We do collect that through a certain survey that is done annually, we collect smoking rights.

Chair Carlson: How do you report it now?

Arvy: It's based on national estimates.

Rep. Glasheim: You talked about not having to spend money on consultants. What kind of hours is your staff going to have to go through, that they could be doing something else, in order to accomplish these measures?

Arvy: We would have a team of around a dozen people of our leaders to bring in the appropriate people to get a good level of input.

Rep. Skarphol: How many employees in your department?

Arvy: 314 FTE.

Rep. Glasheim: I think what Arvy's trying to tell you is, if you take the traditional unit behavior measures, they can get them pretty easily. But what we really want here, that you say

the public wants, the results, is are we lower cancer rates. We have no way to measure that, or the measure takes ten years to show the effect of what you did last year.

Gordy: There are those departments, or those functions, where it is going to take a long time in order to see a benefit, but some of the data called for looks at trend data.

Commissioner Clayburgh: I appreciate what your trying to do, and what the legislature is trying to do in looking at accountability.

Irish Linnertz, DPI: You asked the cost of an agency to do strategic planning. DPI has been involved in strategic planning for many years. We've tried everything. We've tried total quality management, we've tried teaming, we've tried all kinds of things. We're currently in the third year of a five year plan, that we're very happy with. It has been developed with the assistance of a consultant. Where we have the need is probably in defining, what you are referring to as performance indicators, or performance measurements.

Rep. Glassheim: So it wouldn't have any particular additional cost to what your doing now for senior management meetings and general strategic planning?

Irish: We do have a consultant come in once or twice a year to help assess us on our goals, to see if we have to revisit or realign our plans.

Rep. Glassheim: On section five, on the data, the performance measures proposed so the agencies have to propose performance measures, and they must provide the data necessary to assess performance. I'd like to read something relevant to data. Some of my reading on performance measures, someone's identified something called MacNamaras Fallacy. It's based on the human psychology that what does not get counted does not count. There are four steps when performance measures are not carefully drawn. The first step is to measure what can be

easily measured. The second step is to disregard that which can't be easily measured, or to give it an arbitrary quantitative value. This is artificial and misleading. The third step is to presume that what can't be measured easily, isn't important. This is blindness. The fourth step is to say that what can't be easily measured, doesn't exist. This is suicide. I'm just concerned that as we do this, we not commit suicide, or any of those things, and that we don't go to what's easily measured.

Sheila: The EPM module, one is the performance one, and another is the budget. The performance and the budget ones are not linked.

Chair Carlson: Would you think it would be better if they were linked, or not linked, or left alone from a budgeting standpoint?

Sheila: I think I would like to continue to have that data in bars. The people soft budget module does have an application, for the agencies internally. I don't ever see it replacing bars, and recording of the document of the information as it is important to you.

Rep. Skarphol: I think that if the information is in the budget section of bars, and also available in people soft, then I would expect that the performance measurement module would have access to the numbers to where it could do what it's designed to do in evaluation to what's going on. I suspect that the performance measure module is dependent on full implementation of the financial aspect. You think not?

Sheila: No, it's not.

Closed Hearing.

*Gout Performance
1035*

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date January 27, 2005

Tape Number	Side A	B Side	Meter #
1		X	3250-End
2	X		1-2900

Committee Clerk Signature

Stephanie N. Sherman

Minutes: **Chair Carlson** opened the general discussion hearing on HB 1035, relating to information included in the executive budget; and to provide an appropriation.

John Graham, Job Service North Dakota: (SEE WRITTEN TESTIMONY)

Chair Carlson: Has this been an ongoing process for you, or is it relatively new?

John: We do that every year and a half. I've been at the agency 3 ½ years, and we've done this every year since I've been here.

Rep. Monson: Do you share this with any other agencies, or as far as you know, your the only agency that uses this?

John: The only place we've shared it with was the interim committee.

Chair Carlson: Do you have someone with expertise in strategic planning on your staff?

John: We do. It's expertise that's growing.

Rep. Skarphol: What is it that prompted you to get inspired to continue to do this?

Larry Anderson: Commitment of the leadership of the senior planning team, I think is the impetus behind us becoming a planning organization.

Rep. Skarphol: With the commitment that you have, how's that translated into benefiting your business?

Larry: This is more than just a piece of paper, it guides the actions that we take. The strategic business plan identifies those things which are critical to the future success of Job Service North Dakota.

Rep. Skarphol: How far down your management chain do you think this inspires?

Larry: I believe that it goes to the very lowest levels in the organization.

Rep. Skarphol: From your perspective, is your agency unique and different enough that it can benefit more from this process, and some other agencies would be able to?

John: It's that our federal funding sources are shrinking. We have to work smarter, and more efficiently and effectively, because we're shrinking.

Rep. Skarphol: If the three of you were charged with the task of doing this for the state of North Dakota, is that in any way shape or form realistic?

John: We'd have to have legislative input.

Rep. Glassheim: I'm concerned about the bill, to the extent that we're imposing from outside on agencies. Is there anything you see in here about interference and outside positions?

John: You need to have some fundamentals established first.

1035

Arvy Smith: (SEE WRITTEN TESTIMONY)

Rep. Skarphol: If you and I were doing this, and I was the dictator, and I said I want you to assign a number 1-10 to each of these categories that you have listed to your satisfaction with them, and you did that in an honest fashion, then I looked at it and said well, chronic disease, you only have a 6, why is that, and you could say why it was. Would that not be some means for us to judge whether or not your happy with how your agency is running, whether it's achieving what your expectations are of it?

Arvy: There are details that play into these. There are a lot of different programs that come in to impact.

Chair Carlson: Do you do any strategic planning in your office?

Arvy: We started a couple of years ago, and we have a draft document that did not get finalized, but we do actually use that draft document and have accomplished several of the things on it.

Chair Carlson: Did you hire someone to help you, or did you do it on your own?

Arvy: The first one we had hired a consultant, and now we plan to move ahead on our own with maybe someone to come in and help facilitate the meetings.

Rep. Monson: I'm no expert on setting up strategic plans, but it seems to me like you said you have six schools, and one goal per section. You've got 15-20 objectives, and 15-20 measures. That seems like an awful lot. I can see where that would get cumbersome.

Arvy: We do a lot of different things. I thought that in environmental health, I'm going to need to measure air, land, and water. In health resources, I'm going to look at our health care providers, and our food and lodging establishments.

1037

Rep. Skarphol: I think that your perception and my perception of expectations are very different. I want to know what you think you do well, and moderately well, and what you think you can improve on, and what it would take to do that?

Dr. Wayne G. Sanstead, State Superintendent: (SEE WRITTEN TESTIMONY)

Jeff Weispfennig, Deputy Agriculture Commissioner. (SEE WRITTEN TESTIMONY)

Chief Carlson: Is that a statutory requirement on your part?

Jeff: I believe that it is. There are a number of agencies required to do biennial reports.

Hearing Closed.

Govt Performance 1035

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 10, 2005

Tape Number	Side A	B Side	Meter #
1	X		950-End
		X	1-1290
2	X	X	600-End/1-800

Committee Clerk Signature *Stephanie W Thomas*

Minutes: **Chair Carlson** opened general discussion on HB 1035, relating to information included in the executive budget; and to provide an appropriation.

John Graham, Job Service ND: Discussion of proposed amendment. (SEE PROPOSED AMENDMENT HANDOUT)

Rep. Monson: On this bill here where you insert any performance audit or analysis carried out pursuant to this subsection shall not be at the agencies for departments expense. Is that going to trigger a fiscal note here, or are we going to have to put money in those budgets in case that happens?

1035

Allen Knudson, Legislative Council: I believe that both the State Auditor and OMB have looked at this bill before, and the appropriations at the end were meant to cover all that. I don't believe they intended on charging the agencies for those types of things.

Rep. Skarphol: The deletions that you made to section 5, the very last sentence that you deleted which says an elected official that objects, I think the intention of what was probably implied in that is good. The language is bad as you said, but I think there does need to be a provision that addresses that somehow. In other words, if they've developed what they believe was their system for doing it, and there is a recommendation that it's not good enough, they ought to have an avenue to at least address their concerns. How do we accomplish that?

John: I would agree, except that I took that language out, because I had taken out previously the language about making those revisions.

Rep. Glassheim: I think he took that sentence out, because he took out our power to force revision. It takes out our hammer to submit proposed things, and we revise them. Therefore you don't need to protect the executive heads, because we won't be hammering them to revise we'll be discussing with them.

Rep. Skarphol: Section 5 says each executive branch agency and department, it doesn't require that state elected officials do this.

Allen: They would be included in that language.

Tom Freir, DOT: Discussion of proposed amendment. (SEE PROPOSED AMENDMENT HANDOUT)

Discussion of Amendments.

(SEE AMENDMENTS 50060.0402, 50060.0403, 50060.0401)

1035

Recessed until after floor session.

Reconvened General Discussion on HB 1035.

(DISCUSSION OF ALL PROPOSED AMENDMENTS)

Rep. Monson: In the one that Job Service developed here, it doesn't say that they wouldn't be able to make it consistent, at least to some extent. It says OMB is going to oversee the development improvement of Government Performance and Accountability system. I would think they would give them some guidance on that, and try to keep them pretty much consistent.

Rep. Skarphol: If we knew what we wanted right now from every agency, I could see us demanding a certain type of format that we've defined. Somebody has to present us with a format for us to critique.

Chair Carlson: That leads to the part where we decided that it would probably be smartest to have somebody come in and assist these agencies to do that. That in itself would hopefully bring about some consistency to the process.

Rep. Skarphol: As a compromise we could leave section 1 as it is, section 2 the definitions, and create a new section following, that discusses in some fashion methodology. We still give OMB the primary responsibility in keeping the focus.

Rep. Glassheim: Is there one additional sentence that could say what your aiming for? If the agencies aren't doing it, someone has to nudge them along.

Allen: To get the input from the agencies you could put something to the effect that OMB shall consult with several state agencies as it develops the system. That way OMB needs to involve the agencies on the front end of putting the system together.

Closed General Discussion Hearing.

*Govt Performance
1035*

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 14, 2005

Tape Number

1

Side A

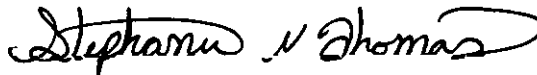
X

B Side

Meter #

4415-5040

Committee Clerk Signature



Minutes: **Chair Carlson** opened general discussion on HB 1035, relating to information included in the executive budget; and to provide an appropriation.

Rep. Skarphol: I move Amendment 0404.

Rep. Monson: Second.

Discussion of Amendment. **(SEE AMENDMENT 50060.0404)**

Chair Carlson: Voice vote on Amendment 0404, amendment passes.

Rep. Skarphol: I would move HB 1035 do pass, as amended.

Rep. Monson: Second.

HB 1035 is a do pass, as amended.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1035
Government Performance and Accountability System

House Appropriations Full Committee

Conference Committee

Hearing Date February 15, 2005

Tape Number	Side A	Side B	Meter #
1	X		#0 - #19.5

Committee Clerk Signature *Chris Alexander*

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on HB1035.

Rep. Al Carlson explained that this bill sets up a performance measurement system for state government. We didn't want this to be a paper chase and we wanted to focus on results so we could be a results based government. This had an interim study with 2 private citizens, the auditor's office, OMB, and legislators, involved the writing of this bill. Amendment #0404 changes "data" to "indicators" to account for measures that can't be counted numerically.

Another change dealt with the concern that the private citizens on this committee should have experience in developing and implementing goals and objectives in a large organization.

Another change was on page 2 concerning the make up of the committee where we made it 4 members from each chamber of the legislature and at least one member from each political party.

We also added that the committee may accept and use gifts, grants or assistance to accomplish its purposes. We added this because so that foundations could come in to help us do a study or

whatever we needed. On page three we put in a section that admits that all agencies may not have numeric data on some of their major activities, but they can still report to the committee about how they work. Regarding the veto power in this process we changed the language to say that an elected official may make recommendations for changes to their goals, objectives, or performance indicators. We also cleaned up language regarding whether the division is an agency or something else. Page 4, line 16, we changed the reporting date to read every other year before the session. The biggest change in the bill is that we removed the appropriations for OMB, the auditor, and for legislative council. We replaced the \$200,000 to \$100,000 in the budget for OMB and stated that the consultant should train agency personnel and assist them in developing strategic plans and performance measures to comply with these requirement. We thought it best to bring in a consultant for training on how to set all this up and get the results we are looking for rather than putting staff in at each agency or department to accomplish this.

Rep. Al Carlson moved to adopt amendment #0404 to HB1035.

Rep. Bob Skarphol seconded.

Rep. Ken Svedjan, Chairman asked if the only change in appropriations was in section 13 where you have reduced it from \$200,000 to \$100,000 for contracted services.

Rep. Al Carlson answered that they also removed page 9 lines 3-12 so the only money left in the bill is the \$100,000.

Rep. Ken Svedjan, Chairman commented that the fiscal note of over \$400,000 is now down to \$100,000

Rep. Al Carlson agreed and stated that as we work this process through the Senate we hope to look at a pilot of 4-6 agencies instead of half of them. We hope that we can get this system up

and going. Rep Carlson read from a magazine regarding a pilot program that was tried once before and was discontinued but stated that the state was ready to try again. This is not new to the state, and focusing on results and giving the agencies more direction on how to do this work will help it to succeed.

