

GOVERNING

Measuring Performance

The State Management Report Card for 2008



Grading the States

THE MANDATE TO MEASURE

INFORMATION IS KING.

No single idea emerges more clearly from year-long research done for the 2008 Government Performance Project. As always, this report focuses on four fundamental areas of government management: Information, People, Money and Infrastructure. But this year, the elements that make up the information category—planning, goal-setting, measuring performance, disseminating data and evaluating progress—overlap with the other three fields to a greater degree than ever before. Information elements, in short, are key to how a state takes care of its infrastructure, plans for its financial future and deals with the dramatic changes affecting the state workforce.

Governors understand this. A growing number are now personally involved in improving the way information is used to manage their states. Ted Strickland, Ohio's governor, began a "Turn-around Ohio" plan that includes flexible performance agreements with his agency heads. Similarly, Maryland's Governor Martin O'Malley is building StateStat, a comprehensive means for making decisions based on data, similar to his CitiStat effort in Baltimore. He describes it as a system "that actually sets goals and has the guts

to measure progress towards achieving those goals. All of that with relentless follow-up."

Of course, information alone doesn't make a well-managed state. With personnel turnover rates on the rise and retirements looming, states have to figure out ways to retain workers and transfer accumulated knowledge to an ever-changing workforce. On the money front, structural balancing of budgets has been a real trick for states that found themselves flush with cash last year, only to see revenue streams wash away in the current declining economy. Infrastructure maintenance continues to be a bill that bedevils the states. Even Minnesota, scene of last year's deadly bridge disaster, hasn't quite come to terms with what to do there. "We're no different from other states in the amount of maintenance we need to do," says one Minnesota state legislator. "But it feels like nobody's figured out how to find the huge amounts of money necessary, without cutting back on more politically sensitive areas."

All of this has led to a search for new solutions to old problems. The Massachusetts Department of Capital Asset Management, not unlike many homeowners, has seen utility bills grow. As a response, the agency arranged with energy providers to reduce power usage on short

BY KATHERINE BARRETT & RICHARD GREENE



notice during peak-demand periods, in exchange for cash. “The more kilowatts you shed,” says Deputy Commissioner Mark Nelson, “the more you get paid.” There’s a double benefit here. Not only does it save dollars, it saves energy.

The following reports on the 50 states are full of such innovations, as well as recommendations for ways in which states can learn from each other. All of these were gathered over the course of the past year, as the GPP engaged in its fourth effort to evaluate all 50 states’ managerial capacity.

The approach this year was similar to the one we used in past efforts: Teams of journalists and academics do the heavy lifting of research and analysis. Once again, the print version of the GPP that runs exclusively in *Governing* is augmented by online information at pewcenteronthestates.org/gpp. That’s the place to go for more information about the states, an in-depth explanation of the grades, additional recommendations we make and resources we suggest.

There have been some changes. This year, for the first time, the GPP was created

under the auspices of the Pew Center on the States, directed by Neal C. Johnson. One of his goals for the GPP, he says, is “to make sure that the grades are the beginning of the conversation—not the end.” As such, a number of initiatives are currently being planned to work with the states to help them learn from one another and improve their management practices in years to come.

We did something else a little bit differently. One staffer worked full-time for months doing in-depth interviews with corrections departments. The idea was to use their experiences to help inform the broader management conclusions reached in the process. “Corrections departments may not be entirely representative of a state’s management expertise,” Johnson points out, “but they contributed enormously to our sense of the states, particularly in the areas of human resources and information.”

It’s only natural that many will look to the GPP exclusively for the grades. But it’s important to understand that the purpose of the grades is to focus attention on the sub-

stantive issues of state government management. Additionally, one of the underlying maxims of the GPP has long been that it’s as important to see where things work poorly as where they work well.

A few years ago, Bill Gates noted that some schools had done away with grades and were giving students as many chances as they needed to get the right answer. Gates wasn’t buying that. “Your school may have done away with winners and losers,” he said, “but life has not.”

Even so, we feel obliged to repeat, as we have in each iteration of the GPP, the following critical caveat: Although the efforts of many men and women were involved in trying to get every grade—and every explanation of that grade—right, it’s inevitable that there will be honest disagreement. While these instances can be painful, the work has continued with the sure knowledge that efforts that are totally risk-free tend to accomplish nothing.

Information Moving Targets

50-STATE AVERAGE GRADE B- Just a few years ago, states would boast about their latest, cutting-edge piece of technology.

Not anymore. Today, it’s not the tools. It’s results.

One of those is transparency. In an era when “trust in government” is at low ebb, states are working to open up communications with their constituents. Last year in Colorado, the offices of the governor, state treasurer and controller published a transparent report on state revenues and expenditures. It gave everyone, and particularly individual taxpayers, a better understanding of the budget. “That’s important, in the same way it’s important for investors in a company to know how the company is performing,” says Cary Kennedy, the state treasurer. “We need to understand how the state is performing without the spin.”

In Washington State, Governor Christine Gregoire held a series of town hall meetings on the budget to communicate results to citizens and follow up on the budgetary priorities she had previously established with much citizen input. “We want to give concrete information about whether a difference has been made or hasn’t,” Gregoire says. “We have struggled with this—

THE PEW CENTER ON THE STATES’

Government Performance Project

The Pew Center on the States (PCS) identifies and advances policy solutions to critical issues facing the states, in part through the work of its Government Performance Project. For almost a decade, Pew, *Governing* magazine and a group of academics have collaborated on this project to assess the quality of management in state government. PCS has provided the resources for both in-depth reporting and academic research to measure state performance in core areas. PCS is an operating division of the Pew Charitable Trusts.

The mission of the Government Performance Project is to improve service to the public by strengthening government policy and performance. The project systematically evaluates how well states manage employees, budgets and finance, and information—as well as ensuring that roads, bridges and state buildings are well planned and in good repair. A focus on these critical areas helps ensure that states’ policy decisions

and practices actually deliver their intended outcomes. The information, in turn, helps state policy makers understand the steps they can take and the policy changes they can make to strengthen government performance.

Through research and analysis, such as this 2008 State Management Report Card, PCS provides continuing management assessments and tools to solve problems and improve performance. This year, in addition to the information contained in these pages, the Project offers on its Web site detailed briefing reports on each state. These reports feature key recommendations to policy makers on how to manage better, as well as links to best practices in implementing those recommendations. The Project is exploring new partnerships with policy makers and private-sector leaders to pursue innovative solutions in support of these shared goals.

For more information visit pewcenteronthestates.org/gpp.

how do you translate this in a way that really resonates with the taxpayer?”

States also are making it significantly easier for citizens to do business with agencies online. The ability to do transactions on state Web sites is no longer new. The focus is now on preserving the sanity of the people who try to use them. The GPP evaluation found that the majority of states are doing a measurably better job with Web site transactions than was the case three years ago. No state actually lost ground.

Alabama, for example, has its Camellia system, which supports the state’s social services. It’s a one-stop shop where citizens go and fill in the answers to 25 questions. The answers then are used to find which of 29 state services they are eligible for.

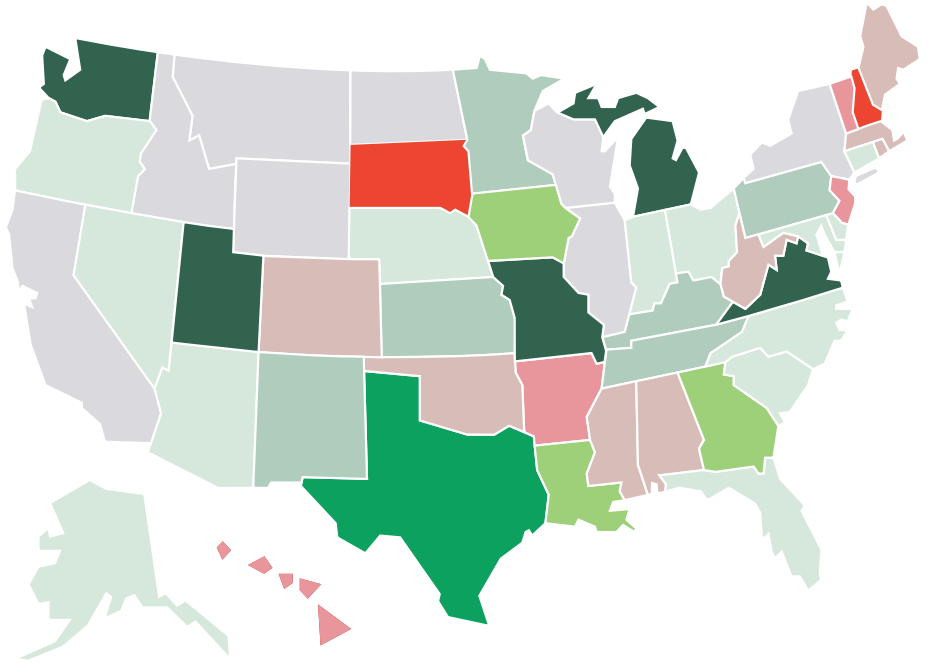
In Michigan, business leaders have benefited from upgrades to, and a rethinking of, the online process for getting permits and forms. For an air-quality permit, for instance, it took up to six months—18 months in some cases. With the new system, that permit process is now down to a matter of days.

When all is said and done, a state’s skill with information is found at the intersection of three distinct operations: the willingness to share data, the capacity to generate good information, and the ability to get those who should use the data to do so.

Sharing data is the easiest of the three. But, while the managerial spirit to share is strong, the technological flesh can be weak. In Maryland’s Division of Corrections, for example, an “archaic and obsolete” data system hampers the ability to pull together and publish data for use in performance reporting. This is a crucial piece of the StateStat effort, since the corrections department is the repository for most law enforcement information. Right now, police, courts, parole and other public-safety agencies don’t have the ability to share data with each other. Shannon Avery, executive director for the department’s planning and policy office, says a lack of data and an inability to generate reports easily is a constant frustration for the StateStat team. Upgrading this system is a top priority of the governor, Avery says, noting that there had been some legal problems but that the project is now back on track with a slightly longer timeline.

Maryland is far from alone in paying a price for the inability to share data digitally. Some state employees in Rhode Island are still operating with typewriters—electric, of

Information



course, but still a far cry from the ability to share information in a database. New Hampshire has such weak data-sharing systems that it doesn’t know how much it spends each month—kind of like an average Joe who’s lost his checkbook. At the opposite end of the spectrum, there’s Wyoming. Its transportation department has linked geographic information systems to financial systems and now knows with exact specificity how money is being spent, down to the cost of the salt used between each mile marker on the state’s snowy roads.

It’s not always a question of sharing data. Often, it’s a matter of creating useful information—particularly about performance—from scratch. On that front, there’s been a lot of progress.

For starters, strategic planning has become a routine, accepted part of governing. It is the norm for states to have either strategic plans or collections of agency plans. This was true in only half of the states in 1999. In 2008, just nine states were weak in both statewide and agency planning.

Performance auditing and evaluation also are pervasive. A decade ago, it was rare for a state to have an agency or department responsible for delving into the suc-

cess or failures of programs. Even Florida’s much-praised Office of Program Policy Analysis and Government Accountability had just gotten started. Now, departments that take a close look at how well things are working are present in four out of five states. The value of such efforts is clear. In Montana, to take one small example, auditors pinpointed security weaknesses by buying back discarded state computers to see what data remained on the hard drives. Twelve of 18 drives still had retrievable information on them.

The push to produce results-oriented information, rather than data on the amount of work done, has continued to evolve. Pennsylvania, a state that once argued that outcome-based information was unnecessary, is now among those moving to measure results.

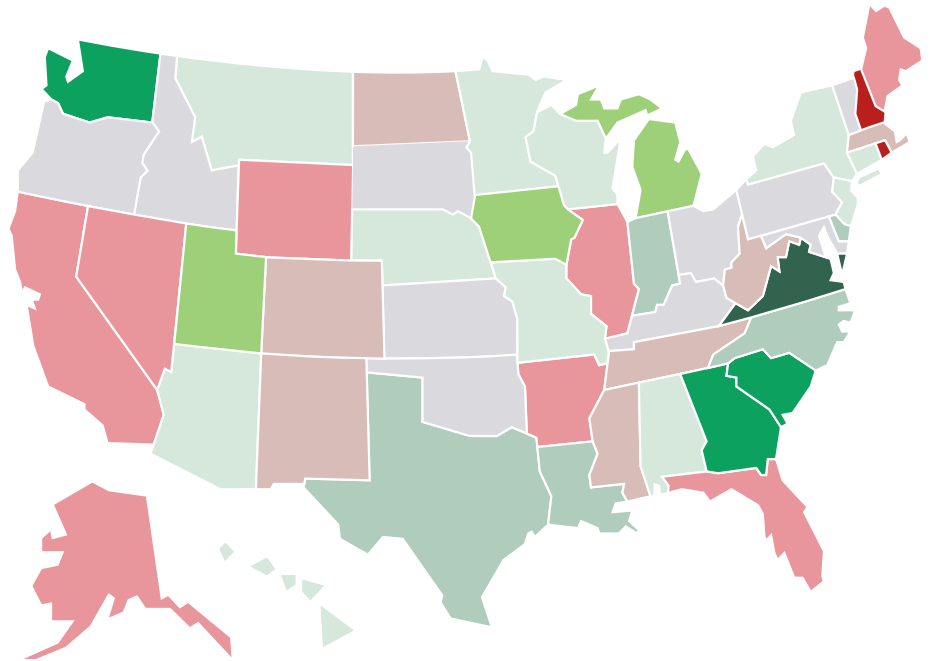
One of the biggest obstacles to progress in managing for performance is the disconnect between the production of performance information and its use in the budgeting process, particularly by legislators. Michigan and Georgia, for example, produce a great deal of excellent performance information, but officials report that the data seem more a burden than a tool to many legislators. In Alaska, says Jo Ellen

Hanrahan, a management analyst with the state's Office of Management and Budget, "Our performance measures are on the Web but not linked to one another nor to the budget dollars." And in Alabama, a state whose agencies have advanced dramatically in their generation of results information, one corrections official reports bleakly, "I am afraid the legislators don't care too much about that information."

Nobody expects a legislative turnaround to happen soon or without snags. But it will come. Consider this: Thirty years ago, many state government experts wondered whether the states would ever accept uniform accounting for their books—the body of standards now known as Generally Accepted Accounting Principles (GAAP). When New York began to experiment with this newfangled bookkeeping, it uncovered a \$2 billion deficit. "The books were so loose and kept in such an undisciplined manner," said Ned Regan, who was New York's comptroller at the time, "that governors and legislators could not be held responsible for their actions."

Today, all states comply with GAAP.

People



People Building a Base

50-STATE
AVERAGE
GRADE
C+

Vendors who sell to Wisconsin could be forgiven for thinking the state doesn't have enough money to pay its bills.

But the delays they experience in getting paid have nothing to do with the state's cash flow. Wisconsin simply doesn't have enough staff to process the bills.

Personnel shortages are a problem, not just in Wisconsin but in a majority of states. In the past few years, much attention has been focused on the imminent retirement of huge waves of older state employees. That hasn't happened yet—so far, many of those eligible to retire have elected to stay on the job. Nonetheless, in states such as Georgia, Indiana and Louisiana, total turnover last year ranged between 18 and 23 percent.

Some state officials argue that high turnover is now a fact of life that states should plan for. Anticipation of high turnover "should get rolled into agency workforce plans," says James Honchar, deputy secretary for human resources in Pennsylvania's revenue department. "But managers are reluctant to believe turnover is the way it is."

And yet, many men and women are heading for the doors. There are lots of reasons for the phenomenon. Low compensation, untrained supervisors and lack of recognition are among the issues.

But turnover is a significant expense for states. It results in more use of costly overtime, less efficient delivery of services and an absolute loss of the dollars spent on hiring and training. "It costs money every time you have to go out and hire, do psych evaluations and background evaluations," says Nancy Swecker, director of administration for West Virginia's corrections department. The department calculates the price tag at \$20,000 for each new corrections officer.

The pain of turnover is exacerbated by a relatively new trend that is cutting across many states: losing new employees while they're in their probationary period—generally between the six- and 18-month mark. In 2004, 11.6 percent of new hires quit during this period. In 2007, that number zipped up to 13.2 percent. During the same time period, the percentage of new hires that were fired stayed flat at a little over 8 percent.

The numbers in the worst-hit states are alarming. Mississippi leads the list with nearly one out of every two new employees

not making it past the first year or so. Arizona loses 42 percent of new employees during the probationary period; Virginia and South Carolina, 32 percent.

So, what are states doing to hang on to new, young hires, many of whom march out the door and into the private sector? Some solutions are emerging. Georgia used to line up its compensation and benefit package with other states. Now, it's focusing on the private sector instead and shifting its compensation and benefit package accordingly. "We're working against the mentality of, 'You work for us for 30 years and then you get this great pension and retiree medical,'" says Steve Stevenson, commissioner of the merit system of the personnel administration. "That's not really what the emerging workforce is looking for. They're looking for bigger base pay and pay for performance."

Academics who have studied young workers pinpoint another issue: a desire for more responsibility and the ability to make a real difference in a job. With appropriate employee training, state agencies could fill middle-management positions with younger workers eager for challenges. That's the idea behind New York's Tech-

nology Academy, which was established to deal with shortages of higher-level IT professionals. It tries to attract rising stars and then fast-tracks them for management.

Leadership training can take many simpler forms as well, such as job shadowing, which allows people to work closely with someone one level up. It also may include mentoring or having trainees attend outside conferences, receive education stipends and even design and implement a real-world project.

Technological tools can be useful for training in departments where staff is placed in rural areas or spread throughout a large state. A number of states are using e-training and videoconferencing to make training available, effective and efficient—despite geography.

Georgia is using these technologies for at least 10,000 of its customer-service employees, teaching them how to be friendly and helpful, as well as how to identify ways to speed up processes. The curriculum includes cameos by an unexpected duo: comedian Jeff Foxworthy and Governor Sonny Perdue. The 20-hour module of video-workbook sessions doesn't cost agencies very much, and the state is now measuring the results by establishing and monitoring customer-service-level indexes for all agencies.

With many states facing budget cuts next year, there are concerns that training will be one of the first areas slashed. It's particularly vulnerable since most states do little to document the benefits of training, even if officials know intuitively how much it helps.

Of course, even if states were able to hang on to new hires, they'd still have to make sure that a hunk of institutional knowledge doesn't walk out the door when older employees retire. Tapping into the information that these long-term employees have is known as "knowledge transfer," and it's key to efficiency and effectiveness in government.

But it's not easy to do. Right now, a great deal of the dialogue about knowledge transfer is little more than that—a lot of people talking. Some states rely on rehiring retired employees, with somewhat questionable results since rehired employees often simply return to their traditional tasks and are not encouraged to "transfer" their knowledge to younger co-workers.

Still, the need to keep valuable information alive and well is significant. And some

states are figuring out ways to accomplish that. Virginia, for example, spent \$250,000 to put together a knowledge transfer system that 35 partner agencies could share. Each has software that allows it to map the specific skills and knowledge that are needed for various jobs and then tailor training programs to those specifications. When Virginia's workers' compensation manager, Sue-Sheila Strong Keener, was diagnosed with a fatal illness, Virginia officials were given a poignant view of how knowledge transfer operates. "We had her mentor her high-performing employees because you can't pre-select in the public sector," says Sara Wilson, the director of Virginia's Department of Human Resource Management. "They would job rotate so that everyone got exposure to the various jobs she did."

When it comes to holding on to personnel, non-cash incentive programs are increasingly popular. Utah has a "Walk the Talk" program that gives employees the chance to give a manager a 3x5 card that praises another employee who has accomplished a task that notably advances the goals of the agency. Every so often, there is

a drawing from these stubs for gift baskets or other non-monetary rewards.

States' HR offices are reaching out to other partners to recruit and attract personnel. Some special recruitment programs are targeting young people and the special needs of the state. Hawaii's Department of Human Resources Development, for example, has teamed with the Department of Economic Development to develop incentives to keep Hawaiian residents from leaving for the mainland and to lure those who have left into returning to work there. Alabama and Georgia have targeted returning military personnel for jobs as corrections officers.

Money Budgeting for Realities



Oh, for the joy of the past four years. Revenues flooded state coffers. Tax cuts were possible. Only a handful of states faced fiscal problems.

Not anymore. An overall recessionary climate, coupled with the subprime loan mess, has hit a number of states hard. A few



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months ago, Nevada had a sizable hole in its current biennial budget. By January, the hole had grown to more than \$500 million and was getting bigger. To make up for the shortfall, the budget has been cut 4.5 percent across the board, and the state has put a hiring freeze into effect.

This wasn't supposed to happen. In the days following the dot-com bust and 9/11, most states trimmed back. They didn't add ongoing expenditures that were based on non-recurring surpluses. They made promises reminiscent of Scarlett O'Hara's boast that she'd "never go hungry again."

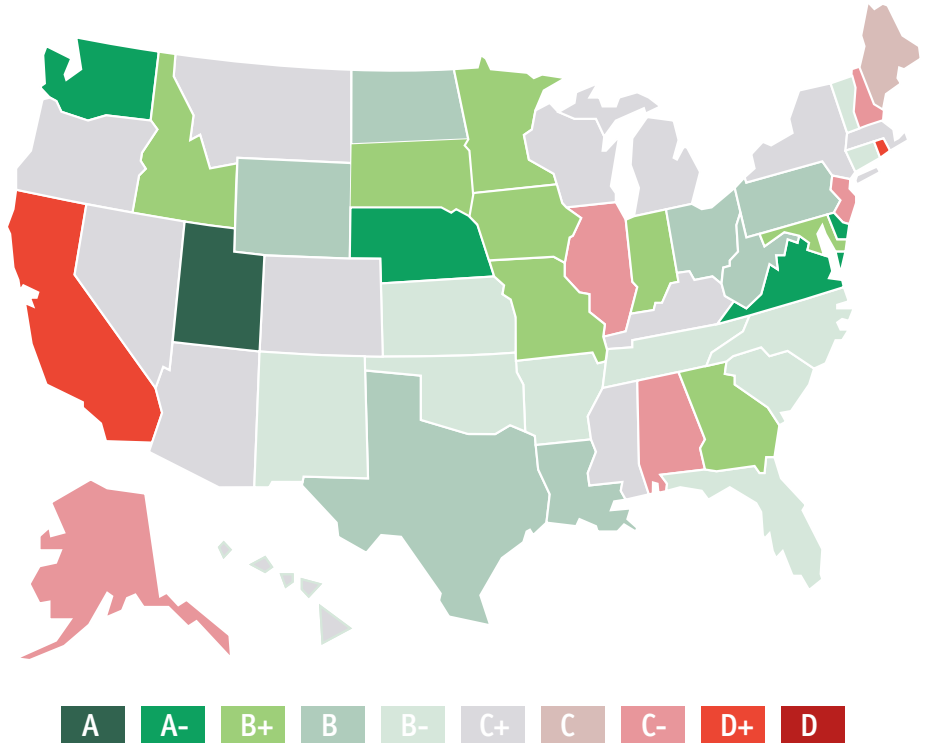
Some of the worst-hit states are those that forgot these lessons and treated temporary surges in income as though they would go on forever. In Arizona, for example, a year of 16 percent revenue growth was followed by 18 percent. "That created an attitude that the sky's the limit," says state Senator Bob Burns. The legislature built up spending to match revenues and cut income taxes. Now, with a weakened economy and revenue falloffs, it confronts a \$870 million shortfall for fiscal year 2008—nearly 10 percent of its general fund budget. As a result, the fiscal 2009 budget proposal uses a series of accounting gimmicks—such as shifting \$55 million in July 2009 sales tax revenues to June 2009.

In Louisiana, some state leaders are concerned that their state not misuse the influx of post-Katrina money from the federal government, plus revenues that flow from rebuilding. "It's fool's gold," warns John Neely Kennedy, the state treasurer. "History demonstrates that at some point, revenues will come back to earth."

It's not as though all states are unprepared for a downturn. Many rainy day funds have been built up, a number of them above the traditional 5 percent of general fund levels. Most states have been cautious in recent years about increasing long-term benefits for employees. At the same time, improvements in Medicaid management have helped to cut back on health-cost growth.

But as each challenge is faced, another grows. Many states confront new Medicaid pressures not because of a surge in costs but because the federal government has reduced its contribution and tightened its regulations. Then there are retiree health care costs. New accounting standards require that governments calculate their long-term retiree health obligations, and that has put

Money



pressure on current budgets as states struggle to deal with substantial obligations that will mount relentlessly if they aren't faced. Connecticut, where finances are in good shape right now, has a \$21 billion liability for retiree health care over the next 30 years and has put aside only \$10 million toward it. Although it was only a nominal payment, it was, says Michael Cicchetti, deputy secretary of the Office of Policy and Management, a way "to get people used to the notion that they have to put money aside."

A fair number of states, including Montana, Utah and Washington, have been careful about keeping budgets in line with changing tides. Washington State's long-term perspective and sophisticated projections, for example, have helped it avoid unpleasant surprises. The state generates long-term budget outlooks—at least six years out—that are not just insider planning documents but, says Candace Espeseth, assistant director of the state's budget division, something the legislature looks at, as well. "We have quarterly updates for many of our forecasts and our caseloads," she says. "We're constantly realigning."

One very good sign for the future: The timing of the pending budget problems

and the maturation of technology are coming together in such a way that governments are positioned to communicate with citizens about the state's fiscal health in ways they never have before. Budget offices report getting more citizen input as a result of online mechanisms and the posting of public hearings online. That might not make the hard budget decisions any easier, but governments should be able to let people know—on their own terms, not just through local media—what's going on, and in turn, get more feedback from citizens on budget moves.

