I'm enclosing this month's edition of the State Management Innovations e-Newsletter for your review. As the new Director of State and Local Affairs at the Institute, I am excited about the opportunities that I have before me to bring to you relevant and exciting information and developments related to management reform at the state level.

I look forward to the opportunity to forge a relationship with you in the future, and hope that we can work together to bring to all agencies the best practices that state government has to offer. If you have any questions, comments, or suggestions, or if your agency has a success story, program, or policy that you feel needs to be shared with other agencies, please let me know at (858) 503-6787 or at Neumann@performanceweb.org

I look forward to hearing your successes!

Best regards,

Benjamin Neumann

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1. Managing for Results: Strategic Planning and Performance Budgeting

a. Governors and State Leaders Launch Major Reorganization Plans with Little Success

With fiscal problems dire all over the country, governors and legislators have taken a serious look at streamlining agency programs and making other administrative changes as part of the search for savings. David Swinford, the chairman of the Texas House Committee on Government Reform, had grand hopes that his reorganization plan would go a long way toward plugging a $10 billion gap in the state's budget. His mission was to reorganize state agencies, eliminating some and cutting redundant layers of administration. Promoters of reorganization in many other states have promoted similar ideas this year. However, Swinford and other state leaders have encountered multiple sources of opposition that have ultimately caused these plans to fail. To view this article go to: http://governing.com/articles/8reorg.htm

b. Maryland's Governor Plans Large-Scale State Restructuring

In his maiden address to the Maryland Association of Counties, Robert Ehrlich, Maryland's Governor, proposed the first large-scale restructuring of state government since 1972. Ehrlich hoped to persuade local officials to embrace his vision for resolving the state's chronic revenue shortfall by making government leaner instead of raising taxes. County officials, who have been hit hard by state budget cuts since Ehrlich took office in January, had reason to be skeptical. Nevertheless, the governor assured them that he planned to replace the cash he took away from road projects and other local services. Many association leaders said they are inclined to believe him. To view this article go to: http://www.washingtonpost.com/wp-dyn/articles/A4243-2003Aug16.html

c. States Still Going Through Tough Economic Times

As the fiscal year 2003 closed, budget data released by the National Governors Association (NGA) and National Association of State Budget Officers (NASBO) revealed that states continue to struggle with declining revenues amidst an uncertain economy. Most states were unable to protect their highest priority

programs from budget reductions. According to the latest Fiscal Survey of the States by NASBO, thirty-seven states were forced to reduce already enacted budgets by nearly $14.5 billion - the largest spending cut in the history of the 27-year-old Fiscal Survey. Governors in 29 states recommended tax and fee increases in fiscal 2004, resulting in a net increase of $17.5 billion - the largest since 1979. Furthermore, state spending growth was cut to only 0.3 percent in fiscal 2003 and is expected to decline 0.1 percent in fiscal 2004. To view survey findings go to: http://www.nga.org/nga/newsRoom/1,1169,C_PRESS_RELEASE^D_5631,00.html

d. 2003 Best Practices Forum – Strategic Planning and Change Management in Government (October 14-15)

To help agencies develop effective management plans to improve agency performance, The Performance Institute will host the 2003 Best Practices Forum – Strategic Planning and Change Management in Government (October 14-15). This forum will cover the following: developing effective strategic plan, linking performance to results; defining strategies to intermediate outcomes, building stakeholder support, and manage responses to change. For more information go to: http://www.performanceweb.org/performancemanagement/P181/P181-WEB.pdf

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2. Workforce: Strategic Management of Human Capital

a. State Workforce Crisis

A recent study by The Council of State Governments (CSG) and the National Association of State Personnel Executives (NASPE) identified a state employee worker shortage, which is rapidly approaching, as an impending national crisis. Findings show that state governments could lose more than 30 percent of their workforce by 2006. The research reveals a combination of factors that are leading up to a crisis, such as the rate of employee retirement, the composition of the current state workforce, and budget problems, along with current labor conditions. States are creatively addressing the problem with new approaches,

such as targeted recruitment for certain jobs, exit interviews to evaluate work environment and flextime scheduling. The study is only available in hard copy. To order call NASPE at (859) 244-8182 or e-mail naspe@naspe.net.

b. Salaries Need To Be More Competitive

As baby-boomers face retirement, state government salaries will have to become more competitive against the private sector. Governments will have to offer an attractive package to recruit quality employees. A recent study by the American Federation of Teachers (AFT) was done on state government employee salaries. Findings indicate that, while some states are maintaining some sort of parity with the private sector, in many states it is drastically different. In addition to average annual base salary, the survey includes information on salary ranges, number of employees per job category, type of pay plan, additional cash compensation, collective bargaining and work-week hours. To view this report go to: http://www.aft.org/pubemps/downloadable/FinalSurvey2003.pdf

c. Strategic Recruitment for Government

Government agencies are changing the way they recruit their staff. While agencies have traditionally engaged in a 'spray and pray' approach to recruiting staff where they merely filled empty seats, the new effort focuses on rethinking hiring needs from a performance-based perspective and strategically targeting specific skills sets. A research report, by The Performance Institute, gathered information about each agency's human capital plan, use of flexibilities and incentives, diversity-recruiting, workforce analyses and use of performance measures. The result was a set of "10 Innovative Practices" found to be characteristic of successful human capital management. Although the report was based on information from federal government, the obstacles to effective human capital management remain the same. Therefore the recommendations can be easily applied to city and county governments. To view this report go to: http://www.govworkforce.org/govworkforce/recruitment/ pi_recruitment.pdf

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3. Technology: E-Government and IT

a. NASCIO Recognizes Virginia for IT Progress

The National Association of State Chief Information Officers (NASCIO) gave its

2003 Recognition Award for "State Information Technology Management Initiatives" to Virginia, recognizing it for its innovative IT transformation initiative and the creation of the Virginia Information Technologies Agency (VITA). With the creation of VITA, three state agencies were abolished and the independent IT divisions within 94 Executive branch agencies will begin an 18-month consolidation process. The award recognizes the tremendous efforts that Governor Warner is making in reforming state government. Through these efforts, Virginia achieved significant cost savings, and improvements in efficiency of vital services that give taxpayers a better return on their investment. To view this news release go to: http://www.govtech.net/news/news.php?id=2003.09.10-67604

b. Creating a Performance-Based Electronic Government

Despite the rush to embrace technology in government, significant confusion exists over what precisely defines e-government, let alone how to measure its impact on improving the quality of services to the taxpayer. Citizen-Centered Electronic Government focuses on the use of the Internet to empower citizens, allowing them to request customized information from their government when they need it, not just when the government wants to give it to them. Agencies must focus their application of information technology on improving agency mission performance, enhancing information security, maintaining information privacy, reducing duplication, and coordinating efforts with other agencies in an integrated manner. A research report, by The Performance Institute, yields insight on the progress being made by agencies as they struggle to define and measure their e-government initiatives. Although the report was based on information from federal agencies, findings can also be applied to state governments. To view this report go to: http://www.performanceweb.org/research/egovernmentreport.pdf

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4. Procurement: Competitive Sourcing and Contracting

a. Florida Outsources Permit Office Operations

Florida's Department of Transportation has outsourced its permit office for oversize/overweight commercial trucks, and is considering ways to automate the

office. Affiliated Computer Services Inc. will get $4.7 million over 5 years to run the state's office for oversize/overweight commercial truck permits. It's apparently the first time a private vendor has entirely taken over the day-to-day permitting operations of this nature among state governments. Florida has turned over administrative operations of the permit process but kept responsibility for enforcing safety requirements. To view this update go to:_ http://www.fcw.com/geb/articles/2003/0818/web-fla-08-18-03.asp

b. Public and Private Sector Work Together

In an effort to help governments become more efficient, privatization of services- through public-private partnerships- are becoming an accepted and often preferred management tool. A public-private partnership is a contractual agreement between a public agency (federal, state or local) and a for-profit corporation. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. A recent study by Reason Public Policy Institute, "Long-term Contracting for Water and Wastewater Services," examines existing water and wastewater contracts, and provides state and local governments with an outline to help them structure contracts and create successful partnerships with private companies. To view this article go to: http://www.careerjournal.com/hrcenter/ipma/20020905-ipma.html

c. In-House Training Sessions on Performance-Based Contracting

One of the most important challenges facing state agencies is the need for widespread adoption of performance-based contracting in order to survive the current budget strains. It can be very difficult for a state to fully implement performance-based contracting into their acquisition plan. The Performance Institute uses its Performance-based contracting (PBC) Logic Model to link contracting and acquisition functions to program results. The Institute offers one, two and three-day PBC education programs focused on delivering state-of-art information focused on state agencies for in-house training of staff. Participants of the Performance Institute's training programs have the opportunity to work on their contracts or use a case study contract to develop a performance-based Statement of Work or Statement of Objective. Participants are also assisted in selecting what performance measures to use in the solicitation and the contract vehicle and how to structure and contract incentives. All of these training sessions are conducted by seasoned experts in competitive sourcing and acquisition processes. For more information contact Felipe Monroig at

Monroig@performanceweb.org

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5. Program Spotlight: The "Citizens' Budget" Plan Can Help States Nationwide

Across the nation, revenue shortages are taking their toll on state finances. States are facing budget deficits in the range of $70 billion to $85 billion for state FY2004. These new deficits are on top of the $50 billion in deficits that states closed when they enacted their FY2003 budgets. Therefore, state governments throughout the country are struggling through the economic recession.

In light of this situation, state governments across the country, can apply the principles of a new budget plan--dubbed the "Citizens' Budget"--that demonstrates how to eradicate deficits without major cuts in services employing performance-based management reforms. This report was created to address California's extraordinary budget deficit, but can easily be applied to the dilemma currently facing state governments nationwide.

Using California—with by far the nation's largest deficit—as an example, the Citizens' Budget combines reform, restructuring and selected cuts in duplicative programs to propose a $1.5 billion surplus in 2005 - with no tax increases, no cuts in services deemed vital by most Californians, but with improvements in the business climate sufficient to permit the creation of an estimated 600,000 new jobs over two years. The California plan details a set of 16 reforms to overcome the state's $38 billion deficit, many of which are applicable to other state governments. To view this report go to: http://www.performanceweb.org/pi/research/california/citizensbudget.pdf

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The Performance Institute is a private think tank that serves as the nation's leading authority and repository on performance-based management practices for government organizations. Its mission is to identify, study and disseminate the leading management innovations pioneered by "best-in-class" government programs at federal, state and local levels. Through its national conferences on pressing issues, interactive executive training programs, and best practice research projects, the Institute provides cutting-edge expertise in the design, implementation and evaluation of strategies to solve operational challenges and enhance government performance.