Written Testimony on SB 381–Managing for Results
Senate Budget and Taxation Committee
Maryland General Assembly

March 23, 2004

Roy T. Meyers
Associate Professor of Political Science
Director, Sondheim Public Affairs Scholars Program
UMBC


Mr. Chairman and members of the Committee, thank you for the opportunity to testify.

My views are my own and do not represent the position of my employer. They are based on the

second half of a long paper on Maryland's budget process which I coauthored this summer with

Thomas Pilkerton, a UMBC student. I distributed copies of this paper to committee members

when you considered SB 370, Senator Hogan's constitutional amendment.


The basic message of my testimony is that SB 381 addresses an important problem, but

that it should be either amended or summer studied so you can maximize your ability to set

priorities and oversee program management.


Maryland is certainly not among the leading states in performance management, but it has

made some progress with the Managing for Results approach, known as MFRs. Both the

Governor's budget and agency reports now show numerous performance measures which

illustrate what agencies and programs are producing. Many of these measures relate to goals and

objectives that appear important, and the performance data in some cases appear to be reliable,

but as analyses by the Legislative Auditor and others have shown, this is not the case for many other agencies and programs. SB 381 wisely requires progress in the quality of these performance data. <u>If</u> these data become more believable, and <u>if</u> you use them in oversight and budgeting, you will improve the efficiency and effectiveness of programs, certainly more so than by relying on infrequent, ad hoc and secretive commissions which recommend very limited changes.

Note I twice used the word "if." I did so because performance management will be successful <u>only</u> when the state makes a sustained and serious commitment to it. SB 381 could make this more likely by creating a statutory framework for performance management.

But this bill's statutory framework cedes too much responsibility for setting the state's goals and objectives to a Strategic Planning Committee that would be dominated by the executive branch. The Governor would nominate 9 members to this committee, and the General Assembly would nominate only 4. Not involving the General Assembly more deeply in consultations about the state's plan makes it quite likely that the plan will be politically unrealistic. A classic case is the so-called "strategic plan" issued during the last year of the Glendening administration, which was entitled "Moving Maryland Forward: 2002 and Beyond." Even if Lt. Gov. Townsend had beaten Congressman Ehrlich in 2002, I doubt the General Assembly would be paying much attention to this plan now. After all, the plan acknowledges not a single representative of the legislative branch as involved in its preparation.

In the 2003 Joint Chairmen Report, the General Assembly argued that among the problems with Managing for Results was "limited participation in goal-setting by customers and legislators," and required that DBM propose modifications to the process. DBM responded in September by agreeing to add legislative representatives to the MFR Steering Committee, but then stated the limits of this promise:

> DBM asserts that the Steering Committee should provide input on process rather than policy. For example, the committee's major activities should include updating the MFR training program, revising the MFR Guidebook, and promoting good practices.

By stipulating this limitation, the executive branch is shooting itself in its foot, or more specifically, setting itself up to be blamed by the legislature. Consider another complaint of the JCR: "a poorly devised implementation plan due to a lack of clear mission statements, goals, objectives, and more than 10,000 performance measures across executive branch programs." Why do agencies have multiple, contradictory, and sometimes unattainable goals, and why do they report on so many indicators? Solely because of a lack of executive leadership? Or might not the legislative branch bear some responsibility for this situation? After all, the General Assembly determines the goals and objectives of programs in statutes, conditions appropriations with many directives, and actively oversees and audits program implementation.

In other words, the current process permits the legislature to insist that the executive branch do the impossible. In contrast, strategic planning is supposed to focus elected officials on

the most important problems faced by their government and constituents.  Consequently, my first recommendation is that if a strategic planning committee is to be created, the General Assembly should play a central role on it.

An alternative to a balanced strategic planning committee would be to improve the Spending Affordability process.  This process has made a significant contribution to Maryland's record of fiscal responsibility by setting prudent guidelines for spending and debt.  However, the committee's deliberations and report are less substantive than they should be, focusing instead on establishing a bargaining position vis-a-vis the Governor.  But with all due respect, the difference between a 4.37% and 4.91% increase in spending is nearly meaningless.  The Spending Affordability process would be more useful if instead it emphasized linking policy priorities to financial projections.