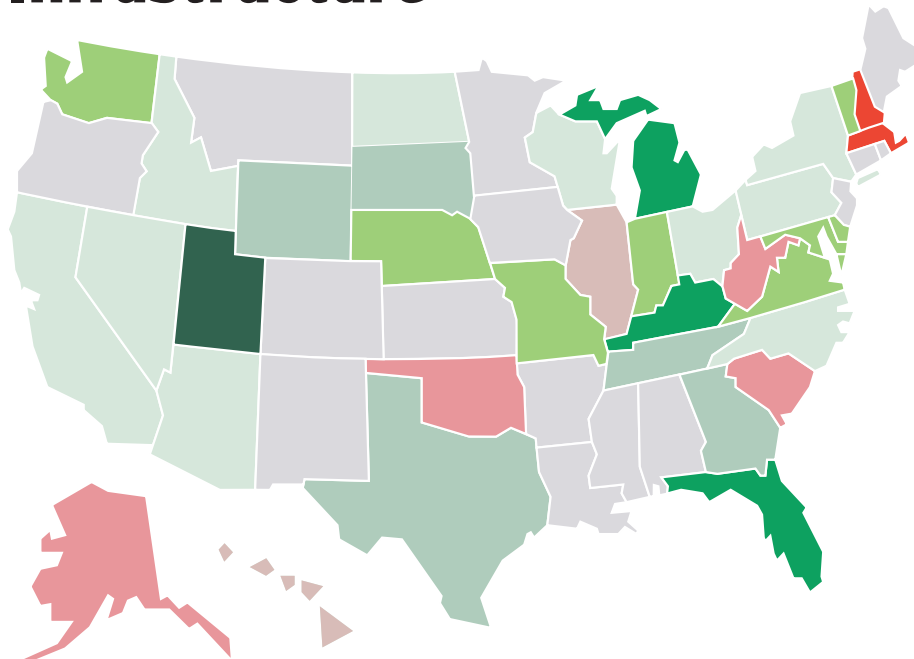
This openness isn't just a by-product of technology. New Jersey now has a process in place to publish any changes that are made after the governor's budget proposal—including the name of the lawmaker who made the change. The system worked well last year. The state got its budget done ahead of time, and there were fewer unexpected programs crammed in at the last minute.

Of course, challenges for the states' money managers stretch way beyond budget issues. This year, as in years past, contracting and procurement are weak points. States are benefiting from new technologies that allow them to do more purchasing online.

But some are having trouble keeping up and many still grapple with issues of flexibility versus control. New Hampshire is at the extreme of the control spectrum. Purchases above \$5,000 can't be made without approval from an elected board.

Many states, though, have set about finding innovative approaches for procurement and contracting. California developed its Award Schedule, which allows agencies to spend up to \$250,000 on transactions without using the traditional bid process, as long as the companies and products involved are on product schedules put out by the U.S. General Services Administration. Before Minnesota procurement employees are awarded the authority to make purchases, they must attend rigorous training programs on procurement. And Georgia has established a series of indicators to inform agencies about dollar savings and procurement cycles for their purchases.

Infrastructure



Infrastructure The Rough Road

50-STATE
AVERAGE
GRADE
B-

Last spring, there was a prison riot in Indiana. The casual observer, informed by Hollywood movies, might guess that the roots of unrest were vicious gangs, escape efforts or hostile guards.

In fact, the real genesis of the problem at the New Castle medium-security facility was more mundane: bad planning for infrastructure. Back in 2001, the prison was built to avoid overcrowding at other prisons. But the state provided only enough money to operate at 25 percent of capacity. Inmates still had to be sent out of state. In 2005, inmates started to return, and in the following year, a private company began running the prison. To take advantage of still-unused capacity, the prison imported prisoners from Arizona. The contractor, however, was unable to hire sufficiently experienced staff. And when the Arizona inmates who were accustomed to a less-restrictive environment rebelled, the prison was unable to respond adequately. Two staff members were injured.

The state has fixed many of the planning problems that led to this event. But the impact of prior practices here and elsewhere serve as a cautionary tale. It's critical that states look at how they will use the facilities and the full cost of maintaining them.

Perhaps the most serious disconnect

comes when states underestimate the costs of maintaining new roads, bridges and buildings. Even though a growing number are aware that maintenance is an area of concern—and states such as Georgia, Idaho, Indiana, Tennessee and Vermont have made real improvements—an alarming half of the states are decidedly weak in infrastructure maintenance.

In part, that's because the dollar amounts are huge when it comes to transportation. South Carolina legislators are considering a proposal to phase in \$200 million annually over five years to help rehabilitate roads. Unfortunately, the state auditor suggests that funding would have to grow by \$1 billion a year for 10 years to bring those roads up to speed. Deferred maintenance in New Jersey's transportation system is now \$13 billion, with the state's bridges falling into steadily worse repair.

Massachusetts estimates that over the next 20 years it will need up to \$19 billion more than it expects to bring in just to maintain its transportation system. Right now, it has about \$2.2 billion in non-transportation deferred maintenance. Although the state still isn't doing complete infrastructure assessments, it has made progress over the

years. The fact that it has a system in place to make estimates of this kind puts it in better shape than a number of other states.

Such systems are becoming more common, replacing the old way, where, says Missouri's facilities management director, David Mosby, "every couple of years, departments made a call about the condition of their assets." Today, the Show-Me State uses a sophisticated capital-planning system created at the Massachusetts Institute of Technology that helped assess 27 million square feet of state buildings in a period of 18 months.

There has been some marked improvement in capital planning over the past few years. It generally is more transparent, more focused on the long term and more objective.

Take Alabama. It had fallen way behind in keeping up with maintenance. In its prisons, for instance, the normal locking mechanisms on cells had fallen into such disrepair that the state is using padlocks instead. "It's a terrible system," says Vernon Barnett, chief deputy commissioner of corrections. "If there was a fire, people wouldn't be able to get out because officers would be running around opening all those padlocks."

But Alabama now is taking steps to improve. Beginning with the 2009 budget,

HOW WE GRADE

Welcome to an inside look at the way we work.

If you were to step inside 1025 F Street in Washington, D.C., and ride the elevator up to the 9th floor, you would find yourself in the home of the Government Performance Project. Here, in a maze of well-lit offices, the GPP's journalists and researchers analyze information and interview state officials. In the conference rooms, we hold marathon sessions on what grades to give each state in each category.

What are these sessions like? This past January, several of us sat around a conference table to talk about the strategic-planning process in Arizona. The journalist, who reported on the state, didn't see evidence of statewide planning. The academic, who had spent time reviewing agency plans, thought the state deserved credit for its coordination of strategic planning among the agencies. The journalist countered that, in the absence of a written statewide plan, there was little indication that actual budgetary actions were influenced by these efforts. After a spirited debate, we reached a consensus: The agency plans would have had to be exceptional to overcome the lack of a state plan, and in Arizona, that simply wasn't the case. That point—along with dozens of other factors—made its way into the final grade of B- for information.

These in-depth conversations are among the last stages of a year-long process that forms the basis for the GPP's grades in four management areas—Information, People, Money and Infrastructure. A full description of the criteria used to assess those management areas can be found online at pewcenteronthestates.org/gpp.

A state's strong points and weak points in each criterion correlate closely to its final grades. Closely is the operative word. The GPP's methodology favors common sense over a formula. New Jersey, for example, does an acceptable job in a couple of the infrastructure-related criteria and a very good job in two more. Yet its grade was a C+. Why? With deferred maintenance of \$13 billion on transportation and bridges falling into ever worse condition, the fine job the

state does in planning and coordination recedes in importance. "If you let your assets decay, that trumps other factors in considering the overall management of infrastructure," says Michael Pagano, a professor at the University of Illinois at Chicago, who led one of our academic teams.

It turns out that a weak economy doesn't necessarily lead to bad overall grades. Michigan's finances are deeply troubled, but its management skills have weathered the storm well.

As with prior GPPs, the information we utilize comes from a number of sources.



Everybody involved in the GPP looks closely at the ability of states to produce actual results.

First up, a survey asking for basic data. The survey is filled out by the states and carefully analyzed by GPP's academic teams. All but a handful of states completed this online instrument. For those that didn't, the GPP team set about uncovering the same body of information through public documents and interviews.

At the same time, our teams of academics scour the country for documents that could contribute to better understanding of the states, including budgets, capital plans, workforce plans, auditor's reports and state Web sites. These not only are used as sources of information but, as in the case of workforce plans,

are reviewed and evaluated as management tools.

Meanwhile, we conduct hundreds of interviews—upwards of 1,400 this year—to add information to the pool of data and, importantly, to provide context in which all the information can best be understood. We interviewed legislators, their staffers and fiscal analysts; controllers, treasurers, budget officers and auditors; human resource and transportation officials; chief information officers; managers in charge of non-transportation infrastructure and representatives of agencies and departments. We also talked to leaders of civic organizations.

Everybody involved in the GPP looks closely at the ability of states to produce actual results. Even the best strategic plan is irrelevant if nobody in the state follows it.

One important note about the grades that emerge from this process: Although the criteria are essentially the same as they were in the 2005 GPP, the state of the art in these areas has advanced. As a result, a state can conceivably have improved without its grade going up. Take the information category. According to Philip Joyce, a professor at The George Washington University who heads one of our academic teams, here's what a state would have had to accomplish in 1999—the first GPP—to get an A: Good statewide or agency planning, performance audits with some outcome measures plus the use of performance information by the executive branch, even if there was little or none by the legislature. The state's performance had to be communicated to citizens through written performance reports.

In 2008, an A state has to have excellent statewide and agency planning, be a leader in performance auditing (most states now do performance audits), have outcome data for almost all government functions, show substantial use of performance information by the executive branch and some use by the legislature. The state's performance has to be communicated to citizens electronically, preferably through interactive Web sites.

That's a dramatic difference. While the advances in this field are greater than in the others, the basic principle holds true in grading each state in each category.

agencies must provide the finance department, which sets the governor's budget, with detailed and prioritized project requests, including justification for the projects, forecasts of operating and maintenance costs, and possible alternative funding sources.

The most abused terms in infrastructure contracts are probably "on time and on budget." But advances are being made by several states on this front. The Arizona Department of Transportation, for instance, has established a "partnering" system under which each contractor and the state agree to a "mission statement" for a project, as well as a ladder of escalation for resolving disputes. This partnering has kept claims down.

California has experienced some success in the on-time department. After a fiery truck crash melted a key freeway exchange in the Bay Area, it took only 16 days—not the normal 150—for Caltrans (the state's transportation department) and its contractors to clear the span, build a new bridge and reopen the exchange. How was this accomplished? Caltrans offered a bonus of \$200,000 for each day the work was completed ahead of the deadline, with a maximum of \$5 million. Given the importance of this road to commuters, the state got real value for its money.

"Government can work," Governor Arnold Schwarzenegger said of this effort. "It can be efficient, it can lead."

THE CRITERIA WE USE

Information

- The state actively focuses on making future policy and collecting information to support that policy direction.
- Elected officials, the state budget office and agency personnel have appropriate data on the relationship between costs and performance and use these data when making resource-allocation decisions.
- Agency managers have the appropriate information required to make program management decisions.
- The governor and agency managers have appropriate data that enable them to assess the actual performance of policies and programs.
- The public has appropriate access to information about the state, the performance of state programs and state services and is able to provide input to state policy makers.

People

- The state regularly conducts and updates a thorough analysis of its human-capital needs.
- The state acquires the employees it needs.
- The state retains a skilled workforce.
- The state develops its workforce.
- The state manages its workforce-performance programs effectively.

Money

- The state uses a long-term perspective to make budget decisions.
- The state's budget process is transparent, easy to follow and inclusive.
- The state's financial management activities support structural balance between ongoing revenues and expenditures.
- The state's procurement activities are conducted efficiently and supported with effective internal controls.
- The state systematically assesses the effectiveness of its financial operations and management.

Infrastructure

- The state regularly conducts a thorough analysis of its infrastructure needs and has a transparent process for selecting infrastructure projects.
- The state has an effective process for monitoring infrastructure projects throughout their design and construction.
- The state maintains its infrastructure according to generally recognized engineering practices.
- The state comprehensively manages its infrastructure.
- The state creates effective intergovernmental and interstate infrastructure coordination networks.

More details on the criteria are online at pewcenteronthestates.org/gpp

GOVERNMENT PERFORMANCE PROJECT

A Project of the Pew Center on the States

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C+ Alabama

Three decades ago, Alabama was far ahead of most states in its plans to use performance measures to improve the functions of government. Its Budget Management Act, passed in 1974, required all state agencies to write strategic plans and program objectives, and to report on them quarterly. In the years that followed, the state had more pilots than a small airline, and churned out a great deal of paper. But it was all a lot of sound and fury, signifying very little. In the words

Alabama still faces serious management problems, but there's been real progress in the past few years.

of Anne Elizabeth McGowin, the state's assistant finance director, "in some cases, the reports were as worthless as paper clips. Nobody cared what they were counting"

In 2008, Alabama is geared up to finally fulfill its long-lost promise. Four years into Governor Bob Riley's SMART Governing program (Specific, Measurable, Accountable, Responsive, Transparent), agencies are producing usable strategic plans and quarterly reports. SMART has given Finance Director James Allen Main more information than ever with which to prioritize budget requests. That's true, too, on the capital side, where agencies' requests now must include project justification and estimated operating and maintenance costs, and are compiled for decision makers in a statewide capital plan.

Is Alabama a national leader now? Not by a long shot. For one thing, the use of these performance measures is somewhat limited to the budget season. Although quarterly reports are generated, measures aren't often relied upon as a management tool for the rest of the year. The legislature generally hasn't bought in yet. So the state is still at a very early stage in many of these enterprises. But the progress over the past few years is significant.

Of course, even if SMART continues on an upward trajectory, it isn't a panacea for the state's more fundamental problems.

Alabama is still plagued by an overly earmarked fiscal process, which has allowed the education budget, fueled by swiftly growing income tax revenues, to rise 60 percent in the past four years, while the general fund budget—responsible for almost everything else in the state—has trailed. There's a \$400 million hole in the 2008 education budget, and another gap looms for 2009.

Roads, bridges and buildings also are desperately underfunded. The state's Department of Corrections resorted to selling off \$20 million worth of land last year to pay for keeping its prisons from deteriorating further. On the transportation side, the state has racked up \$3 billion in deferred maintenance, and a package of bills designed to reform funding and management of the Department of Transportation died last year in the gridlocked Senate after passing through the House.

The Department of Transportation does have some reasons to be optimistic. It is now out from under a 13-year federal court decree over the department's hiring practices that cost more than \$250 million and led to a statewide revision of testing and hiring standards. Morale is on the way up: Once again, employees are being hired and promoted, and the millions that were being spent in court should go instead to repaving roads and shoring up bridges.

While individual agencies' procurement may be improving, it can be very difficult to know what's happening on a statewide level. That's because the central office has no control over service contracts. State Purchasing Director Isaac Kervin can't say how much the state spends on services altogether, because none of those contracts cross his desk.

When it comes to purchasing goods, as opposed to services, Alabama has the opposite problem: The agencies have too little control, and the state's antique procurement laws can significantly slow down purchases. One straightforward solution: Give the agencies more authority to make necessary purchases—and then use the SMART system to hold them accountable.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	B-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 4,599,030 (23)
Average per capita income (rank): \$21,270 (40)
Total state spending (rank): \$22,260,824,000 (24)
Spending per capita (rank): \$4,840 (31)
Governor: Bob Riley (R)
First elected: 11/2002
Senate: 35 members: 23 D, 12 R
Term Limits: None
House: 105 members: 62 D, 43 R
Term Limits: None

C Alaska

“We aren’t poor,” says Jeff Ottesen, a director in Alaska’s Department of Transportation and Public Facilities. “But we act poor.” His particular worry is underfunded maintenance for the state’s roads and buildings, but he might as well speak for nearly every agency in Alaska.

Recently, for example, Governor Sarah Palin announced a plan to salt away a two-year \$7.1 billion surplus produced by high-priced oil. Yet, not long ago, the Division of Finance had to cancel a plan to procure a much needed new payroll system because it was short a few million dollars. The present payroll system has a backlog of more than 20 man-years of requested fixes, and the time isn’t far away when the system will simply be unredeemable.

There’s a justification for these fiscal contradictions. Since most of Alaska’s current largess comes from oil revenue, there’s no

Alaska has the money to solve its problems—if only it could spend more wisely.

guarantee that it will continue flowing in the future. “If we were a person, we’d be wealthy; but in terms of income, we’re shaky,” explains Legislative Fiscal Analyst David Teal. Some observers of Alaska’s fiscal picture may wonder why the state has any concerns at all, given the enormous pot of money it has set aside—\$40 billion or so—in the Alaska Permanent Fund. But the reality is that the state can’t touch most of this money, as dividends from the fund flow to citizens and have become a politically sacred promise.

In Alaska, information works about the same way as money—agencies have a lot, but they often lack the capacity to use it. The state has gone from using old-fashioned output measures, such as the number of people trained, to using robust outcome measures detailing more-important factors, such as how many trainees were hired. But the next step—linking the performance numbers to the budget—hasn’t been taken yet. “Our performance measures are on the

Web but not linked to one another nor to the budget dollars,” says Jo Ellen Hanrahan, of the Office of Management and Budget. If the state can improve that link the way it has improved the measures themselves, the results could be impressive.

Workforce planning is another fallow field. There is a strong template for agency workforce plans, but only one agency currently takes advantage of it. As for the others, “they are so busy trying to get their daily work done, they don’t realize how important it is,” explains Nicki Neal, director of the state personnel division. The executive branch is well aware of the need to develop this expertise in the future. The governor recently formed a working group that will examine recruitment and retention tactics in order to address the declining number and quality of applicants—almost 40 percent of 2006 state employee recruitments found fewer than five strong applicants—as well as a rising tide of retirements.

The *esprit de corps* of state workers plummeted after it was discovered that a 2006 change in the oil tax was pushed by several state legislators who were receiving cash from an oil company that stood to benefit from it. Three legislators have been convicted, and lawmakers went back and increased the tax in November 2007. Still, the damage will take considerable time to overcome. Even with the corruption unearthed and the reform efforts being undertaken by the present administration, Alaska continues to face a grave problem in the mentality that guides its spending decisions. “The fake sound bite of cutting the budget drives policy here,” groans state Representative Les Gara, “but the money is still being spent unwisely.”

That seems especially true when it comes to infrastructure. In 2007, the legislature added \$200 million in supplemental projects to the \$734 million capital budget. Very little went to a deferred-maintenance backlog that exceeds \$1 billion for state buildings alone. A Department of Transportation and Public Facilities official says, “I don’t have a clue how they prioritize.”

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C-

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

People C-

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

Infrastructure C-

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 670,053 (47)
Average per capita income (rank): \$26,919 (13)
Total state spending (rank): \$8,599,090,000 (39)
Spending per capita (rank): \$12,833 (1)
Governor: Sarah Palin (R)
First elected: 11/2006
Senate: 20 members: 9 D, 11 R
Term Limits: None
House: 40 members: 17 D, 23 R
Term Limits: None

B- Arizona

There's no question that the past few years were good ones for Arizona's economy. Thanks in part to the real estate boom, revenue grew by more than 16 percent in both 2005 and 2006. The problem is that state leaders seemed convinced the good times would roll on forever, and they began spending that way. General fund expenditures grew faster than revenue and faster than any formula based on population and inflation would justify.

Last year, when revenue growth returned to its historic average of around 8 percent, some of the more mature citizens of Arizona might have recalled song lyrics from "The Party's Over": "It's time to wind up the masquerade... The piper must be paid."

The debt to the piper in this case came in the form of a \$1 billion shortfall in the state's \$10.6 billion budget for 2007. To some extent, this was the side effect of an income tax cut passed by ebullient lawmakers in 2006. The tax structure is now dangerously dependent on sales taxes.

Although the Arizona agencies facing steep cuts have strategic plans and performance measures to guide their reductions, this information doesn't always drive managerial decisions. Part of the problem is old technology that sometimes inhibits managers from using cost and performance data to best advantage. The state's aging financial information system is all but obsolete, making good reports hard to access and putting decision makers at a disadvantage.

Arizona is working to rectify that situation. The Government Information Technology Agency provides good IT planning and wields strong authority in coordinating IT funding at the agency level—especially in an ongoing overhaul of the state's telecommunications systems. And the current budget problems may actually help the modernization process along. For instance, the Department of Administration argues that a new statewide purchasing system would reap big savings—possibly as much as \$60 million a year—and improve a procurement process that one manager describes as "challenging." Should such new projects get approval, GITA's new Project

Management Certification courses ought to hone system implementation.

There's good news to report from the Department of Transportation. It has succeeded in using performance measures to persuade the legislature to provide sufficient funding for highway repairs. This is especially important since Arizona's rapid population growth has strained road capacity. A Statewide Transportation Acceleration Needs Account was created in 2006, as well, in order to address the fastest-growing areas.

What doesn't look so good is building maintenance. Between the fiscal years of 2005 and 2007, despite a flush treasury, only 20 percent of the needed money was appropriated to take care of the 2,650 state buildings that depend on general revenues. Deferred maintenance for those buildings now totals nearly \$250 million—almost \$100,000 per building.

Although lots of people want to live and work in Arizona, fewer of them seem to want to work for Arizona state government: It receives insufficient applications per job and its 16 percent voluntary turnover rate—including more than one-third of employees with less than one year of service—is one of the highest in the country. Facing those scary figures, Arizona wisely develops the employees it does have. More than half of Arizona Government University's quality training programs are available online. And in November 2007, the state opened its Career Center's occupation-planning and job-hunting services to all state employees, in addition to displaced workers, in an attempt to retain employees by providing them a career path within state government.

Overall, money management remains Arizona's foremost challenge. In October 2007, for the first time, the state treasury hired an internal auditor to keep an eye on the \$56 billion worth of financial transactions that occur between annual financial reviews. Good thing, too. In each of the past three years, Arizona's financial reviews have been late—nearly a year after fiscal close for FY 2006.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People B-

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

Infrastructure B-

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 6,166,318 (16)
Average per capita income (rank): \$24,110 (24)
Total state spending (rank): \$25,731,467,000 (19)
Spending per capita (rank): \$4,173 (45)
Governor: Janet Napolitano (D)
First elected: 11/2002
Senate: 30 members: 13 D, 17 R
Term limits: 8 years (consecutive)
House: 60 members: 27 D, 33 R
Term limits: 8 years (consecutive)

C Arkansas

In his first year after taking office in 2007, Governor Mike Beebe showed commendable focus on the effort to bring better day-to-day administration to a state that sorely needs it. He began by tackling one of the worst long-standing problems: a depressingly high turnover rate among state employees. The governor brings some expertise to this endeavor: He once chaired the Senate Personnel Committee.

The big problem has been a failure to provide regular pay increases. For years, state workers have received one-time bonus payments for high achievement as a way to avoid building permanent additional expenses into the budget. From a fiscal economy perspective, that may be sensible. From a human resources vantage point, it's not. Fast food restaurants pay higher wages than many state jobs in Arkansas.

To counteract that phenomenon, the administration has begun a comprehensive pay plan study, backed by the legislature, to identify where low salaries have had an especially pernicious effect on employee retention. The findings are expected to be incorporated into next fall's budget hearings. Meanwhile, the governor sponsored legislation that changed the bonus payments to permanent merit increases and, in addition, got every state employee a 2 percent cost-of-living increase. Personnel staff are about to update job classifications, something that has not been done in nearly two decades. But despite these incremental improvements, meaningful reform of the state's compensation system will not be accomplished quickly. "It's a pretty massive undertaking," admits Kay Barnhill-Terry, director of the Office of Personnel Management.

Human resources present a challenge to management in another way, as well. Very little in the way of strategic or centralized workforce planning has ever been done in Arkansas. State agencies once were required to produce performance information on their activities, but the legislature dumped this effort several years ago.

Sweeping changes to human resources, as with any aspect of state government, will require money. And Arkansas is short

on that commodity at the moment, for a variety of reasons. One stems from the resolution of a long-standing class-action lawsuit, which requires the state to use about 50 percent of general revenues for education. So while Arkansas generated about \$1.1 billion in surplus revenue over the past few years, much of the money had to fund school maintenance.

Recently, the state has increased funding for prison renovation and for more corrections staff, including parole and probation officers. These initiatives have been credited with helping to cut what had been a growing prison population. The current administration has continued to support these funding increases, which began under former Governor Mike Huckabee.

Arkansas has traditionally handled debt issues well. But its budget process is weak, and in the event of an economic downturn, the state won't have much room to maneuver. In 2007, the governor succeeded in reducing the sales tax on food to ease the burden on low-income residents, and during the next legislative session, he hopes to eliminate the tax on food altogether. Desirable as this may be in many ways, it could put the budget out of structural balance in the event of severe economic stagnation.

The state also has a \$160 million backlog in highway maintenance needs. The good news is that this amount hasn't gone up in recent years. "We're pretty much able to maintain the status quo," says Scott Bennett, of the Highway and Transportation Department. Unfortunately, due to rising construction costs, Bennett believes that's about to change for the worse.

Unlike most states, Arkansas does not have a systematic way to prioritize its capital expenditures for infrastructure. The state does have a maintenance division that tracks routine needs, but officials mostly depend on staff looking at the crisis of the month, and then setting short-term priorities. Bennett calls this approach "the old-fashioned way." He's right about that.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,810,872 (32)
Average per capita income (rank): \$19,758 (48)
Total state spending (rank): \$14,370,337,000 (32)
Spending per capita (rank): \$5,112 (29)
Governor: Mike Beebe (D)
First elected: 11/2006
Senate: 35 members: 27 D, 8 R
Term limits: 8 years (lifetime)
House: 100 members: 75 D, 25 R
Term limits: 6 years (lifetime)

C California

California faces fiscal problems that budget writers in most states would find difficult to grasp, let alone solve: a \$14 billion shortfall for the coming fiscal year, and chronic structural deficits that threaten to persist long after that. Just last month, the state issued the remaining \$3.3 billion in deficit bonds authorized by voters in 2004 to cover the last big budget gap. Governor Arnold Schwarzenegger addressed the situation in his January State of the State address. "It used to be that Sacramento plugged its deficits by just grabbing money anywhere it could: pension funds, local government, bonds, gas taxes that were meant for transportation," Schwarzenegger said. "We now have no way out except to face our budget demons."

