

State of Washington
Joint Legislative Audit and Review Committee (JLARC)



Performance and Outcome
Measure Review: Department of
Ecology Case Study

Report 03-9

September 17, 2003

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JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

**PERFORMANCE AND
OUTCOME MEASURE
REVIEW:
DEPARTMENT OF
ECOLOGY CASE
STUDY**

REPORT 03-9

REPORT DIGEST

SEPTEMBER 17, 2003



STATE OF WASHINGTON

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Overview

This report reviews the performance measurement system of the Department of Ecology, focusing both on the measures themselves and the agency's use of those measures. Our overall conclusion is that Ecology has a generally effective system in place. Key measures were generally substantive, and staff could cite examples of how they used measures for management purposes. There are areas where Ecology can improve its system, however, and this report recommends strategies to address these areas.

Study Background

In its 2003-05 Work Plan, JLARC decided to examine issues pertaining to the state's fiscal reporting, accountability, and performance tracking systems. JLARC intends to conduct Performance and Outcome Measure Reviews of a number of key state agencies, with this being the first. Through these reviews, JLARC will continue to make accountability to the public among the highest priorities of the Legislature.

State Framework for Performance Measurement

The Legislature amended the state's Budgeting and Accounting Act in 1996 to require all state agencies to engage in strategic planning and related performance activities. The Office of the Governor has imposed additional requirements. The current state system of performance management and assessment, which applies to cabinet-level agencies, allows each to develop and track its own performance measures.

The Office of Financial Management (OFM) is the "point agency" for centralized activities related to state agency performance measurement. OFM does not, however, exercise oversight of the system; it does not, for example, approve agencies' performance measures.

Ecology's Performance Measurement System

To meet its statutory mandates, Ecology administers ten major environmental programs. Although the agency provides its programs centralized guidance and training for performance issues, individual programs are fairly autonomous in their selection and use of measures. Ecology requires programs to report regularly on their performance measures and relevant budget information, and agency leadership reviews measures at quarterly executive management meetings.

Ecology tracks over 250 measures for internal management purposes. To help focus our review, we asked Ecology to provide a list of its "key measures": those it considered to be its most significant for internal monitoring or external reporting purposes. Ecology provided one output and one outcome measure for each of the ten program areas. We agreed to this approach and based our review primarily on these measures.

Overall Findings

Based on our review of Ecology's key measures, program materials, and interviews with program staff, our overall conclusion is that Ecology has a generally effective performance measurement system in place:

- A formal performance measurement system is in place. The agency has assigned personnel to this function, and pertinent information is communicated throughout the agency;
- Most of its key measures are substantive, under the direct control of the program, and in line with program and agency goals and objectives;
- Most program managers were able to cite substantive examples of how performance measures are used as management tools;
- Performance measures are emphasized and discussed widely throughout the agency; and
- Performance measurement and assessment activities have the strong and active support of top agency management.

Areas of Concern

Although our overall assessment of Ecology's system was positive, we did identify some areas of concern.

Terminology and definitions lack consistency. Many items Ecology labeled as "input" or "output" measures are not performance measures at all. Instead they are specific tasks or broad strategies. Labeling them as measures is confusing, and makes it more difficult to distinguish and identify the agency's legitimate performance measures.

Ecology does not have, or even recognize "efficiency measures," which are a major type of performance measure and are a key accountability tool for assessing operational efficiency.

Some key principal activities lack performance measures. Ecology had not developed performance measures for some significant program activities.

Performance targets often are not based on external benchmarks. Ecology does not encourage and a number of program managers reported that they do not look to external sources when establishing performance target levels. External performance benchmarks, such as industry standards or the performance levels of comparable organizations, can provide more context for interpreting performance information, and should be encouraged.

Important background information is not readily available. Ecology does not maintain background information pertinent to its key measures. As it develops performance measures, Ecology should consider background information, from the measure's overall purpose to data collection and reliability issues. Such information would help focus measures on important issues and also would enrich performance reviews such as this one.

Ecology does not use its website to report performance-related information to its stakeholders and the public.

The broader state system was not the focus of this review, and we draw no conclusion whether or not the current decentralized approach is optimal. We suggest, however, that this issue is one that should be considered further.