Rep. Ole Aarsvold commented that this would be an important tool for the Executive Branch and asked if there was a reporting process in here whereby we would share this information with them (meter Tape #1, side A, #8.9)

Rep. Al Carlson answered yes, that this information would be shared through the budgeting process. We tried to trim this down to make sure that doesn't become a paper chase.

Rep. Jeff Delzer asked if these amendments were taking the legislative decision making on the goals and objectives away to replace them with recommendations, and if so, why.

Rep. Al Carlson answered that this was a major point of contention in the interim. Are we going to allow the managers to manage and should we have the veto power if we do not like the direction they are going. The legislators like to have oversight and the elected officials want to have the option to determine the direction of their agency. In a perfect world we would have the veto power, but the bill does not say that today.

Rep. Ken Svedjan, Chairman commented that this isn't a "We Vs they" but more of a partnership so the recommendation language fits here. There is an increasing willingness on the part of the state government to work with us on this so to the extent that the interim committee can look at measures and make recommendations on how they could be changed, there can be an element of collaboration here that will work.

Rep. Ralph Metcalf commented that it is important to work with the agency to help them get better rather than be demanding of them and say that they will do it our way. (meter Tape #1, side A, #11.9)

Rep. Ken Svedjan, Chairman asked about the People Soft software package

Rep. Al Carlson answered that there is a software package out there called "Enterprise Performance Management" and it can be laid over the modules we already have the rights to and they will train all of us on how to use it.

Rep. Ken Svedjan, Chairman commented that we could electronically manage the data and the production of this through this system so it will cut down on the paper. Also what this can do as far as capabilities and production will make this a very valuable tool.

Rep. Bob Skarphol commented that agencies are already calling and asking to be a part of the implementation of this software because they have to comply with federal regulations on performance and they need a tool to do this.

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to adopt amendment #0404 to HB1035. Motion carried.

Rep. Al Carlson moved a Do Pass As Amended motion to HB1035.

Rep. David Monson seconded.

Rep. Eliot Glassheim commented that this process takes 5-10 years to develop and get people on board so we need to be patient. We should also be careful of the "McNamara Effect," where you only notice what you are measuring. Be careful not to focus only on what you count because you may be counting the wrong things. We need to look beyond what we can count as well.

Also we need to train the legislators on this way of thinking.

Rep. Ken Svedjan, Chairman answered that both NDSL and the Urban Institute have offered to do the training for this and the legislators will be a part of that.

Rep. Eliot Glassheim commented that we need measure our own performances as well and adopt overall goals for the state about how we are doing and where we are going in order to help set priorities that would in turn help direct the work of the agencies.

Rep. Pam Gulleon commented that we need to be consistent and require actions on directions and then follow up on these requirements, like the octagon report from WSI. (meter Tape #1, side A, #17.2)

Rep. Al Carlson commented that in many cases we have dropped the ball on the follow up part of this. We need to set benchmarks and go back to them from time to time and see where we are.

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Pass As Amended motion on HB1035. Motion carried with a vote of 22 yeas, 1 nea, and 0 absences. Rep Carlson will carry the bill to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on HB1035.

FISCAL NOTE
 Requested by Legislative Council
 04/25/2005

Amendment to: Engrossed
 HB 1035

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: Pam Sharp
 Phone Number: 328-4606

Agency: OMB
 Date Prepared: 04/25/2005

FISCAL NOTE
Requested by Legislative Council
02/17/2005

Amendment to: HB 1035

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$100,000	\$0	\$100,000	\$0
Appropriations	\$0	\$0	\$100,000	\$0	\$100,000	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: Pam Sharp
Phone Number: 328-4606

Agency: OMB
Date Prepared: 02/17/2005

FISCAL NOTE
 Requested by Legislative Council
 12/17/2004

Bill/Resolution No.: HB 1035

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures	\$0	\$0	\$404,859	\$0	\$440,000	
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

This fiscal note reflects the amounts identified in Sections 13, 14, and 15 of this bill.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

OMB \$ 50,000 - operating
 150,000 - salary 1.00 FTE general fund

State Auditor \$ 89,668 - salary 1.00 FTE general fund

Leg Council \$115,191 - salary 1.00 FTE general fund

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name: Pam Sharp
 Phone Number: 328-4606

Agency: OMB
 Date Prepared: 12/20/2004

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1035

Page 1, line 8 remove "and accountability"

Page 2, line 17, after the underscored period insert "Any citizen members appointed must have demonstrated experience in developing or implementing goals and objectives in a large organization."

Page 2, line 22, replace "up to three" with "four"

Page 2, line 23, after "representatives" insert ", no more than three of whom may be from the same political party.", replace "up to three" with "four", and after "senate" insert "no more than three of whom may be from the same political party."

Page 3, line 2, after "by" insert "developing and reviewing statewide performance goals, objectives, and performance measures and by"

Page 3, line 3, after "assess" insert "the effectiveness of the state's progress in achieving its statewide performance goals and"

Page 3, line 9, remove "proposed"

Page 3, after line 11, insert:

"SECTION 5. Statewide performance goals. The legislative assembly, considering recommendations of the governor and the legislative council shall adopt up to nine statewide performance goals and related objectives and performance measures."

Page 3, line 14, remove "proposed"

Page 3, line 16, remove "proposed"

Page 3, line 19, remove "proposed"

Page 3, line 20, replace "and the" with ". The office of management and budget shall present the biennial goals and objectives and related performance measurement data for each executive branch agency and department to the government performance and accountability committee. The government performance and accountability committee may make recommendations for changes to the biennial goals, objectives, and related performance measurement data presented by the office of management and budget."

Page 3, remove lines 21 through 25

Page 3, line 27, remove "or government performance and accountability committee"

Page 4, line 11, replace "annual" with "biennial"

Page 4, line 15, replace "annual" with "biennial"

Page 4, line 16, replace "available by September first of each year and be provided to the government" with "presented to the budget section of the legislative council by October thirty-first of each even-numbered year"

Page 4, remove line 17

Page 4, line 18, remove "succeeding legislative assembly"

Page 4, line 20, after "results" insert "for validity and reliability"

Page 5, line 1, after "agency" insert "that may assist it in achieving its goals and objectives or"

Page 5, after line 5, insert:

b. A review by the office of management and budget of the agency or program goals, objectives, and performance measurement data."

Page 5, line 6, replace "b." with "c."

Page 5, remove line 7

Page 8, line 24, remove "to be presented to the government performance and accountability"

Page 8, line 25, remove "committee"

Page 9, line 1, after the comma insert "including training for state agency personnel to assist them in implementing the government performance and accountability system,"

Page 9, line 11, after the first comma insert "including training for legislators on the government performance and accountability system,"

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1035

Page 1, line 13, after "activities" insert "by providing written strategies and related indicators to measure agency performance"

Page 2, line 1, replace "data" with "indicators"

Page 2, line 11, after "**participation**" insert "- **Acceptance and expenditure of funds**"

Page 2, line 28, after the underscored period insert "The committee may accept and use gifts, grants, or assistance to accomplish its purposes."

Page 3, line 3, replace "data" with "indicators and by receiving public input regarding state agency performance and accountability"

Page 3, line 9, replace "data" with "indicators"

Page 3, line 10, replace "data" with "indicators"

Page 3, line 12, replace "data" with "**indicators**"

Page 3, line 14, replace "data" with "indicators"

Page 3, line 16, after "provide" insert ", to the extent possible."

Page 3, line 18, after the underscored period insert "An agency or department that does not have assessment data available for a major activity of the agency or department shall provide an explanation of the reasons for the lack of assessment data."

Page 3, line 20, replace "data" with "indicators"

Page 3, line 22, replace "data" with "indicators"

Page 4, line 8, replace "data" with "indicators"

Page 5, line 13, replace "data" with "indicators"

Page 7, line 19, replace "data" with "indicators"

Page 8, line 24, replace "data" with "indicators"

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1035

Page 8, line 30, replace "\$200,000" with "\$100,000"

Page 9, line 1, replace "administering" with "contracting with a consultant to train agency personnel and to assist agencies and departments in developing strategic plans and performance measures to comply with"

Page 9, remove lines 3 through 12

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment reduces the appropriation to the Office of Management and Budget from \$200,000 to \$100,000 and provides that the funding be used to hire a consultant to train state agency personnel and to assist state agencies to develop their strategic plans and performance measures.

The appropriations to the State Auditor and Legislative Council for costs associated with provisions of the bill are removed.

February 10, 2005

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1035

Page 1, line 13, after "activities" insert "by providing written strategies and related indicators to measure agency performance"

Page 2, line 1, replace "data" with "indicators"

Page 2, line 11, after "**participation**" insert "- **Acceptance and expenditure of funds**"

Page 2, line 14, replace "no more than three of whom may be from the" with "at least one from each"

Page 2, line 15, remove "same" and replace "no more than three of whom may be" with "at least one"

Page 2, line 16, replace "the same" with "each"

Page 2, line 17, after the underscored period insert "Any citizen member appointed must have demonstrated experience in developing or implementing goals and objectives in a large organization."

Page 2, line 22, replace "three" with "four"

Page 2, line 23, after "representatives" insert "at least one from each political party", replace "three" with "four", and after "senate" insert "at least one from each political party"

Page 2, line 28, after the underscored period insert "The committee may accept and use gifts, grants, or assistance to accomplish its purposes."

Page 3, line 3, replace "data" with "indicators and by receiving public input regarding state agency performance and accountability"

Page 3, line 9, replace "data" with "indicators" and remove "proposed"

Page 3, line 10, replace "data" with "indicators"

Page 3, line 12, replace "data" with "indicators"

Page 3, line 14, remove "proposed" and replace "data" with "indicators"

Page 3, line 16, remove "proposed" and after "provide" insert ", to the extent possible."

Page 3, line 18, after the underscored period insert "An agency or department that does not have assessment data available for a major activity of the agency or department shall provide an explanation of the reasons for the lack of assessment data."

Page 3, line 19, remove "proposed"

Page 3, line 20, replace "data" with "indicators" and remove "office of management and budget and the"

Page 3, line 21, replace "and shall make revisions" with ". The government performance and accountability committee may make recommendations for changes to an agency's or department's biennial goals, objectives, and related performance measurement indicators."

Page 3, remove lines 22 through 25

Page 3, line 26, replace "approval by" with "review by"

Page 3, line 27, remove "or government performance and accountability committee"

Page 3, line 21, after "agency" insert "or department"

Page 4, line 3, after "agency" insert "or department"

Page 4, line 4, after "agency's" insert "or department's"

Page 4, line 7, after "agency" insert "or department"

Page 4, line 8, replace "data" with "indicators"

Page 4, line 9, after "agency's" insert "department's"

Page 4, line 11, replace "an annual" with "a biennial"

Page 4, line 15, remove "annual"

Page 4, line 16, replace "available by September first of each year and be provided to the government" with "presented to the budget section of the legislative council by October 31, of each even-numbered year"

Page 4, remove line 17

Page 4, line 18, remove "succeeding legislative assembly"

Page 4, line 20, after "agency" insert "or department" and after "results" insert "for validity and reliability"

Page 4, line 26, after "agency's" insert "or department's"

Page 4, line 28, after "agency's" insert "or department's"

Page 5, line 1, after "agency" insert "or department that may assist it in achieving its goals and objectives or"

Page 5, line 5, after "agency" insert "or department"

Page 5, after line 5, insert:

b. A review by the office of management and budget of the agency, department, or program goals, objectives, and performance measurement indicators resulting in recommendations to improve the agency's or department's performance results."

Page 5, line 6, replace "b." with "c." and after "agency" insert "or department"

Page 5, remove line 7

Page 5, line 13, replace "data" with "indicators"

Page 7, line 19, replace "data" with "indicators"

Page 8, line 24, replace "data to be presented to the government performance and accountability" with "indicators"

Page 8, line 25, remove "committee"

Page 8, line 30, replace "\$200,000" with "\$100,000"

Page 9, line 1, replace "administering" with "contracting with a consultant to train agency personnel and to assist agencies and departments in developing strategic plans and performance measures to comply with"

Page 9, remove lines 3 through 12

Renumber accordingly

Date: Feb 14, 2005
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1035

House *Government Performance* Committee

Check here for Conference Committee

Legislative Council Amendment Number *50060.0404*

Action Taken *DO PASS, AS Amended*

Motion Made By *Rep Skarphol* Seconded By *Rep Monson*

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlson	X		Rep. Glassheim	X	
Vice Chairman Skarphol	X				
Rep. Monson	X				

Total (Yes) *4* No *0*

Absent *0*

Floor Assignment *Chair Carlson*

If the vote is on an amendment, briefly indicate intent:

Date: **February 15, 2005**
Roll Call Vote #: **1**

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1035

House Appropriations - Full Committee

Check here for Conference Committee

Legislative Council Amendment Number **50060..0404**

Action Taken **DO PASS AS AMENDED**

Motion Made By **Rep Carlson** Seconded By **Rep Monson**

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer	X	
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleson	X		Rep. James Kerzman		X
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	X				

Total Yes **22** No **1**

Absent **0**

Floor Assignment **Rep Carlson**

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1035: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (22 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1035 was placed on the Sixth order on the calendar.