One reason why a different Spending Affordability process is needed is that governors' budgets and agencies' MFRs tend to recoil from realistic assessments of conditions in Maryland. Here are some examples of general problems:

1. Overly optimistic impressions.  For example, in the Governor's Budget Highlights for FY 2005, most of the agency descriptions include graphs that apparently show remarkable progress. Unfortunately, a good number of these graphs use what graphical expert Professor Edward Tufte calls a "lie factor"–the size of effect shown in the graphic is much larger than the size of the effect in the data.  The example shown in Exhibit 1 (p. 8) is for a projected increase in child

support payments of a bit over 1% a year–which *is* progress, but not to the extent implied by the artificial expansion of the vertical scale.

2. Missing high-priority measures.  The State Highway Administration's Goal for Mobility/Congestion Relief (shown in Exhibit 2 on p. 9) projects a reduction in "incident congestion delay"–that is, due to accidents–rather than estimating whether there will be an increase or a decrease in general congestion.  I would guess that an increase in general congestion is more likely than not, and is of more concern to citizens than incident congestion delays.

The MFRs data, and budget presentations more generally, also omit other relevant information.  One glaring problem is that for programs designed to serve needy individuals, one will find very little information in the budget about what percentages of those needy individuals are actually being served.  For example, shouldn't a budget that shows the dollars being spent on child care, and the number of children being served, also note the number of eligible children on waiting lists?

I don't mean to imply that Maryland completely fails to evaluate programs and consider new ideas.  But if we want the state to become a better place, we also need to be honest with ourselves about everything that the state does or doesn't do.

Some other states budget more intelligently by comprehensively identifying the real conditions they face and considering how to make tradeoffs between different goals and

objectives. For example, Oregon has developed an impressive set of benchmarks which reports annually on social, business, and environmental conditions in the state. These data are taken seriously in Oregon's budget process.

In contrast, Maryland has only a "performance index for selected key performance areas," which was developed by DBM staff. Meant to be a summary indicator for the state's condition, one will search in vain in the budget and on DBM's website for its components; I had to query DBM for the background data. These data are shown in Exhibit 3 on p. 10.

What this index does is to take 30 performance measures, calculate the change for each from the base year to the next year, and then average these indexed changes with all 30 measures weighted equally. To illustrate what's wrong with this approach, I will simplify this procedure and select just two measures: the change in the number of structurally deficient bridges, and the change in the death rate of MD infants aged less than one year old. MFR projections shows the percentage of dangerous bridges declines from 4.4% to 4.0%, which is an index improvement of 109.1. Unfortunately, the death rate for infants is projected to grow from 7.4 per 1000 to 7.6 per 1000, for an index value of 97.3. DBM's procedure would combine the two indexes, implying that Maryland will be 6.4% better off.

This approach elevates mathematics over policy choice. Elected officials should be informed about these trends, and decide whether they are more concerned about infant mortality or unsafe bridges. The best way to do that, in my opinion, is to emulate the states such as Oregon

and Utah which use a benchmark priority setting process.  Making that transition to a more informed method of setting priorities will obviously require the state to learn how to do that well. Therefore, I suggest that you defer passage of this bill until after you use the summer study process to consult with experts from states with more experience.

Thank you, and I will be glad to answer any questions you might have.  Please contact me at 410-455-2196 or meyers@umbc.edu.

---

The long paper from which ideas in this testimony are drawn may be accessed at:

http://userpages.umbc.edu/%7Emeyers/improveMD.pdf

See also our compilation of Oregon Benchmark-style measures for Maryland at:

http://userpages.umbc.edu/%7Emeyers/MD%20Benchmark%20Example.pdf

Exhibit 1: Misleading Graphics for Child Support Payments

# Department of Human Resources

*Mission: We will aggressively pursue opportunities to assist people in economic need, increase prevention efforts and protect vulnerable children and adults.*

The budget for the Department of Human Resources totals nearly $1.6 billion, an increase of $96.1 million (6.5%) over the 2004 level. The budget allowance for DHR will advance Governor Ehrlich's goals of economic independence and protection from abuse and neglect for children and adults in Maryland.

$421.7 million is allocated for Assistance Payments, providing eligible Marylanders with funds to maintain a decent and safe level of health, nutrition and personal independence. Funding for Assistance Payments increases by $49.0 million (13.1%) over the 2004 budget.

$111.8 million is provided for subsidized Child Care.