Recommendations

To address the issues noted above, Ecology should:

1. Develop efficiency measures whenever practicable;
2. Develop measures for all of its key activity areas;
3. Encourage program managers to base performance targets on external standards or benchmarks, when possible;
4. Consider developing a process to gather background information for all its key measures; and
5. Report performance measure information on its website.

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CHAPTER 1 – BACKGROUND

INTRODUCTION

In its 2003-05 Work Plan, the Joint Legislative Audit and Review Committee (JLARC) decided to examine issues pertaining to the state’s fiscal reporting, accountability, and performance tracking systems. As part of this effort JLARC intends to conduct Performance and Outcome Measure Reviews of a number of key state agencies. This is the first such review.

These performance and outcome measure reviews will assess whether state agencies have effective measures in place for evaluating their performance and establishing budget and policy priorities. Through these reviews, JLARC will help demonstrate the accountability of state government to the public.

JLARC selected the Department of Ecology to be the first agency to undergo this review process. This report reviews Ecology's performance measurement system, focusing both on the measures and Ecology's use of those measures.

PERFORMANCE MEASUREMENT – A QUICK OVERVIEW

Over the past decade, the public sector has placed significant emphasis on performance measurement as part of the broader concept of *managing for results*. Indeed, a recent report noted that it has become “one of the most intensively adopted of public-sector reforms in the last decade,” with virtually every state government now requiring that government regularly plan and report on performance issues.¹

The Governmental Accounting Standards Board (GASB) notes that performance measures provide information that decision-makers can use for such activities as setting goals and objectives, allocating resources, and monitoring and evaluating results. GASB describes the ultimate purpose of performance measures this way:

Through the measurement, analysis, and evaluation of performance data, public officials can identify ways to maintain or improve the efficiency and effectiveness of activities and provide the public with objective information on their results.²

In Washington, the Office of Financial Management (OFM) notes in its *Budget Instructions* and other materials that three main types of performance measures are particularly significant:

- 1) *Outcome Measures report the results of the service being provided. These measures are the most significant because they indicate the impact on the problem or issue the program was designed to achieve. [OFM's examples include 4th grade reading test scores; percentage of the population treated who are now free of the target disease; and number of jobs of a certain income level created by firms receiving assistance.]*
- 2) *Output Measures indicate how much work has been completed. [OFM's examples include number of products completed or services delivered; caseloads or headcounts in*

¹ The Maxwell School of Citizenship and Public Affairs, *Paths to Performance in State and Local Government*, Government Performance Project, 2002.

² See the Governmental Accounting Standards Board’s *Performance Measurement for Government* website: <http://www.seagov.org/perfmeasures/index.html>.

such areas as entitlement programs, corrections, or education; and number of maintenance projects completed.]

- 3) *Efficiency Measures show the relationship between inputs (dollars or FTEs) to output or outcome. [OFM's examples include cost per case completed and number of investigations completed per FTE.]*

The types of measures and definitions noted by OFM above are consistent with those cited in other sources (e.g., the GASB) and used in other jurisdictions (e.g., Texas³).

WASHINGTON'S FRAMEWORK FOR PERFORMANCE MEASUREMENT

Requirements for state agency performance measurement and assessment activities flow both from statute and from directives issued by the Office of the Governor.

Statutory Requirements

The Legislature amended the state's Budgeting and Accounting Act in 1996 to require all state agencies to engage in strategic planning and related performance assessment activities.⁴ RCW 43.88.090 lays out specific requirements:

- Agencies must define their mission, establish measurable goals, and develop clear strategies and timelines for achieving their goals.
- For each major program in their budget, agencies must establish program objectives and, to the extent possible, express them in an outcome-based, objective, and measurable form.
- Agencies must adopt procedures for continuous self-assessment of each program and activity.
- Agency budget proposals must integrate performance measures that objectively determine whether a program has achieved its goals.
- OFM must provide technical assistance to help agencies develop strategic plans that include the various elements identified above.