Page 1, line 13, after "activities" insert "by providing written strategies and related indicators to measure agency performance"

Page 2, line 1, replace "data" with "indicators"

Page 2, line 11, after "participation" insert "- Acceptance and expenditure of funds"

Page 2, line 14, replace "no more than three of whom may be from the" with "at least one from each"

Page 2, line 15, remove "same", after "party" insert an underscored comma, and replace "no more than three of whom may be" with "at least one"

Page 2, line 16, replace "the same" with "each"

Page 2, line 17, after the underscored period insert "Any citizen member appointed must have demonstrated experience in developing or implementing goals and objectives in a large organization."

Page 2, line 22, replace "three" with "four"

Page 2, line 23, after "representatives" insert ", at least one from each political party," replace "three" with "four", and after "senate" insert ", at least one from each political party,"

Page 2, line 28, after the underscored period insert "The committee may accept and use gifts, grants, or assistance to accomplish its purposes."

Page 3, line 3, replace "data" with "indicators and by receiving public input regarding state agency performance and accountability"

Page 3, line 9, replace "data" with "indicators" and remove "proposed"

Page 3, line 10, replace "data" with "indicators"

Page 3, line 12, replace "data" with "indicators"

Page 3, line 14, remove "proposed" and replace "data" with "indicators"

Page 3, line 16, remove "proposed" and after "provide" insert ", to the extent possible,"

Page 3, line 18, after the underscored period insert "An agency or department that does not have assessment data available for a major activity of the agency or department shall provide an explanation of the reasons for the lack of assessment data."

Page 3, line 19, remove "proposed"

Page 3, line 20, replace "data" with "indicators" and remove "office of management and budget and the"

Page 3, line 21, replace "and shall make revisions" with ". The government performance and accountability committee may make recommendations for changes to an agency's or

department's biennial goals, objectives, and related performance measurement indicators."

Page 3, remove lines 22 through 25

Page 3, line 26, replace "approval" with "review"

Page 3, line 27, remove "or government performance and accountability committee"

Page 3, line 31, after "agency" insert "or department"

Page 4, line 3, after "agency." insert "or department"

Page 4, line 4, after "agency's" insert "or department's"

Page 4, line 7, after "agency" insert "or department"

Page 4, line 8, replace "data" with "indicators"

Page 4, line 9, after "agency's" insert "department's"

Page 4, line 11, replace "an annual" with "a biennial"

Page 4, line 15, remove "annual"

Page 4, line 16, replace "available by September first of each year and be provided to the government" with "presented to the budget section of the legislative council by October 31 of each even-numbered year"

Page 4, remove line 17

Page 4, line 18, remove "succeeding legislative assembly"

Page 4, line 20, after "agency" insert "or department" and after "results" insert "for validity and reliability"

Page 4, line 26, after "agency's" insert "or department's"

Page 4, line 28, after "agency's" insert "or department's"

Page 5, line 1, after "agency" insert "or department that may assist it in achieving its goals and objectives or"

Page 5, line 5, after "agency" insert "or department"

Page 5, after line 5, insert:

"b. A review by the office of management and budget of the agency, department, or program goals, objectives, and performance measurement indicators resulting in recommendations to improve the agency's or department's performance results."

Page 5, line 6, replace "b." with "c." and after "agency" insert "or department"

Page 5, remove line 7

Page 5, line 13, replace "data" with "indicators"

Page 7, line 19, replace "data" with "indicators"

Page 8, line 24, replace "data to be presented to the government performance and accountability" with "indicators"

Page 8, line 25, remove "committee"

Page 8, line 30, replace "\$200,000" with "\$100,000"

Page 9, line 1, replace "administering" with "contracting with a consultant to train agency personnel and to assist agencies and departments in developing strategic plans and performance measures to comply with"

Page 9, remove lines 3 through 12

Renumber accordingly

2005 SENATE APPROPRIATIONS

HB 1035

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1035

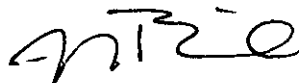
Senate Appropriations Committee

Conference Committee

Hearing Date 03/10/05

Tape Number	Side A	Side B	Meter #
1	x		2500-end
1		x	0-2662

Committee Clerk Signature



Minutes: **Chairman Holmberg** opened hearing on HB 1035.

Allen Knutson, Staff Legislative Council, appeared to explain the bill to the committee, stating that he was neither for nor against the bill. Mr. Knutson provided a brief overview of the bill by going over all 13 sections of the bill.

Rep. Carlson, District 41 appeared in support of HB 1035. Written testimony was provided see appendix I. Rep. Carlson spoke regarding performance measures and accountability reports.

Appendix II, of Rep Carlson's testimony included, an agency performance measures sheet from OMB, it included definitions of statutory authority, agency descriptions, agency mission statements, agency performance measures, major accomplishments, agency future critical issues, program objectives, program performance measures, program statistical data, explanation of program costs, an capitol projects and specific justification. Appendix III, of Rep Carlson's testimony is a copy of a performance report.

Sen. Fischer (4023): What would you use as a base line for the agencies? Quality has to fall into place, it can't just look at numbers, it also must look at quality, right?

Rep. Carlson: We have to hire FTE's with experience in data performance.

Chairman Holmberg: Some States that have looked at this, caution it, they say it is way to easy to make it unworkable. We need restraint on the number of indicators that will be measured.

This is being presented for better government, not to cut budgets for agencies.

Rep. Svedjan stated that in his organization (hospital) this type of performance measuring has helped the employees do their job better. He also stated that this bill is an attempt to help our agencies, do their jobs better, smarter and more cost efficient. The NCSL task force legislation for results, has offered to provide training, to Legislative Council, Legislators, and other agencies for one day at no cost. He also stated that this will not be a paper generator, and it would be implemented over the next two biennium's.

Sen. Fischer: Regarding the bench mark we should start with, how do we go about the mechanics of it?

Rep. Carlson: We first start with finance to find out where to start.

Pam Sharp, Director OMB appeared to testify on HB 1035. Ms. Sharp was a member of the interim committee, she does support the bill but has concerns regarding the funding level. She provided information regarding performance measures, this is located in the blue budget book. She stated that the OMB is heavily involved in this bill and if there is no money to implement it effectively, she asked for a DO NOT PASS.

Gordy Smith, Audit Manager appeared in support of HB 1035. Written testimony was provided and read verbatim, see appendix III. Mr. Smith stated that many states either have

already instituted a performance measurement system or in the process of doing so to allow decision-makers access to better information. A performance measurement system will improve accountability, as well as efficiency and effectiveness of operations.

Questions were raised regarding how ND can be compared with FL, discussion followed.

Kurt Wolf Chief Information officer State of ND appeared in support of HB 1035. Mr. Wolf made reference to the people who did the demonstration in the House of people soft. He stated to the committee that they are prepared to come back and give a demonstration on EPM or Enterprise Performance Management, the product we have the rights to use. Currently we have now plans to implement EPM or the budget to do so.

Tom Friar, DOT appeared in support of HB 1035. Stating that he is interested in this process, and supports the concerns that it could be counter productive. He also stated that they have been involved, and asked for changes to the bill on the House side, because there was too much detail which would cause agencies to do things that are more difficult to do. We would appreciate the opportunity to be involved as you consider these changes.

John Graham, representing **Job Service ND**, appeared in support of HB 1035. Written testimony was provided, along with suggested amendments, see appendix IV. He submitted another document that Rep. Carlson asked them to prepare, this document is also listed as appendix IV

Chairman Holmberg closed hearing of HB 1035.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1035

Senate Appropriations Committee

Conference Committee

Hearing Date April 14, 2005

Tape Number	Side A	Side B	Meter #
1	a		1,010

Committee Clerk Signature



Minutes:

Chairman Holmberg called the hearing to order on HB 1035 indicating this is the performance measure accounting data bill.

Senator Robinson moved a **Do Not Pass** on HB 1035, **Senator Kringstad** seconded. A roll call vote was taken resulting in **13 yes, 1 no, 1 absent**. The motion carried and **Senator Tallackson** will carry the bill.

Chairman Holmberg closed the hearing on HB 1035.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1035

Senate Appropriations Committee

Conference Committee

Hearing Date April 22, 2005

Tape Number	Side A	Side B	Meter #
a	1		0 - 581

Committee Clerk Signature



Minutes:

Chairman Holmberg called the committee meeting to order with the calling of roll. All were present. He indicated the OMB bill met last night and a number of amendments were offered. He asked for a motion to reconsider the action taken on HB 1035.

Senator Thane moved to reconsider our action of **DO NOT PASS** on **HB 1035**. **Senator Fischer** seconded. Discussion then took place.

Senator Christmann indicated when HB 1035 was in committee it was a 13 to 1 do not pass, but there are some merits in the bill and what he was hearing was it was bogged down by putting a lot of extra duties into OMB, the auditors office, and the legislative council with very little or no additional funding. What this hog house amendment would do is set that up as a pilot project with an interim committee. It would be like a study resolution. It eliminates any reference that it has to be a certain number of members. It would basically be the legislative council time for

Page 2
Senate Appropriations Committee
Bill/Resolution Number 1035
Hearing Date April 22, 2005

staffing it and the compensation. There would still be the OMB and State Auditors office membership on the panel. It will be up to the committee to work out the membership.

Senator Christmann moved passage of .0501 to HB 1035. Senator Fischer seconded.

Questions were raised about membership, perhaps this could be assigned to a regular interim committee at the discretion of the Legislative Council.

A voice vote was taken on the amendment. The motion carried.

Senator Christmann moved a DO PASS on HB 1035 AS AMENDED, Senator Andrist seconded. A roll call vote was taken resulting in 10 yes, 4 no and 1 absent. Senator Christmann will carry the bill.

Date 4/14/05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB ~~1033~~ 1035

Senate SENATE APPROPRIATIONS

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

D N P

Motion Made By Robinson Seconded By Kringstad

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER	/	
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG			SENATOR MATHERN	/	
SENATOR ANDRIST	/		SENATOR ROBINSON	/	
SENATOR CHRISTMANN		/	SEN. TALLACKSON	/	
SENATOR FISCHER	/				
SENATOR KILZER	/				
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes) 13 No 1

Absent 1

Floor Assignment Tallackson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
April 14, 2005 11:19 a.m.

Module No: SR-69-8137
Carrier: Tallackson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1035, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (13 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING).
Engrossed HB 1035 was placed on the Fourteenth order on the calendar.

**Senate Amendments to Engrossed HB 1035 (50060.0501) - Appropriations Committee
04/22/2005**

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a state government performance and accountability system pilot project.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL - GOVERNMENT PERFORMANCE AND ACCOUNTABILITY SYSTEM PILOT PROJECT. The legislative council shall assign, to an interim committee, responsibility to establish a government performance and accountability system pilot project involving up to three executive branch agencies during the 2005-06 interim. The interim committee may include representatives of the office of management and budget and the state auditor's office. The legislative council shall report its findings and recommendations, along with any legislation necessary to implement its recommendations relating to the pilot project, to the sixtieth legislative assembly.

SECTION 2. GOVERNMENT PERFORMANCE AND ACCOUNTABILITY SYSTEM PILOT PROJECT - GUIDELINES AND CRITERIA. Each executive branch agency selected for inclusion in the pilot project shall, with input from the legislative council's interim committee:

1. Prepare biennial goals and objectives and related performance measurement indicators for major programs of the agency or department. The performance measures must provide, to the extent possible, the data necessary to assess the performance of major activities of an agency, including a program's efficiency and effectiveness; and provide a comparison, to the extent appropriate, to other states' performance measures.
2. Establish, to the extent possible, a three-year to five-year strategic plan to guide its operations and activities. The strategic plan must include:
 - a. The mission, goals, and objectives of the agency or department.
 - b. Identification of the groups of people served by the agency and the results of any methodology used to assess and improve services.
 - c. The strategies and activities utilized to meet agency or department goals and objectives.
 - d. A general description of the agency's or department's sources and uses of funds.
 - e. Estimated future service requirements and the resources that may be necessary to meet those requirements.
 - f. External factors affecting services of the agency or department.
 - g. The performance measurement indicators developed under this Act used to evaluate and assess the agency's or department's performance.
3. Prepare, to the extent possible, a biennial performance report that summarizes its goals and objectives, compares performance results to

performance targets, provides explanations of any major variances between performance results and targets, presents multiyear trends in performance results, and, to the extent possible, provides comparisons to other states' performance results and national benchmarks."

Renumber accordingly

Date 4/22/05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB

Senate SENATE APPROPRIATIONS

Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Motion Made By

Christ ^{D P as Amend}
Seconded By *Andrist*

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG		/	SENATOR KRAUTER	/	
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	/
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN	/	/
SENATOR ANDRIST	/		SENATOR ROBINSON	/	
SENATOR CHRISTMANN	/		SEN. TALLACKSON		
SENATOR FISCHER	/				
SENATOR KILZER		/			
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes)

10

No

4

Absent

1

Floor Assignment

Christmann

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1035, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1035 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a state government performance and accountability system pilot project.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL - GOVERNMENT PERFORMANCE AND ACCOUNTABILITY SYSTEM PILOT PROJECT. The legislative council shall assign, to an interim committee, responsibility to establish a government performance and accountability system pilot project involving up to three executive branch agencies during the 2005-06 interim. The interim committee may include representatives of the office of management and budget and the state auditor's office. The legislative council shall report its findings and recommendations, along with any legislation necessary to implement its recommendations relating to the pilot project, to the sixtieth legislative assembly.