Just how California faces those demons, whether it's through spending cuts or revenue raisers, remains to be seen. But there's no doubt that some structural changes need to be made. And that effort is beginning. The governor's lecture included a proposal for a Budget Stabilization Act that would put any tax revenues exceeding the long-term expected growth rate into a revenue stabilization fund. The Act would also create more flexibility to adjust spending levels on short notice when a year-end deficit is projected; the governor would be given authority to order cuts in spending without legislative approval. But the Act itself will require legislative enactment, as well as approval from the citizens in a statewide vote. All of that will take a while.

In the meantime, California has been making smaller management improvements to save money, such as reforming its procurement process. There are new contracting procedures and performance standards for agency procurement personnel. And California has saved more than \$150 million through strategic sourcing since 2005.

The state has taken a comprehensive, long-term look at its infrastructure needs, and is beginning to address them in a systematic way. Voters approved a Strategic Growth Plan proposed by the governor and an accompanying \$4.2 billion bond package, and are being asked for more in the

proposed budget. A bond accountability Web site launched last summer allows voters to see where their money is going by tracking all bond-funded projects.

In a state with a habit of overspending, there is one area of chronic underspending: maintenance for existing assets. This is not a good place to conserve cash. California spends \$2 billion less each year on highway maintenance and rehabilitation than is needed. Even by California standards, that's a lot of money.

It's no secret that California's personnel system is dysfunctional. "It's just so difficult to make any change at all to anything," says Insurance Commissioner Steve Poizner, an elected official who oversees 1,300 employees. "Even though I have significant regulatory control over the entire insurance industry, I don't have any control at all over salaries." An outdated and inefficient merit system makes it painfully difficult for newcomers to break into state government. Many jobs are not even open to anyone who doesn't currently work for the state, and those that are take months to fill. Too many choice positions are awarded to marginally qualified employees on the inside.

The State Personnel Board and the Department of Personnel Administration share statewide responsibilities for the overall system. But much of the work has been delegated to the agency level. That might make sense, since the state has some 235,000 employees. But the agencies don't report much information back to the central HR offices, so there is little overarching understanding of what's happening on the ground.

Efforts are finally underway to try to turn this behemoth around. The Human Resources Modernization Project kicked off last year with a strategic plan for reforms in workforce planning, hiring, classification, compensation and employee evaluations—and a budget to actually get the work done. A complementary project updating the state's payroll system is underway, too.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	D+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	C-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	B-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	C+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●
Population (rank): 36,457,549 (1)	
Average per capita income (rank): \$26,974 (12)	
Total state spending (rank): \$225,317,442,000 (1)	
Spending per capita (rank): \$6,180 (11)	
Governor: Arnold Schwarzenegger (R)	
First elected: 10/2003	
Senate: 40 members: 25 D, 15 R	
Term limits: 8 years (lifetime)	
House: 80 members: 47 D, 32 R, 1 Vacant	
Term limits: 6 years (lifetime)	

C+ Colorado

Three years ago, Colorado's fiscal hole had grown so large that some feared it might swallow the higher education system. The reason was the state's Taxpayer Bill of Rights, or TABOR, a constitutional amendment passed in 1992 that prevented the state from raising revenues for basic services without a popular vote. But in 2005, more than 1,000 organizations and interest groups spanning the political spectrum banded together to support Referendum C, which called for a five-year timeout for TABOR. It also called for an end to the "ratchet effect" that based revenue limits on prior-year revenues, even when the prior year had revenues too low to support ongoing needs. Voters approved it.

The referendum provided massive fiscal relief; without it, revenues would be at

Colorado has shed its fiscal straitjacket for the time being. But difficult decisions loom.

least \$700 million below current projections. But the state still struggles with other restrictions that often work at cross-purposes, including one that mandates increases in K-12 spending and another that caps annual spending growth in the general fund at 6 percent.

The state is permitted to exceed that cap on infrastructure spending. So, after essentially defunding non-transportation maintenance during the fiscal crisis, the 2008 budget includes \$190 million for non-transportation infrastructure projects. That's a far cry from the \$656 million that agencies believed they needed, but it's still a big improvement. The Department of Transportation has received a funding bump as well, although inflation has reduced its buying power.

Meanwhile, competition for general fund dollars is fierce. And the \$325 million the state spent on failed technology projects in recent years hasn't helped. Poor project management doomed some of the efforts, but they also were damaged by a fragmented IT ad-

ministration system. The current structure has decision makers spread across 16 executive agencies. "When we have turnover or five of them disagree," says John Conley, deputy chief information officer, "we lose the vision of what the IT project is supposed to look like."

To address this problem, Governor Bill Ritter elevated the position of chief information officer to cabinet-level status and hired Michael Locatis, who turned around the city of Denver's technology in his last job. But Locatis will be hard pressed to find enough money to check many items off the IT to-do list. An \$11 million upgrade to a statewide e-mail system has been shelved indefinitely, and human resources managers grapple daily with obsolete technology. With this in mind, the efficiencies that often come from centralized IT procurement could be particularly useful in Colorado.

Several efforts are underway to increase overall efficiency. The budget office has directed agencies, as part of their 2009 budget requests, to develop outcome-oriented measures, against which it will track performance. Ritter's Government Efficiency and Management study searched for more immediate gains. Ideas from more than 12,000 state employees helped uncover what was touted as \$145 million in potential savings; after a second round of suggestions, a final report will be issued in April.

Colorado leaders seem focused on engaging citizens in new ways. The governor, treasurer and controller combined efforts last year to issue the first State Taxpayer Accountability Report, a rundown of revenues, expenditures and all large programs. The Web version of the report includes links to detailed spreadsheets and data. "TABOR put just about every question related to the budget in front of voters," says Treasurer Cary Kennedy. "Providing this information is critically important."

Nevertheless, Colorado's near-term future is very difficult to predict. In 2010, Referendum C will expire, and TABOR will be back on the books. What happens then is anyone's guess.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People C

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

Infrastructure C+

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

Information C

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 4,753,377 (22)
Average per capita income (rank): \$27,750 (8)
Total state spending (rank): \$20,150,921,000 (27)
Spending per capita (rank): \$4,239 (43)
Governor: Bill Ritter (D)
First elected: 11/2006
Senate: 35 members: 20 D, 15 R
Term limits: 8 years (consecutive)
House: 65 members: 40 D, 25 R
Term limits: 8 years (consecutive)

B- Connecticut

Connecticut is in the midst of a reform wave, generated by the contracting scandals that brought down the administration of former Governor John Rowland four years ago. Not only has Rowland's successor, Jodi Rell, won widespread popularity for taking up the cause of clean government but ordinary citizens have developed the habit of reporting potential governmental misdeeds on their own. The Auditor of Public Accounts has been so overwhelmed with whistleblower complaints—more than 100 in 2007—that the office no longer has time to complete all the performance audits that are supposed to be its main function. On the whole, however, the surge in citizen vigilance, assuming it continues, should be a boon to Connecticut's democratic process.

State agencies have gotten the reform message. Responding directly to the Rowland scandal, they have increased transparency in contracting and stepped up training for both central-procurement office staff and agency employees. In fact, the reins may have been tightened a bit too much. In a reaction to the so-called "fast track" contracts of the Rowland era, the state has made its contract requirements so thorough that they have added significantly to delays in getting the contracts processed. "Five or six years ago, we could turn things around in 30 days," says Carol Wilson, director of procurement programs and services. "Now, we're more to the 60-day or 90-day timeframe. We want to look at reducing turnaround times."

Meanwhile, auditing of government functions has become a popular pastime in the legislature. The Legislative Program Review and Investigations Committee conducts a half-dozen or more in-depth audits each year on topics such as the tax system and the state's long-term planning activities. The committee frequently writes legislation based on its report findings, and it's had good luck achieving its goals, with more than half of the recommendations becoming law.

Connecticut is working to institute performance-based budgeting and program measurement. It has tried this in past years, but to little effect. Now, however, the House Appropriations Committee has launched an initiative called Results-Based Account-

ability that sets outcome goals across departmental lines, and instructs the agencies involved to report performance information with their budget requests. The program hasn't taken hold across the entire Connecticut bureaucracy, nor has the data started to drive the Office of Policy and Management's decisions, yet. But the fact that the legislature has bought in means it stands a good chance of expanding its reach.

The House and Senate have begun using the information to track trends and redirect money toward programs that are working, and the legislative Office of Fiscal Analysis is hiring two people dedicated to the program. "It's huge when you start to make the commitment in personnel, because that's when you start to institutionalize it," says state Representative Diana Urban, a champion of the effort.

Connecticut has been faulted in the past for its poor long-range financial vision. And this is still a problem. Long-range planning efforts instituted in the early 1990s were deemphasized under Rowland, and the Office of Policy and Management—once home to many of those efforts—operates with less than half the staff it had 15 years ago. But there are signs of change here as well, particularly in the emerging willingness of the executive and legislative branches to work together in looking beyond the current year's budget. The Office of Policy and Management and the legislative Office of Fiscal Analysis present five-year financial projections to the Appropriations and Finance committees. In addition, legislative fiscal-impact statements now extend five years into the future, and the Office of Fiscal Analysis is testing the accuracy of the projections two and four years into program implementation—a look back that should be a big help.

There also is some good news on the more immediate budgeting front: Connecticut's reliance on one-time revenues to balance its budget has been minimized significantly, and there has been progress toward building a rainy day fund equal to 10 percent of the general fund budget.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	B-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 3,504,809 (29)
Average per capita income (rank): \$34,048 (1)
Total state spending (rank): \$20,674,608,000 (26)
Spending per capita (rank): \$5,899 (14)
Governor: Jodi Rell (R)
Took office: 07/2004
Senate: 36 members: 24 D, 12 R
Term Limits: None
House: 151 members: 107 D, 44 R
Term Limits: None

B+ Delaware

Ruth Ann Minner has always been interested in management issues. As lieutenant governor in the early 1990s, she chaired a special commission on Government Reorganization and Effectiveness. So it's no surprise that she has focused on management during her two terms in the governor's office. And there were things to straighten out when she took over in 2001.

Although the state had been well run, the offices that dealt with the budget, human resources, information technology and asset management were fragmented. Minner launched an effort to bring all of these central government services under one umbrella, in an Office of Management and Budget. "Effective management of central state services should serve as the backbone of state government," Minner said at the time.

By all reports, the plan has worked. The centralized office has fostered collaboration and has broken down some of the old bureaucratic barriers to the delivery of state services. Consider the Delaware Employment Link (DEL), the state's new online job

State and local officials discuss how land-use proposals impact the capital budget.

application tool. From the beginning, human resources, information technology and the budget office have been partners in the DEL project and have formed a cohesive team working toward the same goal.

While there still are some problems in hiring, the DEL site has helped the state move forward. Applicants create a profile, apply for multiple positions, track jobs—and are notified when new positions open up. DEL also provides a more efficient system for managers to review applicant information—a big leap forward from its antiquated precursor.

The major state budget planning functions also have been consolidated into one unit. The goal is the same: better coordination—especially between state regulations and local land-use decisions. "When the

majority of infrastructure funding is the responsibility of state government," says Mike Jackson, director of Budget Development, Planning and Administration, "it is critical that funding decisions are made in a coordinated fashion." Under Jackson's direction, the state set up monthly meetings between local officials and state resource experts to discuss land-use proposals and their broader impact on the capital budget. This new effort has enabled state and local planners to work together within local timelines—and better inform the capital planning and budget processes.

Delaware has strong financial practices that include excellent long-term planning, budgeting and maintenance of a sound structural balance. Its financial reporting is pretty good, too. The only real problems have been with delays in getting the reports out. In 2006, for example, the state's annual financial report was submitted 227 days after the close of the fiscal year.

After Delaware lifted electricity rate caps in 2006, power costs for state facilities were projected to double. The state creatively aggregated the electricity load for schools, local governments and volunteer fire companies, thus maximizing public-sector purchasing power. An innovative reverse auction was held that, according to Bob Furman, the director of Facilities Management, saved \$9 million for the state and its aggregation partners.

There still are areas that need attention. Contrary to trends in most of the country, Delaware does not produce performance audits or evaluations. The state audits that are done are fundamentally financial in nature, as used to be the case pretty much everywhere. They don't examine program performance or make comparisons between similar programs and services over time.

Another opportunity for improvement: The state's information technology plan lacks specific details about how goals will be accomplished. Key objectives and measures within the plan would be very helpful in providing better direction and accountability.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	A-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

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

Infrastructure	B+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 853,476 (45)
Average per capita income (rank): \$26,812 (14)
Total state spending (rank): \$6,519,932,000 (43)
Spending per capita (rank): \$7,639 (3)
Governor: Ruth Ann Minner (D)
First elected: 11/2000
Senate: 21 members: 13 D, 8 R
Term Limits: None
House: 41 members: 19 D, 22 R
Term Limits: None

B- Florida

Florida's leaders have been willing to experiment, innovate and manage aggressively. That's good. But new ideas don't always work out well—particularly when a state lacks sufficient long-term planning.

Consider Florida's Division of Human Resources. In 2001, under Governor Jeb Bush, changes to the civil service laws cut back job protections and placed approximately 20 percent of the workforce on an at-will basis. The following year, the state outsourced many of its personnel functions.

The results haven't been good. According to the Office of Program Policy Analysis and Government Accountability—a national leader in program evaluation—the outsourcing has suffered from poor contract management and implementation. Over the past four years, voluntary turnover among full-time career workers grew dramatically, leading to reliance on less capable temporary replacements.

Florida spends little on its workforce as a whole, ranking last in the nation in per capita spending on state personnel. State training dollars as a percentage of total salary also are among the lowest in the country—0.89 percent. And even though it has pursued ambitious and risky personnel initiatives, Florida has had no real human resources strategic plan. With so many services outsourced and a workforce bifurcated between those who are civil service and those who aren't, it's little wonder that Florida's HR house has a leaky roof.

Fortunately, the state may have begun to learn its lesson. Although nothing tangible is in place yet, a strategic plan steering committee has been working to provide HR guidance. Likewise, in 2006, the state created an advisory council to vet future outsourcing proposals—especially for the largest projects.

It might be a good idea for a similar council to look into the efficiency of financial reporting. The state's decades-old accounting-information system isn't nearly up to modern needs. An upgrade was attempted beginning several years ago, but it had to be canned in 2007 due to poor project governance and implementation after nearly \$90 million was invested.

Florida does a terrific job in managing

its buildings and transportation assets. Performance measures serve as guides to both funding and management decisions. For instance, the Department of Transportation is at a five-year high for projects completed within 10 percent of the original estimated price.

For the most part, Florida has managed its long-term financial position well. The state's pensions are more than 100 percent funded, its liability for other post-retirement benefits is relatively small and the state debt level remains modest. But some financial matters still slip through the cracks: An internal audit in March 2007 raised red flags about the investments made by the State Board of Administration—warnings that never made it to the appropriate authorities until after a run and subsequent freeze on the local investment pool.

In the short term, the housing bust is hitting Florida particularly hard. Without an income tax, it relies heavily on sales tax revenues, especially from the construction industry, and those volatile revenues have been declining sharply over the past year. In January, the state's voters approved a ballot measure that could make fiscal problems worse: It expanded the local property tax exemption for resident homeowners, thus depriving localities of revenue many of them need to provide vital services. The localities are bound to come to the legislature in search of help in filling the gap.

Many Floridians also are concerned that the Hurricane Catastrophe Fund—a trust fund set up to reimburse insurance companies for a portion of future hurricane losses on residential property—represents a risk to the state's long-term financial security. State Chief Financial Officer Alex Sink has estimated that Florida might have to issue \$20 billion in bonds if a hurricane did \$28 billion in damage. Those bonds would be paid back by homeowners through assessments on their property. Hurricane Wilma alone—a Category 3 storm when it hit the state in 2005—did \$10 billion worth of insured damage.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	A-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 18,089,889 (4)

Average per capita income (rank): \$25,297 (18)

Total state spending (rank): \$76,142,277,000 (4)

Spending per capita (rank): \$4,209 (44)

Governor: Charlie Crist (R)

First elected: 11/2006

Senate: 40 members: 14 D, 26 R

Term limits: 8 years (consecutive)

House: 120 members: 42 D, 78 R

Term limits: 8 years (consecutive)

B+ Georgia

In 2003, when Governor Sonny Perdue decided to set up his Commission for a New Georgia, it sounded like a recipe for one more unread manifesto doomed to gather more dust than interest. Even the governor's desire to include the state's "best and brightest" minds in assembling the report wasn't easily fulfilled. Many of the best and brightest had long since become jaded about the benefits of this kind of effort.

But the governor meant business. He ultimately pressed more than 300 private-sector representatives into service, promising to do everything possible to implement their recommendations. And since its creation, the commission has been slowly, quietly and deliberately infiltrating Georgia state government with best practices from private industry—"like a special forces invasion," says Joe Rogers Jr., chief executive officer of Waffle House, and co-chairman of the commission.

Key among the commission's accomplishments is an intense focus on customer service and on managing for results. The new Governor's Office of Customer Service has collaborated with front-line state employees to create a more consistent—and productive—experience for citizens seeking help. By aggressively training employees, leveraging technology and monitoring outcomes, the state has driven down wait times at call centers and has shrunk the rate at which citizens just get tired of waiting and hang up. And the state follows up to determine if citizens' concerns were satisfactorily addressed.

To make sure that the focus on service pervades all levels of government, Georgia has undertaken new efforts to recruit and retain a qualified workforce. Based on employee satisfaction surveys, Georgia is overhauling its compensation and benefits packages by linking pay to performance and raising salaries for new hires.

This is critical for the future. Georgia faces a wave of retirements over the next few years, while below-average salaries and the state's booming economy have made it difficult for government to lure and retain young workers. The state also is confronting an unintended consequence of its

own civil service reforms of 1996, which eliminated most civil service protections and allowed state agencies to make at-will hires on their own. Although the decision has made hiring more efficient, it also has resulted in some inequity across agencies. The Department of Transportation, for example, pays higher salaries than other departments and is sometimes accused of "hoarding" the best employees. Other agencies, by contrast, have struggled to fill some positions—often for long periods of time.

To address those imbalances, Georgia is taking a step back toward a standardized personnel system, trying to instill worker loyalty to the state as a whole, not to a particular agency. "If the Army can recruit for any job in the entire Army with one sergeant sitting behind a desk in a courthouse in a small town in south Georgia, why can't the state of Georgia do something similar?" asks Frank Heiny, assistant commissioner for personnel.

When it comes to performance budgeting, Georgia's efforts have generated a difficult turf battle. The agencies produce reams of data, and the governor's office is using the numbers to hold them accountable. But the Senate Budget Office, unimpressed by either the quality or the reliability of executive branch performance measurement, wants to take another approach. The conflict, says Alan Essig, executive director of the Georgia Budget and Policy Institute, is in fact "over power, and who's really responsible for different parts of the budget."

The governor and the legislature would do well to reach consensus on this issue. The politics will always be tricky—but there's a straightforward first step: Key performance measures can be made available to a wider group of citizens, managers and legislators. Right now, the measures are maintained in separate systems and accessible only to the respective agency managers. "It's great that we're doing a better job of performance measurement," says Jim Lientz, the state's chief operating officer, "but we need a way to share that information across the enterprise."

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B+

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

People A-

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

Infrastructure B

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

Information B+

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 9,363,941 (9)
Average per capita income (rank): \$23,716 (27)
Total state spending (rank): \$34,944,785,000 (12)
Spending per capita (rank): \$3,732 (49)
Governor: Sonny Perdue (R)
First elected: 11/2002
Senate: 56 members: 22 D, 34 R
Term Limits: None
House: 180 members: 73 D, 107 R
Term Limits: None

C+ Hawaii

For decades, Hawaii has had a law requiring state budget writers to employ real results-based information. And for decades, that requirement has been essentially ignored. “Even when agencies purport to have measurements,” says State Auditor Marion Higa, “those tend to be fiction.”

There’s little doubt that Hawaii’s budgeting methods leave something to be desired. A recent series in the *Honolulu Advertiser* questioned whether campaign donations by nonprofits had significantly influenced legislative decisions over which nonprofits to back with state funds. Those are relatively small budget items. But ethical questions have been raised about spending procedures for the much larger capital budget, as well. The legislature is looking at changes in the means used for selecting capital projects “so there’s no appearance of impropriety,” says House Finance Chairman Marcus Oshiro.

Even if the state improves at choosing how to spend infrastructure dollars, it still must come to grips with an unavoidable geographic truth. The regular torrent of natural disasters, including mudslides and earthquakes, requires greater attention to maintenance than the state currently demonstrates. Hawaii has a \$187 million backlog of deferred road maintenance. A new project examining the energy efficiency and maintenance procedures of state buildings shows promise, but as in the case of roads, the real solution has to be a transition to lasting life-cycle funding.

Hawaii’s information technology could use some bulking up, too. A recently instituted IT governance team should help set the agenda for investment, but the state needs to use that governance model to systematically modernize and standardize its IT. Right now, a datamart allows disparate agency systems to interface with the old mainframe financial system—a smart workaround but not a long-term solution.

On the personnel front, Hawaii has used targeted salary increases as a means for attracting workers to hard-to-fill positions. A new online application system also has helped to increase applications by about 30 percent since 2005. All of this is linked to

the state’s broader programs to combat out-migration—one to keep Hawaiians in-state and another to lure them home from the mainland—using tactics ranging from high school visits to job fairs to headhunting Web sites. Although much is being done to recruit employees, better workforce planning is still needed to make the best use of them once they arrive.

The Procurement Office has a different kind of people problem—too many people are purchasing and not enough people are reviewing the purchases. Without sufficient staff to analyze purchasing data, the state is foregoing easy savings, especially on big-ticket items.

One managerial success story in Hawaii can be found in its Department of Human Services. Since 2003, Director Lillian Koller has transformed an insensitive agency that was removing children from their homes at four times the national average without appreciable safety benefits. A differential-response approach—treating lower-risk cases with a more comprehensive assessment of family needs than the strict investigative model allows—has dramatically reduced the number of children entering foster care. And almost \$10 million of federal welfare grant money that sat unused every year is now directed to programs such as Hui Ho’omalau, a partnership of community providers that recruits better foster parents, leading to increased adoptions and family reunification. Continuous quality improvement goals, more stringent than federal requirements, have improved caseworker response time and brought re-abuse rates down.

One of the biggest obstacles Human Services has faced is an IT system described as a “complete management albatross.” But Koller has found a way around it by forging a partnership with Maui Community College, using students to develop an entirely new system. This seems to be getting the department just what it needs at a fraction of the ordinary cost. It’s hard to argue with that.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money		C+
Long-Term Outlook	●	
Budget Process	●	
Structural Balance	●	
Contracting/Purchasing	●	
Financial Controls/Reporting	●	
People		B-
Strategic Workforce Planning	●	
Hiring	●	
Retaining Employees	●	
Training and Development	●	
Managing Employee Performance	●	
Infrastructure		C
Capital Planning	●	
Project Monitoring	●	
Maintenance	●	
Internal Coordination	●	
Intergovernmental Coordination	●	
Information		C-
Strategic Direction	●	
Budgeting for Performance	●	
Managing for Performance	●	
Performance Auditing & Evaluation	●	
Online Services & Information	●	
Population (rank): 1,285,498 (42)		
Average per capita income (rank): \$27,251 (11)		
Total state spending (rank): \$8,913,697,000 (38)		
Spending per capita (rank): \$6,934 (6)		
Governor: Linda Lingle (R)		
First elected: 11/2002		
Senate: 25 members: 21 D, 4 R		
Term Limits: None		
House: 51 members: 44 D, 7 R		
Term Limits: None		

B- Idaho

Government has always been a rather informal affair in Idaho. With little political strife, the overwhelmingly Republican legislature meets for a couple of months each year, quickly passes the necessary appropriations bills with minimal public input and heads back home. Indeed, passing a budget on time seems like an Idaho religion, on par with efficiency and conservative fiscal policy. “There is a tradition in Idaho that legislative sessions that last longer than 90 days are not a good thing,” says David Fulkerson, the state financial officer.

In that political atmosphere, it’s been difficult for long-range planning to take root and thrive. But state officials are beginning to revamp their planning process and put programs to more analysis and review. It couldn’t come at a better time. In recent years, Idaho has witnessed a remarkable economic and population boom. Highways, suburban housing tracts and golf resorts have spread across the landscape. All this change means the state may not be able to afford its traditionally informal style of management.

“In the last four years, we’ve made a big effort to do our business differently,” says Rakesh Mohan, the director of the legislature’s performance evaluation unit. Prior to 2005, state agencies had produced strategic plans and attempted to generate performance measures that would show their progress. But legislators found these measures confusing and unreliable. Even the agencies wouldn’t fully vouch for their validity—many accompanied their figures with a disclaimer that they might not be fully accurate. Now, agencies are allowed to present a smaller number of measures that are more relevant to their day-to-day work and are required to certify the numbers.

The quest for efficiency has had some unintended consequences. For example, the governor decentralized human resources management, which used to be run out of a single department, giving more power to the various line agencies. But that took away some of the staff that had been trying to create statewide workforce planning, a much-needed effort since the state’s workforce is growing and experiencing higher rates of turnover.

Managing its money is something Idaho generally does well. The state has one of the lowest debt levels in the country, and the public employee pension system is fully funded. Several years ago, after the early-decade recession ended, the legislature rescinded a 1.5 percent sales tax increase that had helped sustain state government during hard times. But in 2006, the governor and legislature decided to bump the sales tax back up again, by 1 percent. The sales tax is especially important in budgeting because Idaho does not use local property taxes to pay for schools.

Idaho’s biggest looming managerial problem may be coping with its success at attracting new citizens. The population has grown from slightly more than 1 million in 1990 to almost 1.5 million today. There are strong pressures for road construction, and the legislature is pushing in that direction but at the cost of neglecting maintenance. With all the new construction, what the state really needs is a more modern asset management system to track unglamorous maintenance problems such as potholes. “What we’re looking at is at least a \$5 million investment in a new system,” says Julie Pipal, the deputy director of transportation, “but the pressure is on to put every available dollar to new roads. The public doesn’t want to pay more.”