In keeping with Governor Ehrlich's commitment to help needy Marylanders, $451.9 million is allocated for child welfare services, an increase of $51.1 million (12.7%) over the 2004 level. Local department funding for child welfare totals $158.1, an increase of $8.9 million. Enhanced funding of $4.7 million is allocated for legal services for Children in Need of Assistance. $254.2

*In keeping with Governor Ehrlich's commitment to help needy Marylanders, the allowance provides $451.9 million for child welfare services, an increase of $51.1 million over the 2004 level.*

million is included for Foster Care maintenance payments to provide services for children removed from their homes as a result of abuse or neglect, and for children placed in subsidized adoptions.

Fiscal year 2004 deficiency appropriations of $36 million and $4 million are being provided for the Foster Care program and additional costs associated with providing legal representation for children involved in Children in Nee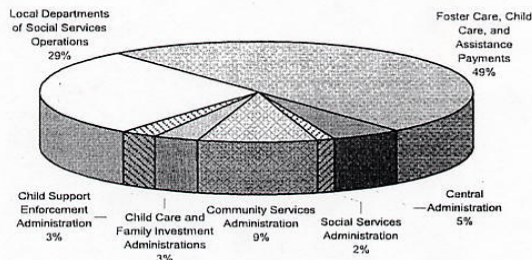d of Assistance and Termination of Parental Rights proceedings, respectively. In addition, a deficiency appropriation of $400,000 is provided for the Burial Assistance program.

Major sources of federal funds, which comprise nearly 60% of the department's budget, are the Temporary Assistance for Needy Families block grant, the Social Services Block Grant, Child Care Mandatory and Matching funds, Title IV-E matching funds for Foster Care, Title IV-D matching funds for Child Support Enforcement, and the Food Stamp program. Special funds are principally local government funds and child support collections.



Expenditures

Non-Custodial Parents are Increasingly Making Child Support Payments
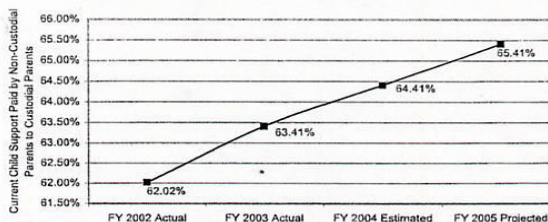
50

# Exhibit 2: Reported Outcome Measures Less Meaningful Than Alternatives

## DEPARTMENT OF TRANSPORTATION

### J00B01.02 STATE SYSTEM MAINTENANCE – STATE HIGHWAY ADMINISTRATION (Continued)

**Goal 2. Mobility / Congestion Relief:** Enhance, maintain, and operate the highway system to improve mobility for our customers.
  **Objective 2.1** Reduce congestion delay and associated costs caused by incidents by 4%, from FY02 levels, by June 30, 2006.

| Performance Measures | 2002 Actual | 2003 Actual | 2004 Estimated | 2005 Estimated |
|---|---|---|---|---|
| **Output:** Average minutes of delay (calendar year) | 28.8 | 27.7 | 27.4 | 27.1 |
| **Outcomes:** Percent reduction in incident congestion delay (calendar year) | 12.7% | 4% | 1% | 1% |
| Reduction in user costs due to incidents ($ million) (calendar year) | 402.75 | 467.97 | 472.64 | 477.38 |

**Objective 2.2** Reduce delays caused by congestion along state highways that have scheduled improvement projects intended to improve traffic flow by an average of 10% each year.

| Performance Measures | 2002 Actual | 2003 Actual | 2004 Estimated | 2005 Estimated |
|---|---|---|---|---|
| **Outcome:** Average percent of reduction in delay due to improvements (calendar year) | * | * | 10% | 10% |

**Goal 3. System Preservation and Maintenance:** To maintain a quality highway system.
  **Objective 3.1** Maintain annually at least 83% (CY02 pavement conditions) of the MD SHA pavements in acceptable riding quality condition[1].

| Performance Measures | 2002 Actual | 2003 Actual | 2004 Estimated | 2005 Estimated |
|---|---|---|---|---|
| **Input:** Miles of mainline pavement[2] (calendar year) | 10,116 | 10,340 | 10,340 | 10,355 |
| **Outcome:** Percent of roadway mileage with acceptable ride quality (calendar year) | 83% | 83% | 83% | 83% |

Note: [1]Ride quality is represented by the International Roughness Index (IRI) which is a based on the longitudinal profile of the roadway surface. Interstate roadways exhibiting IRI values less than 120 inches/mile and Non-Interstate roadways exhibiting IRI values less than 170 inches/mile are considered acceptable.

[2] Directional miles including both directions of roadway for both divided and undivided highways.