SECTION 2. GOVERNMENT PERFORMANCE AND ACCOUNTABILITY SYSTEM PILOT PROJECT - GUIDELINES AND CRITERIA. Each executive branch agency selected for inclusion in the pilot project shall, with input from the legislative council's interim committee:

1. Prepare biennial goals and objectives and related performance measurement indicators for major programs of the agency or department. The performance measures must provide, to the extent possible, the data necessary to assess the performance of major activities of an agency, including a program's efficiency and effectiveness; and provide a comparison, to the extent appropriate, to other states' performance measures.
2. Establish, to the extent possible, a three-year to five-year strategic plan to guide its operations and activities. The strategic plan must include:
 - a. The mission, goals, and objectives of the agency or department.
 - b. Identification of the groups of people served by the agency and the results of any methodology used to assess and improve services.
 - c. The strategies and activities utilized to meet agency or department goals and objectives.
 - d. A general description of the agency's or department's sources and uses of funds.
 - e. Estimated future service requirements and the resources that may be necessary to meet those requirements.
 - f. External factors affecting services of the agency or department.
 - g. The performance measurement indicators developed under this Act used to evaluate and assess the agency's or department's performance.

3. Prepare, to the extent possible, a biennial performance report that summarizes its goals and objectives, compares performance results to performance targets, provides explanations of any major variances between performance results and targets, presents multiyear trends in performance results, and, to the extent possible, provides comparisons to other states' performance results and national benchmarks."

Renumber accordingly

2005 TESTIMONY

HB 1035

Handout 6-1
1-11-05 HB 1035

Al Carlsson
Full Cmtee - House Apps

Key Questions for POLICY MAKERS

1. What's your Mission?
2. How do agency Programs contribute to the Mission?
3. Who are the customers of their Programs?
4. What are the Program Outcome Performance Measures?
5. How did you do last year?
6. What do you intend to do differently this year?
7. What are your strategies/priorities for this next year?
8. Which measures are you going to use to validate and monitor our investment?
9. * *Is there duplication between agencies?*
10. * *Are other options viable to accomplish these outcomes?*

Handout
6-2
1-11-05

HB 1035
House Appropriations Committee
January 11, 2005

Pam Sharp, Director
Office of Management and Budget

During the last year and a half I had the opportunity to serve on the Government Performance and Accountability Interim Committee. During the course of the committee meetings, we had many discussions as to what government performance and accountability should look like. I believe those discussions have resulted in a good bill.

If you will recall, there was a performance budgeting pilot project in the mid to late 1990's. That pilot failed for several reasons. One of the reasons it failed was the fact that too much detail was required of the pilot agencies. Another reason it failed was the fact that legislators and legislative staff were not directly involved in the process of setting up the goals and performance measures. In addition, the performance information was too cumbersome for legislators to use easily and relate it to the budget.

I believe this bill provides a more reasonable way of measuring performance, and appropriately involves legislators and legislative staff, in addition to OMB staff. This bill also appropriately requires high level information rather than information at the minutia level.

During the interim, several agencies testified to the Government Performance and Accountability Committee as to what was already in place in their agency for performance measures. We learned that several agencies were already tracking their performance quite well and do have very good performance measures in place. In addition, most agencies already have strategic plans of some sort in place; however, there is not consistency in format among state agencies regarding these strategic plans. This bill requires that each strategic plan contain specific pieces of information. The information the bill requires of strategic plans is reasonable and will help with consistency among agencies.

To help the 2005 Legislature jumpstart the process of reviewing performance measures, the Office of Management and Budget offered to add

(over)

some information fields to the budget request so agencies could voluntarily provide information on agency and/or program goals and performance measures already in place. Providing this information was strictly voluntary on the part of agencies, however, the response was quite positive. The Office of Management and Budget has compiled all of the agency performance information and has distributed this book to each member of both House and Senate Appropriations committees. This will give you a good idea of the status of performance measures within state agencies.

This bill requires OMB to establish a government performance and accountability system and to assist agencies in establishing their biennial goals and objectives, strategic plans, and performance measures. OMB is very willing to do this, however, we cannot accomplish this without resources. We need an appropriation as well as a FTE. Sections 13, 14 and 15 of this bill contain an appropriation for OMB, the Legislative Council and the Auditor's Office. I respectfully request that you support the appropriation in HB 1035, and also provide the FTEs requested.

B- North Dakota

North Dakota's most serious management issue is the difficulty it has building a quality workforce. It has used a variety of bonuses and other incentives to attract hard-to-find workers, and these have done some good, overcoming at least in part the built-in disadvantages of geographical isolation and cold weather. The problem is that the workers don't stay very long once they are on the job.

More than a quarter of the state's employees leave between their first and second years of service. "You can't be replacing people that quickly and getting them up to speed without having a dramatic effect on your existing workforce," says Ken Purdy, the director of classification and compensation.

For all workers, the state's decent benefit package and competitive retirement benefits have held the turnover rate to a very reasonable 8.4 percent. But those aren't much of an attraction for younger people, who are more likely to notice that North Dakota salaries lag market rates substantially, in some cases by more than 20 percent. According to a 2004 compensation study, 46 percent of the classified workforce earns less than \$30,000 and about two-thirds of employees are in the lower half of their assigned salary ranges. This situation wasn't helped by the legislature's decision to withhold salary increases in 2003 and 2004—even though North Dakota's economy came through the recession in better shape than many others. "We were behind before and you add two years of zero increases, and that's very significant," says Purdy.

The state has problems with its infrastructure, and these have similar origins in legislative stinginess. Maintenance has been underfunded for both buildings and roads. Increased federal funding for maintenance is helping to improve the situation somewhat, but it continues to be a weakness. The state has a maintenance backlog of \$1.45 billion, according to transportation officials. They figure that funding is running \$112 million behind what's needed on an annual basis.

Although the state income tax pulls in relatively little money, the tax structure is generally well balanced and the revenue picture has been aided by recent increases in oil and gas prices. Employee

pensions are almost fully funded. Budgeters did rely on transfers from the state-owned Bank of North Dakota, as well as the use of some trust fund money for operating expenses in recent years, but the amounts involved were not alarming.

In fact, the most significant fiscal negative in North Dakota is the lack of an active rainy day fund. The state Office of Management and Budget has maintained that such a fund is unnecessary given the ability to draw money from the Bank of North Dakota, but the state auditor has been critical of this policy, saying it puts both the state and the bank at risk.

The legislature, which meets for a brief period only every other year, nearly

A quarter of the state's employees leave by their second year of service.

always finds itself considering proposals to improve the state's rather dismal efforts at measuring governmental performance. Usually it doesn't do much about the problem. Serious performance measurement was last tried with meager results in the 1990s, when a pilot program was launched by the executive branch but ultimately discontinued by the legislature.

Optimists in the state believe that North Dakota may be ready to try again. In the 2001 legislative session, a bill was passed that required colleges and universities to prepare performance and accountability reports. In the following session, the legislature also required the state Department of Commerce to report on North Dakota's economic goals and associated benchmarks. One of 24 interim committees that met over the past year focused on building a performance and accountability system for the whole state and has come out with a bill draft to put a new system in place. It's a promising start.

For additional data and analysis, go to: <http://results.gpponline.org/northdakota>

○ Strength ○ Mid-level ● Weakness

Money B-

Long-Term Outlook	○
Budget Process	○
Structural Balance	○
Contracting/Purchasing	○
Financial Controls/Reporting	○

People B-

Strategic Workforce Planning	○
Hiring	○
Retaining Employees	●
Training and Development	○
Managing Employee Performance	○

Infrastructure B-

Capital Planning	○
Project Monitoring	○
Maintenance	●
Internal Coordination	○
Intergovernmental Coordination	○

Innovation C

Strategic Direction	○
Budgeting for Performance	●
Managing for Performance	○
Program Evaluation	●
Electronic Government	○

Population (rank): 642,200 (47)

Average per capita income (rank): \$29,204 (32)

Total state spending (rank): \$3,020,393,000 (48)

Spending per capita (rank): \$4,764 (21)

Governor: John Hoeven (R)

First elected: 11/2000

Senate: 47 members: 15 D, 32 R

Term limits: None

House: 94 members: 27 D, 67 R

Term limits: None

Chapter Four: Budget Request Instructions

1

Narrative Input**Tip**

Narrative should be concise, not duplicative, but complete.

Agency-wide Narrative

Agency Statutory Authority is the North Dakota Century Code cite(s) that establish and govern the authority and responsibility of the agency.

The **Agency Description** should indicate what an agency does and for whom they do it. The Office of Management and Budget has spent considerable time editing this section for consistency across state government. Please use the Agency Description published in the last Executive Budget Summary unless agency functions have changed considerably.

The **Agency Mission Statement** is a broad statement of the overall purpose for an agency's existence. Agencies with an established strategic plan and mission statement should enter the agency mission statement developed through the strategic planning process. Agencies that do not have an established strategic plan should enter a broad, concise statement of the overall purpose for their existence.

Agency Performance Measures should include agency level performance measurements established through a strategic planning process or other processes that established measures that reflect the results of that agency's activities. Reported performance measures should be, to the extent possible, outcome measures. Any input, output, or efficiency and effectiveness measures included here should be significant to understanding the performance of an agency. The number of agency level performance measures should be limited to no more than five.

If agency level performance outcome measures have been established, this narrative field should also include a discussion of where the agency is at in meeting each measure, including comparisons to the previous two or three years, if available, as well as the target or benchmark the agency is striving to achieve.

Program level performance measures should be reported in the program narrative and not repeated in the agency narrative.

Major Accomplishments should include, at an agency level, initiatives or activities the agency has completed and would like to discuss.

Agency Future Critical Issues should include a statement relative to future needs of the agency as a result of legal, environmental, economic, and other changes. A future critical issue to many state agencies could be the uncertainty of federal funding.

Chapter Four: Budget Request Instructions

2

Program Narrative

The **Program Objective** is the ultimate purpose of a program towards which efforts are directed, stated in terms of a measurable result.

Program Performance Measures should include measures established in a strategic plan or other process that reflect the results of program activities. Reported performance measures should be significant in understanding the performance of the program. The number of program level performance measures should not exceed five. This narrative field should also include historical information on how well the program is doing in meeting its measures as well as the target or benchmark the program is striving to achieve.

Program Statistical Data should include any statistics about the program that are pertinent, such as the number of people the program serves or the number of documents processed.

Explanation of Program Costs should include an explanation of the major cost factors for the program. Include quantitative information such as projected rates and usage. Identify any circumstances causing unusual spending patterns over the past three years. Information regarding increases or decreases in current spending, or budget changes, should not be included here. Budget changes should be addressed in the Budget Change Description screen.

See Capital Projects for information regarding narrative to be included in **Capital Projects Specifics and Justification**.

Handout
6-3
1-11-05

STATE AUDITOR
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVE. - DEPT. 117
BISMARCK, ND 58505

**TESTIMONY BEFORE THE HOUSE
APPROPRIATIONS COMMITTEE**
January 11, 2005

House Bill No. 1035

Testimony - Presented by Gordy Smith
Audit Manager

Chairman Svedjan, members of the committee, my name is Gordy Smith and I am an Audit Manager for the Office of the State Auditor. I am here to testify in support of House Bill No. 1035.

This past interim I was privileged to be a member of the Government Performance and Accountability Committee as it conducted its work on ways to improve state government. The committee received testimony from different organizations at the beginning of the process including representatives from the National Conference of State Legislatures, the Urban Institute, and from Legislative Consultants from Alaska. In addition, we received research from Legislative Council relating to what other states are doing in this area. Finally, we also received excellent input from several state agencies.

Many states either have instituted a performance measurement system or are in the process of doing so to allow decision-makers access to better information. A performance measurement system will improve accountability, as well as efficiency and effectiveness of operations. This information should also enable decision-makers to improve the allocation of resources.

I believe the establishment of the Government Performance and Accountability Committee as a permanent committee is important as it provides a mechanism for communication between the Legislature and individual state entities relating to agency operations and how the results of those operations are measured. State agencies will benefit because this committee will provide them with input as to which operations the legislators are particularly interested in. In addition, state agencies will be able to directly communicate success stories and seek legislative input relating to operations that did not meet established goals.

Many state agencies already have strategic plans in place. However, the level of sophistication of these plans varies greatly. Some are very comprehensive and include performance measures while others simply are a mission statement or goal. This bill helps set forth parameters for the agency to follow in developing their strategic plans. It also establishes OMB as the agency that will institute and maintain the performance and accountability system for executive branch agencies. The bill directs OMB to assist executive branch agencies and departments in developing biennial goals and objectives as well as strategic plans and performance measurement data. This will be of significant help to all state agencies, but especially to the smaller departments.

The legislation also creates incentives for those agencies with outstanding performance results. This was recommended by those private entities that testified before the interim committee. Finally, the bill establishes a mechanism to provide assurance as to the accuracy of the performance results information. The State Auditor's Office will be reviewing selected performance results information during its operational audits of state agencies. We will focus our efforts on the accuracy of the information and not the quality of the performance measures themselves.

In summary, I support passage of HB 1035 and I would gladly answer any questions the committee might have.