No citizenry is in love with paying more for public services, but in Idaho that tendency has probably been exacerbated over the years by the short legislative sessions in which public participation is perfunctory. Recently, the government has taken steps to address the problem with more targeted outreach and public meetings. When a key road that connects several major highways in a new resort area became a traffic nightmare, hearings were convened and audience members had suggestions on everything from landscaping to the placement of stoplights. The result, transportation managers believe, will be a citizen-inspired road reconstruction that will finally unspool the bottleneck.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money		B+
Long-Term Outlook	●	
Budget Process	●	
Structural Balance	●	
Contracting/Purchasing	●	
Financial Controls/Reporting	●	
People		C+
Strategic Workforce Planning	●	
Hiring	●	
Retaining Employees	●	
Training and Development	●	
Managing Employee Performance	●	
Infrastructure		B-
Capital Planning	●	
Project Monitoring	●	
Maintenance	●	
Internal Coordination	●	
Intergovernmental Coordination	●	
Information		C+
Strategic Direction	●	
Budgeting for Performance	●	
Managing for Performance	●	
Performance Auditing & Evaluation	●	
Online Services & Information	●	
Population (rank): 1,466,465 (39)		
Average per capita income (rank): \$21,000 (44)		
Total state spending (rank): \$6,352,876,000 (44)		
Spending per capita (rank): \$4,332 (41)		
Governor: C.L. "Butch" Otter (R)		
First elected: 11/2006		
Senate: 35 members: 7 D, 28 R		
Term Limits: None		
House: 70 members: 19 D, 51 R		
Term Limits: None		

C Illinois

“Emergency Session.” The very words connote drama and intense maneuvering at any state capitol. Yet when Illinois Governor Rod Blagojevich called the legislature into an emergency session, just after the start of this year, that was hardly the reaction he got. Exhausted by an increasingly bitter and extended budget brawl with their governor, legislators mostly just stayed away. Even the House speaker and the Senate president, both Democrats like the governor, ignored him and remained on vacation.

The Blagojevich administration has been troubled from the start, and the consequences for Illinois government have been serious. The administration began with high hopes: Blagojevich’s election victory in 2002, bringing his party control over all three branches and replacing a Republican regime tainted by corruption, generated widespread interest in bringing the state’s shaky management into good shape. But intraparty battles have continually stymied

Performance data is vital when long-term finances are frightening.

progress. Political disagreements have been delaying a new infrastructure-spending plan for years, to cite just one example, and the state may soon lose federal matching funds intended for roads and bridges.

It can’t be easy to manage a state such as Illinois, with huge outstanding bills and troubled revenue streams. But when the state’s leaders are effectively stuck in the mud, the difficult becomes all but impossible. Last year, the governor proposed a major expansion of health care supported by a gross receipts tax on business. The House rejected the plan 107-0. “We weren’t even talking about coming to some resolution,” says state Senator Christine Radagno. Months later, the legislature passed its own budget, Blagojevich vetoed about \$500 million of it to make room for his health care expansion and the whole mess wound up in the courts.

Fortunately for citizens, some positive change is occurring underneath the radar. In the past few years, the governor has re-

quired agencies to report more performance information. And some of the yardsticks now used, such as the percentage of ex-offenders who avoid going back to prison, are measuring solid outcomes.

Performance information is particularly vital in a state where long-term financial prospects are a bit frightening. Pensions and retiree health care benefits are probably the biggest fiscal problems. Illinois has struggled for years with an underfunded pension system, and although \$10 billion in pension obligation bonds were issued in 2003, it’s still one of the worst-funded systems in the nation at 53 percent. The governor has proposed issuing bonds and creating a long-term lottery lease to generate \$26 billion to deal with the pension shortfall. But before those plans bear fruit—before any significant fiscal improvement can take place, for that matter—the administration and the legislature need to restore a working relationship. Many things hang in the balance, such as the \$25 billion capital program for roads, bridges, schools, higher education and economic development. “There are schools around the state that have been waiting since 2002” for repairs, says Ginger Ostro, the budget director.

Clearing the poisoned political atmosphere so that productive work can take place may not be impossible. In earlier years, despite a fair amount of animosity, Blagojevich and the legislature at least worked together long enough to expand the state’s pre-K school program and children’s health insurance.

For now, unfortunately, acrimony reigns. In January, buoyed by an influential audit from the auditor general, the legislature ended months of negotiation by agreeing to fund mass transit with some higher sales taxes. At the eleventh hour, the governor nearly sank the deal by tossing in a proposal to let seniors ride free. The legislators clenched their teeth, swallowed their anger, and voted for it. “I’ve been here for 12 years,” Radagno says, “and universally people say they have never seen anything like this.”

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 12,831,970 (5)
Average per capita income (rank): \$26,514 (15)
Total state spending (rank): \$55,767,569,000 (7)
Spending per capita (rank): \$4,346 (40)
Governor: Rod R. Blagojevich (D)
First elected: 11/2002
Senate: 59 members: 37 D, 22 R
Term Limits: None
House: 118 members: 67 D, 51 R
Term Limits: None

B Indiana

Mitch Daniels didn't waste any time when he took over as governor of Indiana at the start of 2005. He talked the legislature into voting for Daylight Savings Time, ending a controversy that had dragged on for decades. And he set about privatizing large chunks of state government in order to encourage the competition that he felt would bring better performance in the end. Not all of it has helped Daniels politically. But the state's governmental structure has been changed in important ways.

Daniels' biggest privatization initiative was his move to lease the Indiana Toll Road to an international consortium. The deal brought an immediate \$3.8 billion into the state treasury. While other states wait for federal aid that may never come, Indiana is busily designing and building a set of infrastructure improvements that will carry it well into the next decade.

With the infusion of all the Toll Road cash has come new challenges. The transportation department stepped up its planning to figure out how to spend such a large volume of money quickly and responsibly. A 400-project list was developed with the aid of sophisticated traffic projections, as well as citizen input solicited through extensive public meetings and upwards of 3,000 mailed questionnaires.

Building those projects presents significant personnel challenges in an industry that can barely provide enough engineers for the status quo. But the State Personnel Department—through a newly devised strategy of “embedding” central HR staff in the agencies—has concocted a plan for meeting the Department of Transportation's sweeping needs.

The personnel department has successfully fought for market-based salary adjustments for engineers and surveyors, implemented performance-based compensation and bonuses, courted talent from neighboring states and recruited retirees. It also has created a career path through which seasonal maintenance workers are trained to act as construction inspectors—which leaders hope will enable the state to meet the daunting goals of keeping these projects on time and on budget.

Information technology planning in Indiana has improved vastly with the consolidation of IT services—enterprise-wide planning was essentially non-existent in earlier administrations. “We couldn't have pulled this off without the governor giving us dictatorial capabilities,” says Chief Information Officer Gerry Weaver. In the first few months after consolidation, feedback was solicited from the agencies that has been used to direct the CIO's efforts since.

Indiana has never excelled in managing for results, and the state has a ways to go. Still, Daniels is getting mileage out of some ideas he implemented at the federal level as the director of the Office of Management and Budget under President Bush. Indiana's new state-level Office of Management and Budget is using a version of the federal government's Program Assessment Rating Tool, which informs funding and management decisions by giving decision makers a snapshot of program performance. So far, Indiana seems to be getting better results with this system than the feds are. Through PROBE (Program Results: An Outcome-Based Evaluation), the state used 18 standard questions to evaluate 420 programs over the course of just 15 months.

While the PROBE time frame only allowed for a relatively superficial assessment, it constituted a significant step forward in a state where performance auditing had been essentially nonexistent. “The biggest finding was that over half of the programs couldn't say whether they were doing a good job or a poor job,” says Cris Johnston, executive director of the Government Efficiency and Financial Planning Group within OMB. Johnston's group is devoting significant time and energy to helping the agencies develop better measures for their programs and linking those outcomes directly to employee performance and agency missions. This is no substitute, however, for an independent audit agency with a performance audit function—which the state would be wise to develop.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Category	Grade
Money	B+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	B
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	B+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	B-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 6,313,520 (15)
Average per capita income (rank): \$22,781 (34)
Total state spending (rank): \$26,958,772,000 (18)
Spending per capita (rank): \$4,270 (42)
Governor: Mitch Daniels (R)
First elected: 11/2004
Senate: 50 members: 17 D, 33 R
Term Limits: None
House: 100 members: 51 D, 49 R
Term Limits: None

B Iowa

Iowa leaders don't like secrets, and they have put a high premium on sharing governmental successes and failures with the citizenry. A few clicks on a computer, and anyone can open up the "Results Iowa" section of the state's Web site, which shows the goals of an array of agencies and how far they've progressed toward achieving them. Last year, the Human Services agency added a "Digital Dashboard," which posts even more detailed reports on issues, such as the speed with which permanent homes are found for foster children.

Not all the news the state shares with the public is good. For example, like many

Iowa's Web site provides a wealth of data on almost every aspect of state government.

states, Iowa is having difficulty recruiting specialized workers to serve in its rural areas. Doctors and nurses tend to gravitate toward larger urban areas where they can command higher salaries, leaving the recruitment pool for rural prisons and clinics rather shallow. As a stopgap measure, the state hired health professionals who serve more than one location, and began paying bonuses of as much as \$15,000 to nurses who accept hard-to-fill positions.

Such adjustments are common in Iowa because the state has a thorough and thoughtful workforce planning process. Nancy Berggren, the personnel director, is focused on efforts to get even the smaller agencies to develop detailed staffing plans. She points to the state's aging workforce and the need for increased diversity as reasons why this planning is especially important.

Like other states, Iowa has fallen short on infrastructure maintenance for a long time. Until a couple of years ago, it had been spending only 25 percent of its limited road funds on maintenance. With growing awareness that roads were deteriorating, that figure is now 75 percent. That's the good news. The bad news is that 75 percent

is far from enough. The Department of Transportation had originally hoped to get its roads, many of them built in the 1950s, up to acceptable condition by 2016. But the nationwide rise in the cost of construction materials has pushed that back.

Taken as a whole, Iowa still faces a \$27.7 billion transportation funding shortage over the next two decades. The problem won't be fixed soon, but recently the DOT and the legislature held a series of well-attended public hearings throughout the state, hoping to raise public consciousness on the need for more road funds, and perhaps an increase in the gas tax.

One result was the "Time 21" report, a comprehensive look at Iowa's transportation needs over the next several decades. The state's counties and cities signed off on the Time 21 planning process, and for the first time, all the jurisdictions that receive a share of federal road funds have agreed on a list of priorities. The Time 21 effort didn't come with a pile of money attached, but it has finally led to some forward motion. "In the past," says Nancy Richardson, the DOT director, "the biggest discussions weren't what to build, but what percentage of the money everyone got."

Iowa has a reputation for sound financial management, and it has worked to maintain it. In recent years, leaders have developed a willingness to cooperate across regional and agency lines, and this has had a positive effect on many management practices. For example, representatives of the Legislative Services Agency, the Department of Management and the Department of Human Services have been meeting monthly, and one of their tasks is to arrive at a joint estimate of revenues received from the federal government. Prior to this arrangement, each department would come up with its own estimate, and would spend a good part of the year arguing about which figure was accurate. Now, says Dennis Prouty, the legislative services director, "we can talk about how to best administer Medicaid, instead of who's right."

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B+

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

People B+

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

Infrastructure C+

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

Information B+

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,982,085 (30)
Average per capita income (rank): \$23,115 (31)
Total state spending (rank): \$14,941,961,000 (31)
Spending per capita (rank): \$5,011 (30)
Governor: Chet Culver (D)
First elected: 11/2006
Senate: 50 members: 30 D, 20 R
Term Limits: None
House: 100 members: 53 D, 47 R
Term Limits: None

B- Kansas

Governor Kathleen Sebelius holds a master’s degree in public administration, and it shows. Where preceding governors tended to ignore the everyday workings of the state bureaucracy—and allowed some segments of it to fall into general disrepair—Sebelius has involved herself in managerial detail and forced agencies to collaborate on everything from water policy to training for state personnel. Kansas is just small enough for this kind of approach to be feasible. “This ship is like a medium-sized cruise boat,” says Burdett Loomis, a professor of political science at Kansas University. “It’s not easy to turn around, but it’s possible.”

That’s the good news. The bad news is that there’s quite a bit to turn around. Among the most significant challenges is a \$5.4 billion pension liability—proportionally one of the largest in the country. An education funding settlement is also putting fiscal pressure on the state. At the insistence of the Kansas Supreme Court,

The Kansas personnel system has no real way to reward government employees who excel at doing their jobs.

the legislature increased education funding by \$466 million over three years. The state relies on conservative revenue estimates and large ending balances in lieu of a rainy day fund, and this year, it’s spending down that balance to meet the school-funding obligations.

The state’s workforce is in pretty dire shape, thanks to an inconsistent pay system that can’t compete in the labor market and sometimes compensates veteran employees little more than new hires. “Anyone who’s worth their weight in salt, we lose them to private industry,” says state Senator Dwayne Umbarger, who chairs the Ways and Means Committee. “We need to do what we can to retain high-quality workers.” Given this reality, the absence of a meaningful workforce plan is particularly troubling.

There’s a comprehensive pay-plan redesign up for debate this spring. It has a significant pay-for-performance component, and would better align salaries with the market rate. This would be a significant change, because the state currently has little way to reward employees who excel. If it passes—and right now, that seems likely—Kansas also will dramatically change its performance-review system to a more centralized, mandatory model. Supervisors and managers would receive training on how to fairly assess employees.

Kansas’ current job-classification system is set up on formalized career ladders, charting rigid routes for state employees as they move from title to title, and requiring them to become supervisors in order to receive significant raises. The new pay plan would simplify the labyrinth of classifications and allow more flexibility for employees to map their own careers. It would create a dual path so that employees wouldn’t have to take on managerial responsibilities in order to move forward in their careers. “You can lose a great employee and get a bad supervisor by promoting them into a supervisory class,” says Kraig Knowlton, manager for personnel policies and regulations. “Now, they won’t be topped out from a pay perspective.”

These changes are much needed. The current system isn’t particularly helpful or well enforced. Because there’s been pay compression, or a lack of salary separation between new and more seasoned employees, there’s a tendency to give “exceptional” ratings for average work.

The Sebelius administration has intentionally strengthened and streamlined the power of the public-employee organizations by consolidating bargaining units and reducing the number of them from 42 to 17. Some of the smaller units were poorly represented and so were left behind. This is being embraced as an important step in the state, a sign that the administration is more responsive to its employees.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,764,075 (33)
Average per capita income (rank): \$23,818 (26)
Total state spending (rank): \$12,553,494,000 (34)
Spending per capita (rank): \$4,542 (37)
Governor: Kathleen Sebelius (D)
First elected: 11/2002
Senate: 40 members: 10 D, 30 R
Term Limits: None
House: 125 members: 47 D, 78 R
Term Limits: None

B- Kentucky

Kentucky has been under heavy political stress for the past couple of years, struggling to cope with the fallout from a patronage scandal that brought indictments of several top state officials, including former Republican Governor Ernie Fletcher. In the midst of all this, an agency known as the Long-Term Policy Research Center was charged with the difficult job of focusing on the future while much of the political establishment was still trying to survive the present. The Policy Center has done pretty well, under the circumstances, in keeping

A patronage scandal has set back workforce planning in Kentucky.

the state's strategic direction from being derailed. Governed by a joint legislative-executive committee, it produces a biennial report outlining the state's progress toward meeting its long-term goals.

What Kentucky isn't doing particularly well right now is short-term planning. It's deficient in setting interim objectives for which leaders and managers can be held accountable. The new governor, Steve Beshear, has an opportunity to improve on this, but he has his work cut out for him. The state's budget is out of structural balance, there are huge unfunded pension liabilities, and Beshear made a campaign promise not to raise taxes. The fiscal burden is somewhat lighter than it might have been, however, because Kentucky has done relatively well at keeping Medicaid costs under control and modernized its tax system with a law passed in 2005.

When it comes to planning, Kentucky's Transportation Cabinet offers meaningful avenues for public input. But the process falls apart when it is time to decide what to build. "When we come down to actually putting together a plan," says one high-ranking transportation official, "we're very reluctant to have that be an open process, because you can imagine the hue and cry as people see their projects going in and out."

There is considerable room for improvement in workforce planning. The leg-

islature has been pushing for years to cut the state workforce down to the statutory limit of 33,000, and it established retirement incentives for employees who retire between June 2008 and January 2009. What legislators didn't take into account was the interplay of that offer and the fact that a huge number of baby boomers will become eligible to retire during that same period: some 8,000 in all, out of 35,000 current state workers. It appears that large numbers of workers will take the incentive, picking up as much as \$500 a month in the process. But the state could be left with a disproportionate number of empty slots to fill. The legislature is being urged to change the incentive so that eligible workers can cash in on it after January, but there's no guarantee that will happen.

The process of making improvements in workforce planning has been complicated by the patronage scandal in the Fletcher administration, in which partisan affiliation appeared to be the driving force behind hiring at all levels of government from top to bottom. "It just made the water so toxic," says former Personnel Cabinet Secretary Brian Crall. "It precluded our ability to drive workforce planning the way we wanted to."

But progress is being made at the agency level in Kentucky. The state Governmental Services Center put out a high-quality workforce-planning guide and is devoting much energy to assisting agencies with workforce-planning activities. Agencies are presented with different avenues for transferring and managing knowledge among employees.

According to Penny Armstrong, formerly the head of the Services Center, one problem for both the central government and the agencies is that data on employees aren't very reliable, particularly on turnover. Currently, the personnel administration's data system can't tell you who has put in enough time to retire because it can't keep track of complexities in the way years of service are calculated in the Kentucky Retirement System. So while managers should know ahead of time about retirements, that's not always the case.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	A-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 4,206,074 (26)
Average per capita income (rank): \$21,112 (41)
Total state spending (rank): \$21,992,340,000 (25)
Spending per capita (rank): \$5,229 (26)
Governor: Steven L. Beshear (D)
First elected: 11/2007
Senate: 38 members: 15 D, 22 R, 1 I
Term Limits: None
House: 100 members: 63 D, 37 R
Term Limits: None

B Louisiana

Rarely has there been a better test of a state's management systems than Hurricane Katrina. It challenged Louisiana's capacity in personnel, infrastructure, finance and information, all at once. And while the New Orleans area is still deeply troubled by the effects of Katrina's wrath—and individual leaders have faced constant criticism over some of their crisis decisions—the state's management structures weathered the storm surprisingly well.

Even in the immediate post-Katrina chaos, employees got paid—on time. Agency managers were allowed to compensate workers for extraordinary duty. And ultimately, when it became necessary for budget reasons, existing rules allowed for layoffs of about 3,000 employees. "We had a lot of flexibility in the system to manage as needed," says Jean Jones, deputy director of the Department of State Civil Service.

Post-Katrina Louisiana needs lots of skilled engineers and managers, and recruiting isn't easy when state salaries are below those in the private sector. So the Department of Civil Service has responded with higher starting pay rates, housing and referral stipends for New Orleans-based positions, and direct-hiring authority that allows individual agencies to fill crucial positions quickly. An online-application system, soon to be launched, should help bring the state closer to competitiveness with private industry.

Budgeting, of course, has been an unusual challenge in the post-storm environment. Louisiana has a deservedly praised performance-based budgeting process, and respectable systems for purchasing, contracting and financial reporting. But those business-as-usual strengths didn't help very much when nobody could guess how much money would need to be spent altogether. "It affected half our state," says State Economist Deborah Vivien. "We were making an estimation based on historical situations when there was no historical precedence."

In the end, Louisiana slashed its binding revenue projection for 2006 by \$1 billion, a

tough hit to take for agencies already battered by the storm. It turned out the \$1 billion figure was wildly pessimistic. Within weeks, millions were flowing into the state from the federal government, insurance claims and companies starting to rebuild. Louisiana ended 2006 with an \$800 million surplus. That grew to \$1 billion in 2007, thanks to higher-than-projected income and sales tax revenues and the booming oil and gas industry.

Although the state wisely directed a portion of that money toward needed one-time expenses, some fear that too much of the surplus went to tax cuts that will be hard to repeal in future situations of scarcity. Says State Treasurer John Neely Kennedy, "Reconstruction will end at some point."

The state's most visible management weakness—now, as in the past—relates to infrastructure. There is a deferred-maintenance backlog for buildings and roads in excess of \$5 billion. As for new building, although the Office of Facility Planning and Control made some improvements in the past two years, allocating estimated funds across 10 categories and slating requested projects into them, that hasn't fixed the most significant capital-planning problem: the legislature's proclivity for approving a laundry list of projects many times longer than the state could ever fund or accomplish. The real prioritization comes after that, when the governor, according to his or her own priorities, recommends a subset of those projects to be funded by the Bond Commission.

A state with such pressing capital needs deserves a less political planning process, starting with a legislature that stops promising projects that will never make it to the drafting table and leadership that arrives at priorities in the light of day. A new legislature, with an unusual number of newcomers brought in by term limits, will have the chance to make dramatic progress here simply by allowing reality into the process. That's not too much to ask for.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B

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

People B

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

Infrastructure C+

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

Information B+

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 4,287,768 (25)
Average per capita income (rank): \$20,367 (47)
Total state spending (rank): \$24,220,667,000 (21)
Spending per capita (rank): \$5,649 (17)
Governor: Bobby Jindal (R)
First elected: 10/2007
Senate: 39 members: 23 D, 16 R
Term limits: 12 years (consecutive)
House: 105 members: 53 D, 50 R, 2 I
Term limits: 12 years (consecutive)

C Maine

Maine has an on-again, off-again relationship with performance measurement that dates back to the early 1990s. It recently entered an “off-again” phase. Right now, agencies are not required to include performance data with their budget requests—although many continue to use the information internally to make decisions.

Predictably, all of the involved parties are quick to blame others for the current state of affairs. The legislature, which fell in love with performance measurement back in 2001, lost interest when its supporters were term-limited out of office. “You had a group that’s very committed to performance budgeting and put it in place,” says state Senator Peggy Rotundo, who chairs the Appropriations Committee. “Then with

Performance-based budgeting in Maine has been a casualty of the state’s legislative term limits law.

the new people rotating through, you didn’t have the same level of understanding. It sort of lost steam over a period of time.”

While performance information has gone by the wayside, other elements in the state budget process are improving. A new, more transparent budget format debuted with the 2007-09 biennial budget and has been almost universally embraced by the legislative and executive branches.

Prior to the budget reforms, the state passed a “Part 1” budget that was a continuation of current services, followed by a “Part 2” budget that consisted of longer-term initiatives. These now have been combined in a way that is similar to procedures used in most other states. Equally important, the new budget is organized by program, not line item, making it a more effective vehicle for the governor to set a strategic direction. “Now, everyone understands what the budget purchases and can see it in one place,” says Controller Ed Karass. “Everyone has an opportunity to make better decisions.”

This opportunity is critical, given Maine’s shaky history of fiscal decision making. Consider, for example, a tax-credit package that passed in 2007. It was designed to help keep college graduates in Maine after they finished their education by enabling them to pay back loans more easily. The problem, says Ellen Schneider, the state’s budget director, is that while the system will be relatively cheap in the short run, “you look out 20 years or so and it’s going to be really expensive.” Regrettably, Maine has had a penchant for this kind of shortsightedness in its recent fiscal history.

Lurking in the shadows is a citizen initiative that could wreak havoc on the state’s finances. If it passes this fall, it would cut or eliminate the excise tax on automobiles, which brings in some \$203 million a year. Where would the money come from to make up for that loss? Hard to say, particularly given that the state is being tightly squeezed by heavy Medicaid costs and a 2004 initiative requiring increased levels of funding for education.

Some people in Maine are optimistic about the potential of the new budget format to curb bad habits. Although the state is still far from achieving structural balance, it’s been making some progress—in part by restructuring statewide administrative functions so that they don’t require as many full-time employees. That consolidation, paired with a lack of salary separation between new and more seasoned employees and a new law that requires automatic payroll deductions for union dues, has led to low morale among state workers in recent months. “My hate mail is at an all-time high,” says Alicia Kellogg, director of the Bureau of Human Resources.

The clear next step for the state, after everyone gets used to the new budget format, is to reintroduce performance information into the budget process in a way that makes clear to the legislature and to agencies that it’s more than just a burdensome paper exercise.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 1,321,574 (40)
Average per capita income (rank): \$23,226 (30)
Total state spending (rank): \$7,854,687,000 (40)
Spending per capita (rank): \$5,943 (13)
Governor: John E. Baldacci (D)
First elected: 11/2002
Senate: 35 members: 18 D, 17 R
Term limits: 8 years (consecutive)
House: 151 members: 90 D, 59 R, 2 I
Term limits: 8 years (consecutive)

B Maryland

It takes a lot of guts to raise taxes. But a few months ago, in a special session of Maryland's General Assembly, Governor Martin O'Malley accomplished just that. As a result, the state's finances are in reasonably good balance.

When O'Malley took office last year, he inherited a \$1.7 billion budget shortfall, accumulated through tax cuts during the previous administration and big boosts in aid to elementary and secondary schools.

States in similar condition frequently paper over cash needs with accounting gimmicks and by using one-time revenues—and that's precisely what Maryland had been doing for several years. This time, however, with no rabbits left in the hat, the governor convinced citizens and the legislature that a tax increase was the only ap-

A new initiative puts agency heads on the spot. They are held personally accountable for results. "They can't hide," says one official.

propriate option. The revenue changes are expected to generate \$1.4 billion in new money, mostly through a sales tax increase from 5 to 6 percent; a corporate sales tax boost from 7 to 8.25 percent; a tobacco tax hike from \$1 to \$2 per pack; and a new sales tax on computer services of 6 percent.