**Objective 3.2** Maintain annually 100% of the bridges on MD SHA portion of the National Highway System (NHS) so that all legally loaded vehicles can safely traverse*.

| Performance Measures | 2002 Actual | 2003 Actual | 2004 Estimated | 2005 Estimated |
|---|---|---|---|---|
| **Input:** Number of bridges on MD SHA portion of the NHS (calendar year) | 1,337 | 1,340 | 1,342 | 1,354 |
| **Outcome:** Percent of bridges on MD SHA portion of the NHS that are not weight posted (calendar year) | 100% | 100% | 100% | 100% |
| Percent of MD SHA bridges on NHS that are structurally deficient. (calendar year measure) | 3.8% | 4.0% | 4.0% | 4.0% |

Note: *In the current business plan we have chosen to measure the success our bridge maintenance on the desired outcome of maintaining mobility for legally loaded vehicles

9

# Exhibit 3: Statewide Performance Index Elevates Math Over Policy Choices

**PERFORMANCE INDEX FOR SELECTED KEY PERFORMANCE
AREAS FOR MARYLAND STATE GOVERNMENT**

| Performance Measure | Base Year Value | Index Year Value | Base Year Index | Index Year Index |
|---|---|---|---|---|
| Change in Maryland Employment -12 mo. Average | 2,719,501 | 2,797,283 | 100 | 102.9 |
| Ratio between Maryland's unemployment rate and US rate | 0.8854 | 0.7849 | 100 | 111.4 |
| % of Maryland babies born at low and very low birth weight | 8.7% | 9.0% | 100 | 96.6 |
| % of Maryland children (19-35 months) fully immunized | 74.8% | 80.6% | 100 | 107.8 |
| Death rate among Maryland infants under 1 year of age (per 1,000 live births) | 7.4 | 7.6 | 100 | 97.3 |
| % of Maryland children and youth (0-17) living in poverty. | 6.6% | 7.3% | 100 | 89.4 |
| Firearm homicide rate | 5.72 | 6.49 | 100 | 86.5 |
| Rate of arrests of youth for violent crimes (ages 15 to 17; per 100,000 youth) | 879 | 834 | 100 | 105.1 |
| Walk-offs and escapes from DPSCS settings or facilities | 119 | 122 | 100 | 97.5 |
| Comprehensive Tests of Basic Skills -4th grade reading     Median National Percentile rank | 55 | 57 | 100 | 103.6 |
| Comprehensive Tests of Basic Skills -4th grade math     Median National Percentile rank | 55 | 56 | 100 | 101.8 |
| Drop-out rate grades 9-12 | 3.91% | 3.41% | 100 | 112.8 |
| High School Graduation Rate | 83.13% | 84.68% | 100 | 101.9 |
| Six year graduation rate for USM graduates | 58% | 61% | 100 | 105.2 |
| Total Ridership Bus and Rail Transit | 100,360 | 96,774 | 100 | 96.4 |
| Rate of births to adolescents 15 and 19 yrs of age (live births per 1,000 women, calendar yr) | 42.5 | 37.8 | 100 | 111.1 |
| Pavements rated fair to very good | 83% | 83% | 100 | 100.0 |
| Maryland structurally deficient bridge % | 4.4% | 4.0% | 100 | 109.1 |
| Rate of traffic fatalities (per 100 million vehicle miles traveled). | 1.22664 | 1.22491 | 100 | 100.1 |
| Blue Crab landings     3-year average | 13,476.7 | 11,377.3 | 100 | 84.4 |
| Oyster Landings     3-year average | 1,099.1 | 636.5 | 100 | 57.9 |
| Total acres under Agricultural Land Preservation easement or in preservation districts | 582,650 | 636,097 | 100 | 109.2 |
| Rate that adult employment program trainees enter employment | 75% | 88.1% | 100 | 117.5 |
| % of current child support collected | 60.3% | 63.2% | 100 | 104.8 |
| Age-adjusted cancer mortality rate | 211.0 | 204.3 | 100 | 103.2 |
| Three year average of Pertussis cases | 108 | 85 | 100 | 121.3 |
| Three year average of Hepatitis A cases | 313 | 274 | 100 | 112.5 |
| Rate of syphilis incidence | 5.7 | 4.3 | 100 | 124.6 |
| Three year average of days 1 hour ozone standard was exceeded | 8.3 | 9.3 | 100 | 88.0 |
| Number of streams impaired by nutrients | 126 | 131 | 100 | 96.0 |
| **Equal weight index** | | | **100** | **101.9** |