STATE AUDITOR
ROBERT R. PETERSON



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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVE. - DEPT. 117
BISMARCK, ND 58505

**TESTIMONY BEFORE THE SENATE
APPROPRIATIONS COMMITTEE**

March 10, 2005

Engrossed House Bill No. 1035

Testimony - Presented by Gordy Smith
Audit Manager

Chairman Holmberg, members of the committee, my name is Gordy Smith. I am here to testify in support of Engrossed House Bill No. 1035, if and only if, an amendment is made to the bill to restore the funding for the State Auditor's Office that was taken out in the House or section 7 is amended to remove the requirement for our office to conduct audits of the performance results. The bill, in its current form mandates additional work for our office without providing any resources. We do not currently have the resources to comply with this unfunded mandate.

This past interim I was privileged to be a member of the Government Performance and Accountability Committee as it conducted its work on ways to improve state government. The committee received testimony from different organizations at the beginning of its work including representatives from: the National Conference of State Legislatures; the Urban Institute; and from Legislative Consultants from Alaska. In addition we received research relating to what other states are doing from legislative council. Finally, we also received excellent input from several state agencies.

Many states either have already instituted a performance measurement system or are in the process of doing so to allow decision-makers access to better information. A performance measurement system will improve accountability, as well as efficiency and effectiveness of operations. This information should also enable decision-makers to improve the allocation of resources.

I believe the establishment of the Government Performance and Accountability Committee as a permanent committee is important as it provides a mechanism for communication between the Legislature and individual state entities relating to agency operations and how the results of those operations are measured. State agencies will benefit because this committee will provide them with input as to which operations the

legislators are particularly interested in. In addition, state agencies will be able to directly communicate success stories and seek legislative input relating to operations that did not meet established goals.

Many state agencies already have strategic plans, however the level of sophistication of these plans varies greatly. Some are very comprehensive and include performance measures while others simply are a mission statement or goal. This bill helps set forth parameters for the agency to follow in establishing their strategic plans. It also establishes OMB as the agency that will establish and maintain the performance and accountability system for executive branch agencies. In addition the bill directs OMB to assist executive branch agencies and departments in developing biennial goals and objectives as well as strategic plans and performance measurement data. This will be of significant help to all state agencies, but especially to the smaller departments.

The legislation also establishes incentives for those agencies with outstanding performance results. This was recommended by those private entities that testified before the interim committee. Finally the bill establishes a mechanism to provide assurance as to the accuracy of the performance results information. In its current form, the bill requires the State Auditor's Office to review selected performance information during our operational audits of state agencies. In order to demonstrate how important an independent audit of the performance data is, I would like to point out that Texas issued an interesting report this past year. Texas has been one of the leaders in performance and accountability and has had a system in place for over a decade. The State Auditor's Office in Texas conducts audits of the accuracy of the information state agencies and institutions provide to the legislators. Last year their audit indicated that the information associated with over 50% of the performance measures was significantly in error.

In summary, I support passage of HB 1035 with an amendment to either provide our office with the resources associated with the additional work required by the bill or an amendment to Section 7 to remove the requirement that the State Auditor's Office audit agency or department performance results for validity and reliability.

I'd gladly answer any questions the committee might have.

Handout
6-5
1-11-05

North Dakota University System
Testimony to House Appropriations Committee
on HB1035 - Full cmtee
by
Robert L. Potts, Chancellor, NDUS
January 11, 2005

Mr. Chairman and Members of the Committee:

Hello, I am Robert Potts, Chancellor of the North Dakota University System. I appreciate the opportunity to appear before you today. I would like to take this opportunity to update you on the status of our accountability efforts in the NDUS.

Our office, working in cooperation with the campuses, has just completed the 2004 Accountability report. I was not able to bring copies along today since we have not received the final version from the printer yet. We will send copies to the committee when they become available which we expect will be sometime this week.

As you know, planning and accountability requirements for the NDUS are currently governed under NDCC 15-10-14.2. That section of state law requires the SBHE to develop a strategic plan, including prioritized goals and objectives. Under this section, the SBHE is required to provide an annual performance and accountability report and also to report on the status of higher education during each regular legislative session. The current 25 accountability measures required by statute are outlined in Section 18 of HB1003 (2003 legislative session). The SBHE has also adopted some 14 additional measures that are included in each annual accountability report.

In late 2004, with the permission of Sen. Holmberg, chair of the Interim Higher Education Committee, the NDUS engaged in a review of the current accountability measures. This was prompted by recommendations made by the Roundtable in June 2004 where they concluded the following with regard to accountability measures:

1. Review the higher education accountability measures and change as needed.
2. Continue to use the agreed-upon accountability measures in place of different or additional accountability measures for the University System.

The criteria used in reviewing the accountability measures were developed from three key questions posed by the roundtable members during the June 15, 2004, Roundtable meeting: Those questions were: (1) Are there more accountability measures than necessary? (2) Are the accountability measures useful to the campuses and the other stakeholders, primarily the NDUS? and (3) Are there accountability measures considered valuable but not included among those being used? Applying these criteria to the current set of accountability measures resulted in a reduction from 39 to 28 measures (the 28 includes two new measures). A number of measures

were also refined to make them more useful based on experience with the measures over the last three years.

In October 2004, the NDUS also obtained feedback on the proposed changes from the private sector members of the Roundtable. The SBHE has approved the changes for consideration by the Legislative Assembly. These changes have since been incorporated into Section 18 of SB 2003, the NDUS appropriation bill, which was introduced by the Governor. I am sure they will receive careful scrutiny by the appropriation committees. The NDUS will be ready to incorporate the changes into our 2006 report, if they are adopted by the legislature.

We appreciate your continued support of the accountability process, which is currently in place in the NDUS as set out in the last sentence of Section 1 of HB 1035 before you today. We would be pleased to present or share our Accountability report with any legislative committees both during the session and during the interim between sessions. Thank you. I will be happy to answer any questions.



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Dr. Wayne G. Sanstead
State Superintendent

To: Representative Al Carlson, Chairman
Members of the Government Performance Committee

From: Dr. Wayne G. Sanstead *WGS*

Re: HB 1035

Date: January 27, 2005

In response to your request for agency comments relating to the government performance and accountability system, I offer the following:

While I do not object to the concept of a uniform process to assess agency performance, there are a number of sections in the bill that impinge upon my authority as an elected official. I believe slight revisions to the bill would satisfy my professional concerns.

Page 2: items 5 and 6 place too much emphasis on a "numeric" value. It is difficult to assess a meaningful numeric value on all programmatic issues. I would prefer to see more of a focus on tangible deliverables such as products or services.

Page 3, Line 9: The reference to **proposed** performance measures implies that someone other than the agency determines final measures, clearly impinging upon an elected official's ability to set agency direction and establish agency priorities. I recommend removal of the word proposed.

Page 3, Section 5: Again, this section refers to both **proposed** goals and objectives. Strike the word proposed in lines 14, 16 and 19. In addition, this section implies that the Committee can revise performance measurement data, despite a constitutionally elected official's objection. The Committee does not have the knowledge or expertise to know or understand agency needs. This section again impinges upon my authority and has the potential to be restrictive in reporting of data that is politically sensitive.

Page 3, Section 6: We have no difficulty in reporting information identified in this section. I am a firm believer that strategic planning is a necessary component of competent and capable management.

Page 4, Section 7: Doing an annual report is both burdensome and redundant. For instance, the year prior to the legislative session, agencies spend months preparing their budget documents. Based on current assumptions, the budget document will be a source document to report strategic planning – including all of the elements identified in HB

Comments

Page 2

HB 1035

1035. This bill would then require another agency report in September, immediately following the start of the new biennium. Three months later, the biennial report is due to the governor which reports on agency accomplishments, trends, and other information identified in HB 1035. It is my suggestion that legislative council work with the office of the governor to establish a uniform format and incorporate the two reports into one document.

Eliminate comparison to other states and national benchmarks as there are too many variables, including resources, state priorities, political philosophy, etc.

Page 5, Item No. 2: All of the review recommendations are burdensome to an agency and are non productive. Certainly, the power of the budget, as identified in item No. 1, provides enough incentive for an agency to be efficient. Item 2(c) certainly compromises an elected official's authority. Remove all of item No. 2.

Page 8, Sections 12 and 13: I am concerned about the amount of time and money my agency has already spent in strategic planning. We are currently in the third year of a five year plan and do not want to scrap the work we have completed to adopt a new system. We are also concerned about finding someone in state government who has the expertise to assist agencies in the strategic planning process. I am hopeful that training will be available to state agencies and oversight committees, including legislative review committees, to insure adequate training is provided before evaluating agency plans.

In summary, I believe there are serious separation of power issues and checks and balance encroachments that need to be resolved in this bill.

Thank you for your invitation to respond to agency concerns regarding HB 1035.

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Agriculture Commissioner
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**Testimony of
Jeff Weispfenning
Deputy Agriculture Commissioner
HB 1035
House Appropriations Government Performance Division
January 27, 2005**

Chairman Carlson and members of the Government Performance Division, I am Jeff Weispfenning, Deputy Agriculture Commissioner. I am here with suggestions for change in the proposed legislation.

First, let me offer caution relative to certain implications in the proposed language regarding constitutional elected officials such as the Agriculture Commissioner. The use of the term "proposed" relative to performance measures and biennial goals implies that someone else will ultimately select the performance measures and the goals for elected officials. The Legislature already does this to a degree through the budget process, funding what they see to be high priority programs and cutting lower priority programs. Nevertheless, in the end, the elected official sets the goals and performance measures, and the Legislature and the voters of the state ultimately approve or disapprove. To go beyond the current system may cause constitutional problems.

Although the bill proposes annual plans, a biennial plan and biennial reporting may be much more appropriate. Many agencies such as ours are already required to do a biennial report. Adding performance measures and goals to the report may add more meaning and substance to the biennial reports.

The proposed performance measures and goals are not unlike what most state agencies already do through a variety of planning processes. It seems to me that the Legislature just needs to develop a reporting form or format, and we'll fill in the blanks no matter whether it's the budget process or the reporting process. People Soft and BARS should be extremely helpful to accomplishing these tasks. I am, however, uncertain why doing this should require significant appropriations to accomplish. But you'll need to defend that.

I'd be happy to answer any questions that you have. Thank you for the opportunity to testify.

Arvy Smith



NORTH DAKOTA
DEPARTMENT *of* HEALTH

Organizational Structure
January 2005

Community Health

- Tobacco Prevention and Control
- Cancer Prevention and Control
- Injury Prevention and Control
- Family Health
- Chronic Disease
- Nutrition and Physical Activity

Emergency Preparedness

Medical Services

- Disease Control
- Microbiology
- State Forensic Examiner
- Field Medical Officers

Health Resources

- Health Facilities
- Food and Lodging
- Emergency Medical Services

Environmental Health

- Air Quality
- Chemistry
- Municipal Facilities
- Waste Management
- Water Quality

Administrative Support

- Executive Office
- Accounting
- Public Information
- Information Technology
- Human Resources
- Education Technology
- Vital Records
- Local Public Health
- Healthy North Dakota



NORTH DAKOTA
DEPARTMENT *of* HEALTH

Department of Health
Government Performance
January 27, 2005

- 1.) Six goals - 1 goal per section; 15 to 20 objectives will capture most of what we do but not all; 15 to 20 measures. Challenges with performance measures are that over half of what we do (Environmental Health and Health Resources) is regulatory so question is whether our success measure is having more findings or less findings of non compliance. Another challenge is in Emergency Preparedness and Response and Medical Services our objective is early detection and rapid response. Aside from immunization rates and infectious disease rates, measures are whether we have successfully performed exercises of the systems, whether our data and communications systems were effective, whether we have appropriate backup or redundancy – not really numeric measures.
- 2.) Can identify that the DOH serves all people but individual programs serve different groups of populations
- 3.) The numerous programs will become the strategies and activities to meet the goals and objectives
- 4.) General description of sources and uses of funds most meaningful at the section or goal level
- 5.) Future service requirements are often unpredictable or not a static figure. Example: the lab was budgeted to do 100 tests for whooping cough and we ended up doing 7,000. Service requirements are sometimes not required or specified. Example: the department provides \$1.1 general funds to local public health to defray expenses with no strings attached. There is not an exact requirement of how often we must inspect high risk food and lodging establishments but there is a general responsibility or recommendation. Flexibility is necessary so we can re-align resources with need.
- 6.) We can predict some external factors affecting services
- 7.) As discussed previously, depending on the objective and measure we are held accountable for, we should be able to get most of the data; some of it may be at a cost.

Testimony on Section 6 of House Bill No. 1035

Presented by John Graham
Job Service North Dakota

January 27, 2005

Chairman Carlson, members of the subcommittee, I am John Graham, representing Job Service North Dakota. We thank you for the opportunity to present some thoughts about the strategic planning requirements set forth in Section 6 of House Bill No. 1035.

We also appreciate the opportunity to provide written comments about the Bill in general, and we plan to have those to the Committee no later than Monday afternoon. We plan to accompany those comments with any amendments, which we believe might improve the process, which we believe the Bill is intended to establish or promote.

Before I go into detail, Mr. Chairman, I would like to make two preliminary points:

1. Job Service is a planning agency.
2. Job Service has a well-thought out annual planning process.

With respect to point 1, we believe that a major portion of what the Agency's senior leadership does is to survey the strengths, weaknesses, opportunities, and threats facing the Agency, plan to minimize the impact of the threats, maximize the strengths, overcome or minimize the weaknesses, and take strategic advantage of the opportunities.

Interestingly enough, the Planning Team had previously scheduled a day and a half

strategic planning session for today and tomorrow, so this opportunity to respond to Section 6 involved the analysis, ideas and planning of the Agency's entire planning team. Most of the Team, including the Executive Director, is continuing that meeting right now

There was discussion during yesterday's hearing on this Bill of the costs involved in strategic planning and development of performance measures and to gather and report data to illustrate how the Agency is doing in achieving those measures. While we certainly do have costs (staff time and travel expenses) in developing our annual strategic plan; and may have some costs in data gathering and reporting in the future as we refine our performance measures, we look at those costs as an integral part of carrying out our business operations.

Chairman Carlson, we believe that the focus of the Bill should not be on the process by which State agencies develop plans, but on the plan itself, and the Agency's action in response to the plan. Therefore, to expand upon point 2, we would like to briefly review our strategic planning process with you, as it provides important background to our comments on Section 6. [Review graphic display.]

Job Service not only takes its planning process seriously, but we also carry out our plans. For instance, one of the five Critical Success Factors in our current plan relates to new product development (see page 16). We believe, when we completed the business plan in July 2004, that we needed to demonstrate whether it is possible to improve our reemployment process. Thus, we planned to carry out Tactic 1 as a means of reaching

Critical Success Factor 5. We are acting on that project, and a special implementation team is planning implementation actions right now.

In addition, Mr. Chairman, the Planning Team receives a quarterly update on progress and accomplishments towards implementation of the annual plan.

Not only does Job Service develop and implement an annual plan, but we have also developed performance measures, including outcome-based performance measures, which are encompassed in what we call our "report card." That report card is, first and foremost a management tool by which we measure our progress in meeting those performance measures which we believe best illustrate the value of Job Service's operational activities to all of our stakeholders – businesses, jobseekers, the Legislative Assembly, the Governor, and our partners in workforce development.

Mr. Chairman, we believe, based on our deep concern for meaningful planning, that Section 6 should focus on the development of a meaningful strategic plan by each Agency, on development of a limited number of critical performance measures by which the Agency's managers, and its stakeholders, can measure the Agency's progress in reaching desirable outcomes, and in setting forth the data elements which will be captured and reported so as to illustrate progress in reaching those desired outcomes.

We believe that Agencies should be free to define the terms utilized in that Agency's strategic plan, and to refine those terms as necessary to communicate more clearly with

Comparative Analysis comparing the requirements
of Section 6 of House Bill No. 1035 with
the Job Service 2004-2005 Business Plan

Prepared for discussion by the Job Service
Planning Team by John Graham
January 26, 2005

**HB 1035 – Section 6
Mandatory Requirements:**

1. Agency mission, goals, and objectives.
2. Identify “groups of people” served by agency.
- 2a. State results of “any methodology used to assess and improve services.”

JSND 2004 Business Plan Items:

1. Our plan sets out the Agency Mission; Vision; operational values; Critical Success Factors (5); and Tactics to achieve those Critical Success Factors. We could comply with this requirement, but the legislation should allow freedom, within reasonable limits, to expand the factors considered and listed in the Plan as the basis for development of the Action Steps (by whatever name called) by which the performance outcomes are to be achieved. In addition, agencies should be encouraged to have objectives, action plans, or tactics, by whatever name they might be called, which are time limited and measurable, in terms of completion. While this is not in our plan document, it is a critical component of our performance measures. We certainly could include it in the plan document, but would like guidance on how to define “groups of people,” and whether numbers should be associated with those groups.
We might meet this requirement by focusing on our integrated planning process (input from focused teams, e.g. IT; marketing; training, etc.). In addition, responding to this should include the performance measures and reports contained in our Report Card,

3. Agency "strategies and activities" used to meet goals and objectives.

4. General description of the Agency's sources and uses of funds.

5. Estimated future service requirements and resources necessary to meet those requirements.

6. External factors affecting services.

7. Performance measure data developed under HB 1035.

including the comparison of customer survey results, especially comparative over time, that we do. We don't specifically highlight this in our current plan.

We meet this requirement through our Tactics associated with our Critical Success Factors, and through their deadlines and responsible part(y)(ies) identification. We don't believe that the Bill should be as prescriptive as it is, and perhaps we should work on amendments to Section 6, which would accomplish what we believe the Legislature wants without being so prescriptive.

While we don't include this information in the plan document, a description of this time is a critical part of our budgeting process, and our periodic budget review. However, we could append the portion of our budget documents, which summarize the sources of our funding and the planned uses for the plan year. Section 6 requires that Agency strategic plans encompass planning for a "three-year to five-year" period. Perhaps this needs to be amended to encompass the current fiscal period, rather than the 3-5 year period. Forecasting what Congress and the current Administration will do that far ahead is problematic, to say the least.

While this information is not specifically included in our plan document, consideration of future service requirements and resources necessary to meet those requirements is a significant part of our planning and budgeting process.

Critical to our planning process is our assessment of strengths, weaknesses, opportunities, and threats (SWOT). While we don't include a description of our SWOT findings in the business plan we certainly could.

Our report card is an indication of the outcomes we are measuring. The data would, of course, be reflected in the context

of the report card. While this is not currently restated in the plan document, it certainly could be.

Proposed Amendments to House Bill No. 1035

Prepared by Job Service North Dakota
February 10, 2005

Page 1, line 7, remove "with the information necessary to evaluate" and substitute ":

Page 1, remove line 8 and substitute: "1. With support and oversight of a process by which each agency subject to the Act develops outcome-based performance measures, and performance measurement data that will allow objective assessment of progress made toward reaching the desired outcomes.

2. With the information necessary to allow all parties named above to evaluate agency performance in reaching desired outcomes."

Page 1, line 9, remove "government services are effective and state resources are used efficiently."

Page 1, line 10, remove "establish and maintain"; and substitute: ", in consultation with the several state agencies, oversee the development and improvement of a government performance and accountability system for executive branch agencies and departments"

Page 1, line 11, place a period after "committee"; and remove the remainder of the line

Page 1, delete line 12, and substitute: "The government performance and accountability system must be developed, refined, or continued within each agency or department in accordance with the requirements of this Act, and must focus on performance in reaching major desired outcomes, and objective means of measuring and reporting on that performance"

Page 1, line 13, remove "on the results of major agency activities"

Page 1, remove lines 17-20

Page 2, line 4, remove "numeric"

Page 2, line 7, remove "numeric"

Page 2, line 25, remove "to vote and"

Page 3, line 2, remove "missions, goals, objectives,"; substitute "or department"; and after the last comma insert: "performance measures,"

Page 3, line 8, remove "biennial goals and objectives or"; and after "plans" insert: ", performance measures,"

Page 3, line 12, remove “**Biennial goals**” and substitute “**Strategic plan and performance measures**”

Page 3, line 14, remove “proposed biennial goals and objectives”; and substitute: “and submit, or if already prepared shall submit, annual or biennial strategic plans, outcome-based performance measures.”; insert a period after “data”; and remove “for”

Page 3, remove lines 15-17, and substitute “The performance measures shall address the major outcomes the agency or department believes it must address in the following three-year to five-year period”

Page 3, line 18, remove “comparison, to the extent appropriate, to other state’s performance measures”

Page 3, line 19, remove “proposed biennial goals and objectives”; and insert: “strategic plan, performance measures,”

Page 3, line 20, after “budget” insert: “by July 31 of each even-numbered year,” and after “and” insert “to”

Page 3, line 21, place a period after “request” and remove the remainder of the line

Page 3, remove lines 22-25

Page 3, line 26, remove “approval by the” and substitute “the effective date of this Act, each executive branch agency or department subject to this Act, shall prepare and implement “

Page 3, remove lines 27-28

Page 3, line 29, after “plan” insert “, updated annually or biennially,”

Page 3, line 31, after “objectives” insert: “, or similar terms intended to set out the major outcomes to be accomplished during the plan period, the timetables for accomplishment, the responsible person or unit,”

Page 4, line 1, remove “groups of people served by the agency” and substitute: “agency’s or department’s customers;”

Page 4, line 3, after “agency” insert “or department”

Page 4, line 4, after “agency’s” insert “or department’s”

Page 4, line 7, after “agency” insert “or department”

Page 4, line 8, remove “developed under this Act”

Page 4, line 9, after “agency’s” insert “or department’s”

Page 4, line 11, remove “an annual” and substitute “a biennial”

Page 4, line 12, remove “goals and objectives” and substitute “strategic plan”

Page 4, line 15, remove “The annual report” and substitute: “This biennial report shall be submitted as provided in section 54-06-04, and may be submitted as an appendix to the report required by that section for those agencies and departments subject to reporting by that section”

Page 4, remove lines 16-17

Page 4, line 18, remove “succeeding legislative assembly”: and after “agency’s” insert “or department’s”

Page 4, line 19, remove “operational”; after “audit” remove “or review”; and after “by” insert “subsection 2 of”

Page 4, line 20, after “agency” insert “or department”

Page 4, line 26, after “agency’s” insert “or department’s”

Page 4, line 28, after “agency’s” insert “or department’s”

Page 5, line 1, after “agency” insert “or department”

Page 5, line 5, after “agency” insert “or department”

Page 5, line 6, after “agency” insert “or department”

Page 5, line 7, after both words “agency” insert “or department”

Page 5, after line 7 insert: “Any performance audit or analysis carried out pursuant to this subsection shall not be at the agency’s or department’s expense.”

Page 7, line 18, remove “biennial goals and objectives or”

Page 7, line 19, after “plan” insert: “, performance measures,”

Page 8, line 21, remove “developing” and substitute “overseeing the development of”

Page 8, line 23, remove “biennial goals and objectives.”; and after “plans” insert “, performance measures,”

Page 8, line 24, after "data" remove the remainder of the line
Page 8, line 25, remove "committee"

Renumber accordingly.

Engrossment of Job Service's amendments
into House Bill No. 1035

February 10, 2005

SECTION 1. Government performance and accountability system. The government performance and accountability system is created to provide agency managers, the governor, the legislative assembly, and the public:

1. With support and oversight of a process by which each agency subject to the Act develops outcome-based performance measures and performance measurement data that will allow objective assessment of progress made toward reaching the desired outcomes.
2. With the information necessary to allow all parties named above to evaluate agency performance in reaching desired outcomes.

The office of management and budget shall, in consultation with the several state agencies, oversee the development and improvement of a government performance and accountability system for executive branch agencies and departments, subject to the input of and review by the government performance and accountability committee. The government performance and accountability system must be developed, refined, or continued within each agency in accordance with the requirements of this Act, and must focus on performance in reaching major desired outcomes, and objective means of measuring and reporting on that performance. The university system shall participate in the system in accordance with section 15-10-14.2 and shall present its performance and accountability information to the government performance and accountability committee upon request.

SECTION 2. Definitions. As used in this Act:

1. "Performance measure" means a quantitative or qualitative indicator used to assess the outcome or result of an agency or department objective.
2. "Performance measurement data" means performance measures, performance results, performance targets, and related analytical, explanatory, and supporting information.
3. "Performance result" means a value relating to a performance measure calculated or determined based on actual agency or department performance for a specified time period.
4. "Performance target" means a value established for a performance measure to identify a projected level of agency or department performance for a specified time period.

SECTION 3. Government performance and accountability committee – Appointment – Additional participation. The legislative council, during each biennium, shall appoint a government performance and accountability committee

in the same manner as the council appoints other interim committees. The council shall appoint to the committee up to four members of the house of representatives, no more than three of whom may be from the same political party and up to four members of the senate, no more than three of whom may be from the same political party. The council shall designate the chairman of the committee. The council may appoint up to two citizens to the committee to serve up to three 2-year terms. These members are entitled to compensation under section 54-35-10 for attendance at meetings of the committee. The council shall consider reappointment of members to the committee to maintain continuity. The director of the office of management and budget, or the director's designee, and the state auditor, or the state auditor's designee, are members of the committee. The chairman may invite up to three additional members of the house of representatives and up to three additional members of the senate to attend meetings of the committee when committee discussion relates to the members' legislative standing committee assignments. These members are entitled to compensation under section 54-35-10 for attendance at meetings to which they are invited under this section. The committee shall operate in accordance with the statutes and procedures governing the operation of other legislative council interim committees.

SECTION 4. Government performance and accountability committee –

Powers and duties- Staff services. The government performance and accountability committee has continuing existence and may meet and conduct its business during the legislative session and in the interim between sessions. The committee shall monitor state government performance and accountability by reviewing state agency or department strategic plans, performance measures, and performance measurement data. The committee shall assess the effectiveness of the government performance and accountability system. The committee shall report its findings and recommendations along with any necessary legislation, to the legislative council. The legislative council shall provide staff services to assist the committee in performing its duties and responsibilities, including assisting in the development of a consistent format for agencies and departments to submit their strategic plans, performance measures, and performance measurement data, analyzing agencies' and departments' proposed performance measures prior to committee review, and summarizing performance measurement data for review by the committee or the legislative assembly.

SECTION 5. Strategic plan and performance measures – Performance measurement data. Each executive branch agency and department, as identified by the office of management and budget, shall prepare and submit, or if already prepared shall submit, annual or biennial strategic plans, outcome-based performance measures, and performance measurement data. The performance measures shall address the major outcomes the agency or department believes it must address in the following three-year to five-year period. Each executive branch agency or department shall present its strategic plan, performance measures, and related performance measurement data to the office of management

and budget by July 31 of each even-numbered year, and to the government performance and accountability committee upon request.

SECTION 6. State agency strategic plans. Within two years of the effective date of this Act, each executive branch agency or department subject to this Act, shall prepare and implement a three-year to five-year strategic plan, updated annually or biennially, to guide its operations and activities. The strategic plan must include:

1. The missions, goals, and objectives, or similar terms intended to set out the major outcomes to be accomplished during the plan period, the timetables for accomplishment, the responsible person or unit, of the agency.
2. Identification of the agency's or department's customers; and the results of any methodology used to assess and improve services.
3. The strategies and activities utilized to meet agency or department goals and objectives.
4. A general description of the agency's or department's sources and uses of funds.
5. Estimated future service requirements and the resources that may be necessary to meet those requirements.
6. External factors affecting services of the agency or department.
7. The performance measurement data used to evaluate and assess the agency's or department's performance.

SECTION 7. State agency performance reports – State auditor reviews.

Each executive branch agency and department shall prepare a biennial performance report that summarizes its strategic plan, compares performance results to performance targets, provides explanations of any major variances between performance results and targets, presents multiyear trends in performance results, and, to the extent possible, provides comparisons to other states' performance results and national benchmarks. This biennial report shall be submitted as provided in section 54-06-04, and may be submitted as an appendix to the report required by that section for those agencies and departments subject to reporting by that section. The state auditor, as part of each executive branch agency's or department's biennial audit as required by subsection 2 of section 54-10-01 shall review selected agency or department performance results.

SECTION 8. Government performance – Incentive and review

recommendations. Based on an agency's or department's performance results, the government performance and accountability committee may recommend to the legislative assembly that an agency or department receive an incentive or be subject to a review.

1. An incentive recommendation may include:

- a. Additional flexibility to transfer funds between line items of the agency's or department's appropriation.
 - b. Authorization to retain all or a portion of the agency's or department's unspent appropriation authority at the end of a biennium.
 - c. Additional funding for the agency or department that may be used for one-time purposes, including employee salary adjustments, employee training, technology improvements, or other productive enhancements.
2. A review recommendation may include:
- a. More frequent reporting of agency or department performance results.
 - b. A state auditor performance audit of select agency or department programs.
 - c. An analysis of the structure of the agency or department or select programs of the agency or department.

Any performance audit or analysis carried out pursuant to this subsection shall not be at the agency's or department's expense.

NOTE: Section 9, and all of Section 10, except subsection 7 are not changed. Sections 11, 13, 14, and 15 are also unchanged. Thus, only subsection 7 and Section 12 will be engrossed below:

7. For those budget units involved in the government performance and accountability system and which submit estimates under section 54-44.1-04, statements summarizing each agency's or department's strategic plan, performance measures, and performance measurement data for recent years and the next biennium.

SECTION 12. Government performance and accountability system – Implementation. The office of management and budget, in overseeing the development of a government performance and accountability system, shall assist executive branch agencies and departments to develop strategic plans, performance measures, and performance measurement data. The office of management and budget shall arrange for selected state agencies and departments to implement the system during the 2005-2007 biennium and the remainder of the agencies and departments during the 2007-2009 biennium.

Engrossed House Bill No. 1035

Presented by John Graham
Job Service North Dakota

March 10, 2005

Chairman Holmberg, members of the Senate Appropriations Committee, I am John Graham, representing Job Service North Dakota. We thank you for the opportunity to present some thoughts about Engrossed House Bill No. 1035.

Before I discuss the Bill, Mr. Chairman, I would like to make two preliminary points:

1. Job Service is a planning agency.
2. Job Service has a well-thought out annual planning process.

With respect to point 1, we believe that a major portion of what the Agency's senior leadership does is to survey the strengths, weaknesses, opportunities, and threats facing the Agency, plan to minimize the impact of the threats, maximize the strengths, overcome or minimize the weaknesses, and take strategic advantage of the opportunities.

On point 2, I have attached a graphic illustrating our planning process to this testimony. We follow this process each year in developing our plan for the coming Plan Year (July 1 through June 30).

Focusing then on House Bill No. 1035, Job Service believes, in general, that the Bill furthers a significant thrust to have governmental agencies align their efforts to reach valuable outcomes which can and must be measured for accountability.

The Legislative Assembly also has a significant interest in meaningful strategic planning by agencies, and in the measurable implementation of those plans. This Bill expresses that interest, and attempts to ensure that planning and development and tracking of outcome-based measures is going on in each State agency.

Unfortunately, the Bill attempts to force all agencies into a rigidly detailed method of planning which may run counter to some agencies' already developed planning methods. In some cases, agencies' planning processes, and their effective implementation of those plans, is already in place. In addition, some agencies are setting out outcome-based performance measures, and beginning to analyze their performance against those measures.

We believe that those agencies should be applauded and encouraged to continue and to improve their existing processes. They should not be required to change those processes to be in conformity with the language of a particular bill. We believe that this is not only detrimental to the Agency's initiative in seeking effective planning processes and outcome-based measures; but is also detrimental to the legislative interest in seeing the best planning and performance measurement processes by allowing agencies to constantly improve their planning and plan implementation processes.

Finally, we believe that the important legislative interest, which this Bill should support, is that state agencies have a planning process, that it lead to plans which are, in fact,

implemented, and that each agency have measurements in place that will demonstrate how the agency is doing in reaching planned outcomes.

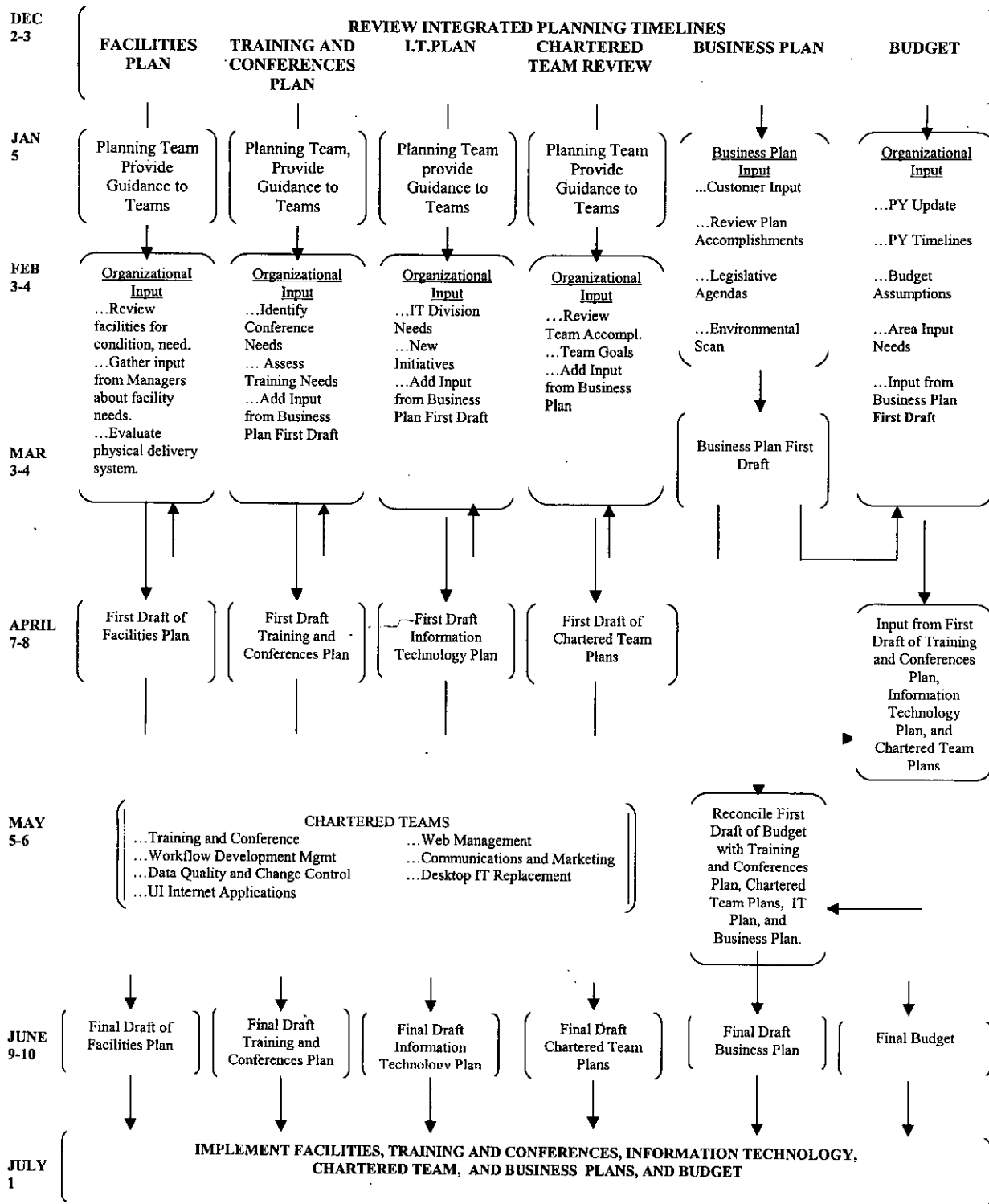
Because we believe that this process, and the associated performance measures, is so important to the Agencies, and to the Legislative Assembly, we are proposing amendments to the Bill, which we believe will better meet the legislative interest, and still leave the several agencies room to be innovative in the means by which they comply with the Bill.

In addition to the attached amendments, Mr. Chairman, we have also produced a document containing sidebar notes explaining our rationale for those amendments.

I would like to walk the Committee through the proposed amendments. To do that, Mr. Chairman, I would reference the document printed in landscape with the sidebar notes.

Mr. Chairman, I would be happy to answer the Committee's questions.

**JOB SERVICE NORTH DAKOTA
Integrated Planning Process
November 2004**



Engrossment of Job Service's amendments
into Engrossed House Bill No. 1035

March 10, 2005

SECTION 1. Government performance and accountability system. The

government performance and accountability system is created to provide agency managers, the governor, the legislative assembly, and the public:

1. With supervision and support of a process by which each agency or department subject to the Act develops a strategic plan, outcome-based performance measures, and performance measurement indicators that will allow objective assessment of progress made toward reaching the desired outcomes.
2. With the information necessary to allow all parties named above to evaluate agency performance in reaching desired outcomes.

The office of management and budget shall, in consultation with state agencies and departments, supervise and set standards for the development and improvement of a government performance and accountability system for executive branch agencies and

JSND believes that the thrust of the bill should be toward agency responsibility for describing desired outcomes, planning to reach those outcomes, and reporting the outcomes to the stakeholders. Thus, this section is changed to put the primary responsibility for strategic planning and development of meaningful outcome-based performance measures on the several Agencies. The standing interim Committee would provide "supervision and support" of the agencies in carrying out those responsibilities; and OMB would also have a supervisory role, and would set standards for the Government Performance and Accountability System (GPAAS).

We specifically chose the term "supervise" because it connotes monitoring and

1 departments, subject to the input of and review by the government performance and
2 accountability committee. The government performance and accountability system must
3 be developed, refined, or continued within each agency in accordance with the
4 requirements of this Act, and the standards set by the office of management and budget;
5 and must focus on performance in reaching major desired outcomes, and objective means
6 of measuring and reporting on that performance. The university system shall participate
7 in the system in accordance with section 15-10-14.2 and shall present its performance
8 and accountability information to the government performance and accountability
9 committee upon request.

coaching, and is a much more interactive term than "establish and maintain." Thus the thrust toward uniformity would be with OMB, while the agencies would be required to develop tailored plans and outcome-based performance measures, and then format them, and constrain them, in accordance with OMB standards.

Requires agencies to develop, refine, and continue the GPAAS in accordance with "standards set by" OMB.

10 **SECTION 2. Definitions.** As used in this Act:

- 11 1. "Performance measure" means a quantitative or qualitative indicator used to
12 assess the outcome or result of an agency or department objective.
- 13 2. "Performance measurement indicator" means performance measures,
14 performance results, performance targets, and related analytical, explanatory,
15 and supporting information.

Deleted the definitions of "goal" or "objective" as agencies may use different terms meaning essentially the same thing. Instead, relied on subsection 1 of section 6 to set out a requirement for goals and

- 1 3. "Performance result" means a numeric or other value relating to a
2 performance measure calculated or determined based on actual agency or
3 department performance for a specified time period.
- 4 4. "Performance target" means a numeric or other value established for a
5 performance measure to identify a projected level of agency or department
6 performance for a specified time period.

objectives, by whatever name they are called, and set out the contents of those terms.

Changed the definitions of "performance result" and "performance target" to allow for both numeric and nonnumeric values. Non-numeric values could include customer satisfaction measurements, timeliness standards, etc.

7 **SECTION 3. Government performance and accountability committee –**
8 **Appointment – Additional participation.** The legislative council, during each
9 biennium, shall appoint a government performance and accountability committee
10 in the same manner as the council appoints other interim committees. The council
11 shall appoint to the committee up to four members of the house of
12 representatives, no more than three of whom may be from the same political party
13 and up to four members of the senate, no more than three of whom may be from
14 the same political party. The council shall designate the chairman of the
15 committee. The council may appoint up to two citizens to the committee to serve

1 up to three 2-year terms. These members are entitled to compensation under
2 section 54-35-10 for attendance at meetings of the committee. The council shall
3 consider reappointment of members to the committee to maintain continuity. The
4 director of the office of management and budget, or the director's designee, and
5 the state auditor, or the state auditor's designee, are members of the committee.