Despite the new revenue, Maryland remains fiscally vulnerable to weaknesses in the economy over the next several years. Long-term structural balance may hinge on an upcoming referendum that could legalize some 15,000 slot machines at five locations. Estimates of the impact on Maryland's budget vary, but the governor's office argues that Marylanders wager \$400 million a year at slots in neighboring Delaware and West Virginia, and that the bulk of this would return to Maryland if the referendum passes.

The current administration has been

committed to making Maryland's government more accountable. O'Malley has pretty good experience at this game. As mayor of Baltimore, he launched CitiStat, a means for evaluating services through real-time data. As governor, O'Malley has launched a statewide version, appropriately called StateStat.

The impact of StateStat will not be known for a long time—there are obvious snags in converting a city system to a much larger entity with less-than-spectacular information technology. But promoters of StateStat believe that the obstacles can be overcome and that the system will generate savings proportional to the millions accrued in Baltimore.

StateStat data are used in regular meetings of the governor and his executive team, along with leaders from the agencies being examined. These sessions look at past performance, follow up on previous tasks and set new objectives that allow for real-time adjustments. The program began with a few pilot agencies but now includes most major departments—corrections, juvenile services, labor, health, state police, housing and general services. "StateStat puts agency heads on the spot," says one high-ranking state official. "They are personally held accountable and must answer for daily operations—they can't hide."

Maryland is moving ahead of other states in providing financial incentives to contractors to spur positive results. For example, the Department of Juvenile Services is creating incentives for social-service providers based on attainment of GEDs for those in treatment or subsequent enrollment in college.

Although Maryland is hiring employees more quickly than in the past, it may not be getting the most out of the people it hires. A few years ago, the duties of the central training office were dispersed to the agency level. So the central government does not monitor whether agencies are providing adequate training and development opportunities for staff.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B+

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

People C+

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

Infrastructure B+

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 5,615,727 (19)
Average per capita income (rank): \$31,888 (2)
Total state spending (rank): \$28,965,977,000 (17)
Spending per capita (rank): \$5,158 (28)
Governor: Martin O'Malley (D)
First elected: 11/2006
Senate: 47 members: 33 D, 14 R
Term Limits: None
House: 141 members: 104 D, 37 R
Term Limits: None

C Massachusetts

This past January, after 16 years of construction, and unimaginably large budget overruns, Massachusetts officially completed the Big Dig, the mega-project that rerouted Boston's main urban highway into a 3.5-mile tunnel under the city. Total cost: \$15 billion.

A sigh of relief is not in order. The state is going to have to come up with an additional \$15 billion to \$19 billion over the next two decades for maintenance on existing transportation assets. Massachusetts believes that a proposed consolidation of its hodgepodge transportation management into a single MassTrans agency will trim down that tab. But for the moment, the huge bill stands.

Non-transportation infrastructure is hardly in better shape. State buildings received a complete assessment in 2001. "We documented over \$1.2 billion in needs," says Hope Davis, the director of Facilities Maintenance, "but we didn't get a lot of money subsequently to repair those needs." That number has since grown by an estimated \$1 billion, but the state can't know for sure because it does not perform annual condition assessments.

If Massachusetts did decide to make infrastructure a top priority, it's hard to know where the money would come from. The state's total outstanding debt already exceeds \$18 billion—the highest in the nation per capita—and the Massachusetts budget for next year already faces a \$1 billion shortfall.

Part of that budget hole owes to the commonwealth's ambitious health care program, adopted under former Governor Mitt Romney. Initial estimates of 140,000 enrollees proved low, which will leave the program an estimated \$245 million over budget this year. Governor Deval Patrick's proposed budget for fiscal 2009 expects 225,000 enrollees by this June, for a total cost of \$869 million—nearly \$400 million more than was budgeted last year. To plug the numerous gaps, Patrick's budget request would tap revenues from the rainy day fund, tweak the corporate income tax and license casinos in the state.

The Human Resources Department is seeking an upgrade in its computer system. "If we had data, that would give us a fighting chance," says Director Paul Dietl. A better handle on personnel information, such as the time it takes to hire new employees, would give Dietl a better vantage from which to improve the state's human capital planning.

One human resources advance already in place is the state's evaluation of supervisors. They are no longer eligible for performance raises unless they complete evaluations of their subordinates.

Those evaluations are one of the few performance measures Massachusetts has. A new financial-management system gives the state a better handle on its cost information, but Massachusetts lacks both a strategic plan and a performance-budgeting system to guide those expenditures. Although the budget office has begun looking into rectifying this, Michael Widmer at the Massachusetts Taxpayer Foundation says, "Any notion of performance-based program budgeting has never really grabbed hold here."

The beleaguered Corrections Department has recently seen an epidemic of inmate suicides brought on by mismanaged mental health treatment and lack of prisoner programs. Massachusetts leaders are optimistic that the new corrections commissioner, Harold Clarke, who has been a national champion of reentry and early-release programs, as well as performance measurement in prisons, will be able to implement accountability.

A source of fiscal pride for the state has been its decision—relatively rare among the states—to begin earnestly addressing the huge liabilities it faces for retiree health care. This year, the state will pay about \$760 million (including \$343 million from the general fund) to put money aside for this obligation in advance. Over the actuarial lifetime of the payments, prefunding will cut the state's total 30-year cost from \$13.3 billion to \$7.6 billion.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money		C+
Long-Term Outlook	●	
Budget Process	●	
Structural Balance	●	
Contracting/Purchasing	●	
Financial Controls/Reporting	●	
People		C
Strategic Workforce Planning	●	
Hiring	●	
Retaining Employees	●	
Training and Development	●	
Managing Employee Performance	●	
Infrastructure		D+
Capital Planning	●	
Project Monitoring	●	
Maintenance	●	
Internal Coordination	●	
Intergovernmental Coordination	●	
Information		C
Strategic Direction	●	
Budgeting for Performance	●	
Managing for Performance	●	
Performance Auditing & Evaluation	●	
Online Services & Information	●	
Population (rank): 6,437,193 (13)		
Average per capita income (rank): \$30,686 (4)		
Total state spending (rank): \$39,880,324,000 (11)		
Spending per capita (rank): \$6,195 (10)		
Governor: Deval Patrick (D)		
First elected: 11/2006		
Senate: 40 members: 35 D, 5 R		
Term Limits: None		
House: 160 members: 140 D, 19 R, 1 Vacant		
Term Limits: None		

B+ Michigan

The Battle of Lansing, as many have come to remember the state's bloody budget deliberations last year, drew national attention to Michigan's economic woes. And there's no question that fiscal austerity has hurt the state's capacity to deliver basic services. The workforce has been drastically reduced, and Michigan officials worry that agency staff reductions have gone beyond fat and deep into bone and marrow. No new workers are likely to arrive soon. As the automobile industry continues to suffer, revenue streams are in trouble and the state's credit ratings have dropped. And for all the emergency moves, including a substantial tax increase, Michigan is far from structural balance between revenues and expenditures.

With all that in mind, the surprise in Michigan is the strength and suppleness of much of its management, in both good times and bad. "To be honest, when the economy's doing well, you tend to be a little bit blasé about things," says Treasurer Robert Kleine. "When things are going badly, you've got to focus a lot more."

"Focus" is what Michigan has generally been able to do, both in a short-term and long-term sense. Over the years, the state has been a leader in all forms of strategic imagination: workforce planning, information technology planning, capital planning and others as well.

Early in Governor Jennifer Granholm's first term, agency representatives were organized into six teams reflecting the administration's major initiatives. For example, a team focused on improving the economy includes the departments of transportation, economic development and labor. There's far less attention on individual agency goals in Michigan, and more on broad objectives.

Progress toward these goals is built into project-level indicators, targets and deadlines. All the information is compiled in a technological tool called MiPlan that can easily be accessed by all involved. Posters tracking progress and reminding staffers of deadlines and targets are plastered on office walls throughout the capitol complex—and serve as an accountability tool during cabi-

net meetings. More than 100 of the measures are available on the state's Web site, allowing citizens to keep tabs on how their government is performing.

That Web site is a national model for a variety of reasons. After a dramatic overhaul, it now allows both citizens and business to easily perform a great range of transactions, often saving the state money. The site uses blogs, surveys, RSS feeds and video streaming to engage and inform citizens—critical outreach at a time when confidence in state government has been crippled by hard times and by the pain of the last budget process.

As Granholm puts it: "We have consolidated departments. We've eliminated agencies. We've done all of that restructuring. But the key to being able to continue to serve, and to serve better—even in these really challenging times—is through leveraging technology."

Technology is, of course, expensive—and difficult choices have had to be made. In the Department of Human Services, for example, a long-term information upgrade that will eventually mean lighter workloads for overburdened social workers was chosen in lieu of shorter-term improvements in other technology.

Similar choices have been required in infrastructure management. State buildings languish in varying degrees of dilapidation. But the Department of Transportation, laudably, accomplished its 10-year goal of bringing 90 percent of the state's roads into good condition. Michigan's DOT has few peers in asset management—and in preventive maintenance—and has all the tools necessary to make smart decisions, even if it doesn't always have the funding. The DOT knows, for example, that it can save 29 lives and prevent 114 serious injuries by installing cable guardrails and rumble strips on key roadways. That will cost \$40 million that it can't easily spare. But at least managers can see the trade-offs involved in their decisions—in asset conditions, in funds and even in lives.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People B+

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

Infrastructure A-

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

Information A

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 10,095,643 (8)

Average per capita income (rank): \$24,097 (25)

Total state spending (rank): \$53,087,424,000 (9)

Spending per capita (rank): \$5,258 (25)

Governor: Jennifer M. Granholm (D)

First elected: 11/2002

Senate: 38 members: 17 D, 21 R

Term limits: 8 years (lifetime)

House: 110 members: 58 D, 52 R

Term limits: 6 years (lifetime)

B- Minnesota

In the wake of the Mississippi River bridge collapse in Minnesota last summer, a harsh light was cast on the way the state had been treating its infrastructure—more like a political football than a vital asset. Just a few months earlier, for example, a bipartisan group of legislators had passed a 10-cents per-gallon increase in the gas tax, in part to help with maintenance, but Governor Tim Pawlenty vetoed it. A couple of years ago, it was the governor who proposed to issue \$4.5 billion in bonds for infrastructure needs, but the legislature didn't act.

Many observers thought that last summer's tragic incident, now believed to have been caused by a design flaw in the 1960s-era bridge, would be a wake-up call to state leaders. But after an immediate spate of commentary, little has happened to address Minnesota's sizeable backlog in road and bridge repairs. Both the governor and legislature proposed solutions that the other side then rejected. The state may get back on track this year. In January, Pawlenty proposed a \$1 bil-

A bridge collapsed, but a backlog in road and bridge repairs stands.

lion bonding bill that reserves more than \$400 million for transportation projects, including more than \$200 million for bridges. But that still leaves lots to do.

It's been discouraging for the Pawlenty administration, which has done some very good work on other fronts. Dane Smith, the president of Growth & Justice, a liberal activist group, strongly opposes Pawlenty on most issues, but gives the governor credit for paying attention to the day-to-day aspects of state management. The governor has made efficiency a hallmark of his administration, most prominently through his Drive to Excellence, a series of 11 projects that have run the gamut from new workforce planning to building a centralized property management system.

To take one example, Minnesota is now a national leader in negotiating better prices for goods and services. "Many agencies were not aware they could negotiate with a

vendor," says Kent Allin, the governor's chief procurement officer. He cites the experience of the state's Pollution Control Agency, which knocked thousands of dollars off the price of a single small contract just by asking for more documentation. Historically, Allin says, "some contractors probably thought we were suckers."

Progress also has been made on the technology front. Minnesota established a cabinet-level IT department that put together the state's first information technology master plan in January 2007. Many of Minnesota's smaller agencies are still laboring with antique technology, and the new department has successfully pressed to get them funding necessary for upgrades.

Last spring, Pawlenty announced plans to merge the state's central human resources office into the Department of Finance. To the governor's credit, he turned to the legislature for approval, even though he could legally have made the move on his own. In the end, the decision turned out to be uncontroversial. The state also is putting finishing touches on a new statewide workforce plan, due for release in June.

Minnesota appears to be at a crossroads when it comes to performance measurement. In the 1990s, the state was a pioneer in this field. Since then, the effort has had its ups and downs. Some of the downs are attributable to an overload of measures on the legislature, as well as an over-politicization of the process.

Now, the governor has asked all agencies to come up with no more than three new performance measures. It's an experiment in simplification. "In the past, agencies were just told to do it," says James Nobles, the state's legislative auditor, "rather than allowing them time to build infrastructure and training" necessary to put the measures to constructive use.

For the time being, one benefit appears clear: When the measures are designed by the people who actually do the work, they tend not to get distorted by political infighting. And that's a good thing.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B+

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

People B-

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

Infrastructure C+

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

Information B

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 5,167,101 (21)
Average per capita income (rank): \$27,591 (9)
Total state spending (rank): \$30,988,533,000 (15)
Spending per capita (rank): \$5,997 (12)
Governor: Tim Pawlenty (R)
First elected: 11/2002
Senate: 67 members: 45 D, 22 R
Term Limits: None
House: 134 members: 85 D, 48 R, 1 I
Term Limits: None

C+ Mississippi

Mississippi government has never been particularly good at thinking about the future. It showed some movement in this direction in the immediate aftermath of Hurricane Katrina, but the idea of long-term planning has yet to become a part of the administrative culture.

There are modest signs of change. For example, the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER), widely respected for its auditing skills, decided to investigate how well prepared the Department of Mental Health might be for problems 20 years down the road. What's striking isn't the answer; it's the fact that the question has finally been asked.

Mississippi's usual myopia is most evident in the realm of personnel. The state's annual workforce turnover rate is near 16 percent, among the highest in the nation. What's the problem? Embarrassingly low salaries and the traditional reluctance of the legislature to do anything about them. Currently, there are 16,000 state employees who earn less than \$30,000 a year. "We're trying to convince the legislators that employees can't afford to work," says John Mulholland, deputy director of the State Personnel Board. He may finally be making some headway. In 2006, the state boosted the salaries of nurses, pharmacists and direct-care workers in mental health and other departments.

A change-resistant legislature has to bear some of the responsibility for the absence of planning when it comes to infrastructure, as well. For several years, state officials have unsuccessfully pushed lawmakers to fund a systematic assessment of the state's buildings. "We would take the existing facilities," says David Anderson, the director of the state's bureau of buildings, "and first, determine if they are programatically functional, and second, decide if it's appropriate to renovate or upgrade." So far, legislators seem more interested in plugging current leaks than in developing a long-term infrastructure strategy.

It would be unfair to dwell on Mississippi's managerial weaknesses without taking note of the generally effective man-

ner in which it handled the crisis that followed Hurricane Katrina in the fall of 2005. "Just a few days after the hurricane," says State Fiscal Officer J.K. "Hoopy" Stringer Jr., "I was on a helicopter flying up and down the coast, and for mile after mile, there was nothing left." Under the leadership of Governor Haley Barbour, the state recovered more quickly than most outsiders expected it to.

Beyond dealing with the immediate challenge, Barbour went to great lengths to solicit citizen input. Thousands of people attended more than 50 town hall meetings in the months after Katrina, many coming from towns that had essentially disappeared. Barbour also set up a recovery commission to focus on design issues and appointed Jim Barksdale, former CEO of Netscape, to lead it. Design conferences were held in the 11 worst-hit coastal cities to show residents potential reconstruction ideas and garner input.

As in Louisiana, a major influx of cash followed the destruction. Barbour turned out to be rather adept at soliciting federal assistance. Once the money started to pour in, contractors began rebuilding homes and citizens purchased goods to replace those they had lost. As a result, the state's coffers were soon replenished with sales tax revenues. In 2006, for example, revenues were about \$320 million higher than expected. And Mississippi leaders, accustomed to fiscal frugality, generally resisted the temptation to spend this money on projects that could not be sustained on a permanent basis.

To be sure, there are complaints that the state has not spent its billions in federal hurricane aid in ways that maximize help to low-income Mississippians. Officials respond that they will utilize the aid for this purpose, but want to make sure they plan appropriately beforehand. Perhaps, but this issue bears watching, given the state's historic reluctance to spend money for social purposes, and a government culture that has rarely put emphasis on planning.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People C

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

Infrastructure C+

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

Information C

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,910,540 (31)
Average per capita income (rank): \$18,165 (50)
Total state spending (rank): \$16,293,095,000 (30)
Spending per capita (rank): \$5,598 (18)
Governor: Haley Barbour (R)
First elected: 11/2003
Senate: 52 members: 27 D, 25 R
Term Limits: None
House: 122 members: 75 D, 47 R
Term Limits: None

B+ Missouri

Most states have seen their infrastructure and transportation problems get worse over the past few years; Missouri is one of the few that has managed to improve.

Throughout the 1990s and on into the current decade, the state was burdened by a 15-year plan laced with promises it could not keep. It failed to complete projects on schedule and ran up costs \$5 billion over budget. Indeed, the Department of Transportation was the object of considerable public derision.

Today, the state's transportation-planning processes are a model for the nation. More than 80 percent of the vehicle miles traveled on major highways are in good condition—up from 52 percent just five years ago. Change has been accomplished through a combination of unorthodox methods, such as offering bonuses to construction engineers who minimize change orders and giving engineers flexibility instead of holding them to rigid design standards. The DOT has saved money by deviating from a variety of obsolete rules. Pouring the standard 14 inches of pavement defied all logic in the rocky Ozarks, for example. "Less pavement does not necessarily mean less durability if you're building on top of rock," says Pete Rahn, the MoDOT director.

The department's public image has made a speedy recovery. "There's a general perception that the department is responsive," says Mark Tranel, director of the Public Policy Research Center, a nonpartisan think tank. "Maintenance isn't sexy, but it's clear they're doing it because it's what the public wants."

Management of the state's public buildings also has improved, aided by a merger of the Division of Facilities Management with the Division of Design and Construction. In the past, the state has had a fair amount of funding for maintenance of buildings, but had little understanding of its real needs because of unreliable information from state agencies. "You weren't getting a real picture of the condition of the buildings," says David Mosby, director of the combined office. Now, a sophisticated software program tracks up-to-date information about the

condition of all state facilities—and alerts managers when preventive-maintenance tasks need to be performed.

Missouri's work in results-based governance and the use of information has been solid for some time, and over the past few years, the state has reinforced its status as a leader by improving its strategic-planning and performance-measurement efforts. Agencies are asked to incorporate the governor's priorities into their strategic plans and report on progress once each quarter. The state has revised its budget-request forms for agencies to require three different levels of measures: broad outcomes, outputs and a middle measure capturing program effectiveness, efficiency and customer satisfaction.

The level of legislative interest in performance measurement is increasing. The House Appropriations Committee now distributes a guide for legislators about how to use the information. Meanwhile, the nonpartisan Legislative Budget Office, which was created in 2006 and serves as a sort of in-house think tank, has prodded legislators to ask more questions about performance—and to make better use of the numbers in front of them. This is critical at a time when legislative term limits have eroded some of the technical expertise underlying the budget process.

Missouri has a track record of extremely conservative fiscal management and currently is in strong structural balance. Still, costly tax-cut packages passed in 2007—including one phasing out taxes on Social Security benefits—are creating some uncertainty about the long-term fiscal outlook.

The state's workforce, sadly, is the victim of archaic civil service laws, although it is competently managed within the confines of those statutes. Workforce-planning efforts are in early stages in Missouri, and the state needs to modernize its hiring practices. Until 18 months ago, all applicants for office support assistant jobs were given a test that was written in 1982 and included questions about mimeographs and microfiche.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B+

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

People B-

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

Infrastructure B+

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

Information A

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 5,842,713 (18)
Average per capita income (rank): \$22,916 (33)
Total state spending (rank): \$24,355,850,000 (20)
Spending per capita (rank): \$4,169 (46)
Governor: Matt Blunt (R)
First elected: 11/2004
Senate: 34 members: 14 D, 20 R
Term limits: 8 years (lifetime)
House: 163 members: 71 D, 92 R
Term limits: 8 years (lifetime)

C+ Montana

You'd think that a projected surplus of \$1 billion—about half of the state's entire budget—would make for an even-keeled budget process. Not in Montana, where revenue forecasts exceeded planned expenditures by that much in 2007. The state's budget processes themselves aren't particularly troublesome. But term limits have made the Montana legislature a hothouse, as dozens of new lawmakers, untutored in the ways of fiscal negotiation, debated their

Montana now thinks of technology as an asset but doesn't always use it well.

way last year into the most tempestuous budget sessions in memory. Thanks to partisan acrimony about property-tax relief, the budget had to be split up into several different bills during the session.

Legislators tried to put their Humpty Dumpty budget back together again, but couldn't make the pieces fit without a last-minute special session. This led to a mixture of seemingly inconsistent decisions. On the one hand, the state sensibly put some of its large surpluses toward proposed fixes for infrastructure maintenance. At the same time, though, a bill to fund maintenance on a permanent basis died. Similarly, while \$100 million of the surplus was placed in reserve, Montana remains one of only four states with no real rainy day fund. A fund exists, but there is no statutory requirement to maintain a balance in it beyond the current biennium.

That's a noteworthy issue in a state such as Montana, where revenues are extremely volatile because they rely heavily on the price of natural resources. True, the economy has begun to diversify a bit—but a good share of the state's revenues still comes from mineral extraction. Meanwhile, the inevitability of an uncertain future points to the need for a statewide strategic plan—one that emphasizes the funding of technology and human capital steadily through both booms and busts.

Better performance information could help Montana to make sure it spends its money most wisely whether times are flush or hard. Ideally, such information could even help de-politicize the process that led to the recent budget mess. But performance information hasn't gained a foothold in the state. Isolated pilot programs spring up, but budgets are not linked to long-term performance goals.

On the technology front, Chief Information Officer Dick Clark takes justifiable credit in the funding of two new data centers, as well as upgrades to the social services data system, in the state's capital budget. "We now see IT as an asset," he says. "We did a fundamental change in the way we think about IT." But the presence of an asset doesn't necessarily mean that it's used. Some agencies do not take full advantage of available training in information technology resources, and the budget office sometimes finds that agency managers don't know how to access the information available to them.

The state's director of personnel is making a valiant effort to focus attention on workforce planning. Montana's strong economy makes recruiting and retaining employees a challenge as private-sector jobs lure young men and women toward corporate payrolls with generous salaries. A market-based, broad-banded initiative called PayPlan 20 was developed to respond to that problem by matching private-sector salaries and by instituting targeted pay-for-performance raises.

But despite the best intentions of the HR office, the legislature isn't making life easy. The reasonable notion that employees should get performance-based raises has been stymied by a 0.6 percent limit on the increases. Another example: HR officials, concerned about succession planning, wanted to purchase a computer system for that effort—and it was supposed to pay for itself within four years. But the legislature decided not to fund the purchase. That's troublesome news for a state in which 20 percent of the workforce will be eligible to retire in the next three years.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People B-

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

Infrastructure C+

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

Information C+

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 944,632 (44)
Average per capita income (rank): \$21,067 (42)
Total state spending (rank): \$5,194,561,000 (46)
Spending per capita (rank): \$5,499 (19)
Governor: Brian Schweitzer (D)
First elected: 11/2004
Senate: 50 members: 26 D, 24 R
Term limits: 8 years (consecutive)
House: 100 members: 49 D, 50 R, 1 I
Term limits: 8 years (consecutive)

B Nebraska

Most of the time, when governors want to have a conversation with their budget directors, it's about the crisis of the day, the problem of the week or the dilemma of the month. But not long after the end of the 2007 legislative session, Nebraska Governor Dave Heineman approached Budget Administrator Gerry Oligmueller to talk about problems he thought might crop up in the next six years.

This wasn't just an idle gesture. In 2006, voters made it clear that they were frustrated by the fact that Nebraska's tax burden is relatively high for its region. Although a ballot measure calling for a constitutional spending limit failed to pass, the message was unmistakable: The state had to start making careful plans to spend wisely and tax less or else citizens might take matters into their own hands.

Long-term thinking may be easier in Nebraska than elsewhere because the "unicameral" (the only single-chamber state legislature in the country) is officially non-partisan. "They all belong to a party, but the parties don't tell them what to do," says Oligmueller. The entire legislative process is more collaborative than in most other states; the governor's budget office consults with the legislative fiscal office before issuing instructions for the biennial budget.

Agencies submit their budgets to both the governor and the legislature at the same time, and their requests immediately become public documents. That degree of transparency, which is unusual, doesn't seem to bog down the process too much. The only real downside in Nebraska's approach to budgeting is that neither the legislature nor the budget office has made much progress over the past few years in the use of performance information to actually craft the budget.

The state has had greater success than most in chipping away at deferred maintenance in its general-facilities infrastructure, thanks to a cigarette tax-based funding stream. "We don't have tremendous resources," says Building Division Administrator Jeff Jensen, "but we really focus on maintaining what we have." The state hires inspectors who evaluate agency repair re-

quests. Then a task force gets together and ranks priorities based on established criteria. The state's prioritization process for these minor projects rivals those of many other states for more major infrastructure improvements.

On the transportation side, Nebraska is less sophisticated—which is perhaps reflected in the fact that the relevant agency is still called the Department of Roads. The department's construction budget, which includes the amount it spends each year on major maintenance and new-lane construction, has been decreasing steadily because of declining revenues and increasing inflation—which makes critical planning difficult.

Because revenues have fallen, state transportation managers have focused almost entirely on preserving what's already there. They ascertain the level of funding necessary to maintain the current system—for next year, they have estimated \$170 million. That leaves them with a relatively meager \$100 million for new capital projects. But Nebraska is careful to align its spending with the latest federal design recommendations: Recently, for example, the state decided it no longer needed to convert highways from two-lane to four-lane status when they reach a threshold of 6,000 vehicles a day—waiting to reach 10,000 a day would meet the most recent standards. That change will save \$1.4 billion over 20 years.

The work of a funding-distribution team, which is currently in the process of prioritizing and selecting projects based on need, will be critical. According to John Bartle, a professor of public administration at the University of Nebraska-Omaha, the Department of Roads would benefit mightily from more long-range planning in the face of a powerful highway lobby. "There's not a real strategic focus on how they use their money," he says. "There's a tendency to respond to legislative demands for 'we need to connect the roads from this town to this town.'"

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money A-

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

People B-

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

Infrastructure B+

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 1,768,331 (38)
Average per capita income (rank): \$23,248 (29)
Total state spending (rank): \$7,702,325,000 (41)
Spending per capita (rank): \$4,356 (39)
Governor: Dave Heineman (R)
Took office: 1/2005
Legislature (unicameral, nonpartisan): 49 members
Term limits: 8 years (consecutive)

C+ Nevada

Nevada has been the nation's fastest-growing state for much of the past decade, and despite current hard times brought on by the housing-market collapse, population growth isn't expected to drop off anytime soon.

This swift growth is straining much of state government, notably an overburdened social-services system. Difficulty in hiring new employees for a variety of positions, such as nurses and correctional officers, has become increasingly troublesome. Last year, the legislature approved

Pay in Nevada not only lags behind the private sector. It trails city and county government.

the hiring of additional social workers to reduce caseloads—a commendable effort. But the Department of Health and Human Services has been able to fill only one-third of the jobs.

Personnel Director Todd Rich points to a number of reasons positions go unfilled. Much of the need for new personnel is in the booming Las Vegas area, where the applicant pool tends to be less educated. Nevada's compensation philosophy compounds the issue. Not only is the state uncompetitive with private employers; it also lags behind city and county government. "That puts us in a tough spot," Rich says. "We're structured to appeal to people who want to be in a job for 30 years. That just doesn't happen anymore. We need to be more flexible and appeal to a younger crowd."

Nevada might have forecast some of its problems with better analysis. But workforce planning has been ad hoc and reactive at best. The absence of succession plans is becoming increasingly evident as top managers retire and employees are promoted without the training or experience they need. "We have a policy I refer to affectionately as 'promote and pray,'" says Corrections Director Howard Skolnik. More central guidance is in the works: Among Rich's priorities are developing a succession-plan-

ning model for agencies and crafting a statewide workforce plan.

The state's workforce issues will be all the tougher given growing fiscal pressures. Because of the housing slowdown, Nevada had to close a sizable budget hole for the current biennium; within months, the shortfall had grown to \$540 million. Governor Jim Gibbons announced an across-the-board budget cut of 4.5 percent, taking what many saw as a meat ax approach to the problem rather than applying a carefully targeted strategy.

The budget hole for current operations may be a problem—but it pales in comparison to the dollars necessary for long-term infrastructure needs. Nevada's transportation department has identified 10 so-called "super" and "mega" projects costing an estimated \$4.8 billion that need to be completed by 2015 to avoid gridlock in urban areas and on truck routes. In 2006, a blue-ribbon panel convened by then-Governor Kenny Guinn recommended a combination of tax increases and changes to pay for the projects. The Gibbons administration rejected the suggestions, and instead pieced together funding last year to start one project, a \$1.6 billion reconstruction of I-15 through Las Vegas. "Taking this approach in a piecemeal fashion is going to be a problem," cautions one former transportation official. "If you just defer a \$4 billion problem for several years, it becomes a \$10 billion problem."

Facing such short- and long-term fiscal pressures, Nevada is looking to use and manage technology more efficiently. Like many states, it is examining potential savings through IT consolidation and already has completed a much-needed contracting database, including a vendor-rating system that should allow the purchasing division to better leverage statewide spending. This adds to other advances in the procurement area in the past few years, including participation in cooperative purchasing agreements and concentration on "green" procurement. On the minus side, Nevada trails many states in its use of electronic purchasing and bidding.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People C-

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

Infrastructure B-

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,495,529 (35)

Average per capita income (rank): \$26,340 (16)

Total state spending (rank): \$10,341,683,000 (36)

Spending per capita (rank): \$4,144 (47)

Governor: Jim Gibbons (R)

First elected: 11/2006

Senate: 21 members: 10 D, 11 R

Term limits: 12 years (lifetime)

House: 42 members: 27 D, 15 R

Term limits: 12 years (lifetime)

D+ New Hampshire

There is a myth that New Hampshire's fiscally conservative state culture creates frugal but fit government—no taxes, no frills, no problem. In truth, while New Hampshire may provide fewer services than other states, the notion that its finances are emblematic of old-fashioned New England Puritanism just isn't true. Meager cost and performance information and tortuous business processes create an institutional inertia that wastes much of the state's limited resources.

The governor, who serves a two-year term, doesn't necessarily appoint—and cannot remove—his own agency heads, who serve four-year terms. So the governor can spend lots of time banging heads with other members of his own cabinet. "The basic system of government is designed to make it difficult to transform anything," explains one former state official.

In New Hampshire state government, it can even be tricky buying a bunch of file cabinets. If a manager wants to purchase something that costs more than \$5,000, the deal not only has to go through a central purchasing office but also must get approval from a five-member elected board known as the Executive Council. Hundreds of items have to be reviewed every few weeks, including some out-of-state travel. Much work gets held up until the council meets and approves expenditures ranging from \$60 million for a new management information system to a \$930 trip to Delaware for three Fish and Game officials. To be sure, such controls protect the state against fraud—and that's a good thing. But at what cost?

The problem isn't only in the structure of government; it's in the process of getting information to the people who most need it. A particularly egregious example: One director whose job deals with institutional and employee improvement stepped into her office on Day One to discover that her predecessor had taken every single document when he left. That may be unusual, but antiquated technology producing hard-to-use data definitely is common. The state's old computer systems spit out so many numbers, with such minimal explanation, that the information often is of little value for analytical management.

State officials are awaiting the arrival of an enterprise resource planning system as the state's IT salvation, but new machines don't necessarily change the way people use information. Making the system operate effectively will be as much a workforce-training issue as a tech issue. There is cause for concern here, especially given the fact that the state initially managed the ERP implementation on a volunteer basis, dedicating full-time staff to the project only after it was delayed by more than a year.

Among New Hampshire's most troublesome issues is a tendency to push to tomorrow that which should have been done yesterday. Decisions about how to comply with court rulings ordering more equitable school funding have dragged on for nearly a decade. Another example: When Charles O'Leary, the former commissioner of the Department of Transportation, came out of retirement to fix the department's finances, he announced that the state's 10-year transportation plan would actually take 35 years to complete. He sliced \$1 billion of the least worthy projects; the new plan, which has not yet been approved by the legislature, would take 22 years to complete.

In addition, underfunding and lack of clear priorities for buildings, bridges and roads leaves New Hampshire with "killer" deferred maintenance problems and positively pre-modern infrastructure: The average daily temperature in January is 17 degrees, but many hallways in the New Hampshire Department of Corrections have no heat—employees cling to space heaters in some offices.

There's a philosophy in the Granite State that constant fiscal crisis helps keep the state efficient. However, without strategic planning, performance information or even timely expenditure data, how does New Hampshire know where efficiency ends and strangulation begins? The Budget Office—actually, the budget director, since there's just one person in the office—is mired in the same Catch-22 as the rest of the state: stretched too thin today to prepare for tomorrow.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

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

Infrastructure	D+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	D+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 1,314,895 (41)
Average per capita income (rank): \$28,828 (6)
Total state spending (rank): \$5,987,952,000 (45)
Spending per capita (rank): \$4,554 (35)
Governor: John Lynch (D)
First elected: 11/2004
Senate: 24 members: 14 D, 10 R
Term Limits: None
House: 400 members: 237 D, 158 R, 1 I, 4 Vacant
Term Limits: None

C New Jersey

The problems in New Jersey's fiscal stewardship have never been clearer than they were on the Fourth of July, 2006, when the state's casinos and parks had to be closed—the result of lawmakers' inability to pass a budget on time. The budget fracas revolved around Governor Jon Corzine's plan to deal with structural money shortfalls by

New Jersey faces a newly revealed \$58 billion tab for post-employment retirement benefits—a whopper by anyone's standards.

raising the sales tax from 6 to 7 percent. The impasse was resolved only when legislators agreed to approve the increase but send half of it back out in the form of property tax relief.

Last year the governor and legislature seemed genuinely dedicated to avoiding similar embarrassment. And they took a step toward accountability by publishing a comprehensive Citizens' Guide to the budget that included every change to the governor's original submission along with the name of the official who proposed that change. Transparency seemed to help; the budget passed nine days early.

But an on-time budget isn't necessarily a good one, and New Jersey hasn't yet found a way to deal with the long-term imbalance between its revenues and its spending. The state's citizens have begun to understand the problem. In November 2007, staring down a \$3 billion hole in a \$33 billion budget, voters rejected a plan to dedicate the remaining half-penny of the sales tax increase to property tax relief—and they did this despite the fact that New Jersey has the highest property tax in the nation. With a debt of \$32 billion, such hard decisions are going to be necessary for some time.

The consequences of the fiscal problem hit home everywhere in state govern-

ment. Deferred maintenance in the transportation system has swelled to \$13 billion. As one Department of Transportation official puts it, "we are holding ground on the pavement and we are losing on the bridges." Although New Jersey has the nation's third-lowest gas tax, a tax increase to bolster maintenance doesn't seem politically possible. Corzine talks about creating a non-profit public benefit corporation to manage the day-to-day operation of several major roadways, including the New Jersey Turnpike and Garden State Parkway.

Non-transportation infrastructure is no better off. The state dedicated \$7 million this year toward a prioritized list of roof improvements on public buildings; even so, life-cycle roof replacement is three or four years behind schedule.

Similarly, the state's dwindling investment in human capital training has begun to leave a mark. With a hiring freeze on for many positions in the state, maximizing the productivity of each employee becomes critical. But New Jersey spends less than 0.2 percent of its corrections payroll on training, for example, while neighboring Pennsylvania and Connecticut spend 1 percent and 1.8 percent, respectively. Likewise, the development of a new Department of Children and Families is destined for difficulty if it continues to spend only \$44 per manager for training. Both expenditure figures rank among the lowest in the nation. Civil service rules dictate that employees with seniority have protected jobs during layoffs, potentially compounding the problems of the baby-boomer retirement wave by leaving a dearth of young, well-trained talent in its wake.

Worse still, New Jersey faces a newly revealed \$58 billion long-term bill for post-employment retirement benefits owed to its workers. Many other states are up against big bills on this front, but New Jersey's is a whopper by anyone's standards. On the pension side, the state is similarly hobbled. Despite improved funding in the past two years, liabilities continue to grow.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	B-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 8,724,560 (11)
Average per capita income (rank): \$31,877 (3)
Total state spending (rank): \$54,073,301,000 (8)
Spending per capita (rank): \$6,198 (9)
Governor: Jon Corzine (D)
First elected: 11/2005
Senate: 40 members: 23 D, 17 R
Term Limits: None
House: 80 members: 48 D, 32 R
Term Limits: None

B- New Mexico

In the past five years, New Mexico has taken strong steps toward addressing some of its most glaring management weaknesses, including what may have been the worst method of capital spending in any state in the country. Instead of having a centralized planning process for its infrastructure, the state simply divided capital funds into three equal portions, one each for the governor, the House and the Senate. The latter two split the money further by putting much of it under the control of individual legislators. Everything was political; hardly any decisions were made on the basis of rational planning.

Governor Bill Richardson set out to change that when he took office in 2003. Robert Apodaca, director of the state's Capital Projects Division, recounts the new governor asking such questions as "Why are we spending \$25,000 on a water system in Las Cruces that needs at least a half a million?" Richardson began negotiating with the legislature to reserve more money, in

It's a struggle to keep politics out of planning, but New Mexico is making an effort at it.

addition to his own one-third share, for strategic purposes. This year, the governor and the legislature agreed that about \$300 million extra, or nearly two-thirds of the legislature's share, would be set aside for long-term goals. And even though the rest was split the traditional way, legislators have agreed to pool much of this money and target it toward needed projects.

For example, the city of Taos recently asked the state for \$1 million to build a new water system. The Capital Projects Division got the local legislators to kick in \$200,000 from their slices of the capital fund; then the governor made up the difference. Negotiating in this fashion, project by project, is far from the best way to handle capital planning. But it's a big improvement over what New Mexico did for decades.

Long-term thinking has emerged in the past couple of years on an enterprise-wide

basis, as well. All major state agencies have been assigned planning responsibilities and charged with fulfilling one part of the state's strategic plan.

It seems to work. Consider the New Mexico Home for Boys, a juvenile detention center in the remote town of Springer. According to the state personnel director, this was "one of the last of these facilities set up as a jailing center," instead of a place where juveniles could get an education. It was only when the Corrections Department and the agency that handles youth services found themselves in the same planning group that they were able to come up with a solution. The boys from Springer were moved to a more appropriate residence in Albuquerque. Meanwhile, the Springer site was converted into a minimum-security adult facility—saving the town from disabling job losses.

Last year, New Mexico consolidated its information technology services, and made the state's IT agency a cabinet-level department. These moves have had an effect already, with the IT department helping to consolidate what had been 30 different e-mail systems into one. The state also is moving belatedly into workforce planning, an effort that got a boost with the installation of an advanced HR data system in the summer of 2006.

At the moment, New Mexico has a fiscal advantage over most other states in the oil and gas money that flows into its coffers. But New Mexico's infrastructure has greater maintenance needs than most. It is a "bridge state," meaning it sees a great deal of transcontinental traffic crossing back and forth. "We're paying a tremendous amount so the nation's goods can get to market," says Transportation Secretary Rhonda Faught. The state is adapting. It has saved millions of dollars by paving highway shoulders, which rarely have traffic, with far less asphalt than the road itself. For the state to continue making strides, it will need to continue making moves like this, both large and small.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

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

Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 1,954,599 (36)
Average per capita income (rank): \$20,913 (46)
Total state spending (rank): \$13,399,021,000 (33)
Spending per capita (rank): \$6,855 (7)
Governor: Bill Richardson (D)
First elected: 11/2002
Senate: 42 members: 24 D, 18 R
Term Limits: None
House: 70 members: 42 D, 28 R
Term Limits: None

B- New York

New York always seems to be on the verge of reforming its fiscal processes. It never quite seems to get there. Budget negotiation became an object of statewide ridicule after 20 budgets in a row failed to meet the annual statutory deadline, mostly because the three individuals who made the decisions—the Senate and Assembly leaders and the governor—had trouble coming to any consensus. A barrage of scorn from the media and citizens finally shamed the leadership into meeting a schedule in each of the past

New York finally met its annual budget deadline, but changes to the system are more cosmetic than real.

three years. The progress, however, has been more cosmetic than real. Last year, the budget was issued within a few hours of the deadline, but few legislators and virtually no citizens got a chance to read it. Factors such as the actual effectiveness of state programs weren't considered in the debate.

Now some critics are actually longing for the late budgets of years past. "It kind of backfired on those of us who had been advocating for good government," says Erika Rosenberg, of the Center for Governmental Research. Rosenberg and others complain that for Governor Eliot Spitzer, Assembly Speaker Sheldon Silver and Senate President Joseph Bruno, simply meeting the deadline seemed to take precedence over serious discussion of the state's fiscal problems.

Promising reforms were made last year to the revenue-estimating process, including an independent estimate that can be set by the comptroller should the involved parties fail to reach timely agreement. That good idea wasn't tested last time around because an agreement was reached early on. But then the number was haggled over extensively post-"consensus" and eventually ignored.

Even though the budget process seems to proceed without any intelligent use of performance measures, the bureaucracy is slowly stumbling toward a more perform-

ance-oriented approach to management. Many state agencies now engage in meaningful strategic planning, and regularly monitor and report on a wide range of performance measures. This is partially due to a Government Reform Initiative created by former Governor George Pataki, and partly the result of a push coming from Spitzer to include cross-agency task forces and a central monthly reporting requirement for key metrics.

Of particular note is momentum coming from the Office for Technology and its newly created Department of Performance Management and Process Improvement. A wide range of stakeholders are now consulted about the state's strategic direction in technology through workshops and interviews, and an online "wiki" tool is being developed to solicit input from the public. The Office for Technology is aggressively overseeing adherence to service-level agreements with agencies, and pushing them to monitor a wide range of IT-related performance measures. Those metrics will soon be electronically accessible across state government, and some of them will be made public. A logical next step, of course, would be adapting that practice to track key statewide metrics unrelated to IT.

The New York Civil Service system is squeezed by its statutory inability to recruit outside government ranks for all but entry-level positions. That's a problem that will likely worsen with the upcoming exodus of retirees. Innovative training programs have helped lower-level employees rise to the challenge, but even the smartest training can only develop a fledgling civil servant so fast. The Governor's Office of Employee Relations took an important step this winter by launching a statewide learning-management system that will keep an important record of the skills, training and competencies held by all state employees. In the absence of meaningful civil service reforms, this centralized approach will be critical in helping the state deploy its workforce in the most strategic way.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	B-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	B-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 19,306,183 (3)
Average per capita income (rank): \$28,024 (7)
Total state spending (rank): \$142,853,305,000 (2)
Spending per capita (rank): \$7,399 (5)
Governor: Eliot Spitzer (D)
First elected: 11/2006
Senate: 62 members: 29 D, 33 R
Term Limits: None
House: 150 members: 108 D, 42 R
Term Limits: None

B- North Carolina

When it comes to personnel management, North Carolina is up to speed on all the latest ideas. Workforce planning, succession planning, knowledge management—the human resources department is trying them all. But a tough obstacle has stood in the way of real accomplishment: the decentralized structure of North Carolina state government. The individual agencies each run their own human resources shop, and frequently they don't want to run it the way the state would like them to. “The stark

As things stand in the state, the governor's budget document is the place where transparency ends.

reality,” says Thom Wright, director of the Office of State Personnel, “is that I've got some flat HR directors and they're not delivering services to their employees.”

Despite the slow progress, Wright's office continues to pursue innovation. It recently rolled out NCWorks, a workforce outlook and retirement knowledge system with impressive analytic and predictive modeling capabilities. The system allows managers to identify employees who are likely to leave, and in general makes workforce planning a matter of data rather than guesswork. Retention and recruitment challenges often have a geographical dimension in North Carolina, and the NCWorks system is particularly useful in pinning those down.

BEACON, the state's new enterprise-wide computer system, constitutes a huge step forward as it rolls out. It will create new and more effective procedures for accounting, budgeting, cash management, data warehousing and tax and revenue tracking.

Information technology changes are long overdue, because the state has been operating on legacy software that did not adequately meet managers' needs. A complete analysis of core business practices five years ago showed numerous inefficiencies resulting from a jumble of differ-

ent systems that sometimes made it difficult for one agency to communicate with another. “We found that primarily those systems are in excess of 25 years old and were built and being maintained by individuals who are retired or at the point of retirement,” says Controller Robert Powell, who chairs the BEACON committee. In all, some 500 employees are planning and executing the BEACON changeover.

The state finally has produced its first full-fledged statewide capital plan for general infrastructure, which uses criteria and condition-assessment information to prioritize needs across agencies. “I'm not entirely convinced we have a good way to prioritize an art museum against a prison, but I think we have a much stronger way to make those decisions than we did,” says Jim Klingler, of the Fiscal Research Division.

Advances also are afoot on the auditing front. Although the state auditor's office has a limited performance-audit function, a newly created Program Evaluation Division will conduct performance audits and assess program effectiveness at the direction of a legislative committee. And the use of performance information finally is becoming integrated into the budget process. The state's Results-Based Budgeting Initiative is still new but is a major improvement, particularly in terms of transparency and the quality of information available to all parties when making decisions.

Unfortunately, if all of this is going to have the success that its architects want, there will have to be improvements in the way information is solicited and communicated. As things stand, the governor's budget document is the place where transparency ends. Some budget information published by the legislature can be difficult even for experts to follow, and public input in legislative hearings is in most cases severely limited. “I was at one hearing all session long where public comment was allowed,” says Meg Gray, a policy analyst at the North Carolina Budget and Tax Center. “At that one hearing, we were able to talk for one minute.”

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B-

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

People B

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

Infrastructure B-

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 8,856,505 (10)
Average per capita income (rank): \$22,945 (32)
Total state spending (rank): \$41,107,916,000 (10)
Spending per capita (rank): \$4,642 (34)
Governor: Michael F. Easley (D)
First elected: 11/2000
Senate: 50 members: 31 D, 19 R
Term Limits: None
House: 120 members: 68 D, 52 R
Term Limits: None

B- North Dakota

You might almost forgive a state for feeling a little complacent at a time when an oil- and gas-price boom and an increasingly diversified economy have combined to provide a biennial budget 24 percent larger than the previous one.

But complacency isn't really part of North Dakota's governmental culture. The state has lived through enough boom-and-bust energy cycles to recognize that balloons are made to be burst. In line with their tradition of fiscal conservatism, budgeters here have used some of their extra cash to put \$200 million—about 8 percent of general-fund revenues—into the state's rainy day fund. That complements a number of other trust funds in which the state conserves cash to fund schools, health care and fiscal emergencies.

Aside from that, much of the windfall has gone toward one-time expenditures, including \$14 million on an integrated tax-information system that went live last year, replacing 40-year-old technology that was

Without making pay more competitive across the board, North Dakota will continue to struggle to fill positions.

inefficient and difficult to maintain. Plans also are underway for replacement of the state's 28-year-old, mainframe-based Medicaid management system.

In fact, there are quite a few areas of North Dakota government that could use some help right now. Blessed with the nation's lowest crime rate, North Dakota's Department of Corrections used to rent out excess beds to other states. Now, however, it is trying to cope with a rapidly growing prison population and overcrowded facilities, created in large part by drug offenses. A debate rages about whether to expand existing facilities or to build a new prison, but either way, the price tag will stretch into the tens of millions.

It may be easier to find the money for

new beds than to adequately staff the prison hallways. The department routinely receives approval for fewer positions than it needs. Pay levels are low, and turnover among correctional officers is edging up. In the last budget, lawmakers approved \$1.5 million for salary increases; the department had requested \$4.2 million.

In fact, salary levels pose a significant challenge across state government. In the last legislative session, lawmakers approved a package readjusting some of them to make the pay scale more consistent across agencies. Overall, though, compensation remains uncompetitive. Some states close that gap by offering generous benefit packages, but North Dakota falls behind there, too, with benefits worth about half as much as the nationwide average. Agencies do have some flexibility to offer higher starting salaries to attractive candidates, but without more competitive pay across the board, the state will continue to struggle to fill open positions.

Human resources management is largely decentralized in North Dakota, so some agencies have pushed ahead to address personnel needs on their own. The Department of Transportation, facing a pending crush of retirements, started a career-path initiative last year to help lower-level employees develop skills they will need to move up within the department. It's a program other departments would be well served to emulate. With the difficulty in finding new employees, North Dakota needs to try especially hard to make the most out of the ones it has, investing more to train and develop them for bigger, better jobs.

As for the state's infrastructure, the budget surplus has helped funnel new money toward maintenance; DOT bonded for two major maintenance projects in 2005. Building maintenance is still more than 50 percent underfunded, though, and routine roadway upkeep has been set back as a result of dramatic increases in the cost of asphalt. The department expects this year's assessment may show some decline in road-condition ratings as a result.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Category	Grade
Money	B
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	C
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	B-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	C+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●
Population (rank): 635,867 (48)	
Average per capita income (rank): \$22,619 (35)	
Total state spending (rank): \$3,633,349,000 (49)	
Spending per capita (rank): \$5,714 (15)	
Governor: John Hoeven (R)	
First elected: 11/2000	
Senate: 47 members: 21 D, 26 R	
Term Limits: None	
House: 94 members: 33 D, 61 R	
Term Limits: None	

B- Ohio

When the Ohio House and Senate both passed the state budget unanimously last year, it was the first time that had happened since the 1920s. The calm in Columbus was all the more surprising because, with a newly elected Democratic governor and a Republican-controlled legislature, Ohio had a divided government for the first time in more than a decade.

The universal unpopularity of former Governor Bob Taft—he left office at the end of 2006 with an approval rating in the single digits—certainly was a factor that encouraged state leaders of both parties to

The big range of revenue shortfall estimates is indicative of the shortage of precise numbers in Ohio.

push for a new climate. But, to their credit, they didn't do this by throwing out Taft's positive management initiatives.

For example, incoming Governor Ted Strickland followed through on his predecessor's plans for a phased replacement of the obsolete corporate franchise and tangible personal property taxes with a single commercial activity tax. This fix won't pay immediate dividends, but fiscal analysts believe it could help make Ohio competitive for new business and lift the economy out of its Rust Belt slide. Strickland also persisted in and expanded upon Taft's badly needed campaign to renovate the state's school buildings and build new ones.

The rest of Strickland's Turnaround Ohio vision is new. Flexible Performance Agreements between the governor and agency heads drive the state toward specific, measurable goals. The Advantage Ohio partnership of public officials and private leaders will eliminate redundant and contradictory regulations. Quarterly reviews and a publicly available scorecard will let citizens know more about how the

state is doing. These strategic mechanisms will depend on more accurate numbers than have been available in the past. A new Administrative Knowledge System came on line in July 2007 and, despite a regrettable data theft, the system has been a success so far.

Other aspects of Ohio's governmental life aren't going so well. In Strickland's first budget, the Department of Corrections needed to cut 25 percent from facilities operations and maintenance—a risk in a system already functioning at 129 percent of capacity. The Division of Children and Families lost some administrative funding for information technology just as its new Web-based child welfare system came on line. As a whole, the state budget is showing a two-year revenue shortfall of between \$733 million and \$1.9 billion.

That big range is indicative of the shortage of precise numbers in the state. Ohio has no comprehensive data on deferred building maintenance, for example. The Department of Corrections doesn't track employee turnover and job vacancy rates. When Ohio does have data about state programs and performance available, it's generally good at sharing that information with the public via the Web. Just be careful if you want to send an e-mail: You'll have to fight your way through one of the most complicated sets of domain names among the states—a different one for each agency.

For the ambitious Turnaround Ohio plan to have a chance at success, Ohio needs to invest in human capital planning, for starters. The coming wave of retirements among state employees demands that it put in place strategies for both replacing them and retaining what they know about how agencies work. A knowledge-management system the state is developing will likely help some. But an old-school, rigid relationship with labor unions—and the resulting Byzantine employee classification system—may impede necessary change.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	B-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 11,478,006 (7)
Average per capita income (rank): \$23,543 (28)
Total state spending (rank): \$64,928,716,000 (5)
Spending per capita (rank): \$5,657 (16)
Governor: Ted Strickland (D)
First elected: 11/2006
Senate: 33 members: 12 D, 21 R
Term limits: 8 years (consecutive)
House: 99 members: 46 D, 53 R
Term limits: 8 years (consecutive)

C+ Oklahoma

Populism is alive and well in Oklahoma's government. The 46th state admitted to the Union approaches its finances with a strongly held belief that the citizens can spend dollars a lot smarter than the state can. A deep distrust of centralized authority has left Oklahoma with dozens of boards and commissions that usurp a great deal of the executive authority that other states vest in their governors' offices. Agency plans sometimes need approval from a long list of officials. Says Janice Buchanan, the fiscal director for the House of Representatives, "There are a lot more decision makers here."

Right now, the economic climate in Oklahoma is healthy; soaring oil and gas prices have helped to fill the state treasury to overflowing. But if prices decline over the next few years, some of the state's decisions about how to spend the current windfall may leave it with serious problems. Instead of using the money for one-time expenditures—such as cutting a \$230 million deferred-maintenance bill for state highways—officials opted for long-term tax cuts. Since reversing the cuts would require an unlikely three-fourths majority in the legislature, Oklahoma is effectively spending one-time money on ongoing bills. That's contrary to one of the golden rules of prudent management.

But a downturn in oil and gas might not be quite as troublesome as it would have been in past years. The state's economy has become much more diverse. Twenty years ago, oil and gas taxes provided 30 percent of the revenue, whereas now they are less than 15 percent. Moreover, the state's rainy day fund is full for the first time in history.

Still, Oklahoma would be well advised to consider paying more attention to the future impact of current-day decisions. "Long term in our environment is two years," says Buchanan. One example: The legislature passed laws that lengthened prison sentences but now refuses to fully fund a prison system afflicted with overcrowding. Corrections officials have to return to the legislature before the end of each fiscal year for additional funds.

The state did succeed in revamping its agencies' strategic plans, which now look

ahead at least five years. But it's hard not to notice that many of their goals are quite modest. The Department of Human Services' health care measures, for example, show few plans for getting improved health care to more Oklahomans for at least another four years.

Another problem is the low pay scale for state employees. Each year, agencies with extra cash on hand do make an effort to boost the salaries of difficult-to-recruit employees. In 2006, some 7,000 employees received more than \$9 million in skill-based pay raises and market adjustments. But that's in the context of workforce salaries that are still unrealistically low overall. Oklahoma does provide employees with good benefits. "It's one of the few areas where we can fully compete with the private sector," says Hank Batty, deputy administrator of personnel. "We have not seen the erosion in benefits that other states have had."

In the past, Oklahoma has provided many of these benefits without any real attention to how they would eventually be paid. The teachers' retirement fund was in particularly bad shape. "Over the past few decades, benefits were increased without matching funds," says Jauna Head, the director of special projects for the Office of State Finance. "It's taken a number of years to get everyone to pay attention to the problem," she adds, "and now we're trying to play catch-up."

But legislators seem to have gotten the message. Recent legislation mandated increased contributions to the system. In 2008, the pension fund will get an extra \$9 million, in 2009, an extra \$48 million and in 2010, \$58 million. "Within 20 to 25 years," says Budget Director Brandy Manek, "these changes will get the teachers' fund to an acceptable 80 percent funding level."

Perhaps the best news of all on this front: In 2006, the legislature passed an "Actuarial Analysis Act," which mandates that any change to employee benefits must be carefully analyzed for its long-term fiscal impact.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	C+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	C-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	C
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●
Population (rank): 3,579,212 (28)	
Average per capita income (rank): \$20,935 (45)	
Total state spending (rank): \$16,882,365,000 (29)	
Spending per capita (rank): \$4,717 (33)	
Governor: Brad Henry (D)	
First elected: 11/2002	
Senate: 48 members: 24 D, 24 R	
Term limits: 12 years (lifetime)	
House: 101 members: 44 D, 57 R	
Term limits: 12 years (lifetime)	

C+ Oregon

Oregon's government does many things well. And it employs an impressive number of talented individuals. Unfortunately for them, all the good intentions in the world can't overcome the state's thoroughly unwieldy fiscal structure, which leaves continual concerns about whether there'll be cash in the bank next year.

Oregon has no sales tax. The vast majority of its revenue comes from personal and corporate income taxes, which are extremely volatile and tied closely to economic ebbs and flows. When fiscal doldrums set in, the state falls faster and farther than most others.

So it's no surprise that Oregon finds it difficult to estimate future revenues, hampering any effort to plan for effective long-term strategies. The state works off a two-year budget, and in the most recent cycle, actual revenues came in \$1.4 billion higher than estimated. That's not the worst problem to have, of course, but it's indicative of the uncertainty the state's leaders continually confront. They know there will be years when the estimate is wrong in the other direction, and that's the scenario they appropriately dread.

Complicating the picture even further for Oregon's budgeters is the fact that they can't use extra cash for pressing needs. By law, most surplus money has to be returned to taxpayers. Among the needs that have gone begging as a result: replacing the state's decrepit psychiatric hospital, which has not undergone a major rehab since it was used as a location for the film "One Flew Over the Cuckoo's Nest" in 1975; modernizing state information technology; or dealing with the general deterioration of infrastructure.

Infrastructure may be the most serious of the neglected categories. In 2006, a state audit concluded that deferred maintenance on state facilities had exceeded \$600 million. "Without a fully implemented statewide process to identify, prioritize and help minimize deferred-maintenance costs," the report concluded, "some high-priority maintenance may not be addressed until a costly and avoidable failure occurs."

Despite its precarious fiscal structure,

Oregon has made several strides forward when it comes to financial management. Executive branch officials and legislators now get the budget in on time, and there is finally a rainy day fund—although with a modest \$300 million in it. The state's lottery has been set up as a permanent revenue stream for schools, and by June 2009, that fund should hold about \$400 million. Pension funds are fully stocked, and benefits for the most part are relatively generous. Workforce morale was shaken several years ago, however, when the state began to move away from the traditional defined-benefit pension structure. "We still have some people who have angst," says Susan Wilson, the state personnel director.

Oregon has improved its ability to analyze the programs in its budget, and this should make a big difference when it confronts nearly inevitable future shortfalls. In the past, says Ken Rocco, the legislature's fiscal officer, "legislators did not know whether to bleed all programs equally, or pick from a list of lower-priority activities. They ended up cutting programs by a fixed percentage across the board."

That is less likely to happen in the future. Agencies now list their top priorities by program, and identify key performance measures to which they are linked, thus allowing more rational, targeted cuts. For the current biennium, cutting wasn't necessary, but the agencies went through the same prioritizing exercise to help legislators better understand what the various departments of state government actually do.

Oregon was a pioneer in the use of performance information, and after spending several years recalibrating its efforts, now has a strategy to move forward. While many states measure outcomes, not all draw clear connections between actions and results. George Naughton, the division administrator for budget and management, says connecting outcomes to operational details is "the next evolutionary step for us."

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money C+

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

People C+

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

Infrastructure C+

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

Information B-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 3,700,758 (27)
Average per capita income (rank): \$24,418 (23)
Total state spending (rank): \$20,070,629,000 (28)
Spending per capita (rank): \$5,423 (20)
Governor: Ted Kulongoski (D)
First elected: 11/2002
Senate: 30 members: 18 D, 10 R, 1 I, 1 Vacant
Term Limits: None
House: 60 members: 31 D, 29 R
Term Limits: None

B- Pennsylvania

Pennsylvania river crossings have been noteworthy since George Washington made his way across the Delaware in 1775. The first President may have been lucky he didn't have to cross a bridge. The Commonwealth's state-owned bridges are in alarmingly bad shape. Last year, the Department of Transportation declared nearly 6,000 of them to be "in critical need of immediate repair"—more such deterioration than in any other state. All told, the bill for fixing this problem of deferred maintenance is estimated at \$11 billion.

It's not that PennDOT hasn't been trying. Actually, it has sought to make bridge maintenance a priority for some time. More than four-fifths of the annual transportation budget goes toward maintenance, and the state more than doubled its funding for bridge repairs between 2002 and 2006. But that hasn't been nearly enough. The state needs alternate funding sources to underwrite necessary transportation improvements, which include another \$3 billion in backlogged road repairs.

For a while last year, it appeared that the solution was going to be a deal to raise money by leasing the Pennsylvania Turnpike to private investors. Instead, the state settled on a partnership between the DOT and the Pennsylvania Turnpike Commission. The agreement, which will increase tolls on the Turnpike and initiate them on another major state highway, will help bankroll improvements not only to roads and bridges but also to the state's perennially strapped mass transit system.

Unfortunately, Pennsylvania hasn't exhibited a similar tenacity when it comes to the rest of its assets. But it's starting to move in that direction. The Department of General Services has spent the past year conducting condition assessments of state buildings and developing a complementary computer system. More than just a condition-assessment database, it tracks the cost of work done to each building, including labor and materials costs. The robust system should help the department write 20-year life-cycle plans for each building.

Information about many of the state's programs tends to be plentiful and of rela-

tively high quality. The budget office, which is committed to easily verified measures of work done in state agencies, has moved them toward more complex and more useful information that concentrates on the way that work influences real results. The budget office is kept informed through quarterly performance reports, and the state rolled the data into its first statewide performance report, which it published in January. Additionally, several independent offices produce strong performance audits and evaluations.

The availability of information doesn't always lead to its use, though. Legislators don't regularly apply the performance data to their budget deliberations, for example. What's more, budget debates can be lengthy, heated and—worst of all—unproductive. Last year, a stalemate between the governor and the legislature led to a brief government shutdown.

Labor contracts negotiated in 2003 and 2007 included changes to retiree benefits. Eager to hold on to the provisions in prior contracts, thousands of retirement-eligible workers put in their papers. James Honchar, deputy secretary for human resources, estimates that the state lost about 10,000 employees in the two rounds of departures. Some of the retirees cleared out with little notice or preparation. "We had individuals who walked out the door with 30 to 35 years of institutional knowledge," Honchar says.

The fact that mass retirements hit the state twice in one decade increases the importance of efforts by the central human resources office to encourage agencies to develop succession plans and ways to transfer knowledge among employees.

Those efforts could be bolstered by more training opportunities. Pennsylvania spends less per employee on training than it did three years ago, and leadership development is limited to its Women in Government Institute. Human resources officials say they're considering a statewide leadership academy—a good idea, because male employees would likely welcome development, too.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B

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

People C+

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

Infrastructure B-

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

Information B

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 12,440,621 (6)

Average per capita income (rank): \$24,694 (21)

Total state spending (rank): \$64,917,023,000 (6)

Spending per capita (rank): \$5,218 (27)

Governor: Edward G. Rendell (D)

First elected: 11/2002

Senate: 50 members: 21 D, 29 R

Term Limits: None

House: 203 members: 102 D, 101 R

Term Limits: None

C- Rhode Island

Auditors haven't issued Rhode Island's financial reports a clean bill of health in more than 30 years. You don't need a formal audit, however, to know that the state's finances are in shaky condition. Long-standing fiscal problems persist, and the situation seems to be getting worse—or at least that's what Rhode Island's bond ratings suggest. Dependence on one-time revenues to balance ongoing expenditures has led one official in the budget office to lament that the budget requires “solving in a painful way every year and then coming back and doing it all over again.”

A last-minute securitization of tobacco-settlement funds plugged \$124 million into the budget hole for fiscal 2008. But 2009 now looks to be about \$380 million light; that's approximately 12 percent of state revenues. Rhode Island is accustomed to trimming—a

Consolidation of building management is a bright spot, but inadequate funding stifles upkeep.

Fiscal Fitness initiative has cut \$275 million since its 2004 inception—but the state may finally have reached the realization that wholesale restructuring is in order. It is hard to imagine where more areas could be found to cut. The Department of Children, Youth and Families has lost three human resources management positions without replacing them. There is one maintenance worker for every 75 state bridges, which Namvar Moghadam, the administrator for highway and bridge maintenance, admits “isn't a whole lot.”

At the same time, there are issues over the use of contract workers to keep staffing levels down. An \$11 million-a-year no-bid contract for temporary staff services created a battle in the legislature in 2007 and highlighted just how difficult workforce choices will be in heavily unionized Rhode Island. In this case, the state paid a salary premium of more than 22 percent to a staffing company rather than take on full-time employees with expensive health benefits and pensions.

Moreover, without state or agency strate-

gic plans—much less workforce planning—it will be difficult to link personnel reductions to management goals. In order to set things right, the state will need better human-capital planning than it currently has.

The state has performance measures but they do not drive budgeting or management decisions. Technology should be helping the state get a handle on expenditures but it usually doesn't. Rhode Island tried to create an integrated financial information system in 2002. Because of a lack of resources, however, it was never fully implemented. Several modules of a new enterprise system were launched in 2006, giving managers a better handle on financial data. But until the personnel and payroll modules come on line, the state still will need to periodically reconcile files from the old mainframe—a chore that in some cases requires one office to fill out a form using a typewriter and send it to another office for entry.

One bright spot in Rhode Island has been the consolidation of building management. Agencies dedicated to capital projects and facilities management now coordinate buildings statewide, a leap forward in a state that until recently didn't even have a complete inventory of fixed assets. Unfortunately, inadequate funding stifles necessary upkeep; most facilities are well past their life expectancy by the time the state comes up with money for repairs or replacement. The same holds true for transportation infrastructure: One-fifth of Rhode Island's National Highway System bridges are structurally deficient, by far the highest proportion in the nation.

Amid all its cuts, the state has added at least one important position, filling the directorship of the new Department of Revenue—a long-overdue position in a high-tax state with numerous tax expenditures. An Office of Tax Research and Analysis, now housed within the Department of Revenue, had been created in 2005, but hasn't been fully utilized until now—a situation emblematic of Rhode Island's all-too-frequent hand-to-mouth approach to the future.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Category	Grade
Money	D+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	D
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	C+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	C
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 1,067,610 (43)
Average per capita income (rank): \$25,937 (17)
Total state spending (rank): \$6,955,860,000 (42)
Spending per capita (rank): \$6,515 (8)
Governor: Don Carcieri (R)
First elected: 11/2002
Senate: 38 members: 33 D, 5 R
Term Limits: None
House: 75 members: 61 D, 13 R, 1 Vacant
Term Limits: None

B- South Carolina

The first thing to know about South Carolina government is that the governor can't do much without the legislature's cooperation; he doesn't even have direct control over many of the executive agencies. The second thing to know is that, especially in recent years, the governor, House and Senate have disagreed about virtually everything. The Budget & Control Board—the state government's administrative policy-setting body—has been mired in a morass of disputes involving its five leading players: the governor, the treasurer, the comptroller, and the chairs of the House and Senate money committees. Off-changing alliances and misalliances inevitably determine state policy.

Take the Department of Transportation. A battle among the House, Senate and governor for control of the woefully underfunded DOT forced the 2007 legislature to hold a special session. All sides wanted reform—an audit of the department had revealed poor contract and financial management. But no decision was ever made. In fact, the result of the session was a hapless arrangement that created a new position, appointed by the governor, to reform the department, but left the legislatively appointed commission to select projects. The combination, as one DOT employee puts it, hangs a sword of Damocles over the department. Much-needed maintenance money for dilapidated highways will have to wait until some future date when the state stops treating the DOT like a political football.

Where politics isn't in the way, South Carolina does many things right. The Office of Human Resources provides sound human-capital planning, girded by technological tools such as e-recruitment and e-learning; director Sam Wilkins' weekly podcasts serve human resources staff at the various agencies an easily digestible bite of state and national issues affecting HR policies.

Even though the state is cash-strapped, it offers incentives to high-performing employees. For example, the Department of Natural Resources rewards groups that complete difficult tasks with exhilarating

temporary missions, such as alligator-capture trips. Unfortunately, even such smart assistance cannot compensate for the problems in more challenged agencies—between voluntary departures and terminations, the Department of Corrections retains only 20 percent of its new hires after the first year.

On the information-technology front, South Carolina implemented the first wave of a new enterprise resource planning system successfully. A challenge for any state, the ERP was doubly difficult for South Carolina because the state made the tough decision to switch consultant-contractors midway through the \$62 million project. The chief information officer and comptroller risked failure in order to get the job done right, but close oversight by a committee of 19 different agency stakeholders and a dedicated team of state employees has seen the adjustment through without a stumble.

South Carolina government is generally quite good at producing information; it's not always so good at using it. Each year, a Capital Budgeting Unit reviews every capital-improvement request from state agencies, evaluates them according to 15 criteria ranging from safety concerns to funding availability—and then places the evaluations in a file cabinet. Ostensibly they are to be employed later to prioritize the state's building plans, but most of the time they aren't employed at all. Neither the budget office nor the legislature asks for the scores, and so they are an exercise in wasted time, effort and data.

This is unfortunate in a state that produces a great deal of worthwhile cost and performance information, including accountability reports that review agency objectives and results, and forward-looking activity inventories that link agency goals to the budget. Some of these numbers aid in decision making, but too many are forgotten once they run into the twin meat-grinders of bureaucracy and politics as usual.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	A-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	C-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 4,321,249 (24)
Average per capita income (rank): \$21,875 (39)
Total state spending (rank): \$23,430,743,000 (23)
Spending per capita (rank): \$5,422 (21)
Governor: Mark Sanford (R)
First elected: 11/2002
Senate: 46 members: 19 D, 27 R
Term Limits: None
House: 124 members: 51 D, 73 R
Term Limits: None

C+ South Dakota

South Dakota has never shown much interest in long-term planning or performance measurement. Quite a few other states are in a similar boat, but many of them make up for it, at least in part, by using specialized agencies or departments to do performance audits and evaluations. This effort is non-existent in South Dakota and has little chance of developing.

Leaders here don't think this is much of a problem. They argue that this small rural state doesn't need the same kind of management expertise that bigger states do. "It's easier to feel the pulse" of programs and the staff that run them in South

With rising materials costs, the backlog in maintenance and construction isn't likely to decline anytime soon.

Dakota, says Auditor General Martin Guindon. He adds that the kind of expertise necessary to do top-flight performance auditing just can't be found in South Dakota's tiny capital, Pierre. The fact is, though, that several small states do manage to practice solid performance measurement, and there's a case to be made that even the smallest can benefit from at least a modicum of introspection.

Still, it's undeniably true that many of South Dakota's governmental functions run smoothly. That's certainly the case when it comes to finance. The state has one of the best-funded pension systems in the country, maintains low debt loads and has a budget comfortably in structural balance. With one of the broadest sales taxes in the country—one that includes many services—and a heavy inflow of federal dollars for agriculture, the revenue base is extremely strong. "We don't have the huge bumps up or down when income tax is hot or when the economy goes in the can," says James Fry, director of the Legislative Research Council.

Given that kind of stability, it might seem that the state wouldn't need a large

reserve fund. But it has one. South Dakota has nearly \$1 billion in the bank to back up a total budget of only \$3.5 billion. According to Fred Schoenfeld, chief fiscal analyst for the Legislative Research Council, that cushion isn't intended for temporary downturns, as in many other states. Rather, it's for major emergencies, such as natural disasters.

Of course, like all states, South Dakota does run into financial trouble now and then. In fiscal 2007, the federal government blew an \$11 million hole in the budget by requiring the state to boost the portion of Medicaid payments it had to make. "That's a big number for South Dakota," says Fry.

South Dakota also is taking steps to improve its procurement practices. It's instituted a new e-procurement system, complete with an online catalog, which saves the state and its vendors money and time. "We hope to pretty much eliminate paper from the process," says Jeff Holden, director of the Office of Procurement Management.

If there's one area that cries out for long-term planning, it's transportation. Although the state has an efficient system to track routine maintenance needs, most of its interstate highways were built in the 1960s and need new pavement. The state has \$756 million in deferred-maintenance and construction needs. With rising construction costs tightening the transportation department's budget, the maintenance-and-construction backlog isn't likely to decline anytime soon.

Another bill that may be coming due has to do with the schools. A 2006 lawsuit brought by a coalition of parents in 59 school districts charged that the state's education system was underfunded. South Dakota teachers are the lowest-paid in the nation.

"If we get whacked with a major judgment" in the school case, Fry concedes, it might cause the state to rethink the way it uses its reserve funds. And that's why even some South Dakotans now think that it's time for long-range planning.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Category	Grade
Money	B+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	C+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	B
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	D+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●
Population (rank): 781,919 (46)	
Average per capita income (rank): \$22,066 (38)	
Total state spending (rank): \$3,465,272,000 (50)	
Spending per capita (rank): \$4,432 (38)	
Governor: Mike Rounds (R)	
First elected: 11/2002	
Senate: 35 members: 15 D, 20 R	
Term limits: 8 years (consecutive)	
House: 70 members: 20 D, 50 R	
Term limits: 8 years (consecutive)	

B- Tennessee

For more than half a century, Tennessee’s legislative and executive branches have given the state’s Comptroller of the Treasury a growing range of tasks that they didn’t have faith in each other to handle. These duties extended well beyond the normal reach of that office. In particular, they empowered a man named William Snodgrass, who held the position for 44 years before retiring in 1999. “They trusted him to help bring order out of the chaos,” Comptroller John Morgan says of his predecessor.

As it turns out, this was quite a smart move. Despite a heavy workload that includes property assessment, debt management and policy analysis, the Tennessee

Tennessee’s antiquated hiring process can be painful for managers.

comptroller’s office manages to do a better job of both performance auditing and financial reporting than can be found in almost any other state. The office generates consistently clean and timely reports, and monitors federal grants with meticulous care. And at least once every eight years, it performs a “sunset review” of every agency, board and commission to help determine whether the body should be abolished, restructured or continued.

The one function William Snodgrass always wanted to take on, but was unable to, is centralized statewide planning. Program operations are highly fragmented. When the state wants to deal with issues of the elderly, for example, the lack of a central planning office prevents a clear look across agency lines to leverage the various efforts on which money is being spent.

There used to be a planning office—created decades ago in order to draw down federal funds—but it went out of favor, and then out of existence. Now, the state is trying to establish some planning capacity with an entity called the Office of Consulting Services. But skeptics doubt that this will be enough to transform a deeply segmented culture.

Agencies do submit five-year strategic plans with their annual budget requests, and these are sent on to the legislature. This is a good idea, but the legislators rarely pay much attention to the plans or the performance metrics they include. Part of the problem is that the measures themselves aren’t always useful. Many of the numbers don’t relate to actual results. “The challenge here is finding performance measures that are truly summarizing and meaningful,” says Finance & Administration Commissioner Dave Goetz.

Tennessee’s consumption-based revenue structure grows at a slower rate than the rest of the economy, forcing painful tax increases more frequently than would be necessary with a more balanced system. Still, the state does try to take a long view when it comes to managing finances. An independent fiscal-review committee projects the budgetary impact of new legislation. Newly enacted bills are required to contain at least a year’s funding in order to become law. And the state’s pension system is among the best funded in the country.

When it comes to managing human capital, the picture isn’t so pretty. Tennessee’s personnel process still operates on an antiquated register system that agency managers find painful to use. They’re required by statute to hire from among the top five people who say they’re interested in a position, leaving little incentive to invest in recruiting strategies. “You spend a lot of time trying to recruit people and then you can’t hire them anyway,” complains William Haynes, human resources director in the Department of Children’s Services.

Tennessee’s personnel system also has been plagued by hiring delays, created mainly by the large number of applicants flowing through the central HR office. It takes 15 to 21 days just to certify the applicants and get them on the registers. But an online application process is beginning to speed up hiring. Instead of accepting applications for all jobs at all times, the state now restricts continuous recruitment to a limited number of key classifications.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

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

Infrastructure	B
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	B
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 6,038,803 (17)
Average per capita income (rank): \$22,074 (37)
Total state spending (rank): \$23,967,779,000 (22)
Spending per capita (rank): \$3,969 (48)
Governor: Phil Bredesen (D)
First elected: 11/2002
Senate: 33 members: 16 D, 16 R, 1 I
Term Limits: None
House: 99 members: 53 D, 46 R
Term Limits: None

B+ Texas

Texas has a long history of effective performance-based management, but a few years ago, that tradition seemed to be in jeopardy. Governor Rick Perry had clearly demonstrated his distaste for performance budgeting, and turnover in the House and Senate had meant the loss of many legislative champions of the effort.

But in a state where the governor has relatively little formal power, established management practices proved stronger than the governor's skepticism. There are numerous examples of this—a vivid one has to do with the recent decision to shift money away from building more prisons and spend more of it on rehabilitative programs for inmates.

As last year's budget deliberations began, Texas was looking at a 17,000-bed shortage of prison space over the next five years. To deal with that problem, the Department of Criminal Justice submitted a \$520 million proposal for three new prisons, as well as

Texas' budget process leaves legislators with the tools they need to focus on performance.

modest support for drug treatment in order to cut down on recidivism.

But the legislature, bolstered by a report from the Sunset Advisory Commission—a legislative entity that assesses the effectiveness and efficiency of Texas' agencies—crafted an alternative plan to invest more funds in programs with a track record of reducing recidivism. This biennium, those efforts are getting \$240 million. Current projections for prison population show zero growth over the next five years.

Is this kind of work now part of the state's permanent governmental culture—impervious to changes in leadership? That's hard to know. But the state's budget process leaves legislators with the tools they need to focus on performance. Five-year strategic plans for each agency—goals, objectives, strategies, performance measures

and workforce plans—are made available to all legislators during the session. Reliable, audited performance measures and targets for future performance also are attached to all appropriations requests.

The budget always passes on time, despite the short, 140-day legislative sessions once every two years. The state's conservative revenue-estimating processes have resulted in sizable surpluses in recent years, although a 2006 decision to pick up more of the tab for school finance is putting considerable strain on the state's general fund. Texas will get a better sense of its fiscal outlook this spring, when receipts from a new business tax—expected to bring in \$3 billion more than the tax it replaced—will come in for the first time.

The Texas Department of Transportation is strapped for cash, but has demonstrated a commitment to maintaining the condition of its existing assets even when it's meant putting off more glamorous projects. The executive director of the department, Amadeo Saenz, has increased its focus on strategic planning and performance management. He also has begun talking frankly to employees about his vision for the agency in periodic video messages posted on the TxDOT intranet.

This is an important time for the agency to communicate its message to the general public, because there is widespread unease in the state about toll roads and joint public-private highway financing mechanisms. The Trans-Texas Corridor is especially controversial. It's a north-south super-highway that's being planned to incorporate truck lanes and rail lines. The public got the impression that TxDOT had made up its mind about what to build and where to build it, and was allowing input only as a formality during hearings. "That really gave us a black eye," admits Saenz. Now, TxDOT finally is allowing Texans to engage it in a conversation about the project, with a set of informal town hall meetings that kicked off in January.

For additional data and analysis, go to: pewcenteronthestates.org/gpp

Money B

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

People B

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

Infrastructure B

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

Information A-

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 23,507,783 (2)

Average per capita income (rank): \$22,501 (36)

Total state spending (rank): \$85,513,928,000 (3)

Spending per capita (rank): \$3,638 (50)

Governor: Rick Perry (R)

Took office: 12/2000

Senate: 31 members: 11 D, 20 R

Term Limits: None

House: 150 members: 71 D, 79 R

Term Limits: None

A- Utah

When John Nixon talks to audiences around the state of Utah, he says things such as, “Thank you for investing in my organization.” That wouldn’t be remarkable if he were a venture capitalist or a corporate CEO. What makes it notable is that he happens to be the director of the Governor’s Office of Planning and Budget. But that’s how public managers often talk in Utah: They act as if they have hundreds of thousands of cheerleaders all the way from Salt Lake City to Blanding, people who really would want to invest in something as mundane as a budget office.

Then again, there’s a lot to cheer about. Utah manages itself with savvy business acumen. Financial decisions are made wisely, with an eye toward return on investment and long-term performance in all facets of state government. True, it may be somewhat easier to manage in a state that is overwhelmingly controlled by one party, as Utah is by the Republicans. But the level of coordination between the governor’s office

Utah knows its maintenance needs—and budgets for them.

and the legislature goes beyond party loyalty. The two branches are tied into the same financial system, for example. Both can track state expenditures in real time. This doesn’t mean the branches always agree. But when they disagree, they’re using the same well-researched, carefully organized data.

Perhaps because they share information well, Utah’s decision makers can take some pretty decisive measures. Utah began calculating the long-term liability for its employees’ post-retirement health care—and putting money aside for it—at a time when other states were still blithely ignoring the growing bill. Similarly, when confronted with the challenges of a booming population and growing transportation needs, Utah authorized bonding \$1 billion for a Critical Highway Needs Fund.

Strong information-sharing would be fruitless if it didn’t lead to better implemen-

tation of services. Staffs from the human resources and technology departments are embedded in each state agency, helping to link resource support to agency goals and align the incentives for all stakeholders. Chief Information Officer J. Stephen Fletcher likes to make the point that his agency can’t really be considered successful unless all the agencies are successful.

The integrated Utah management system is not only good at helping the departments do their work—it’s good at spotting problems and dealing with them. Recently, a performance audit turned up hints of favoritism among managers in the Department of Corrections. That wasn’t good news, but it showed that Utah had the tools in place to uncover the situation. In many states, the top executive leadership wouldn’t even have known the problem existed.

Similarly, Utah has a good idea of what its infrastructure requires in the way of maintenance. And unlike most states, Utah actually budgets for it each year, to the tune of 1.1 percent of the total replacement value of state-owned buildings. Still, the dollars are short. Last year, Utah stopped tracking deferred maintenance on non-essential building decorations such as fresh paint and carpets—the list of big-ticket needs had become so long that it no longer made sense to tabulate the rest.

There are a few challenges on the personnel front. A hot economy has led to a “war for talent,” says Jeff Herring, the human resources director. The state takes this battle seriously, offering its new employees good benefits as well as discretionary bonuses and raises as rewards for accomplishment. The reorganized Department of Human Resources Management hopes to improve the connection between individual and agency goals via a new individual Utah Performance Management evaluation process. They’ll need to do this—and to evaluate every employee on a more regular basis—if they hope to take full advantage of the young talent willing to undertake careers in state government.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	A
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	B+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	A
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	A
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 2,550,063 (34)
Average per capita income (rank): \$21,016 (43)
Total state spending (rank): \$12,044,631,000 (35)
Spending per capita (rank): \$4,723 (32)
Governor: Jon Huntsman Jr. (R)
First elected: 11/2004
Senate: 29 members: 8 D, 21 R
Term Limits: None
House: 75 members: 20 D, 55 R
Term Limits: None

B- Vermont

Vermont is a national leader in handling small discrete issues and huge global ones. It's one of a handful of states, for example, that takes enough interest in foster children to deal with the problems they have getting driver's licenses (they often move too frequently to complete driver's ed). While it is coping humanely with this and similar small-scale challenges, the state government is focused intensely on the mega-issue of climate change and what to do about it.

It's in that in-between territory that the

Vermont does many good deeds, but often without the benefit of using 21st-century information technology.

state tends to fall short. The present health-coverage crunch is typical. Vermont's aggressive Catamount health plan uses Medicaid dollars to cover people with incomes three times higher than the poverty rate—well above the federal reimbursement limit. A laudable goal? Perhaps. But without federal dollars covering that gap, Vermont's budget has a \$22 million Medicaid shortfall to deal with next year.

Medicaid is competing with a host of other outstretched hands. In order to fund benefit obligations to its retired employees, for instance, the state will have to double the \$25 million it currently puts into pensions. And expenditures for education and corrections are growing faster than revenues. Can taxes be raised? Unlikely. Vermont already has one of the highest per capita tax structures in the nation.

Solutions aren't going to appear overnight. Unfortunately, the state is short on formal long-range strategic thinking. "Vermont is handicapped because it doesn't have a planning tool," says Lisa Ventriss, president of the Vermont Business Roundtable. Exacerbating the situation is the fact that biennial elections tend to push leaders to a short-term horizon. This plight used to be compounded by union negotiations that coincided with election

years. But at least that problem has been eased this year by alternating the two cycles.

A state that's well-enough managed to consider the problems of its foster children ought to be able to develop a strategic plan focusing on five- to 10-year outcomes. A couple of years back, it looked like progress was being made on this front when Vermont leaders kicked off their so-called Strategic Enterprise Initiative. But even though each agency drew up goals, these were never compiled into a state plan, and most of the agency goals have been tabled or delayed. The original initiative has been pared down to the smaller goal of reducing the state workforce by 400 employees over the next two years. But the state shows little evidence that it has a plan even for accomplishing this.

Vermont maintains its buildings, roads and bridges as well as any state, but even the infrastructure management is tainted by an inability to plan. Most years, agency budget requests are simply rolled into a capital-plan master list. This year, the manager who usually compiles the list was temporarily reassigned to a different department and no master list was compiled at all. The dearth of talent at the top means that planning in one area requires a game of musical chairs in another.

The rub is that Vermont's poor planning puts kinks in the things it does well—especially when it comes to information technology. The "Screen Door" online service-eligibility portal is a one-stop shop for citizens trying to determine what form of state assistance best suits them. It looks elegant to outsiders, but old mainframes support the back end. And for all the good things Vermont does in child welfare, it does them without the benefit of 21st-century technology. The old information system for youth services is obsolete. When a parent has children with more than one partner, for example, the system requires a workaround to connect the children to the parents, making it that much harder for case workers to craft solutions for those who need the help.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	B-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	C+
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	B+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C-
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 623,908 (49)
Average per capita income (rank): \$25,016 (19)
Total state spending (rank): \$4,647,719,000 (47)
Spending per capita (rank): \$7,449 (4)
Governor: James Douglas (R)
First elected: 11/2002
Senate: 30 members: 23 D, 7 R
Term Limits: None
House: 150 members: 93 D, 49 R, 8 I
Term Limits: None

A- Virginia

The trick to making performance measurement work is to avoid the temptation to convert it into simple formulas. Managing a state is just too complicated to yield to one-size-fits-all equations.

And that's what makes Virginia's efforts in this field so impressive: The state avoids formulas and focuses on the harder work of asking why goals and targets aren't being met, then seeks to address the underlying problems. Virginia Performs, the state's performance-accountability system, tracks measurable societal outcomes as well as the agency goals and management benchmarks that will help achieve them.

Firm knowledge of what works and what doesn't makes a difference with budget offi-

Virginia has a good handle on what works and what doesn't.

cers and agency managers—especially when they face reductions in revenue such as the \$980 million shortfall Virginia confronts in 2008. Good performance data can make otherwise clumsy cuts more precise and ensure that reductions don't frustrate state goals.

Virginia proves that tracking data—and holding employees accountable for outcomes—can work wondrous efficiencies. Five years ago, a mere 27 percent of Department of Transportation projects were completed on time. Thanks to the VDOT Dashboard, which tracks performance outcomes in seven key areas of transportation management, including construction, 87 percent of projects now come in on time.

Virginia Performs and the VDOT Dashboard aren't the state's only all-access information repositories. Commonwealth Datapoint displays complete financial figures and demographic statistics for the entire state, detailing where every penny came from, where it was spent and how much each locale gets back from Richmond. The state's eVA procurement system is another big cost-saver. In fact, eVA is the first state procurement system anywhere that integrates with that of the federal General Ser-

vices Administration, allowing Virginia to easily access federal contract discounts.

Virginia's information technology isn't perfect. Its financial information system, for example, isn't "functionally rich," according to Comptroller David Von Moll. But lacking the money to buy a new system, the state experimented in order to upgrade. A partnership with Northrop Grumman provided an infusion of expertise and cash to replace the system without raising the overall IT budget.

In a state blessed with such abundant data and careful planning, Virginia's infrastructure management is playing catch-up. The governor and legislature currently are negotiating formal prioritization criteria that would guide the capital budget agenda. Whatever criteria they choose, an improved assessment of the state's maintenance needs will help the planning process. A 2005 report from a task force on deferred maintenance led to the implementation of a Facility Inventory and Condition Assessment System, which still is gathering information on more than 10,000 state buildings. It would be better to have regular full assessments of all state buildings—until this happens, the state won't fully know the extent of its deferred maintenance.

Virginia has worked hard to improve its long-term fiscal outlook over the past few years. It has enhanced tax administration and compliance activities to speed the receipt of tax revenue, with good results. It has made payments and even prepayments into its mandatory Revenue Stabilization Fund in order to have contingency funds in periods of fiscal decline.

Still, the state has to scramble relentlessly to attain structural balance. Virginia is constantly tweaking its revenue code—it has made tax changes in 15 of the past 20 years. Many of the adjustments have been made in an attempt to undo the lasting budget effects of a poorly planned car-tax repeal and other tax cuts that were made just prior to the 2001-02 recession. Virginia needs to continue working on a thoughtful plan to maintain structural balance in the future.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	A-
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●
People	A
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●
Infrastructure	B+
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●
Information	A
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●
Population (rank): 7,642,884 (12)	
Average per capita income (rank): \$29,899 (5)	
Total state spending (rank): \$34,776,228,000 (13)	
Spending per capita (rank): \$4,550 (36)	
Governor: Tim Kaine (D)	
First elected: 11/2005	
Senate: 40 members: 21 D, 19 R	
Term Limits: None	
House: 100 members: 44 D, 54 R, 2 I	
Term Limits: None	

A- Washington

Washington has been a consistent leader in results-based governance. It was ahead of nearly all other states in controlling spending by keeping track of where investments were and were not paying off.

Under Governor Christine Gregoire, Washington's government has, if anything, moved further ahead on this front. Upon taking office, Gregoire instituted a Government Management Accountability and Performance program, or GMAP, which emphasizes periodic public forums during which key players on particular issues come together to problem-solve and report results to the governor and her leadership team. Participants walk away with well-formulated plans, due dates—and often commitments from the governor in exchange for vows for tangible improvements.

All of this has been helpful to Gregoire in negotiating with the legislature over major programs. "Everyone's got pent-up demand," says Wolfgang Opitz, deputy director of the Office of Financial Management, "but she's able to go to the legislature and say 'Here's the payoff in clear terms.'" Meanwhile, the governor and other key staff are communicating results to the citizens in a more complete way than has been the case in the past. The effort includes a regular schedule of town hall meetings and workshops that take place all over the state.

The GMAP mentality has filtered throughout the bureaucracy and is being put to good internal use by many agencies. Offices such as the Department of Personnel are adapting the concept to meet their particular challenges. Statewide monitoring of human resources indicators, including time-to-hire and turnover, is being used to make the state more competitive as an employer in a tight labor market. "Having that tool has been tremendous for me to look across the board at where we are as an employer," says Eva Santos, director of the Department of Personnel.

In a six-month period, aggressive statewide tracking of performance appraisals helped realize a 20 percent increase in the number of employees with up-to-date evaluations. Many agencies used the data to identify and root out sick-leave abuse. And

agencies that demonstrate a high level of competency in managing employee performance now are allowed to use this information when making decisions about compensation or layoffs. The rigorous Human Resources Management Confirmation Process ensures that managers take employee performance issues seriously before linking them to rewards.

Bottom line: No state in the nation is better at developing and sharing information than Washington. That doesn't mean it isn't trying to expand its definition of excellence. A case in point is that the governor is pushing for more easily accessible financial data. "Even if I can figure out the right question to ask, I am all too often having them scramble to manually construct the data," she says.

Why? The state's financial information system has some flaws. It doesn't allow for activity-based accounting or costing, and in areas where relatively sophisticated data are available, that data can't always be shared seamlessly across the enterprise because of the decentralized approach the state takes to IT management. The state is slowly addressing these issues as it works toward replacing its remaining legacy computer systems, but any additional speed in this effort would be a boon. "If the accounting data were there, I could get them analyzing instead of compiling and dissecting," says Opitz.

One financial challenge was addressed in 2007 when the legislature approved a constitutionally based rainy day fund for the first time in the state's history. The fund only mandates that 1 percent of general fund revenues will be set aside—a relatively small amount. But it's still a significant step, because despite an exemplary revenue-estimating process, Washington continues to face challenges matching revenues and expenditures. The two-thirds majority required in the legislature to increase taxes has made it difficult for state leaders to raise the funds necessary for balance at times when revenue dips.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money A-

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

People A-

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

Infrastructure B+

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

Information A

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 6,395,798 (14)
Average per capita income (rank): \$27,346 (10)
Total state spending (rank): \$33,914,746,000 (14)
Spending per capita (rank): \$5,303 (24)
Governor: Christine Gregoire (D)
First elected: 11/2004
Senate: 49 members: 32 D, 17 R
Term Limits: None
House: 98 members: 63 D, 35 R
Term Limits: None

C+ West Virginia

Skeptics have long labeled West Virginia as a governmental lost cause. The coal industry has been in decline for decades—especially when it comes to providing jobs—and while the economy suffered, a long series of state administrations saddled the treasury with budget-busting pension bills. These have had an obvious constituency: The number of West Virginia residents aged 75 and over has exploded in the past 30 years, at a time when the state’s birth rate was the lowest in the nation.

No one is predicting a full-scale economic renaissance for West Virginia anytime soon. But there’s some reason to be hopeful. Coal prices have doubled since 2003, and largely

West Virginia has never done much in the way of long-range planning.

as a result of this, the state saw double-digit growth in revenues for fiscal 2005 and 2006. What’s especially encouraging is that the state didn’t blow this extra cash on pork-barrel extravagance. One of the first things it did was to address its pension woes.

The Teachers Retirement System was by far the worst problem. Many years of inadequate funding had left it with an unfunded liability of nearly \$5 billion. “Teachers were getting out of teaching because they were unsure of retirement,” says state Budget Director Mike McKown. But since the pension’s low point in 2005, the state has been pouring money into the system, including \$673 million this year. That doesn’t mean that TRS isn’t still a big problem. The state will need to spend about \$289 million per year until 2034 just to fund teacher retirement.

West Virginia also is gradually moving back from the brink in workers’ compensation. For years, the state-run and state-owned system deteriorated, and it reached near-bankruptcy by 2003. Two years ago, however, West Virginia turned to a private insurance company to operate the system. At the same time, it dedicated a severance tax worth more than \$90 million each year to workers’ compensation. West Virginia

still has about \$2 billion in unfunded workers’ comp liabilities, but by 2016, McKown insists, “this debt will be retired.”

While pensions and workers’ comp represent clear areas of progress, many of the state’s long-standing management problems remain. West Virginia has never done much long-range planning and needs to begin addressing this. In the coming years, agencies are going to be hit with a huge number of retirements, but little work has been done toward evolving a strategy to cope with the departures.

The failure to plan applies equally to transportation. The Department of Transportation gets no money from the state’s general revenue fund; it is funded largely by a state fuel tax. A small increase in that tax several years ago contained a sunset provision, and the DOT has had to fight just to get it renewed.

The state’s roads and bridges have been so badly neglected that transportation officials don’t even try very hard to put a dollar figure on maintenance needs. “We’re not going to get the dollars,” says Alice Taylor, the DOT’s budget director, “so why spend precious staff time on calculating deferred maintenance?”

Even in this field, however there are small signs of improvement. This year, West Virginia will activate a new pavement-management system, and it is in the process of hiring a contractor to begin collecting data on the many thousands of miles of highways. (West Virginia, unlike most states, has responsibility for all of its roads, save city streets.) Officials say it should be ready to go by this spring, and then the department at least will have information at its disposal on such details as the number of cracks or potholes in a given mile.

One last piece of good news: The state’s energy-fueled economic gains haven’t induced any misplaced euphoria among its leaders. They point out that the price of coal in futures markets has been sinking. To help prepare, they have stocked their rainy day fund at 15 percent of average general fund revenues, making it one of the strongest in the nation.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B

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

People C

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

Infrastructure C-

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

Information C

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 1,818,470 (37)

Average per capita income (rank): \$19,417 (49)

Total state spending (rank): \$9,791,417,000 (37)

Spending per capita (rank): \$5,384 (23)

Governor: Joe Manchin III (D)

First elected: 11/2004

Senate: 34 members: 23 D, 11 R

Term Limits: None

House: 100 members: 72 D, 28 R

Term Limits: None

B- Wisconsin

This isn't a fun time to be a state employee in Wisconsin. Hiring freezes, ongoing budget disputes and a lagging pay scale help explain why Wisconsin has the second-highest turnover rate in the country for veteran employees. The personnel situation even sounds a little Kafkaesque when you hear the story of Georgia Thompson.

A well-respected state procurement supervisor protected by civil-service rules, she was briefly jailed in 2006 in a politically motivated prosecution. An appellate court threw the case out in an afternoon, but the episode didn't do much to help overall employee morale. "Every single person in the state's civil service is saying, 'There but for the grace of God go I,'" says Mordecai Lee, a professor of governmental affairs at the University of Wisconsin-Milwaukee. "Somebody somewhere is going to distort the decisions that I make and I'm going to be in the same position as her."

While Governor Jim Doyle's Accountability, Consolidation and Efficiency Initiative has led to some improvements in the state's contracting processes, this, too, has been a source of considerable tension for state employees. "The state is contracting out for all sorts of things without monitoring them sufficiently," complains one recent high-level Department of Revenue retiree. "The state was willing to spend money on outside 'experts' but wouldn't spend the money necessary to retain the qualified personnel needed to run its agencies and programs."

Intricate cost-benefit analyses are now required before contracting out for state activities, but agency managers complain that their inability to hire additional personnel makes the difficult-to-produce findings irrelevant. Last year's hiring freeze meant that for a period of time one of the state's largest agencies, the Department of Health and Family Services, was lacking a procurement chief. Turnover in the Department of Corrections, another of the state's largest customers for goods and services, has led to the loss of its delegated purchasing authority—and the flexibility that came with it. Now, just about everything the Corrections Department buys must be cleared by the state's central purchasing office.

The irony is that Wisconsin is widely acknowledged to have a high-quality workforce. Its challenge will be to iron out some of the current problems before too much lasting damage takes place.

Wisconsin has been struggling with a structural budget deficit for years—the state ended fiscal 2007 with a \$2.44 billion general-fund deficit. On the other hand, the state's handling of infrastructure is getting better. Although Wisconsin's backlog for general infrastructure maintenance is \$1.2 billion, a pretty big number, the state has been spending a growing amount on it each year—enough to keep the figure from getting any larger. The backlog for roads and bridges is now down to \$69 million. Both the Department of Transportation and the Department of Administration seem to have a solid grasp of their needs, aided by sophisticated asset-management computer systems.

Unfortunately, this kind of planning for the future hasn't been commonplace in most other facets of management. Some agencies engage in efforts at strategic planning but the central government hasn't joined the party. "Policy making by crossing their fingers is the best way to explain what long-term planning means in Wisconsin," says Professor Lee, a former state legislator himself. Agencies monitor and report on performance internally to varying degrees, and performance measures play a small role in the state's budget process.

Wisconsin's Legislative Audit Bureau remains among the most important and credible audit shops in the country. Not only has the office proved itself willing to go after the hot-button news items of the day, it has managed to direct the legislature's attention to crucial management deficiencies. Spurring legislative action in these areas is no small feat, especially in long-neglected sectors such as information technology. And all of the bureau's findings are more accessible these days thanks to new, tech-savvy means of communicating findings to citizens, including podcasts, webcasts and RSS feeds.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money	C+
Long-Term Outlook	●
Budget Process	●
Structural Balance	●
Contracting/Purchasing	●
Financial Controls/Reporting	●

People	B-
Strategic Workforce Planning	●
Hiring	●
Retaining Employees	●
Training and Development	●
Managing Employee Performance	●

Infrastructure	B-
Capital Planning	●
Project Monitoring	●
Maintenance	●
Internal Coordination	●
Intergovernmental Coordination	●

Information	C+
Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 5,556,506 (20)
Average per capita income (rank): \$24,875 (20)
Total state spending (rank): \$30,125,092,000 (16)
Spending per capita (rank): \$5,422 (22)
Governor: Jim Doyle (D)
First elected: 11/2002
Senate: 33 members: 18 D, 15 R
Term Limits: None
House: 99 members: 47 D, 52 R
Term Limits: None

B- Wyoming

“It is a fantastic time to be in Wyoming,” declares Nancy Thomson, deputy director of planning and operations for Wyoming’s School Facilities Commission. Thomson has good reason to crow. The state is awash in mineral revenues, and has used them to invest in every public school. Once the schools are upgraded, the state will turn them over to school districts—but will continue to fund their maintenance. “Wyoming is in a position—thankfully—that we can do this,” Thomson stresses, “but we certainly don’t want to be in a position in 30 years that our buildings are no longer suitable and we have to replace them again.”

Maintenance has been a perennial problem in Wyoming, not just for schools but for other infrastructure, as well. Just a few

A small population and strong economy create staffing challenges.

years ago, more than one-third of state roads were rated as being in less than “good” condition. Today, it’s even worse; closer to half are at that level. An infusion of \$175 million in 2007 helped, and a request for an additional \$200 million is giving the Department of Transportation hope that it will be able to make some progress.

Regardless of its legacy of weak maintenance, WYDOT is the crown jewel of Wyoming management. In three years, a proactive strategy has cut the average time for correcting construction problems from months to weeks. Rather than waiting for managers to spot issues in monthly reviews, front-line workers notify superiors of large and small deviations immediately. A new computer system combines finances, pavement management and enhanced geographic-information capacity.

Wyoming’s strategic plan isn’t a page-turner—in fact, it’s only one page long. But the performance measures in its Results-Based Accountability model influence budgeting decisions. Not long ago, the Department of Corrections asked for 150 “exceptions” to the standard budget, tying each one of these requests to a performance measure.

For example, it cited its alarming staff turnover rate—one-quarter of the positions change hands each year and one-third are sometimes vacant at a given moment—to secure extra money for recruitment.

If a recent upgrade in the online financial system is any indication, Wyoming’s new IT governance model is working. The system improves the security, efficiency and speed with which 200 entities in the three branches of state government can control their finances and payments. “It ain’t your grandpa’s state government,” boasts Auditor Rita Meyer. Some of grandpa’s regulatory remnants persist, however. The procurement office, for instance, struggles with a complicated rule that favors local products and services but may cost more to calculate than any value it brings.

Besides, it hardly seems that Wyoming needs much more home-state business. Already, competition with the private sector for labor is hindering its ability to fulfill core services—particularly in less-populous jurisdictions. The Department of Family Services, for instance, would like to shift personnel to some of the energy-boom towns, but can’t transfer them because that would mean removing the sole staffer in a rural county. And the Department of Corrections simply can’t offer entry-level jobs competitive with ones in the energy industry.

Wyoming’s small population and strong economy create inevitable challenges for the Human Resources Division. While the HR agency is determined to be more helpful to other state agencies, the government as a whole badly needs improved human-capital planning and coordinated training. Wyoming’s leaders are far from having a clear strategy to fill jobs in ways that are timely and fair.

Wyoming would be vulnerable to a drastic drop in mineral prices, but interest from the \$3.3 billion Permanent Mineral Trust Fund and a habit of socking away budget surpluses in “coffee cans,” as the state’s contingency funds and trusts are affectionately called, give the state a tightly knit safety net.

For additional data and analysis, go to pewcenteronthestates.org/gpp

Money B

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

People C-

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

Infrastructure B

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

Information C+

Strategic Direction	●
Budgeting for Performance	●
Managing for Performance	●
Performance Auditing & Evaluation	●
Online Services & Information	●

Population (rank): 515,004 (50)
Average per capita income (rank): \$24,544 (22)
Total state spending (rank): \$4,011,496,000 (48)
Spending per capita (rank): \$7,789 (2)
Governor: Dave Freudenthal (D)
First elected: 11/2002
Senate: 30 members: 7 D, 23 R
Term Limits: None
House: 60 members: 17 D, 43 R
Term Limits: None