Executive Branch Directives

In April 1997, Governor Gary Locke issued Executive Order 97-03, relating to "Quality Improvement." Under this Executive Order, agencies are to develop and implement a quality improvement program. Agencies also must designate a person responsible for quality improvement within the agency, and establish a steering committee for quality related activities. The Executive Order further directs agencies to "utilize the tools of strategic business planning and performance measures to establish their priorities and measure their progress toward their

³ Texas State Auditor's Office, *Guide to Performance Measure Management 2000 Edition*, December 1999, SAO No. 00-318.

⁴ Chapter 317, Laws of 1996. The amendments enacted were one part of what had been a broader-based measure passed by the Legislature. Governor Mike Lowry vetoed most of the original measure's other provisions, which primarily dealt with creation of a new legislative committee on performance review.

stated goals,” and to report the results of their quality programs to the Governor on a quarterly basis.

The Office of the Governor also has instituted two other notable activities related to quality and performance assessment:

1. *Annual Performance Agreements* with cabinet-level agency directors, based on performance and/or results-oriented measures, with quarterly reporting to the Governor; and
2. *Annual Agency Self-Assessments* by each cabinet-level agency, based on the well-known “Baldrige Criteria.”⁵ These assessments are internal management improvement tools and are typically not made public.

For a period of time the Governor’s Office also strongly encouraged agencies to adopt another well-known quality improvement tool: the *Balanced Scorecard* approach to strategic planning.⁶ While some agencies reportedly continue to utilize this approach, it is no longer emphasized to the same extent it was previously.

Finally, in the summer of 2002, the Governor’s Office implemented a new budgeting strategy termed *Priorities of Government* (POG). This initiative was intended to respond to what was then forecast to be a \$2 billion General Fund deficit for the 2003-05 Biennium. The process involved identifying ten primary goals across all of state government against which all spending recommendations could be measured. The Governor likely will follow this process for the 2005-07 Biennium.⁷ While this budgeting process does not supersede the strategic planning and performance assessment requirements established in the Budgeting and Accounting Act, it may affect how they are implemented.

Role of the Office of Financial Management

As the Governor’s budget office, the Office of Financial Management (OFM) is the “point agency” for centralized activities related to state agency performance assessment. It issues the biennial “Budget Instructions,” which detail the format and overall requirements related to state agency budget submissions, including the statutory requirements referenced above. OFM also maintains a computerized system – known as the Performance Measure Tracking and Estimate System (PMTES) for agencies to enter and update information on their mission and goal statements, performance measure descriptions, and estimated and actual performance levels.

The Budgeting and Accounting Act charges OFM with the responsibility of providing professional and technical assistance to agencies in their strategic planning and performance

⁵ The Baldrige Criteria are based upon seven areas related to high-level performance: leadership; strategic planning; customer focus; information and analysis; human resource management; internal process management; and business results. For more information please see the Baldrige National Quality Program’s website at <http://www.quality.nist.gov/>.

⁶ The Balanced Scorecard is a management system developed by Drs. Robert Kaplan and David Norton. It seeks to help organizations clarify their vision and strategy, and to translate them into action. The system views organizations from four perspectives: learning and growth, business process, customer, and financial. The Balanced Scorecard Institute’s website can be accessed at <http://www.balancedscorecard.org>.

⁷ The 2003-05 Operating Budget (Chapter 25, Laws of 2003, 1st Ex. Sess.) includes a proviso that directs OFM to report to pertinent legislative committees on the “...ten general priorities of government upon which the 2005-07 biennial budgets will be structured.”

assessment activities. For a period of time, OFM did have a designated staff-person assigned to this role. However, when that person left in July 2002, OFM decided not to refill the position, reportedly both for budgetary and programmatic reasons. Since then the agency has not assigned a specific employee to this function.

The Current State System

In practice, the current state system of performance measurement and assessment is predominantly a decentralized one. Although OFM has numerous responsibilities in this area, it does not exercise direct control or *oversight* of the system. While OFM's budget analysts may *consult* with an agency regarding its performance measures, OFM does not *approve* an agency's measures. Nor does it require agencies to comply with its Budget Instructions on the types of measures to be reported, or the definitions to be utilized. Responsibility for implementation of the state's system is in the hands of individual agencies and their directors.

In its response to the preliminary report of this study (see Appendix 2), the Office of Financial Management concurred with the characterization of the state's system as decentralized, and noted that "*this may be the best approach to truly making performance management an integral part of financial management.*"

CHAPTER 2 – ECOLOGY’S PERFORMANCE MEASURE AND ASSESSMENT SYSTEM

AGENCY OVERVIEW

The Department of Ecology was created in 1970 as Washington’s principal environmental management agency. The Legislature invested Ecology with “authority to manage and develop our air and water resources in an orderly, efficient, and effective manner and to carry out a coordinated program of pollution control involving these and related land resources.” For the 2003-05 Biennium, Ecology lists its mission and goals as follows:

Mission: To protect, preserve and enhance Washington’s environment, and promote the sustainable management of our air, land and water for the benefits of current and future generations.

Goals: 1) Prevent pollution; 2) Clean up pollution; 3) Support sustainable communities and natural resources.

To meet its statutory mandates, Ecology administers ten major environmental management programs. These programs, along with agency administration, are highlighted on the following page.

ECOLOGY’S PERFORMANCE MEASUREMENT SYSTEM

Ecology’s formal system is outlined in a document entitled “Strategic Performance Management System” (June 2001). It is supplemented in various articles included on the “Performance Measures and Program Plans” section of its agency intranet site. The system is briefly summarized below, and additional information is also presented in Appendix 3.

Key elements of Ecology’s performance management system include:

- **Priority setting:** establishing program priorities and targets (measurable results expected within a specified time frame);
- **Strategy and activities:** aligning resources and activities to achieve priorities and targets;
- **Evaluation:** establishing performance measures that are linked to the targets in order to evaluate effectiveness in meeting priorities; and
- **Adapt:** realigning as necessary based upon evaluation.

As part of the system, Ecology requires individual programs to prepare detailed program plans. They are also required to prepare quarterly updates on their performance measures. These measures are then incorporated into a comprehensive package that also includes pertinent budget information. Ecology notes that their system incorporates all of the major principles of two well-known quality systems: the Baldrige Quality Criteria and the Balanced Scorecard. Ecology’s executive managers review and discuss measures and accompanying fiscal information at quarterly meetings.

**Exhibit 1
Department of Ecology Mission Statements, Staffing Levels and Budget by Program
2001-2003 Biennium**

Program	Mission Statement (Excerpted)	2001-2003 Budget Appropriations			
		FTE Staffing	Operating Budget (In Millions)	Capital Budget* (In Millions)	Total Budget (In Millions)
Air Quality	To protect, preserve, and enhance the air quality of Washington.	111	\$30.8	-	\$30.8
Environmental Assessment	To provide objective, reliable information about environmental conditions.	113	\$19.3	-	\$19.3
Hazardous Wastes & Toxics Reduction	To foster sustainability, prevent pollution, and promote safe waste management.	115	\$19.4	-	\$19.4
Nuclear Waste	To lead the cleanup of the U.S. Department of Energy's Hanford site.	75	\$13.6	\$5.3	\$18.9
Shorelands & Environmental Assistance	To work in partnership with communities to support healthy watersheds.	167	\$39.6	-	\$39.6
Solid Waste & Financial Assistance	To reduce the amount and the effects of wastes generated in Washington.	104	\$23.3	\$91.2	\$114.5
Spill Preparedness, Prevention & Response	To operate a spill prevention, preparedness, and response program.	63	\$17.8	-	\$17.8
Toxics Cleanup	To get and keep contaminants out of the environment.	145	\$39.4	-	\$39.4
Water Quality	To protect and restore Washington's waters.	196	\$42.7	\$362.0	\$404.7
Water Resources	To manage water resources to meet current and future needs.	144	\$29.5	\$35.2	\$64.7
Administration	To direct and sustain the agency's effort to accomplish its mission.	241	\$41.5	\$3.6	\$45.1
TOTAL		1474	\$316.9	\$497.3	\$814.2

* Capital Budget includes both new appropriations and reappropriations.

Through the end of the 2001-03 Biennium, Ecology had assigned two staff specifically to its performance assessment and quality functions (one position has since been eliminated due to budgetary reductions). The activities of this Performance and Recognition Unit included providing performance-related guidance, training, and technical assistance to the individual programs, maintaining the agency intranet related to performance measures and strategic planning, operating employee recognition programs, and overseeing the agency's quality improvement program.

Ecology also has assigned staff of individual programs to performance measure issues. These staff consult and meet regularly with the Performance and Recognition Unit staff. Ecology provides centralized agency guidance and technical assistance regarding performance-related issues. Based on the interviews we conducted, however, individual programs appear relatively autonomous in terms of their selection and use of performance measures.

ECOLOGY'S PERFORMANCE MEASURES

Ecology does not have one discrete set of performance measures; rather, it has multiple sets that respond to different reporting requirements. Ecology generates reports required by OFM, and those that are included in the Director's performance agreement with the Governor. The agency also produced reports included in its 2003-05 budget submission, and those that are tracked for internal management purposes. While there is some crossover among sets, each contains different measures and different numbers of measures, ranging from 15 that are reported to OFM, to over 250 that Ecology tracks for internal management purposes.

To help focus our review, we asked Ecology to provide us a listing of what it considered to be its "key measures": those that it considered to be its most significant, either for internal monitoring or external reporting purposes. Ecology's listing of key measures, to which we agreed, consisted of a single output and outcome measure for each of its ten programs. Our review has been based primarily on these measures, which are shown in Exhibit 2. Appendix 4 provides an expanded listing of four of the Department's different sets of measures.

Exhibit 2
Department of Ecology’s “Key Performance Measures”
As Selected by the Agency

Program	Outcome Measure	Output Measure
Air Quality	Percent reduction in emissions from cereal grain stubble burning.	Number of agricultural burn permits issued/denied within a 7-day period.
Environmental Assessment	Increased stream flow monitoring in 8 basins; 64 new stream gauging stations.	Implement the state strategy to reduce persistent, bioaccumulative toxins by June 2003.
Hazardous Waste and Toxics Reduction	Reduce the total number of pounds of hazardous waste generated in the state by 2% annually through pollution prevention technical site visits.	Incidence of environmental threats/environmental threats resolved.
Nuclear Waste	Reduce overall concentration of contaminants in groundwater.	Enforcement of federal government's responsibility to complete interim stabilization of Consent Decree milestones at Hanford Nuclear Reservation.
Shorelands and Environmental Assistance	Number of miles of riparian habitat enhanced or restored by Ecology's Conservation Corps.	Number of communities receiving targeted technical assistance from Ecology's Guidelines Outreach Assistance Team.
Solid Waste and Financial Assistance	Roadside litter rating (based on Department of Transportation Cleanliness rating scale).	Millions of pounds of litter cleaned up from state roads and public areas.
Spill Prevention, Preparedness, and Response	Reduce number of commercial vessel incidents, such as loss of propulsion or steering that can lead to oil spills to 1.9% in the 03-05 Biennium.	Number of commercial vessel inspections conducted by Ecology.
Toxics Cleanup	Percent of known toxic contaminated sites with cleanup actions completed.	The number of sites with cleanup actions completed.
Water Quality	Percent reduction of bacteria in Nooksack River tributaries of Fishtrap and Bertram creeks.	Number of water quality cleanup plans (TMDLs) submitted to the Environmental Protection Agency for approval.
Water Resources	Water right permits/applications (new and changes).	Water right permits/applications (new and changes).

GENERAL FINDINGS: ECOLOGY'S KEY MEASURES

Overall Assessment

Based on our review of Ecology's key measures and other program materials, and interviews with program management and staff, our overall assessment is that these measures are generally substantive and used appropriately as management tools.

1. **The Toxics Cleanup Program's key measures serve as a good example of high-quality measures**, tracking the number of toxic sites cleaned (output) and the percentage of total toxic sites with cleanup actions completed (outcome).⁸ Both measures are substantive, and are directly under the control of the program. Each is consistent with the mission and goals of the Toxic Cleanup Program, as well as the overall agency goals.
2. **The Air Quality Program uses two performance measures related to agricultural burning.** The output measure tracks the timeliness of agricultural burn permits and the outcome measure follows the reduction in emissions from cereal grain stubble burning. These performance measures represent an activity that has significantly improved since the implementation of the performance measures. Washington's Air Quality Program was recently selected as a finalist for the Council of State Governments' 2003 Innovation Award for their work in developing an effective process for reducing agricultural burning (Awards will be decided in the fall of 2003).
3. **A third example comes from the Nuclear Waste Program**, which oversees the work of the U.S. Department of Energy (USDOE) to clean up nuclear waste on the Hanford site (as part of the Tri-Party Agreement⁹). A key measure focuses on the percentage of pumpable hazardous liquid left in single-shell tanks. A second significant measure tracks the reduction of the overall concentration of contaminants in groundwater by 5 percent a year and assesses the movement of these contaminants toward the Columbia River. These measures allow the Nuclear Waste Program to monitor the work conducted by the U.S. Department of Energy and to track USDOE's progress.

Variability of Measures

Our review of Ecology's performance measures revealed some variability in the quality of the key measures from program to program. Examples of measures of lesser quality include the following:

1. The Shorelands and Environmental Assistance Program's key output measure is the "number of communities receiving targeted technical assistance from Ecology's Program's Guidelines Outreach Assistance Team." This measure does not define what constitutes "technical assistance." For example, would it be a 15-minute phone call on some routine matter, or 100 hours of intense one-on-one consultation? Without such

⁸ The percentage of sites with no further action needed is labeled as an outcome measure because the Model Toxic Control Act requires the Toxic Cleanup program to report specifically on information related to the cleanup sites.

⁹ The Tri-Party Agreement (TPA) is an agreement between the United States Department of Energy, the federal Environmental Protection Agency (EPA), and the Department of Ecology that directs the Hanford Site cleanup and reflects a concerted goal of achieving, in an aggressive manner, full regulatory compliance and remediation with enforceable milestones.

distinctions, the measure has less utility either as a management or public accountability tool.

2. The Spills and Emergency Preparedness and Response Program's key outcome measure is "reduce the number of commercial vessel incidents, such as loss of propulsion or steering that can lead to oil spills." Reducing such incidents is clearly a substantive and pertinent matter. However, this Ecology program has no authority to inspect or approve the mechanical systems of commercial vessels. Thus its utility as a *key* measure of this program's performance is limited. (The program does have other internal measures, however, that shed additional light on the program's performance in this area.)

Areas of Concern

As noted above, our overall assessment of Ecology's key measures is positive. In our review, however, we did identify some areas of concern, and these are detailed below.

Lack of Consistency in Terminology and Definitions

As noted in Chapter 1, OFM has established general statewide definitions for performance measurement terms such as "outcome" and "output" measure, definitions that are generally consistent with those cited by other sources and used in other jurisdictions. As part of its *Strategic Performance Management System*, Ecology has itself established formal definitions, and they also appear to be generally consistent with these definitions.

Among its key measures, we noted a single instance where Ecology did not adhere to one of the definitions. Specifically, the output measure for the Environmental Assessment Program is to "implement the PBT [Persistent Bioaccumulative Toxins] chemical action plan." Rather than being a true output measure, this instead is essentially a "task:" something that does not lend itself to measurement.

Where this issue becomes far more noticeable is within the set of approximately 250 measures that Ecology tracks for internal monitoring purposes. Many of the items included here, though labeled as either output or outcome measures, are not performance measures at all, but instead are individual tasks or broad strategies. Following are some examples:

1. *Communicate program policy* (listed as an output measure for the Environmental Assessment Program);
2. *Grants for the 2005 Biennium aligned with program priorities and focus on sustainability* (listed as an outcome measure for the Solid Waste and Financial Assistance Program); and
3. *Citizen surveys that document and track citizens' knowledge and attitudes about air pollution* (listed as a performance measure – not identified as either output or outcome – for the Air Quality Program).

Ecology indicates that it has expanded upon the more traditional definitions of performance measure terms in order to include items it believes have statewide significance or are of interest to its constituents or the public. It views these items as useful for internal performance management, decision-making, and tracking purposes.

The types of activities in question, labeled as "measures" by Ecology, are important to the individual programs and the agency as a whole. In no way do we suggest that Ecology stop

tracking or reporting on them. However, labeling them as performance measures is confusing when they do not fall within the generally understood definition of that term. It makes it more difficult to distinguish and understand the agency's legitimate performance measures. We suggest that Ecology consider referring to them by some other term.

Lack of Efficiency Measures

OFM's *Budget Instructions* articulate three main types of performance measures: outcome measures, output measures, and efficiency measures. OFM defines efficiency measures as showing "the relationship between inputs (dollars or FTEs) to output or outcomes." Examples include "cost per case completed," and "number of investigations completed per FTE." Ecology does not have, or even formally recognize as part of its Strategic Performance Management System, such measures.

As implied by their name, efficiency measures are a key accountability tool for assessing operational efficiency, and are widely recognized as a standard type of performance measure (including by the Governmental Accounting Standards Board as cited previously). Many of Ecology's activities could easily lend themselves to this type of measure. Possible examples include cost per ton of litter collected, or cost per mile of salmon habitat restored.

Some Key Activities Lack Performance Measures

Since our review was limited primarily to a review of Ecology's "key measures," we did not conduct a systematic review to determine whether relevant performance measures had been developed for all of the agency's major functions and activities. Nonetheless, through our review of program materials and interviews with program staff, we observed that some significant areas had no pertinent performance measures. Examples from two program areas are cited below.

1. Solid Waste Program: Major activities of this program include providing grants and technical assistance to local communities to prevent pollution; providing grants to operate local recycling programs; regulating and monitoring solid waste produced by the state's largest industrial facilities (e.g., pulp and paper facilities, aluminum smelters, etc.); and litter control. Yet the program has only two "traditional" outcome measures: one related to the cleanliness rating of the state's highways (for litter), and the other (under development) related to the amount of waste generated annually. The Solid Waste Program only has a single traditional output measure that quantifies the volume of services it provides, and that relates to the tons of litter collected. No other output measures capture the volume of services provided for any of the other activities conducted by the program.
2. Spill Prevention, Preparedness, and Response Program: To its credit, this program does have quality measures related to its key activities of inspecting vessels and responding to spills. However, the program has other specific responsibilities with no corresponding measures that were shared with us. These include: reviewing and approving the oil spill prevention plans, contingency plans, and operation manuals of oil handling facilities, conducting oil spill drills, and assessing damage levels and seeking compensation from those responsible for oil spills. Having more robust measures linked to those program efforts could give a better indication of program performance.

Developing Performance Measure Target Levels

Performance-measure *targets* establish the specific level of performance that a program expects to achieve for a given measure within a set time period. As such, targets set the standard for what is considered an acceptable level of performance. In so doing, they can serve both as a tool to evaluate performance and as a motivator to help improve performance.

Ecology's *Strategic Performance Management System* document does not offer any specific guidance to its programs on how to go about establishing targets. However, in its *Budget Instructions* OFM notes that targets should be challenging, yet achievable. Further, the *Budget Instructions* note that whenever possible, targets should be based on comparisons, including comparisons to the agency's own past performance, to established industry standards, to an "articulated customer preference," or to the performance levels of other comparable organizations.

Some programs, such as the Nuclear Waste Program and the Environmental Assessment Program, reported that they did base at least some of their target levels on industry standards and historical performance levels. A number of program managers, however, indicated they had not looked to outside sources such as industry standards or the performance levels of comparable organizations when setting their target levels. As part of the 2003-05 budget development process, OFM specifically asked agencies if they compared their performance results to comparable organizations. In its response, Ecology said that it sometimes did this informally, but had not yet begun a formal process to do so.

Comparing performance levels to external benchmarks such as industry standards or comparable organizations provides a much broader context for monitoring and evaluation purposes. Such comparisons provide more useful information, even though they are challenging to discover.

Performance Measure Background Information Not Readily Available

When we began this review, we sought basic background information on all of Ecology's key measures, including the following items:

- The overall purpose, significance, and use of the measure,
- Performance targets, including the basis for target selection,
- