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# Development and Use of the 1994 Agency Performance Reports

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Program Evaluation Division  
Office of the Legislative Auditor  
State of Minnesota

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# Development and Use of the 1994 Agency Performance Reports

## EXECUTIVE SUMMARY

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**I**n 1993, the Minnesota Legislature required selected state agencies to report annually on the performance of their programs. Proponents of the law hoped that it would result in better information about the activities and accomplishments of state programs, thus improving legislative budgeting and policy making, agency management, and public accountability. Agencies issued their first performance reports in September 1994, and many were a topic of discussion during the 1995 legislative session. The 1995 Legislature also changed the schedule for performance reports from an annual to a biennial cycle.

This report describes the process used by the 21 agencies to develop their first performance reports and discusses agency heads' perceptions of performance reporting. Our research addressed the following questions:

- **How did Minnesota's state agencies develop their 1994 performance reports, and did the reports contain useful information?**
- **To what extent did worker participation committees and people outside the agencies contribute to the development and use of agency reports?**
- **How much did the 1994 reports cost to produce? Do agencies believe that the benefits of performance reporting justify the costs?**
- **Have the performance reports had an impact on budget, policy, or management choices, and do agency heads think they could in the future?**

As part of our evaluation, we surveyed each of the 21 agency commissioners and 164 of the nearly 200 members of worker participation committees in 16 agencies. In addition, we interviewed one or two staff members who coordinate each agency's performance reporting process and maintain contact with our office.

## DEVELOPMENT OF THE 1994 PERFORMANCE REPORTS

The process of developing the 1994 performance reports was a difficult one for most state agencies. Most developed their reports in a fairly short period of time, often at the same time they were developing biennial budget proposals. Some agencies told us they would have preferred clearer or more timely instructions from the Department of Finance about how to develop their reports, and some would have preferred more timely feedback from the Legislative Auditor on their 1993 draft reports.

Most agencies did not try to involve external parties when developing the performance reports, contrary to the requirements of the performance reporting law prior to its amendment by the 1995 Legislature. In addition, about half of the agencies did not have worker participation committees (as defined in law) that met during the development of the 1994 reports, and many agencies had difficulty understanding how these committees could play an ongoing role in agency improvement. Nevertheless, several agencies used these committees or other approaches to effectively involve employees in the development or review of the reports.

Despite the problems agencies had developing their reports last year,

- **There are indications that the performance reporting law caused some agencies to undergo useful self-appraisals.**

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**It will take time for agencies to report meaningful performance information on all their programs, but the 1994 reports showed steps in the right direction.**

Most agencies did not develop new statements of agency mission or goals during this process, but some did, and most others developed objectives and performance measures that had not previously existed. Most agencies relied extensively on staff with management responsibilities to write and review significant portions of the 1994 reports, which seems to us a useful step toward integration of performance reporting into agency decision making. A majority of worker participation committee members said that they were satisfied with their committees' impacts on the final reports, and they were particularly satisfied with the attention given by the committees to agency missions and goals.

In our view, there is considerable room for improvement in the content of agency performance reports. In many cases, the 1994 reports lacked sufficient information for readers to evaluate the success of programs, and some were unfocused or gave disproportionate attention to minor programs. However, the 1994 reports were the first reports produced under the performance reporting law, and, given the complexity of the task, it does not surprise us that it will take more time for agencies to define their missions, collect meaningful performance data, and report this information in a way that is helpful to decision makers and the general public.

## AGENCY VIEWS

Performance reports have a variety of potential uses. For example, they could help agency managers or legislators make budget or policy choices. They could also contribute to better public understanding of agencies and their programs, or they could help the legislative and executive branches develop a consensus on goals and objectives.

Although the 1994 reports were the first ones developed under the performance reporting law, we think it is useful to consider agencies' impressions about their impact. We surveyed the commissioners of the 21 agencies required by law to develop performance reports and found that:

- **Most agency commissioners said that the benefits of the 1994 performance reports have not outweighed the costs of developing them, but most believe that the benefits of future performance reports will outweigh the costs.**

Agencies estimate that they spent a total of more than \$1.0 million developing their 1994 reports. Eighteen of 21 commissioners said that these reports have helped their agencies' internal operations in some way, and the other commissioners believe the reports will be helpful in the future. A majority of commissioners (52 percent) said that the reports have been "somewhat helpful" for improving employees' understanding of their agencies' missions. Most commissioners said that the reports have not yet helped their agencies during budget or policy development.

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**Most agency heads believe that performance reporting should continue, but they hope that future reports receive more legislative attention.**

Many commissioners and other agency staff told us that they were not satisfied with the attention their reports received from legislative committees during the 1995 session. Legislative committees held hearings on the reports of 16 of the 21 agencies, but some of these discussions were brief. Commissioners of 7 of 21 agencies said they were satisfied with the attention their reports received in the House of Representatives, and only one commissioner expressed satisfaction with the attention the report received in the Senate. Executive officials strongly believe that the benefits of performance reporting would have been significantly increased if legislative committees had used the reports more.

Nevertheless, nearly all agency commissioners believe that Minnesota's performance reporting requirements should continue in law. Most commissioners said that they favor issuing reports every two years, rather than annually, and the 1995 Legislature made this change to the performance reporting law. A majority of the commissioners (12 of 21) said that they would prefer to have the performance reports merged with the Governor's budget proposals, but 8 agency heads think that the reports should continue to be issued separately.

## CONCLUSIONS AND RECOMMENDATIONS

Overall, we conclude that the performance reporting law has had a modest but positive impact so far. We think that the substance and format of the performance reports need to be improved before the reports will have a larger impact. However, while many agencies found the reports difficult to develop and the subject of too little legislative attention, it is noteworthy that agencies generally believe that performance reports are potentially useful and should be continued.

The change in law from an annual to a biennial performance reporting schedule will give agencies until November 1996 to improve their next reports. Legislators are scheduled to receive the reports about three months before they begin to review agencies' next biennial budget requests. We recommend that:

- **Legislative committees, the Department of Finance, and state agencies should all take actions designed to improve discussions of performance reports in the 1997 legislative session.**

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**Improved discussions of performance reports will require actions by both the executive and legislative branches.**

The 1994 reports often lacked adequate performance data and objectives, and some were unfocused or too lengthy. Agencies did not always effectively present the reports to legislative committees and clarify how the reports related to legislative decisions. As agencies improve the content of the next reports, they should also consider ways to highlight issues requiring legislative attention, both in the reports and in their legislative presentations. In addition, the Department of Finance should consider ways to more effectively link the budget proposals and performance reports, perhaps by merging or cross-referencing them, or by including highlights of the performance reports in the budget documents. The department should also consider changes in the reporting format and instructions that would make the reports more useful to legislators, such as executive summaries and improved graphics.

While a few legislative committees devoted considerable time to performance reports in 1995, most did not. In our view, it is important for legislative committee chairs to discuss the purposes of the reports with their members and to set aside committee time early in the 1997 session to discuss agency missions, goals, and objectives, as well as past and projected performance. Agencies need thorough and systematic feedback from the Legislature in order to improve their reports. Also, if legislative committees take the time to discuss agency goals and performance, agencies will be more likely to commit themselves to improvements in performance measurement over the long term.

Employee involvement in the development and review of performance reports could be an effective way to create a better understanding within agencies of goals and objectives, and it is a necessary part of developing an agency-wide commitment to performance measurement in daily work. However, we think the purposes of the worker participation committees, as defined by law, are too broad, and the composition of the committees, also in law, is too prescriptive. We recommend that:

- The Legislature should amend *Minn. Stat.* §15.92 to encourage agencies to involve their employees in the development and implementation of performance reports, while eliminating existing statutory provisions about the composition and purposes of agency-wide worker participation committees.

This change would give agencies more flexibility to determine the role and manner of employee participation in the performance reporting process.

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# Introduction

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In 1993, the Minnesota Legislature passed a law that required selected state agencies to report annually on the performance of their programs.<sup>1</sup> The law's stated purposes are:

1. To generate information so that the Legislature can determine the extent to which state programs are successful;
2. To develop clear goals and priorities for state programs;
3. To strengthen accountability to Minnesotans by providing a record of state government's performance in providing effective and efficient services; and
4. To create appropriate incentives and systems that will allow and encourage the best work by state employees.<sup>2</sup>

Twenty-one agencies, shown in Figure 1, are required by law to develop performance reports. The Department of Finance has been responsible for developing forms and instructions, coordinating training, and working with state agencies to develop acceptable performance measures.<sup>3</sup> In addition, the law requires the Legislative Auditor to review the reports and provide comments to the Legislature and agencies on a rotating biennial schedule.

The scope and schedule of Minnesota's performance reporting law has been ambitious. State agencies issued drafts of their performance reports in November 1993, barely five months after the law passed. They received comments on their drafts from the Office of the Legislative Auditor between April and August 1994, and they issued their first annual performance reports in September 1994. We thought it would be helpful to describe the process used by agencies to develop their reports and to discuss agency heads' perceptions of performance reporting. Our research addressed the following questions:

- **How did Minnesota's state agencies develop their 1994 performance reports?**

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<sup>1</sup> *Minn. Laws* (1993), Chap. 192, Secs. 35 and 39-41, as amended by *Minn. Laws* (1994), Chap. 632, Art. 3, Sec. 18, and *Minn. Laws*, (1995), Chap. 254, Art. 1, Sec. 43.

<sup>2</sup> *Minn. Stat.* §15.90.

<sup>3</sup> *Minn. Stat.* §15.91, Subd. 2, as amended by *Minn. Laws* (1995), Chap. 254, Art. 1, Sec. 43. The 1995 Legislature amended the law to state that the department "shall ensure that performance reports are complete, accurate, and reliable and compiled in such a way that they are useful to the public, legislators, and managers in state government."

### Figure 1: Agencies Required By Law to Develop Performance Reports

Administration	Labor and Industry
Agriculture	Military Affairs
Commerce	Natural Resources
Corrections	Pollution Control
Economic Security	Public Safety
Education*	Public Service
Employee Relations	Revenue
Finance	Trade and Economic
Health	Development
Human Rights	Transportation
Human Services	Veterans Affairs

\*Effective October 1, 1995, this will be the Department of Children, Families, and Learning .

- **Did worker participation committees and people outside of agencies contribute to the development and use of agency reports?**
- **How much did the 1994 reports cost to produce? Do agencies believe that the benefits of performance reporting justify the costs?**
- **Have the performance reports had an impact on budget, policy, or management choices, and do agency heads think they could in the future?**

We surveyed all 21 agency commissioners and 164 of the 193 members of 16 agencies' worker participation committees. In addition, for each agency, we interviewed one or two staff who coordinate their agency's performance reporting process and maintain contact with our office. We did not survey or interview legislators or their staff for this study, due to the difficulty of scheduling meetings late in the legislative session.

### The 1995 Legislature made several changes to the performance reporting law.

Usually our office would not evaluate an activity in which we have a direct role, specifically, statutory responsibility for reviewing and commenting on agency performance reports. As a part of this role, our office has worked with agencies to improve their reports, and we have also provided assistance to legislators as they have considered changes to the performance reporting law. Despite our office's ongoing role in performance reporting, we have tried to be as objective as possible in our research for this report.

During the time that our office was conducting the research for this project, the 1995 Legislature made several changes to the performance reporting law.<sup>4</sup> For example:

- Reports will be issued every two years, rather than annually, starting in 1996.

<sup>4</sup> Minn. Laws, (1995), Chap. 254, Art. 1, Sec. 43.



- Reports will be issued by November 1, rather than September 1.
- There are no longer requirements for agencies to include citizens or other parties outside the agencies in report development.
- The commissioner of Finance will be responsible for ensuring that reports are complete, accurate, and reliable.
- Reports must indicate "the performance the agency projects it will achieve during the next two fiscal years with the level of funding requested." Until now, at the direction of the Department of Finance, agencies have estimated future performance based on current spending levels.

This report focuses on development and use of the 1994 performance reports. Chapter 1 discusses how agencies developed their reports, the cost of these efforts, our general assessment of the reports, and the satisfaction of state agencies with assistance they have received from outside agencies. Chapter 2 describes how the reports have been used in agency management, budgeting, and the legislative process, and it discusses agencies' overall assessments of performance reporting.

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# Development of the 1994 Performance Reports

## CHAPTER 1

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**P**erformance reports provide Minnesota state agencies with an opportunity to explain their fundamental purposes and the nature of the services they deliver. The reports contain statements of agency missions, goals, and objectives, as well as information on past performance and proposed levels of future performance. According to Minnesota's performance reporting law, this information is intended to help legislators, agency staff, and others to evaluate state programs.

In this chapter, we discuss the processes used by the 21 state agencies to assemble their first annual performance reports, issued in September 1994. We asked:

- **How did the agencies create their performance reports, and who was responsible for writing them? Did the 1994 reports contain useful information and show improvement over the 1993 draft reports?**
- **How much did the development of the 1994 performance reports cost?**
- **How did agencies use the worker participation committees required by the performance reporting law? Were people outside of the agencies involved in report development?**
- **Have agencies been satisfied with outside assistance they received when developing their reports?**

To learn how agencies created their 1994 reports, we interviewed the performance reporting coordinator(s) designated by each of the 21 agencies that are required by law to develop performance reports. Most often, the coordinators were professional staff within their agencies' budgeting/finance, strategic planning, or program management functions. Seven agencies had coordinators at some time during the past year who were in top level management positions, such as a deputy or assistant commissioner (Administration, Corrections, Education, Human Rights, Labor and Industry, Revenue, and Veterans Affairs).<sup>1</sup> In addition, we surveyed commissioners in each of 21 agencies about the development and uses of the 1994 reports, and the complete results of this survey are presented in Appendix B.

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<sup>1</sup> This includes agencies who have designated two or three staff as "coordinators" or performance reporting liaisons to the Office of the Legislative Auditor.

We also surveyed employees who served on worker participation committees in 16 agencies.<sup>2</sup> As shown in Table 1.1, nearly half (48 percent) of these employees were managers or supervisors in their agencies. At the time of our survey, about 56 percent of members had served on their agencies' committees for more than a year, and 29 percent had served between six and twelve months. Most respondents (58 percent) said they had attended between one and five meetings of the committee, but 22 percent indicated that they had attended 10 or more. Appendix A contains complete survey results.

**Table 1.1: Employment Classifications of Worker Participation Committee Members**

<u>Position</u>	<u>Number</u>	<u>Percent of Total</u>
Technical/Professional	47	29%
Manager/Supervisor	79	48
Clerical	20	12
Service/Maintenance	14	9
Other	<u>4</u>	<u>2</u>
Total	164	100%

Source: Program Evaluation Division survey of agency worker participation committee members (April - May 1995).

## DEVELOPMENT OF AGENCY MISSION AND GOALS

**One purpose of performance reporting is to help clarify agency goals.**

One of the stated purposes of the performance reporting law is "to develop clear goals and priorities for state programs."<sup>3</sup> In our interviews with agency performance reporting coordinators, we found that:

- **Most agencies did not substantially modify their agency mission statements and goals as a result of the 1994 performance reporting process, but some did, and others are considering ways to clarify their missions in future reports.**

In 10 of 21 agencies, the mission statements in the 1994 reports were different from those in the 1993 draft reports. In several of these cases, agency performance reporting coordinators told us that the changes reflected strategic planning activities that were not directly related to the performance reporting law. However, some agency officials told us that the performance reporting requirement prompted the development of a new mission statement, and several agencies developed or revised program goals during the performance reporting process. For example:

<sup>2</sup> We did not survey worker participation committee members in four agencies because the committees were not formed before the 1994 report was released. A fifth agency did not respond to our requests for a list of worker participation committee members.

<sup>3</sup> Minn. Stat. §15.90.

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**Some agencies clarified their mission statements last year, and others intend to consider changes in the near future.**

- The Department of Corrections' draft 1993 performance report stated that the department's mission "is to carry out the department's statutory responsibilities."<sup>4</sup> The department clarified this vague mission statement during development of its 1994 performance report. Members of the worker participation committee, in conjunction with top agency officials, revised the agency's mission and goals, and developed a set of "core values."
- In the Department of Public Safety, the deputy commissioner, program directors, staff assigned to write sections of the performance report, and the performance reporting coordinator revised the agency's mission statement and several agency goals during the development of the 1994 performance report. According to the coordinator, the revised mission statement, which is to "protect people and property in Minnesota through prevention, regulation, enforcement, information, and services," encompasses some agency functions that the previous mission statement did not.<sup>5</sup> Also, the department added to its 1994 performance report the goals of educating the public on safety issues and safeguarding and promoting the safety of children.

In addition, the performance reporting process has highlighted the need for clarity in some agencies' mission statements:

- In its 1993 draft performance report, the Department of Education included a mission statement developed internally. The Office of the Legislative Auditor pointed out that this mission statement differed from the mission outlined in statute, and the department included a statutorily-based mission statement in its 1994 report. During the 1995 legislative session, the House and Senate discussed the department's mission and asked the Department of Education to develop two performance reports in the future—one on the department and another on Minnesota's system of education.<sup>6</sup> This will likely require the differentiation of the department's mission from that of Minnesota's educational system, and key legislators have expressed interest in helping to define both.<sup>7</sup>
- The Department of Military Affairs included a mission statement in its 1994 performance report that did not reflect its federally mandated responsibilities for military preparedness and national security. The Legislative Auditor made note of this exclusion in its comments on the agency's report to the Legislature. Legislators discussed the omission during the 1995 session, and department staff told us that they intend to address federally required activities in future reports.

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<sup>4</sup> Department of Corrections, *1993 Draft Performance Report* (St. Paul, September 1993), 1.

<sup>5</sup> Department of Public Safety, *1994 Annual Performance Report* (St. Paul, September 1994), 1. For example, the Division of Driver and Vehicle Services' responsibilities for providing information and services to the public were not addressed in the previous mission statement.

<sup>6</sup> *Minn. Laws.* (1995 first special session), Chap. 3, Art. 11, Sec. 21, Subd. 2 (k).

<sup>7</sup> Sen. Lawrence J. Pogemiller and Rep. Alice Johnson to John Mercer, Deputy Commissioner, Department of Education, March 3, 1995. The letter said: "Clearly, we must set a process in place for legislative involvement in setting the goals for the education system. We also need to work to establish a clear mission for the Department of Education so that the Legislature will be able to evaluate the Department's performance related to that mission."

One agency (Human Services) wrote its mission statement and agency goals as part of a strategic planning process that ended after most of the 1994 performance report was drafted. The deputy commissioner did not think the performance report, as drafted, was sufficiently aligned with the mission and goals, so the report was revised to incorporate the themes in the department's strategic plan.

It is also worth noting that the 1995 Legislature passed a law intended to increase agency attention to efficiency and public responsiveness in the mission statements contained in their performance reports. For each of the 21 agencies required to develop performance reports, the law states that "it is part of the department's mission" to:

- (1) prevent the waste or unnecessary spending of public money;
- (2) use innovative fiscal and human resource practices to manage the state's resources and operate the department as efficiently as possible;
- (3) coordinate the department's activities wherever appropriate with the activities of other governmental agencies;
- (4) use technology where appropriate to increase agency productivity, increase customer service, increase public access to information about government, and increase public participation in the business of government;
- (5) utilize constructive and cooperative labor-management practices to the extent required by chapters 43A and 179A;
- (6) include specific objectives in the performance report required under section 15.91 to increase the efficiency of agency operations, when appropriate; and
- (7) recommend to the legislature, in the performance report of the department required under section 15.91, appropriate changes in law necessary to carry out the mission of the department.<sup>8</sup>

Only 2 of the 21 performance reports issued in 1994 had references to operational efficiency in their agency mission statements, although most agencies' reports contained goals related to cost-effectiveness, timeliness, productivity, or responsiveness to the public.

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**In most agencies, managers were the main authors of the reports.**

## CONTENTS OF THE REPORTS

In 13 of 21 agencies, managers (that is, deputy or assistant commissioners, division directors, or program managers) were the primary authors of the performance reports. They developed program goals, objectives, and individual performance measures, and they wrote narrative sections of the reports. In the eight other agencies, non-managerial staff, or combinations of managerial and non-managerial staff, drafted the reports. Staff in one agency told us that they believe that having

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<sup>8</sup> *Minn. Laws* (1995), Chap. 248, Art. 11, Sec. 1-22. The law contains modifications to the statutes governing each of the 21 agencies, as well as the statutes governing the higher education systems.

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**Top officials played ongoing roles in the development of several agencies' reports.**

managers draft the report will result in more useful performance measures; that agency relied primarily on non-managerial staff to write the 1994 report.

Agency performance reporting coordinators played varying roles in the development of the reports. In three agencies (Human Rights, Military Affairs, and Labor and Industry), the performance reporting coordinators apparently wrote most of the reports. In each of these cases, the coordinator met with other agency staff to develop ideas for the report, but these staff usually were not responsible for drafting sections of the report. On the other hand, some coordinators played minor roles in writing the reports, concentrating more on arranging staff training or providing administrative support for the project. At a minimum, most agency coordinators reviewed and edited the reports, and some helped to ensure that pieces of the reports submitted by program staff were assembled in a uniform format.

In most agencies, top officials (commissioners, deputy commissioners, or assistant commissioners) played their largest roles in the early stages of report development (assigning duties to staff, participating in discussions of agency mission and goals) or during report editing and review. In several agencies, top officials presented summaries of the performance report to legislative committees.

In some instances, top officials played ongoing roles in the development of their agencies' performance reports. Deputy commissioners in four agencies (Labor and Industry, Human Rights, Education, and Veterans Affairs) and assistant commissioners in three agencies (Administration, Corrections, and Revenue) served as their agencies' primary contacts with the Legislative Auditor's Office. In addition, one deputy commissioner (Public Safety) directed the work of the agency's worker participation committee, while another deputy (Public Service) led a series of meetings with employees in each departmental unit to discuss the performance report. In one agency (Commerce), three deputies wrote most of the report, and in another (Revenue), an assistant commissioner developed performance measures to supplement those developed by program managers.

We reviewed all of the 1994 performance reports and provided comments to legislators and agencies about their contents.<sup>9</sup> In general, we observed that the reports lacked sufficient data about state agencies' performance. The 1994 reports, like the 1993 drafts, had a lot of data on agency "outputs," such as the number of people served by programs, but still lacked enough information about "outcomes," or the ultimate impact of programs. This may have reflected the difficulty of developing appropriate measures or the need to fully implement information systems that could produce meaningful performance data.

Many reports were uneven in quality, providing useful information and objectives for some programs but not for others in the same agency. In addition, the 1994 reports were double the length of the 1993 draft reports, totaling more than 2,000 pages of information. Some reports gave disproportionate attention to small programs or to the internal administrative operations of agencies. In the Department of Transportation's report, for instance, there is more information about the transit program, which employs 0.3 percent of the agency's total staff, than about state

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<sup>9</sup> Our comments were presented in a series of four-page reports, one for each of the 21 agencies required by law to issue performance reports. These reports provide more detailed discussions of the individual reports' strengths and weaknesses.