6 The chairman may invite up to four additional members of the house of
7 representatives, at least one of whom must be from the minority party, and up to
8 four additional members of the senate, at least one of whom must be from the
9 minority party, to attend meetings of the committee when committee discussion
10 relates to the members' legislative standing committee assignments. These
11 members are entitled to compensation under section 54-35-10 for attendance at
12 meetings to which they are invited under this section. The committee shall
13 operate in accordance with the statutes and procedures governing the operation of
14 other legislative council interim committees.

Changes the provision by removing the voting power of the added legislative members as contained on Page 2, line 27 of the proposed Bill. Job Service believes that good public policy should avoid even a hint of unfairness, and allowing the additional appointed members to vote looks to the student of the legislation like the chairman could load up the membership of the Committee to ensure that a particular proposition passed or failed.

15 **SECTION 4. Government performance and accountability committee –**

16 **Powers and duties- Staff services.** The government performance and

1 accountability committee has continuing existence and may meet and conduct its
2 business during the legislative session and in the interim between sessions. The
3 committee shall monitor state government performance and accountability by
4 reviewing state agency or department strategic plans, performance measures, and
5 performance measurement indicators. The committee shall assess the
6 effectiveness of the government performance and accountability system. The
7 committee shall report its findings and recommendations along with any
8 necessary legislation, to the legislative council. The legislative council shall
9 provide staff services to assist the committee in performing its duties and
10 responsibilities including analyzing agencies' and departments' performance
11 measures prior to committee review, and summarizing performance measurement
12 indicators for review by the committee or the legislative assembly. The legislative
13 council staff shall assist the office of management and budget in the development
14 of standards for agencies and departments to utilize in submission of their
15 strategic plans, performance measures, and performance measurement indicators,

16 **SECTION 5. Strategic plan and performance measures – Performance**
17 **measurement data.** Each executive branch agency and department, as

The reference to the Committee's responsibility to monitor "missions, goals, and objectives" has been deleted, as the point isn't for the Legislative Assembly to focus on those statements, but on how the strategic planning process works, and on the development and measurement of outcome-based performance measures by which the Legislative Assembly, the Agency, and the public can judge the Agency's performance on its critical success factors. In other words, the point of the Bill in our estimation should be that the agency can articulate major outcome-based performance measures (e.g. number of jobseekers who gain employment as a result of Job Services efforts; or number of jobseekers who got jobs through Job Service's efforts have retained employment six months later); and that the Agency has a strategic plan in place to reach or exceed

The language relating to the Legislative Council staff's responsibilities has been changed to require them to provide assistance to OMB in developing standards so as to prevent conflict with OMB's responsibilities under Section 1.

1 identified by the office of management and budget, shall prepare and submit, or if
2 already prepared shall submit, annual or biennial strategic plans, outcome-based
3 performance measures, and performance measurement indicators. The
4 performance measures shall address the major outcomes the agency or
5 department believes it must address in the following three-year to five-year
6 period. Each executive branch agency or department shall present its strategic
7 plan, performance measures, and related performance measurement indicators to
8 the office of management and budget by July 31 of each even-numbered year,
9 and to the government performance and accountability committee upon request.

This section is amended to require agencies to submit their strategic plans, performance measures, and performance measurement indicators biennially to OMB by July 31 of the even-numbered years; and to the GPAAC upon request. Thus, OMB would become a repository of all plans and measures and could assess them as to meeting of the OMB standards; while leaving the Committee free to "manage by exception" selecting those agencies to report which the Committee believes might need more help in effectively using the GPAAS. Strikes out the language allowing the GPAAC to "revise" performance measurement indicators.

11 **SECTION 6. State agency strategic plans.** Within fourteen months of the
12 effective date of this Act, each executive branch agency or department initially
13 subject to this Act, shall prepare and implement a three-year to five-year strategic
14 plan, updated annually or biennially, to guide its operations and activities. The
15 remaining executive branch agencies and departments shall prepare such a plan
16 within thirty-six months of the effective date of this Act. The strategic plan must
17 include:

Requires each agency "subject to the Act" to prepare a strategic plan that meets the requirements of this section. So, the agencies selected by OMB for inclusion pursuant to Section 12 would have to prepare the plan by October 1, 2006; and the remaining agencies would have to have their plans completed by August 1 of the even-numbered year following the next Session (2008).

- 1 1. The missions, goals, and objectives of the agency, which may be stated in
2 similar terms so long as they set out the major outcomes to be accomplished
3 during the plan period, the timetables for accomplishment, and the
4 responsible person or unit.
- 5 2. Identification of the agency's or department's customers; and the results of
6 any methodology used to assess and improve services.
- 7 3. The strategies and activities utilized to meet agency or department goals and
8 objectives.
- 9 4. A general description of the agency's or department's sources and uses of
10 funds.
- 11 5. Estimated future service requirements and the resources that may be
12 necessary to meet those requirements.
- 13 6. External factors affecting services of the agency or department.
- 14 7. The performance measurement indicators used to evaluate and assess the
15 agency's or department's performance.

The language in subsection 1 allows agencies to use, in lieu of "mission, goals, and objectives," whatever terminology they are comfortable with, and which is understood by their staff and stakeholders. The point is that the language must set out the major outcomes, the time frame, and the responsible parties. For example, Job Service and PeopleSoft use the term "critical success factors."

1 **SECTION 7. State agency performance reports – State auditor reviews.**

2 Each executive branch agency and department shall prepare a biennial
3 performance report that summarizes its strategic plan, compares performance
4 results to performance targets, provides explanations of any major variances
5 between performance results and targets, presents multiyear trends in
6 performance results, and, to the extent possible, provides comparisons to other
7 states' performance results and national benchmarks. This biennial performance
8 report shall be submitted as provided in section 54-06-04, and may be submitted
9 as an appendix to the report required by that section for those agencies and
10 departments subject to reporting by that section. The state auditor, as part of each
11 executive branch agency's or department's biennial audit as required by
12 subsection 2 of section 54-10-01 shall review selected agency or department
13 performance results for validity and reliability, provided that if an external
14 regulatory validation of the underlying data has been done, the state auditor shall
15 rely on that validation.

This section is amended so that the agency's biennial performance report would coincide with its already required biennial report and could become an appendix to that report.

Reference to the State Auditor's duties is changed to require that when a biennial fiscal audit is done as required by subsection 2 of section 54-10-01, the Auditor is to review selected agency performance results. Requires acceptance of externally validated data.

1 **SECTION 8. Government performance – Incentive and review**

2 **recommendations.** Based on an agency's or department's performance results,
3 the government performance and accountability committee may recommend to
4 the legislative assembly that an agency or department receive an incentive or be
5 subject to a review.

6 1. An incentive recommendation may include:

- 7 a. Additional flexibility to transfer funds between line items of
8 the agency's or department's appropriation.
- 9 b. Authorization to retain all or a portion of the agency's or
10 department's unspent appropriation authority at the end of a
11 biennium.
- 12 c. Additional funding for the agency or department that may be
13 used for one-time purposes, including employee salary
14 adjustments, employee training, technology improvements, or
15 other productive enhancements.

1

2. A review recommendation may include:

2

a. More frequent reporting of agency or department performance

3

results.

4

b. A review by the office of management and budget of the

5

agency's or department's strategic plan, performance

6

measures, or performance measurement indicators.

7

c. A state auditor performance audit of select agency or

8

department programs.

Added language to make sure that any performance audit required by subdivision c would not be at agency expense. If an agency is struggling to meet its performance goals, or is struggling with its planning process, the last thing that agency needs is to be forced to expend \$130,000 + on an unfunded mandate.

9

Any performance audit carried out pursuant to this subsection shall not be

10

at the agency's or department's expense.

The section is also amended to delete reference to goals and objectives.

11

NOTE: Section 9, and all of Section 10, except subsection 7 are not changed. Sections

12

11, 13, 14, and 15 are also unchanged. Thus, only subsection 7 and Section 12 will be set

13

out below:

1 7. For those budget units involved in the government performance and
2 accountability system and which submit estimates under section 54-44.1-04,
3 statements summarizing each agency's or department's strategic plan,
4 performance measures, and performance measurement indicators for recent
5 years and the next biennium.

6 **SECTION 12. Government performance and accountability system –**

7 **Implementation.** The office of management and budget, in supervising the
8 development of a government performance and accountability system, shall assist
9 executive branch agencies and departments to develop strategic plans,
10 performance measures, and performance measurement data. The office of
11 management and budget shall arrange for selected state agencies and departments
12 to implement the system during the 2005-2007 biennium and the remainder of the
13 agencies and departments during the 2007-2009 biennium.

This section is changed to reference OMB's supervisory responsibilities over the GPAAS, and to the assistance it is to give to agencies to help those agencies to conform to the Act.

1 **SECTION 13. APPROPRIATION – OFFICE OF MANAGEMENT AND**

2 **BUDGET.** There is appropriated out of any moneys in the general fund in the

3 state treasury, not otherwise appropriated, the sum of \$100,000, or so much of

4 that sum as may necessary, to the office of management and budget for the

5 purpose of contracting with a consultant to train agency or department personnel

6 and to assist agencies and departments in developing strategic plans and

7 performance measures to comply with this Act.

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Customer First Business Plan



July 1, 2004

Quarterly Performance Report As of September 30, 2004

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July 1, 2004

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Handout 6-4
1-11-05

HOUSE APPROPRIATIONS COMMITTEE
January 11, 2005

North Dakota Department of Transportation
Tom D. Freier, Deputy Director

HB 1035

The North Dakota Department of Transportation supports the general intent of HB 1035. We believe in accountability that focuses on agency *outcomes* and customer service. Strategic planning is essential as we serve our customers.

Our support for HB 1035 focuses on the *strategic* or *outcomes* level rather than the *operational* or *tactical* level. To meet their legal, ethical, and professional obligations, agency leaders must think and act strategically and communicate strategic guidance throughout the organization. The successful implementation of strategic goals depends on performance measurement. Legendary management analyst Peter Drucker once said, "What gets measured gets done."

NDDOT's performance measurement report card focuses on our five major goals: customer satisfaction, employee satisfaction, safety (of workers and of motorists), highway system condition, and development and delivery of highway construction projects. As we measure continued improvement in these key areas, our customers – the people of North Dakota – will be increasingly better served.

###

Highway Patrol

Overview Presentation to the House Appropriations Committee

February 23, 2005

Funding

	2003-05 Legislative Appropriation	2003-05 Estimated Expenditures or Currently Filled FTE Positions	(1) Variance	2005-07 Executive Recommendation	(2) 2005-07 Recommendation Change (Variance) to 2003-05 Legislative Appropriations
Salaries and wages	21,074,609	21,218,000	143,391	22,496,993	1,422,384
Operating expenses	6,478,000	6,482,000	4,000	7,504,635	1,026,635
Equipment	1,345,000	1,942,000	597,000	1,583,000	238,000
Capital assets	40,000	124,000	84,000	25,000	-15,000
Grants	4,755,000	800,000	-3,955,000	2,750,000	-2,005,000
Total	\$33,692,609	\$30,566,000	-\$3,126,609	\$34,359,628	\$667,019
General fund	\$18,211,522	\$17,919,913	-291,609	\$19,805,490	1,593,968
Federal funds	8,037,033	5,202,033	-2,835,000	7,032,168	-1,004,865
Special funds	7,444,054	7,444,054	0	7,521,970	77,916
Total	\$33,692,609	\$30,566,000	-\$3,126,609	\$34,359,628	\$667,019
FTE	192.00	177.00	-15.00	186.00	-6.00

(1) Explanation of Major Funding and FTE Variances for the 2003-05 Legislative Appropriation to 2003-05 Current Estimates

	FTE	General Fund	Federal and Special Funds	Total
1. The salaries line item was increased for federal and state overtime programs.				
2. The Equipment line item was increased because federal agreements for equipment purchases were obtained.				
3. The Capital Assets line item was increased by \$75,000 to provide for an office remodeling including current fire code requirements.				
4. Biennial expenses from the Grants line item were lower than anticipated.				

(2) Explanation of Major Funding and FTE Changes (Variances) for the 2005-07 Recommendation to 2003-05 Legislative Appropriations

	FTE	General Fund	Federal and Special Funds	Total
1. New sworn officer FTE	1	123,000	47,000	170,000
2. Consolidation of security operations	4	438,855	0	438,855
3. Wireless field reporting system	0		200,000	200,000
4. Compensation package	0	419,275	257,998	677,273
5. Federal border inspection program	0	0	463,256	463,256
6. Equipment variance	0	91,000	147,000	238,000
7. Grants variance	0	0	-2,005,000	-2,005,000

Summary of Senate Changes to the 2005-07 Executive Recommendation

1. Compensation package	0	-82,821	-2,679	-85,500
2. Homeland Security Coordinator	1	0	190,000	190,000
3. Unfunded case management system	0	-200,000	0	-200,000

Summary of Major Goals and Objectives and Related Performance Measurement Data for the 2005-07 Biennium (to the extent available)

1. Reduce the number of fatalities per 100 million vehicle miles traveled	Target: 1.1 per 100 million vehicle miles traveled	Actual: 2003 - 1.44
2. Reduce the percentage of alcohol-related fatal crashes	Target: 35%	Actual: 2004 - 40%
3. Reduce total crashes per 100 million vehicle miles traveled	Target: 190 per 100 million vehicle miles traveled	Actual: 2003 - 227.0
4. Increase percentage of statewide seat belt use	Target: 70%	Actual: 2004 - 67%