**Agencies developed some improved objectives and performance measures last year, but future reports will need to show further progress.**

road operations, which employs 53 percent of staff. Other reports contained detailed information on administrative activities such as bill processing and human resources matters.

On a more positive note, we observed that many agencies developed new measures of performance and committed themselves to achieving specific results that had previously been ill-defined. For example, the Department of Finance, which had previously measured the success of its forecasting unit by the number of forecasts produced in a year, stated in its 1994 report that it would measure the accuracy of its revenue forecasts. In its 1993 draft report, the Department of Public Safety reported the number and cost of projects designed to increase the use of seat belts, but the 1994 report presented a specific objective to increase the percentage of drivers and front seat occupants who wear seat belts. The Department of Veterans Affairs' 1994 report contained an objective to process state soldiers' assistance applications within 48 hours, although the department had never before studied the amount of time it took to provide state benefits to veterans. In addition, many of the reports contained useful objectives that legislators can use to monitor the future performance of the agencies. Several examples of measurable objectives from the 1994 reports are shown in Figure 1.1.

Finally, we observed that much of the narrative added to the 1994 reports helped provide readers with a basic understanding of the agencies' performance. In general, we observed that the 1994 reports contained improved descriptions of agency programs, discussions of past performance, and explanations of plans to improve performance.

In sum, there is considerable room for improvement in the content of the agency performance reports, but there were signs of progress between the 1993 drafts and the 1994 reports. The problems with the content of the reports need to be addressed, but we think they were not unexpected, given the size and complexity of a new requirement such as the performance reporting law. In our view, it is encouraging that several agencies involved top officials in development of the reports and that many had program managers draft portions of the reports; this involvement could help to ensure that performance reports are used more regularly in agency management.

## **ROLE OF THE WORKER PARTICIPATION COMMITTEES**

The performance reporting law requires state agencies to use committees comprised of representatives of employees and employers as they develop their reports. By law, the committees must consist of representatives appointed by the agency head and each of the bargaining units, and they must include a member from each unit of employees that does not have an exclusive bargaining representative. The stated purposes of the worker participation committees are to:

1. Identify other employee and employer issues related to improving the delivery of the agency's programs and services;

### Figure 1.1: Examples of Specific Objectives in Agencies' 1994 Performance Reports

- "During each year of the biennium, child support collections will increase by 10 percent" (Human Services).
- "Double Minnesota's use of renewable energy by the year 2020" (Public Service).
- "The proportion of traffic deaths that are alcohol-related will be reduced to 32% by the year 2000" (Public Safety).
- "To attain annual strength targets authorized by the National Guard Bureau" (Military Affairs).
- "Not more than 10 percent of youth referred to the Youth Intervention Program for a petitionable offense will re-offend within six months after completing the program" (Economic Security).
- "100 percent of inquiries will receive an accurate response within one day of such inquiry by June 30, 1996" (Labor and Industry).
- "Negotiate leases to maintain a 4 percent annual savings in Real Estate Management Division-negotiated rent as compared to market rent" (Administration).
- "To accurately forecast state expenditures and revenues so that actual amounts vary no more or less than 2% from forecasted amounts" (Finance).
- "Maintain a satisfaction rating of 90 percent or more for state forest campground users" (Natural Resources).
- "To increase the Minnesota graduation rate to at least 90 percent by the year 2000" (Education).

Source: 1994 annual performance reports from multiple state agencies (St. Paul, September 1994).

2. Identify barriers to the effective and efficient delivery of services;
3. Participate in the development of the agency's outcome measures and incentive programs; and
4. Meet as desired for the purpose of developing solutions to problems shared by employees and employer within the agency.<sup>10</sup>

We found that:

- **Eleven of 21 agencies did not have worker participation committees (as defined in law) that met during the development of the 1994 reports, and some agencies that established committees had difficulty identifying useful roles for them.**

<sup>10</sup> Minn. Stat. §15.92.



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**Agencies had difficulty complying with the law's requirements for worker participation committees.**

Four of the eleven agencies did not form a worker participation committee before the performance reports were issued in September 1994. To date, only one of these four agencies has a functioning committee. Another three agencies formed committees, but these committees did not meet the requirements of the performance reporting law. For instance, two of the three agencies used committees comprised primarily or exclusively of managers or supervisors. The third agency established a committee that met the requirements of the law, but never had a formal meeting. Finally, the worker participation committees of four agencies (1) reviewed the 1993 draft performance report, but were not involved with the development of the 1994 report, or (2) reviewed the 1994 report, but only after the report had been issued.

Agency performance reporting coordinators identified several reasons for difficulties with the worker participation committees. First, some agencies told us that they were confused about the broad purposes of the committees stated in law, which encompass ongoing improvement of the agencies and not merely assisting with development of the performance reports. In fact, some performance reporting coordinators told us that the roles outlined for the worker participation committees duplicate the work of existing labor-management committees within agencies.

Second, agencies sometimes found it difficult to get committee members to offer suggestions on programs other than their own. This was particularly true in some large agencies, where committee members had little knowledge of the full range of programs administered by the agencies.

Third, several agencies suggested that time constraints prevented them from making more use of worker participation committees. In at least three agencies, the employee bargaining units never selected staff representatives for the worker participation committees or made the selections so late in the process that the committees were unable to review the reports before they were issued. In other cases, agencies waited to begin developing their 1994 reports until they received the comments on their 1993 draft reports from the Legislative Auditor. The auditor's office issued these comments between one and five months before the 1994 reports were due, so some agencies used worker participation committees merely to review final drafts of their 1994 reports, not to help develop them. However,

- **Despite these problems, several agencies reported finding effective ways to solicit employee input for their performance reports.**

For example:

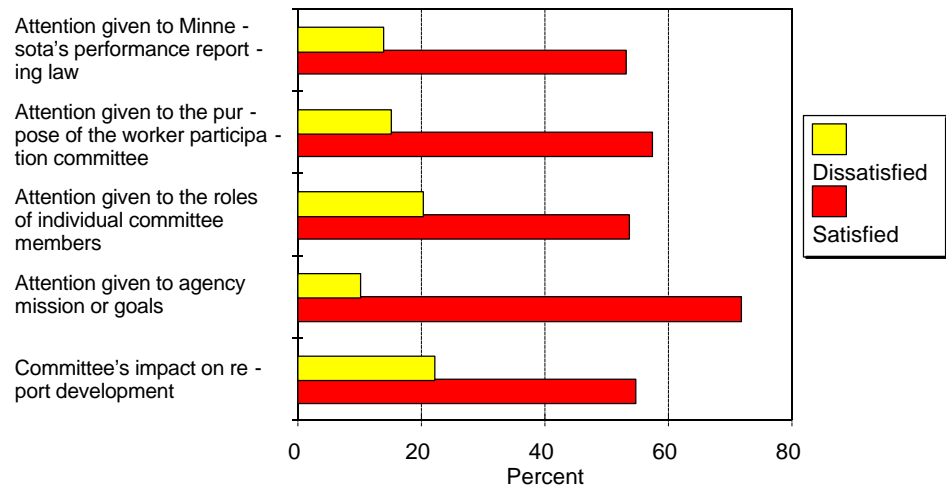
- The Department of Natural Resources paid for some worker participation committee members to attend a training session on performance reporting, and members met regularly for eight months prior to the release of the 1994 performance report. The committee periodically briefed top agency officials and met individually with authors of report sections to make suggestions for improvement. The committee members did not consider themselves to be experts in the subject areas covered by the report. Instead, the committee members tried to ensure that the report was readable and logical and that objectives were measurable.

**However, several agencies found useful ways to involve employees in report development.**

- In the Department of Corrections, members of the worker participation committee drafted the agency's mission statement, goals, and "core values." These were presented to, and endorsed by, the agency's commissioner.
- Worker participation committee members in the Department of Employee Relations drafted entire sections of the 1994 report, subject to review by other committee members and agency managers.
- The Department of Public Service's deputy commissioner and report coordinator conducted a series of meetings at which employees throughout the organization were invited to brainstorm possible performance measures for the report.
- Managers of individual programs within some agencies, such as Labor and Industry and Economic Security, held retreats or workshops to involve employees in the development of their sections of the performance report.

In our survey of worker participation committee members, more than half of respondents said they were "somewhat satisfied" or "very satisfied" with the attention devoted by their committees to Minnesota's performance reporting law (52 percent), the purpose of the committee (56 percent), and their roles as members of the committees (53 percent), as shown in Figure 1.2. More than two-thirds of respondents (70 percent) stated that they were "somewhat satisfied" or "very satisfied" with the committees' attention to agency missions and goals, and more than half (53 percent) indicated that they were "somewhat satisfied" or "very satisfied" with their committees' **impact** on the 1994 performance reports. According to Figure 1.3, of those worker participation committee members who classified them -

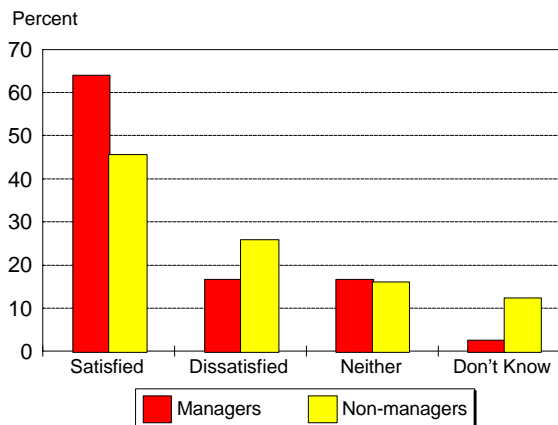
**Figure 1.2: Satisfaction of Worker Participation Committee Members With Their Committees**



Note: "Satisfied" includes respondents who said they were "somewhat satisfied," or "very satisfied," and "dissatisfied" includes respondents who said they were "somewhat satisfied" or "very satisfied." The figure does not show the percentage of respondents who replied "neither satisfied nor dissatisfied" or "don't know."

Source: Program Evaluation Division survey, April-May 1995.

**Figure 1.3: Satisfaction of Worker Participation Committee Members With Committee's Impact on Performance Report Development**



Note: "Satisfied" includes respondents who said they were "somewhat satisfied," or "very satisfied," and "dissatisfied" includes respondents who said they were "somewhat dissatisfied" or "very dissatisfied."

Source: Program Evaluation Division survey, April - May 1995.

selves as managers/supervisors, 64 percent were at least "somewhat satisfied" with the impact their agencies' committees had on the development of the 1994 performance report. By comparison, about 46 percent of non-managerial staff in agencies were at least "somewhat satisfied" with their impact.

Committee members were less satisfied with the attention given by their committees to broader topics related to agency management. As shown in Table 1.2, less than one-third of committee members were "somewhat satisfied" or "very satisfied" with their committees' attention to barriers to the effective and/or efficient delivery of agency services (28 percent), possible incentives for improved employee performance (29 percent), and possible solutions to staff problems (31 percent). In addition, only 36 percent of respondents said they were "somewhat satisfied" or "very satisfied" with their committee's **impact** on ways to improve agency services.<sup>11</sup>

Our survey of worker participation committee members indicated that 63 percent thought the worker participation committee law should remain in effect, either because they said that their agencies' committees had already shown themselves to be useful or because they said the committees could be useful in the future. Another 19 percent of respondents said that the law requiring the committees should be repealed because it is doubtful that the committees will be useful.

In our view, employee involvement in the development and review of performance reports could be an effective way to create a better understanding of agency goals and objectives, and it is a necessary part of developing an agency-wide commitment to performance measurement in daily work. Despite the problems that

**Most worker participation committee members think that the committees should be continued.**

<sup>11</sup> Between 28 and 32 percent of respondents indicated that they were "somewhat dissatisfied" or "very dissatisfied" with their committees' impact in each of these four areas.

**Table 1.2: Worker Participation Committee Members' Responses to Survey Questions: How Satisfied Have You Been With Your Committee's Attention to the Following:**

	<u>Very satisfied</u>	<u>Somewhat satisfied</u>	<u>Neither satisfied nor dissatisfied</u>	<u>Somewhat dissatisfied</u>	<u>Very dissatisfied</u>	<u>Don't know/ No response</u>	<u>Total</u>
Barriers to the effective and/or efficient delivery of your agency's services?	6%	22%	29%	23%	9%	12%	100%
Possible incentives for improved performance by your agency?	4	25	29	16	12	13	100
Possible solutions to problems faced by your agency's staff?	7	24	27	18	13	11	100

Note: Figures may not equal 100% due to rounding.

Source: Program Evaluation Division survey of worker participation committee members, (April - May 1995). N = 164.

### **The performance reporting law should be amended to give agencies flexibility regarding the manner of employee participation.**

some agencies had identifying useful functions for the worker participation committees, a large percentage of committee members seem to have appreciated this opportunity for input.

However, we think that the purposes of the committees, as defined by law, are too broad. Given the need for fundamental improvements in the quality of the performance reports in the near future, we think that employee participation should be directed to activities specifically related to development or implementation of the reports, and not to broader discussions of employer-employee relationships. In addition, we think that the composition of the worker participation committees, as mandated in law, is too prescriptive. For example, an agency may find that it is more useful to establish performance reporting working groups for each of its programs, rather than having a single worker participation committee to consider the performance information for the entire agency. Also, designating members of worker participation committees based on their bargaining units, as required by current law, could create confusion about the roles of members and whose interests members are intended to represent. We recommend that:

- **The Legislature should amend *Minn. Stat.* §15.92 to encourage agencies to involve their employees in the development or implementation of performance reports, while eliminating existing statutory provisions about the composition and purposes of agency-wide worker participation committees.**

With this change, agencies could still establish worker participation committees or other forums for involving employees in the development or implementation of

performance reports. However, this change would give agencies freedom to determine the role and manner of employee participation.

## COSTS OF DEVELOPING THE 1994 PERFORMANCE REPORTS

When the performance reporting law passed in 1993, agencies did not receive additional funding to implement the law. We asked agency performance reporting coordinators to estimate the costs associated with developing their 1994 reports. Specifically, we asked them to identify costs attributable to staff time (salaries and benefits), training, consultants, production of the reports, and other miscellaneous activities between November 1, 1993 and November 1, 1994. We found that:

- **State agencies spent about \$1.0 million developing the 1994 performance reports, according to agency estimates.**<sup>12</sup>

Due to variations in the size of agencies, the number and types of staff involved, and their extent of involvement, the cost of producing the 1994 performance report ranged from \$2,600 (Public Service) to \$182,000 (Human Services). Staff in the Department of Public Service said that most of their work to develop performance measures occurred during production of the 1993 draft report; for the 1994 report, the agency primarily updated the data in the previous year's report. In the Department of Human Services, which is the largest state agency, about 35 staff served as report authors, and others assisted in support functions.

Among 20 agencies that provided us with cost estimates, the average cost for the 1994 reports was \$51,700, and the median cost was about \$40,000.<sup>13</sup> Salaries, benefits, and training costs accounted for about 91 percent of total costs. Only one agency (Education) contracted with outside consultants for ongoing help with development of the 1994 performance report, although at least two agencies hired a consultant to discuss performance reporting concepts with employees.

The report coordinators told us that the development of the performance reports represented a substantial commitment of agency resources at a time when agencies were also committing time to their biennial budget proposals. Although some coordinators told us that various agency projects were delayed due to work on the 1994 reports, most said that the performance reporting effort did not come at the expense of other important agency functions.

In addition, we found that:

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**The median cost in 1994 for developing an agency performance report was \$40,000.**

<sup>12</sup> This estimate does not include the expenses incurred by outside agencies involved with performance reporting. The Legislative Auditor spent \$195,000 to review and comment on agencies' performance reports during this time. The Department of Finance was not able to make an estimate of its costs of coordinating the performance reporting process.

<sup>13</sup> Agency coordinators emphasized that these cost estimates were approximate, not precise. Few, if any, agencies kept records of the number of hours involved in putting together their reports. One of the 21 agencies subject to the performance reporting law (Human Rights) was unable to develop an estimate due to turnover in the performance reporting coordinator's position.

- **Nine agencies estimated that next year's annual performance report would cost less than the 1994 report, while six said that next year's report would cost more.**

Another five agencies said that the cost to develop the next performance report would be about the same as that for the 1994 report, and one agency did not make an estimation of costs.

## INVOLVEMENT OF PEOPLE OUTSIDE THE AGENCY

Until amended by the 1995 Legislature, the performance reporting law required that: "Each agency shall include citizens, agency clients, consumer and advocacy groups, worker participation committees, managers, elected officials, and contractors in its planning."<sup>14</sup> In our interviews with agency performance reporting coordinators, we found that:

- **Most agencies did not try to involve people from outside the agency in the development of their 1994 performance reports.**

Given a relatively short timeline for revising their 1993 draft reports, most agencies found it difficult enough to include even their own employees in report development in a meaningful way and did not make significant efforts to include outside representatives.<sup>15</sup>

However, some agencies made concerted efforts to distribute their 1994 reports to interested external parties before publication. For example,

- Prior to the report release, the Department of Human Services sent two separate drafts to external reviewers and received comments from more than 120 people.
- The Department of Health distributed roughly 250 reports to community representatives on agency advisory committees for review and comment shortly before the report was published.

Another agency (the Pollution Control Agency) had no formal involvement of outside parties in the development of its 1994 performance report, but its citizens board recently indicated its intention to conduct public discussions of the report on a regular basis prior to issuance of the agency's next report.

We hope that agencies will find more ways to include people outside their agencies when developing future reports. However, as in the case of the laws regarding worker participation committees, we think that the performance reporting law

<sup>14</sup> *Minn. Stat.* §15.90. The 1995 Legislature eliminated this sentence from the law.

<sup>15</sup> The 1994 reports were due in September 1994, and agencies received their performance reporting instructions from the Department of Finance in June 1994 and their comments from our office on the 1993 draft reports between April and August 1994.

prior to the 1995 amendments was overly prescriptive about the involvement of outside interests in this process, particularly by defining separate categories of people who were to be represented. By comparison, there are no laws that require agencies to involve external representatives when planning their biennial budget proposals. One of the principles of performance reporting is that decision makers should focus more on outcomes than on the processes used to achieve them, and we think it is appropriate for the performance reporting law to give agencies flexibility about the ways that they produce their final reports. For this reason, we believe the 1995 Legislature acted properly by repealing requirements for public involvement in performance reporting development, but we hope that agencies will actively seek ways to develop reports that are informative to the public and respond to public concerns.

## ASSISTANCE FROM OTHER AGENCIES

**The  
Departments of  
Finance and  
Administration  
and the  
Legislative  
Auditor helped  
agencies  
develop  
performance  
reports.**

Two executive branch agencies and one legislative agency have provided assistance to the 21 agencies required to issue performance reports. The performance reporting law gave the Department of Finance responsibility for developing performance reporting forms and instructions, coordinating training, and working with state agencies to develop their reports. The Office of the Legislative Auditor is required by law to review the reports on a rotating, biennial schedule and make comments to the Legislature and agencies. While the Department of Administration is not specifically mentioned in the performance reporting law, this department's Management Analysis Division has provided performance reporting training to many state employees.<sup>16</sup>

Through a survey, we solicited the opinions of agency commissioners on the work of these three agencies. Commissioners rated their satisfaction using a 5-point scale, which we converted to a numeric rating (1=very dissatisfied, 5=very satisfied). The results are shown in Table 1.3. For the most part, agencies were satisfied with training provided by the Department of Administration, and they tended to express more satisfaction with the assistance by the Department of Finance and the Legislative Auditor in 1994 than in 1993.<sup>17</sup>

Most agency performance reporting coordinators told us that there were significant problems with the 1993 instructions from the Department of Finance. For example, these instructions lacked definitions of key terms, such as goals and objectives. Many thought that the 1994 instructions were better, but several agencies had problems with: (1) incompatibility of the department's report format with agency word processing software; (2) inconsistencies between the department's instructions and its examples of how to implement the instructions; and (3) the timing of the instructions, which were issued about three months before the reports were due. In addition, some agencies expressed a desire for stronger leader

<sup>16</sup> *Minn. Stat.* §15.91 does state that the Department of Finance should consult with the commissioner of administration and others in developing the performance reporting forms and instructions.

<sup>17</sup> It is possible that the high ratings given to the Legislative Auditor in 1994 reflected the fact that our written comments highlighted both the strengths and weaknesses of the 1994 reports. Our comments on the 1993 drafts focused more on areas needing improvement, which were often numerous, and some agencies thought that these comments were overly negative.

**Table 1.3: Agency Satisfaction With Assistance From Other Agencies**

<u>Type of Assistance</u>	<u>Number of Commissioners Expressing Satisfaction</u>					<u>Don't know</u>	<u>Mean Rating*</u>
	(5) <u>Very satisfied</u>	(4) <u>Somewhat satisfied</u>	(3) <u>Neither satisfied nor dissatisfied</u>	(2) <u>Somewhat dissatisfied</u>	(1) <u>Very dissatisfied</u>		
Department of Finance's July 1993 performance reporting forms and instructions	0	3	3	10	3	2	2.3
Department of Finance's June 1994 performance reporting forms and instructions	1	6	3	8	2	1	2.8
Other assistance and guidance by the Department of Finance	0	8	7	5	1	0	3.0
Training and other assistance provided by the Department of Administration	3	4	5	2	2	5	3.3
Comments on your agency's draft 1993 report by the Office of the Legislative Auditor	2	5	4	5	4	0	2.8
Comments on your agency's 1994 performance report by the Office of the Legislative Auditor	3	9	3	6	0	0	3.4

Source: Office of the Legislative Auditor survey of state agency commissioners, (April - May 1995). N = 21. The Pollution Control Agency did not rate the Legislative Auditor's comments on the 1993 draft because they did not develop this draft (the initial law did not include PCA).

\*Mean ratings were computed by dividing the sum of the rating points (5=very satisfied, 1=very dissatisfied) by the number of commissioners who provided responses other than "don't know."

ship from the Department of Finance, which they said lacked interest in performance reporting or the time to devote to it.

Several agencies thought that the Legislative Auditor and the Department of Finance should have had more consistent expectations of agencies. Specifically, several coordinators told us that the standards to which their reports were held in the Legislative Auditor's comments were different from those in the instructions published by Finance, especially in the case of comments on the 1993 draft performance reports. For example, one coordinator indicated that his agency received particularly negative feedback from the Legislative Auditor on a part of its 1993



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**Agencies are interested in clear reporting instructions, timely feedback on reports, and training that is tailored to their needs.**

draft report that the Department of Finance had suggested the agency include. We acknowledge that there were some differences of opinion between our office and the Department of Finance on the format and scope of the reports and on definitions of key terms. We have worked with the department since that time to reach agreement on most of these issues. There is always the possibility of future disagreements about how performance reporting should be structured to meet the needs of users, and ultimately the Department of Finance, not our office, is responsible for providing formal instructions to agencies. We will continue to offer suggestions to the department on ways to improve the instructions.

A few agencies asked for additional assistance from the Legislative Auditor, beyond the written comments provided to each of the 21 agencies. Staff from our office met with program staff in about one-third of the agencies to discuss objectives and performance measures, and staff provided assistance by telephone to several others. Agency performance reporting coordinators told us that the personal meetings with Legislative Auditor staff were constructive and generally helpful. However, several agencies said that they would have preferred to have received more timely written comments from our office on their 1993 draft reports, thus allowing more time to make changes to the 1994 reports.

To help agencies become more familiar with the basic concepts of performance measurement, the Management Analysis Division of the Department of Administration created a training class. According to that division, 293 people completed its performance measurement training classes between November 1993 and March 1995, including 232 employees from the 21 agencies required to issue performance reports. In 4 of these 21 agencies, no staff completed the department's training. Seven agencies had the department provide specially tailored versions of this training course to a group of their staff (Corrections, Economic Security, Education, Health, Natural Resources, Public Safety, and Transportation). The Department of Administration also provided specialized workshops for staff in four agencies for the purpose of drafting performance measures (Administration, Commerce, Education, and Labor and Industry).

In general, agency performance reporting coordinators had better impressions of the training provided by the Department of Administration in 1994 than the training provided in late 1993. They particularly appreciated any efforts by the department to tailor its training to their agencies' activities. Of the 11 agencies who received "tailored" training or workshops in 1994, only one expressed dissatisfaction with the Department of Administration in our survey of agency commissioners, and the performance reporting coordinator in another of these agencies expressed concern with that department's specialized training session.

## SUMMARY

Development of the 1994 performance reports was a difficult process for state agencies. Most agencies developed their reports in a fairly short period of time, often at the same time they were developing biennial budget proposals. Some agencies told us they would have preferred clearer or more timely instructions from the Department of Finance about how to develop their reports, and some

would have preferred more timely feedback on their 1993 draft reports from the Legislative Auditor. Agencies had particular difficulty finding useful ways to involve external parties in development of the reports, as required by the performance reporting law, and they had difficulty understanding how the statutorily-required worker participation committees could play an ongoing role in agency improvement. In general, the performance reports issued in 1994 were better than the draft reports issued the previous year, but they still did not provide information sufficient to judge the success of most programs, and many were unfocused and too lengthy.

Given the complexity of the task, it is not surprising to us that it will take more time for agencies to define their missions, collect meaningful performance data, and report this information in a way that can help decision makers and the general public. It is encouraging that, despite the difficulties agencies had last year, the performance reporting law appears to have caused some to undergo useful self-appraisals. While most agencies did not develop new statements of agency mission or goals during this process, some did and most others developed objectives and performance measures that had not previously existed. Most agencies relied extensively on staff with management responsibilities to develop and write significant portions of the 1994 reports, which seems to us a useful step toward integration of performance reporting into agency decision making. Most members of worker participation committees said that they were satisfied with their committees' impact on the final reports, and they were particularly satisfied with the attention given by the committees to agency missions and goals.

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# Agency Assessment of Performance Reporting

## CHAPTER 2

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**T**wenty-one of Minnesota's state agencies have had two years of experience in developing performance measures under the 1993 performance reporting law, and many had the opportunity to present their reports to legislative committees during the 1995 session.<sup>1</sup> Although the reports still need considerable improvement, we think it is not too early to consider agencies' impressions about use of the reports so far, as well as potential future uses. In order to sustain and build agency and legislative interest in the reports, it will be necessary to consider any problems that have arisen in the performance reporting process and address them as soon as possible. We asked:

- **To what extent have agencies used performance reports in budgeting, policy making, and management, and do they expect to do so in the future?**
- **How have legislative committees used the 1994 performance reports, and have agencies been satisfied with the attention these committees have given the reports?**
- **To what extent have the reports been used by people outside of state government?**
- **Do agencies think that their performance reports have been (or will be) worth the effort required?**

Our discussion relies considerably on the views expressed by 21 agency commissioners in a survey they completed in April and May 1995. Complete results of this survey are presented in Appendix B. We supplemented this survey with interviews of the performance reporting coordinators in each of the 21 agencies. Also, we attended most of the legislative hearings at which performance reports were a topic of discussion in 1995.

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<sup>1</sup> The Minnesota Pollution Control Agency developed its first performance report during the fall of 1994 because the agency was omitted from the original performance reporting legislation. The law was amended in 1994 to include MPCA.

## INTERNAL USE OF THE REPORTS BY AGENCIES

Performance reports have a variety of potential uses within an agency. They could be used to help make budget or policy choices, develop consensus on goals and objectives, and identify programs or activities needing improvement. We surveyed commissioners about whether the reports have been helpful in various areas of internal operations. We found that:

- **Eighteen of 21 commissioners reported that the development of the 1994 performance reports has helped their agencies' internal operations in some way, and all of the commissioners said that they expect the reports to benefit some of their agencies' internal operations in the future.**

**Most agencies view the reports as potentially useful for their internal operations.**

As shown in Table 2.1, the area in which commissioners said that the reports have been most helpful is mission clarification. A majority of commissioners (52 percent) said that the reports have been "somewhat helpful" for improving employees' understanding of their agencies' missions. In addition, many of the commissioners said that the reports were at least "somewhat helpful" within the agency for making budget choices (43 percent), managing more effectively (43 percent), making policy choices (43 percent), and identifying performance problems (33 percent). For example, written comments from some commissioners indicated that:

**Table 2.1: Internal Uses of Performance Reports, As Identified by Agency Commissioners**

Has the development of these reports:	Number of Agency Commissioners Who Responded				
	Yes, Very Helpful	Yes, Somewhat Helpful	No, But the Reports Could Be Helpful in the Future	No, and the Reports Will Be of Little Help in the Future	Don't Know
Helped your employees to better understand your agency's mission?	0	11	9	1	0
Helped your employees identify performance problems?	1	7	12	1	0
Helped your employees resolve or address performance problems?	0	2	15	3	1
Helped your agency's administrators or supervisors to manage more effectively?	0	9	10	1	1
Helped your agency's administrators or supervisors make budget choices?	0	9	6	4	2
Helped your agency's administrators or supervisors make policy choices?	0	9	9	2	1

Source: Program Evaluation Division survey of state agency commissioners, (April - May 1995 ). N = 21.

"The report helped managers and staff to focus on outcomes and the reasons for doing what they do instead of on the processes and output of their daily work."

"The process of [developing performance reports] has inherent benefits, [including] a greater focus by managers on results and mission, rather than outputs or specific work tasks. The process took us one step closer to a more unified policy and budget process."

"[The report] helped [our department] to more tightly define how we achieve our mission."

Many agencies still need to improve their performance measures and collect better performance data, so it is understandable that not all agencies have found the reports helpful with particular aspects of management or decision making. However, in all areas of internal operations about which we inquired, a large majority of commissioners said that the reports could be helpful in the future (or they already have been helpful). Officials in some agencies think that it will take time and training to help their staff make better use of the performance reports. As one assistant commissioner wrote to us, "Managers and staff do not understand the concept of annual performance reporting. It will take considerable time to bring them to a point of full understanding of this idea and its concepts." Performance reporting coordinators in other agencies told us that executive branch managers will probably make a greater commitment to performance reporting if they see evidence that legislators are paying attention to the reports and using them constructively.

Several agency performance reporting coordinators told us that the reports, at a minimum, reinforced the efforts of agency staff who already believed in the importance of performance measurement. They said that the reports, have, in some cases, improved employee awareness of agency goals and prompted improved discussions about performance. In other cases, the reports have highlighted deficiencies in existing performance data and caused agencies to consider data improvements. For example:

- The Department of Administration's performance reporting coordinator told us that the performance reporting process has helped his agency move in directions outlined in its strategic plan. For selected activities, the agency has now developed private industry benchmarks against which it intends to compare its own operations.
- The Department of Labor and Industry's performance reporting coordinator told us that top managers in his agency have lacked useful management reports and employees have not received adequate feedback about their performance. He believes that the performance reporting requirement has helped the agency take initial steps toward addressing these deficiencies, although the department is not yet generating all the data that it needs.
- Even before agencies were required to develop performance reports, managers in the Department of Revenue looked at tax collection data on a daily or weekly basis. However, department officials believe that the

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**Few agencies think the performance reports directly affected budget decisions.**

performance reports will encourage managers to look at longer-term trends and to examine broader measures, such as the portion of taxes that are paid on time or the percent of taxpayers who pay the proper amount of taxes in a timely manner.

- Performance reporting coordinators for the Department of Natural Resources said that they saw particular improvements during the past year in the performance measures of the agency's fish and wildlife and parks and recreation programs. They said they observed useful internal discussions about program performance during and after development of the 1994 performance report that had not occurred previously.
- During the Department of Public Safety's internal budget discussions, agency officials rejected proposals from program managers for 1996-97 biennial budget increases that did not relate directly to issues discussed in the performance report.

Despite the last example above, most agency performance reporting coordinators were unable to identify specific instances in which the performance report affected key budget discussions or decisions within their agencies. In addition, only 3 of 21 commissioners said that they thought that the performance reports helped the Governor make budget choices regarding their agencies, and most coordinators said that agencies had, at best, very limited discussions of performance issues during budget development meetings with staff from the Department of Finance and Governor's office. Again, this may partly reflect the fact that agencies are still working to identify meaningful performance objectives and measures and to collect better performance data. It may also reflect the inherent difficulty of translating performance information into budget decisions, which we noted in a 1993 report on performance budgeting.<sup>2</sup> For example, it is often unclear whether the appropriate budgetary response to a program's poor performance is to reduce or increase its funding. Also, there are often important factors besides the level of funding that help to influence a program's success.

In some agencies, it may be necessary to distribute reports to more employees in order to increase their internal uses. Agency performance reporting coordinators told us that about 1,300 copies of the 1994 reports were distributed within their agencies. The total number of copies distributed internally ranged from 6 (Commerce) to 300 (Education). Among the 21 agencies required to issue performance reports, about 5.3 percent of employees were given a copy of the report, according to estimates by the coordinators. The percentage of employees within these agencies that received a copy of the 1994 report ranged from less than 1 percent (Human Services, with more than 6,000 full-time-equivalent employees in Fiscal Year 1994) to nearly 100 percent (Veterans Affairs, with 32 full-time-equivalent employees). Among the members of worker participation committees whom we surveyed in 16 agencies, 15 percent said that they have never seen a copy of their agency's final 1994 performance report.

In addition, some agency managers may need to take the performance reports more seriously before they will be used more for internal purposes. According to

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2 Office of the Legislative Auditor, *Performance Budgeting* (St. Paul, February 1994), 25.

our survey of worker participation committee members, 30 percent said that their agencies' managers showed little or no interest in the performance reports, while 26 percent said that managers were only somewhat interested.

## USE OF THE REPORTS BY THE LEGISLATURE

Many agency performance reports were discussed during the 1995 legislative session. Based on our conversations with agency coordinators and our own observations, we found that:

- **The performance reports of 16 of 21 agencies were the subject of at least some legislative discussion during the 1995 session. However, some discussions were brief and only six agencies had discussions of their performance reports in both the House and Senate.**

About three-fourths of the hearings occurred in the House, and 90 percent occurred in budget committees. Some agency officials used performance reports to provide legislative committees with an overview of their agencies or to provide a framework for discussing the Governor's budget proposals. Some agencies systematically presented objectives and measures from the reports, while others briefly referenced individual measures in their presentations.

We asked agency commissioners how satisfied they were with the legislative hearings on their performance reports. We found that:

- **Seven of 21 commissioners said they were satisfied with the amount of attention their 1994 performance reports received in the House, and only one was satisfied with the attention in the Senate.**

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**Most agencies would like their reports to receive more legislative attention.**

Some of the commissioners' written comments in our survey also reflected concerns about the attention given to the reports by legislators:

"I believe. . . that for the state's [performance reporting] process to have more value, it is imperative that members of the Legislature read the actual reports rather than just the limited comments published by the Legislative Auditor's Office. Our experience this session is that few, if any, legislators have actually read the valuable information contained in [our] report before legislative hearings were held on our programs and budget."

"As a whole, the Legislature showed little interest in using the annual performance report. The benefits of performance reporting will not materialize if one of the principal audiences is uninterested."

"If the Legislature is not serious about making the report 'the key document' in the budget decision process, it serves little value outside the agency."

In general, executive officials thought that the benefits of performance reporting would have been significantly increased if legislative committees had used the re -

ports more, and for more constructive purposes. Some agency staff told us that legislators were unclear about the reports' purpose and how they related to the budget documents. Others said that hearings intended to focus on the performance reports tended to stray to other topics in which legislators were interested. Officials in one agency expressed doubts to us that objective performance data would ever be used by legislators to make key budget or policy decisions regarding their agency. Officials in some agencies said that the lack of useful discussions on the reports during the 1995 session could adversely affect the future commitment to the reports by their agencies' employees.

Our own observations of the 1995 legislative hearings were that a few committees made significant efforts to discuss performance reports, but most did not. Performance reports need to be the subject of more productive discussions in the future, and it is our view that:

- **Legislative committees, the Department of Finance, and state agencies should all take actions designed to improve legislative discussions of performance reports in 1997.**

On the one hand, legislative budget and policy committees need to devote more time to the reports. The reports, while needing further improvement, would provide a good starting point for legislative budget discussions and agency oversight. Improved legislative discussions of performance reports could help convey to agencies the importance of these reports and encourage agencies to commit themselves to producing better performance information over the long term. To ensure more focused committee discussions, it would be useful for committee chairs to (1) discuss the purposes of performance reports with committee members, and (2) encourage members to read the reports and develop questions about agencies' missions, goals, objectives, and past performance. These discussions could occur prior to the time when the Governor's budget is issued, or they could occur as part of hearings on the budget. In general, however, we think that discussions of an agency's overall performance record and its future direction should begin prior to discussions of budget details.

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**Improved legislative discussions of performance reports will require steps by both the executive and legislative branches.**

On the other hand, the executive branch must also take its own steps to engage the legislative branch in discussions about the performance reports. Ranging in length from 13 to more than 400 pages, the 1994 performance reports were sometimes unfocused and not easily understood by general readers. The reports contained no executive summaries, and most had few graphics, dense narratives, and few recommendations for legislative action. The reports lacked sufficient data to help legislators evaluate the performance of most programs, often reflecting the need for better measures and fully implemented information systems. Some reports gave disproportionate attention to small programs or to the internal administrative operations of agencies. Some agencies made an effort to highlight key elements of the reports in their oral presentations to committees, while others rarely, if ever, mentioned the reports. The budget proposals and performance reports employed the same program structure for each agency, but these documents were usually not cross-referenced and sometimes contained conflicting data on agency expenditures or staffing levels. These and other problems made the reports less useful to legislative committees and staff than they otherwise might



have been.<sup>3</sup> We think that the Department of Finance, which is responsible for issuing instructions to agencies on preparation of performance reports, should consider possible changes in reporting format that would make performance information more "user-friendly," such as executive summaries and better graphics.<sup>4</sup> The department is also responsible for issuing agency budget development instructions, and it should consider ways to more effectively integrate performance and budget information, as we discuss later in this chapter.

In addition, individual agencies should strive for reports that are concise, well-written, focused on important areas of performance, and that contain actual data on performance. Agency heads should find ways to make information from the performance reports a central part of presentations to legislative committees, and they should more clearly present legislators with recommendations for statutory changes that could improve agency performance or clarify agency missions.

## USE OF THE REPORTS BY THE PUBLIC

A stated purpose of the performance reporting law is "to strengthen accountability to Minnesotans by providing a record of state government's performance in providing effective and efficient services."<sup>5</sup> However, through interviews with performance reporting coordinators and our survey of agency commissioners, we found that:

- **The performance reporting law has not resulted in reports that have been used much by the general public, or even by many of the groups who are affected more directly by the work of individual agencies.**

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**Public distribution of performance reports has been limited so far.**

Only 4 of the 21 commissioners said they think the 1994 performance reports helped the public to better understand their agencies, although another 7 indicated that the reports could be helpful in time. Five agency commissioners said that they do not expect the reports to help the public understand their agencies in the future.

We found that agencies did not distribute many copies of their 1994 performance reports to the public. Agency performance reporting coordinators told us that roughly 1,000 copies of the reports were distributed externally, and they said that many of these have gone to legislators and their staff. The number of reports released outside the 21 state agencies ranged from 3 (Commerce) to 150 (Labor and Industry). As noted in Chapter 1, few agencies said they involved people outside of the agencies in report development, as formerly required by the performance reporting law.

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<sup>3</sup> House Ways and Means staff, *Money Matters*, 10 (January 4, 1995) contains a summary of comments on the performance reports by House of Representatives fiscal analysts.

<sup>4</sup> Several agencies said that they are satisfied with the present report format and would prefer to maintain it. One performance reporting coordinator said that reports would be more readable if they did not contain rationales and data sources for each performance measure. We have offered the Department of Finance a variety of suggestions for improving the report format and instructions to agencies, and we will continue to discuss formatting options with the department.

<sup>5</sup> *Minn. Stat.* §15.90.

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**A new computer system is intended to improve access to performance information.**

Although the distribution of the 1994 agency performance reports has been limited, it is worth noting that the Department of Finance is developing a centralized computer system that could improve public access to performance reports in the future. The Performance and Outcomes Reporting and Monitoring System, or PERFORM<sup>6</sup>, will provide a standardized format for agency performance information. This information will be on the Internet, making it readily accessible to many taxpayers and interested groups.

According to officials at the Department of Finance, Phase I of the PERFORM<sup>6</sup> system will be installed initially in four pilot agencies, and all agencies will be online by September 1995.<sup>6</sup> Phase I will enable the 21 state agencies to enter performance data into a centralized data base and examine the performance data for agency programs. Phase II of the PERFORM<sup>6</sup> system, to be developed in the fall of 1995, will provide agencies, legislators, and the general public with access to statewide performance data via the Internet. As planned, a user of the system would be able to look at all the performance measures relating to categories such as children and substance abuse across all state agencies.

## AGENCIES' OVERALL ASSESSMENTS OF PERFORMANCE REPORTING

Two years ago, the Minnesota Legislature passed a law requiring 21 state agencies to develop annual performance reports. At the time, legislative and executive branch officials acknowledged that developing useful reports with reliable performance data would take time to accomplish. Officials in most agencies have commented to us that performance reporting and outcome measurement has been more difficult than they anticipated. This has partly reflected the "learning curve" at the beginning of any new undertaking, but it has also reflected the need for staff training, clearer definitions of terms (such as "outcome measures," "goals," and "objectives"), and clearer agency missions.

In Chapter 1, we noted that agencies spent more than \$1.0 million during 1994 to develop and write their performance reports. We asked agency commissioner whether this expenditure has been worthwhile and found that:

- **Few agencies believe that the benefits of their 1994 reports have exceeded the costs of producing them, but most believe that the benefits will eventually equal or outweigh the costs.**

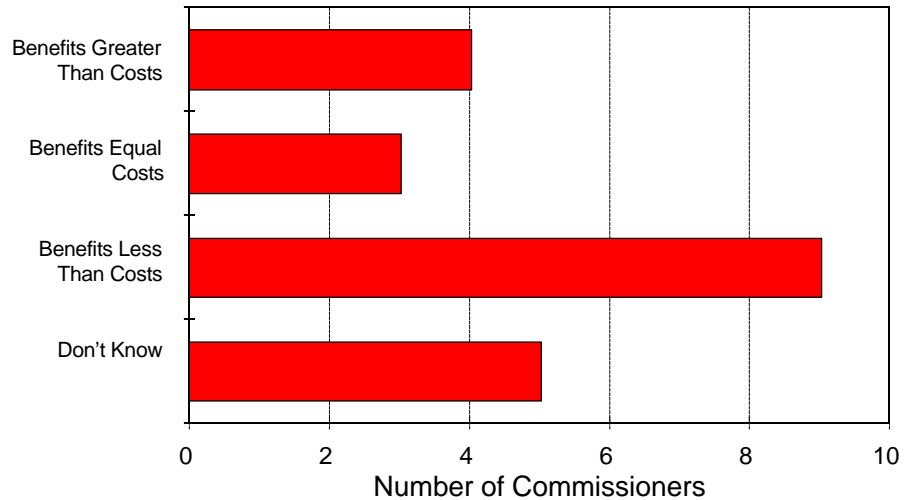
Figure 2.1 shows that only four of 21 agencies said that the benefits of the 1994 report exceeded the costs during the first six months after the reports were issued, while nine said that the costs have exceeded the benefits. Figure 2.2 shows that agencies are more optimistic about the long-term value of the performance reports, with only one agency commissioner responding that the costs will likely exceed the benefits. Fifteen of 21 agencies told us that they anticipate that their managers will use future reports more than the 1994 report, and only one agency said its managers will use future reports less.

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<sup>6</sup> The four pilot agencies include the Departments of Corrections, Finance, Military Affairs, and Revenue.

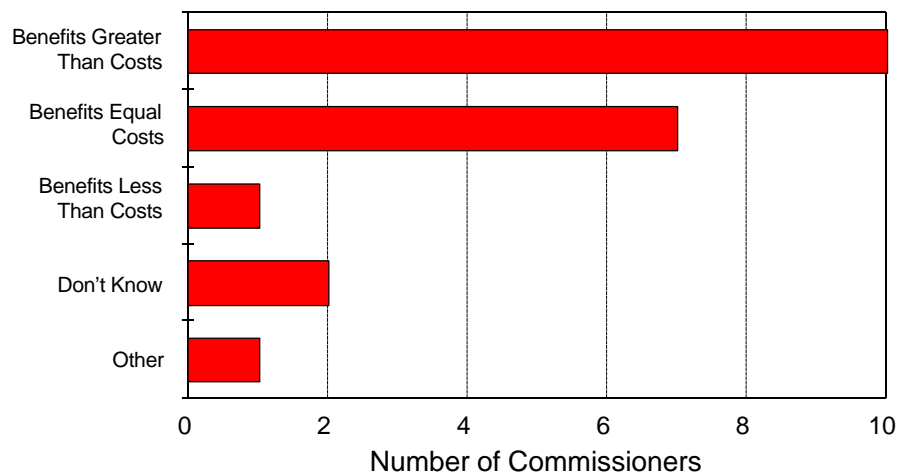
Most commissioners think the benefits of performance reports will equal or exceed their costs in the future, although most did not think this was the case for the 1994 reports.

**Figure 2.1: Comparison of Benefits to Costs for 1994 Performance Reports, As Reported by Agency Commissioners**



Source: Program Evaluation Division survey, April - May 1995.

**Figure 2.2: Comparison of Expected Benefits and Costs for Future Performance Reports, As Reported by Agency Commissioners**



Source: Program Evaluation Division survey, April - May 1995.

In addition, we found that:

- **The vast majority of agency commissioners would like to see the performance reporting law continued, but with reports required biennially rather than annually.**

Only one agency commissioner told us that the entire performance reporting law should be repealed, and only two wanted the law to continue in its 1994 form. Eighteen of the 21 agencies told us that they would prefer to issue biennial, rather than annual, reports, and the 1995 Legislature enacted this change.

We also asked commissioners whether they would prefer merging the performance report with the biennial budget proposal or continuing the separation of these two documents. According to the Department of Finance's June 1994 performance reporting instructions to agencies, the performance reports are "to provide a context to link the budget and other legislative processes to priority issues, to improve continuity in budgeting, . . . to improve accountability for the use of state resources" and "to provide a basis for aligning resources in a rational manner."<sup>7</sup> We found that:

- **Agency commissioners are divided about whether the performance report and budget should be merged, although slightly more (12 of 21) would prefer merging them.**

For example, officials in one agency told us that merger of the budget and performance report is essential. They said that the two documents contain overlapping information and follow similar time schedules, and they believe that it is inefficient for agency staff to produce both. They also said that legislators lack the time to pay attention to two reports, and that usually the budget proposal gets more attention. In 1995, this agency's budget proposal did not contain the extensive discussion about the agency's mission and goals that the performance report had, although agency staff told us that this information was necessary for good budget and policy decisions.<sup>8</sup>

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**The Department of Finance should find ways to more effectively link the performance reports and biennial budget proposals.**

In contrast, a performance reporting coordinator in another agency told us that having a performance report separate from the budget document is "the most important thing in the whole process." He noted that, prior to this biennium, agencies put performance information in their budget proposals, and the result was that budget documents were too large and performance information was ignored. He would prefer having budget documents cross-referenced to performance reports so that legislators and others might find it easier to use the documents together.

We think the Department of Finance should consider merging the performance reports and budget proposals, but we caution that it was only two years ago that the Legislature created separate performance reports. Part of the rationale for requiring submission of performance reports several months before the Governor's budget was to give legislators and staff time to thoughtfully consider performance information prior to budget deliberations. We recommend that:

<sup>7</sup> Minnesota Department of Finance, *Annual Performance Report Instructions* (St. Paul, June 1994), 1.

<sup>8</sup> In order to reduce the size of budget proposals, the Department of Finance instructed agencies to present such discussions of mission in their performance reports, not in the budget documents.

- **The Department of Finance should work with agencies and legislative staff to develop better ways to integrate the agency performance reports with the biennial budget proposals.**

This could occur by merging the documents, but it could also occur by (1) cross-referencing the budget document to the performance report; (2) presenting key goals, objectives, and measures from the performance report in agency budget proposals, or (3) publishing the executive summary of the agency's performance report in the budget document. The Department of Finance also believes that linkage of the budget and performance report will be encouraged by implementation of the PERFORM<sup>s</sup> system, described earlier.

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**Some agencies have had difficulty writing a single report for several audiences.**

Finally, performance reporting coordinators brought to our attention one other general issue. Two agencies told us that they have had difficulty writing a single performance report that can meet the needs of multiple audiences: agency staff, legislators, the general public, and others (such as regulated entities). They believe that the performance reporting law should designate a primary audience for the reports. We acknowledge that it is difficult to write a single document that is intended for audiences with different interests and levels of knowledge. In our view, agencies should strive, at a minimum, to produce a report that is useful to legislators, who passed the performance reporting law; hopefully this report can also be useful to agency employees, as well as the public. To help legislators review the reports of multiple agencies, we think it makes sense to maintain a uniform report structure for these reports. Ideally, agencies will still have the freedom to find creative ways to present information within this structure. However, if the report submitted to the Legislature does not adequately meet the needs of others—for example, in its level of detail or in its format—agencies should have the flexibility to issue reports that supplement, but do not replace, the reports submitted to the Legislature.

## SUMMARY

Most agency commissioners do not believe that the benefits of the 1994 performance reports have outweighed the costs of developing them, which we estimated at about \$1 million in Chapter 1. Furthermore, many commissioners and other agency staff told us that they were not satisfied with the attention their reports received from legislative committees during 1995, and most do not think that the reports have been used much by people outside of state government. Executive officials believe that the benefits of performance reporting would have been significantly increased if legislative committees had used the reports more.

Nevertheless, most agency commissioners believe that performance reports are potentially useful and should be continued. They believe that the reports could be helpful within their agencies, and they hope the reports receive more discussion at the Legislature. In our view, it is noteworthy that agency heads remain optimistic about the value of the reports and willing to continue this effort, given the difficulty that many agencies had developing their 1994 reports and the dissatisfaction of many with the legislative attention given to the reports. Between now and the time that the next reports are issued in November 1996, we think that it will be

critically important for the legislative and executive branches to discuss ways to better integrate performance reports into budget development, policy development, and the Legislature's oversight of state agencies.

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# Survey of Worker Participation Committee Members

## APPENDIX A

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**I**n April and May 1995, we surveyed 193 employees in 16 agencies that were members of their agencies' worker participation committees. We did not survey employees in four agencies because these committees were not formed at the time the 1994 performance reports were released. A fifth agency did not respond to our requests for a list of committee members.

Worker participation committee members were sent a cover letter and a copy of the survey during the last week of March 1995 and were asked to return the survey by April 14, 1995. On April 18, we sent a reminder letter and survey to committee members from whom we had not received a completed survey. A total of 164 employees responded to our survey (85 percent of those sent surveys). The survey instructions asked employees to base survey responses on their observations as members of agency worker participation committees.

The written comments of respondents are on file with the Office of the Legislative Auditor, but individual respondents and their agencies are not identified.

# Survey of Worker Participation Committee Members

Please complete the following survey based on your observations as a member of your agency's worker participation committee. Your individual survey response will be **confidential**, but we will summarize the responses of committee members for our report. Please send your completed survey in the enclosed envelope by **April 14, 1995**.

1. During the meeting(s) of your committee, how satisfied have you been with the attention given to the following topics:

	Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied	Don't know	TOTAL
A. Minnesota's performance reporting law?	24%	28%	23%	10%	3%	12%	100%
B. The <b>purpose</b> of the worker participation committee?	24	32	21	10	4	9	100
C. <b>Your role</b> as a member of the worker participation committee?	22	31	21	10	9	7	100
D. Your agency's mission or goals?	42	28	13	6	4	7	100
E. Measures of your agency's performance?	9	44	15	15	9	9	100
F. Barriers to the effective and/or efficient delivery of your agency's services?	6	22	29	23	9	12	100
G. Possible incentives for improved performance by your agency?	4	25	30	16	12	13	100
H. Possible solutions to problems faced by your agency's staff?	7	24	27	18	13	11	100

2. How satisfied have you been with your committee's **impact** on:

	Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied	Don't know	TOTAL
A. Development of your agency's 1994 performance report	20%	34%	16%	10%	11%	10%	100%
B. Development of ways to improve services provided by your agency	7	29	22	17	13	12	100

3. Which, if any, specific activities of the worker participation committee have most improved your agency or its services?

4. What, if any, specific suggestions do you have for making the worker participation committee more effective?



5. Based on your experience, which of the following statements best describes your views about the law requiring agencies to have worker participation committees?

- 32% ☐ A. The law requiring worker participation committees should remain in effect; my agency's committee has already shown that it can be useful.
- 32 ☐ B. The law requiring worker participation committees should remain in effect; my committee has not been very useful so far, but it could be in the future.
- 19 ☐ C. The law requiring worker participation committees should be repealed because it is doubtful that the committees will be useful.
- 18 ☐ D. Other: \_\_\_\_\_

6. Based on your observations, how interested have agency managers been in the work of your committee?

- 13% ☐ A. Highly interested.
- 18 ☐ B. Quite interested.
- 26 ☐ C. Somewhat interested.
- 30 ☐ D. Showed little or no interest.
- 13 ☐ E. Don't know.

7. Have you communicated information on your committee's activities to members of your work unit or bargaining unit?

- 60% ☐ Yes
- 29 ☐ No
- 11 ☐ Other \_\_\_\_\_

7a. *If yes*, how did you communicate this information to others?

8. How familiar would you say you are with the final version of your agency's 1994 performance report? (please select one)

- 31% ☐ A. I am very familiar with the final report.
- 34 ☐ B. I am somewhat familiar with the final report.
- 20 ☐ C. I've briefly glanced through the final report.
- 16 ☐ D. I've never seen the final report.

9. Approximately when were you appointed to your agency's worker participation committee?

- 8% ☐ A. Less than 6 months ago.
- 29 ☐ B. 6 to 12 months ago.
- 56 ☐ C. More than 12 months ago.
- 7 ☐ D. Don't know.

10. Between the time that you became a member of the worker participation committee and April 1, 1995, please estimate the **number** of committee meetings that you attended:

\_\_\_\_\_

<b>Range:</b>	<b>0 to 50 meetings</b>
<b>Mean:</b>	<b>6 meetings</b>
<b>Mode:</b>	<b>1 meeting</b>
<b>Median:</b>	<b>4 meetings</b>

11. Which of the following do you represent on your committee?

- 40%** ☐ A. Bargaining unit with an exclusive representative of employees.
- 17** ☐ B. Bargaining unit not represented by an exclusive representative of employees.
- 25** ☐ C. Agency commissioner or head
- 19** ☐ D. Don't know

12. Please indicate which category best describes your position within your agency:

- 29%** ☐ A. Technical/Professional
- 48** ☐ B. Managerial/Supervisory
- 12** ☐ C. Clerical/Office Support
- 9** ☐ D. Service/Maintenance/Operations
- 2** ☐ E. Other (please specify) \_\_\_\_\_

13. Please add any other comments you have about the worker participation committee or agency performance reports, including any suggestions for improvement.

Note: Non-responses to questions were combined here with "don't know." Figures may not add to 100% due to rounding.

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# Survey of State Agency Commissioners

## APPENDIX B

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**O**n March 29, 1995, we sent a survey to each of the 21 commissioners whose agencies are subject to the performance reporting law, and we asked for responses by April 14, 1995. For agencies that did not respond by this deadline, we sent a second request for surveys to be completed and, in some cases, we made reminder phone calls to commissioners' offices. We received surveys from all agencies by early May 1995.

Each commissioner was asked to respond to the survey based on his or her agency's experience. Our instructions indicated that commissioners should consider consulting with agency performance reporting coordinators or other staff when preparing their survey responses.

# Survey of State Agency Commissioners

Please answer the following questions based on your agency's experience. We think it is important to learn how you, as Commissioner, view performance reporting, but you may wish to consult with your performance reporting coordinator or other agency staff when preparing your responses. The responses from this survey will be confidential and will not be reported in a way that identifies individual respondents. Please return your completed survey in the enclosed envelope by April 14, 1995.

- In 1994, 21 state agencies produced their first annual performance reports, as required by Minnesota law. Based on your observations, has the development of these reports:

(Please circle the most appropriate response for each question below.)

	Yes, very helpful	Yes, somewhat helpful	No, but the reports could be helpful in the future	No, and the reports will be of little help in the future	Don't know
A. Helped your employees to better understand your agency's mission?	0	11	9	1	0
B. Helped your employees identify performance problems?	1	7	12	1	0
C. Helped your employees resolve or address performance problems?	0	2	15	3	1
D. Helped your agency's administrators or supervisors to manage more effectively?	0	9	10	1	1
E. Helped your agency's administrators or supervisors make budget choices?	0	9	6	4	2
F. Helped your agency's administrators or supervisors make policy choices?	0	9	9	2	1
G. Helped the Governor make budget choices regarding your agency?	0	3	8	4	6
H. Helped legislators better understand your agency?	1	5	9	2	4
I. Helped members of the public to better understand your agency?	1	3	7	5	5

- In the six months since your 1994 performance report was issued, how would you evaluate its value? (Please check one.)
  - 4 ☐ A. The benefits of the report have exceeded the costs of producing it.
  - 3 ☐ B. The benefits of the report have been about equal to the costs of producing it.
  - 9 ☐ C. The benefits of the report have been less than the costs of producing it.
  - 5 ☐ D. Don't know

3. In the long run, how do you anticipate that the benefits of the performance reports will compare to the costs of producing them?

(Please check one.)

- 10 ☐ A. The benefits of the reports will exceed the costs.  
 7 ☐ B. The benefits of the reports will be about equal to the costs.  
 1 ☐ C. The benefits of the reports will be less than the costs.  
 2 ☐ D. Don't know  
 1 ☐ E. Other - "As the reports are currently designed, the performance reports' benefits will be less than the costs. However, the performance report could be designed to have considerable benefit."

4. Compared with the 1994 performance report, what changes (if any) do you anticipate in the 1995 and 1996 reports:

(Please circle the most appropriate response for each question below.)

	Less than 1994	About the same as 1994	More than 1994	Don't know
A. Staff time required to produce the reports?	5	8	7	1
B. Use of the reports by agency managers?	1	4	15	1
C. Use of the reports by agency employees?	1	9	10	1
D. Use of the reports by legislators?	1	3	7	10

5. Please evaluate your satisfaction with the following:

(Please circle the most appropriate response for each question below.)

	Very satisfied	Somewhat satisfied	Neither satisfied nor dissatisfied	Somewhat dissatisfied	Very dissatisfied	Don't know
A. Department of Finance's July 1993 performance reporting forms and instructions	0	3	3	10	3	2
B. Department of Finance's June 1994 performance reporting forms and instructions	1	6	3	8	2	1
C. Other assistance and guidance by the Department of Finance	0	8	7	5	1	0
D. Training and other assistance provided by the Department of Administration	3	4	5	2	2	5
E. Comments on your agency's draft 1993 report by the Office of the Legislative Auditor	2	5	4	5	4	0
F. Comments on your agency's 1994 performance report by the Office of the Legislative Auditor	3	9	3	6	0	0
G. Amount of attention given to your 1994 report by the Minnesota House of Representatives	2	5	5	4	3	2
H. Amount of attention given to your 1994 report by the Minnesota Senate	1	0	7	4	6	3

6. Which of the following statements best characterizes your view of the statutory requirement, initially passed in 1993, for annual performance reporting (*Minn. Stat. §§15.90-15.92*)? (Please check only one response.)

- 1 ☐ A. The performance reporting law should be repealed.
- 2 ☐ B. The performance reporting law should be continued, as is.
- 14 ☐ C. The performance reporting law should be amended as follows:

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- 4 ☐ D. Other (please specify) \_\_\_\_\_
- The law should be repealed in two years if the Governor and Legislature do not show more interest in using them to make policy and budget decisions.
  - To require biennial - not annual - reports.
  - Identify true audience for report. Clarify intentions.
  - Amend to add to the budget document.
  - If the legislature and the public utilize reports in the future the law could be continued, but modified to exclude worker participation committee.
  - The report should be produced every two years to coincide with the budget process.
  - Staff working with OLA and Senator Riveness to make calendar changes and eliminate prescription now in law.
  - Change to biennial reports.
  - To allow for greater flexibility in molding the report to the business of the agency.
  - Give it one more year until any major changes are made.
  - Clarify what programs should be reported for those agencies with substantial federal funds.
  - Biennial vs. annual reporting, flexibility to develop some agency-wide performance objectives instead of all budget-program specific.
  - To provide more interplay with budget decisions and to be timed differently to better influence budget decisions.
  - Should be made biennial.
  - Better integration with budget process--current separation confused legislators, our primary customers for this report.
  - Biennial, and not annual, requirement. Clarify role and focus of the worker participation committee.
  - If continued, more coordinated training and guidance must be made available to agencies.

7. Currently, the performance reports are issued separately from the Governor's biennial budget proposals. Which of the following would you prefer?

- 8 ☐ A. The performance report and biennial budget proposal should continue to be separate documents
- 12 ☐ B. The performance report and biennial budget proposal should be merged into a single document
- 1 ☐ C. Other: \_\_\_\_\_

**NOTE: Four respondents marked "C. Other" for Question 7. However, we analyzed the actual responses and reclassified three of them. In the report, the findings reflect this reclassification.**

(The following response was reclassified as "A. The performance report and biennial budget proposal should continue to be separate documents.)

- The reports should be cross-referenced so performance measures bear some relevance to the budget and vice versa.

(The following two responses were reclassified as "B. The performance report and biennial budget proposal should be merged into a single document.")

- Merge the reports - but simplify the performance report data. Most interest - of Legislature - lies with the budget data. Summary performance report data at the Agency and Program level - would probably get serious attention.
- Merge into a single document, but with reduced performance report narrative requirements.

(The following response remains classified as "C. Other.")

- Some key measures from the report should be included in the budget proposal. It was difficult to reference both documents during the budget overviews and deliberations.

8. Currently, 21 agencies are required by law to prepare performance reports **annually**. Which of the following would you prefer?

2 ☐ A. Annual performance reports

18 ☐ B. Biennial performance reports

1 ☐ C. Other: \_\_\_\_\_

9. What were the biggest problems your agency encountered as it developed the 1994 annual performance report?

- The difficulty of translating goals and objectives into meaningful measures that were relevant and not prohibitively expensive. There is a special problem in deferring measures for those programs whose impact is long-term and for which our role is principally education, consultation, and technical assistance.
- Confusion with guidelines. Tight/constricted time-frame to complete report. Inherent conflict between summary, macro measures and legislative attention on work measures (outputs). Developing an adequate process to involve the worker participation committee.
- Direction - Finance, Administration, and Legislative Auditor seemed to have a different idea of what the report and its contents should be.
- Conflict in instructions. Timelines for completion. Separation from budget document. Changed expectations.
- Our is primarily a federally funded agency. The audience for the report are more concerned with state funded programs, therefore the inclusion of federal programs tend to be cluttered and bulky.
- Unclear and sometimes conflicting directions from the Department of Finance and the Legislative Auditor. Lack of staff, time, and other resources to complete the report. Lack of technical assistance in developing and completing the report.
- The unclear and changing instructions required us to change many areas in the report that had already been completed.
- Establishing measures where little direct control over outcome, while avoiding "counting" activities. Need to keep focus on outcomes, which are more diffuse than for line agency.
- Conflicting instructions from Finance and Legislative Auditor's Office and need to develop staff skills to articulate department/statewide performance measures.
- Attempting to integrate the functioning of the agency to the requirements of the report and communicating with staff to assist in the development of the reports. We received contradictory advice over time.
- The 1994 report took a lot of staff effort. Work on other projects was deferred to accommodate the performance report schedule. In the future, the duplication of effort between the biennial budget and the performance report cannot be justified at the minimal level of interest in, or use made of, the report this year.
- Managers and staff do not understand or comprehend the concepts in the APR. It will take considerable time to bring them to a point of full understanding of this idea and its concepts.
- Lack of timely critique from legislative audit staff on 1993 draft report. Comments were received approximately 45 days prior to September 1, 1994.
- Time to work on the report overlapping budget preparation. Amount of detail required. Lack of desirable data (funding and workload issue).
- Confusing instructions, conflicts with budget preparation and lack of background or historical data and the resources to ensure adequate future monitoring data.
- Balancing the Department of Finance orientation with Legislative Auditor's perspective on reporting format.
- Improving the accuracy of performance data.

- Lack of historical data on performance; difficulty of identifying service level measures; lack of cost accounting data to equate to outputs.
- 1) Inconsistent direction from the Department of Administration and Finance. 2) The need for separate reports (budget and performance) when information provided seems duplicative. (3) Aggregate totals not relevant for marketing strategies. (4) Some elements used for outcome measures not readily retrievable or in existence. A special study was necessary.
- Timeline. Some duplication with ongoing internal efforts. Changing directions (re instructions).
- Lack of coordinated training and information. Inadequate time available for development.

10. What have been the greatest benefits resulting from the development of your 1994 performance report?

- The performance report continues to reinforce the mission and objectives we established in our strategic plan.
- The process of doing it has inherent benefits. Greater focus - by managers - on results and mission, rather than output or specific work tasks. The process took us one step closer to a more unified policy and budget process.
- Clear mission statement, goals and core values.
- Heightened awareness of staff regarding outcomes and measurements.
- Our report was used for our agency overview before the House committee prior to our budget presentation.
- Framework for disciplined review and discussion of goals and outcomes. Discussion of mission and goals with agency, governor and Legislature.
- The divisions of the agency worked closely together to develop measures to strengthen capacity in program areas that had less ability to complete activity. Helped the agency more tightly define how we achieve our mission.
- The process has caused us to develop an approach to reporting more consistent with the business of the agency.
- Legislators were intended to be one of the primary beneficiaries of the performance report; we cannot answer for them. In our agency, the primary benefit was in reinforcing the idea that results, not process, is most important.
- The report forced managers and staff to focus on outcomes and the reasons for doing what they do instead of the processes and outputs of their daily work.
- Developing a "score card" for those managing general fund dollars.
- Documenting needs for additional data; and reinforcing importance of performance measures.
- Focusing on real issues, i.e., outcomes.
- It has been useful in providing information to the legislature and the public. It has become a resource document for policy presentations.
- 1) Benefits of getting what we "know" (measures/statistics) and moving from what we think (opinions) about performance. 2) Reaffirms mission, forces a hard look at investment to outcome. Helps to understand important of outcome measurement. 3) Report confirms the extent to which we've met legislative expectations and agency goals and objectives.
- Employees are more focused on measures. Increased attention among top management.

11. Other comments or suggestions

- I think the Legislative Auditor's Office is continuing to struggle with its role on performance reporting. A more informal assistance and consultative relationship rather than a public critic of the reports would be more helpful at this stage of development of the reports.
- The results will be evolutionary - it will take some additional time to fully realize the benefits. There is a danger, however, in overloading the process with more details and requirements. If it become burdensome, the process will be self-defeating.
- Agree that performance measures are good but should be coordinated with budget document so legislature reviews in entirety.
- Limit to state funded programs. Prepare biennially and maintain document separately.
- Review and clarify the reason and audience for performance reporting. The process should then be focused on these reasons and audience.



- As a whole, the Legislature showed little interest in using the annual performance report. The benefits of performance reporting will not materialize if one of the principal audiences is uninterested. While our recommendation is to make no changes for one more year, we do believe that merging the report and the budget would probably be most useful. The greatest value my agency derived from the performance reporting activity was the reinforcement of the idea that results, not process, is most important.
- Outcome measures of performance are being either developed or modified to be incorporated into our daily operations as a result of this activity.
- If the legislature is not serious about making the report "the key document" in the budget decision process, it serves little value outside the agency. Frankly, the taxpayers don't know about the reports and probably are not interested.
- Auditor's comments should be more specific and substantive in nature.
- Appreciate Legislative Auditor's office growing with us in trying to refine this approach.
- May limit risk taking--flexibility constraints.
- Increased flexibility on report format, types of measures, and other narrative requirements (less rigid instructions).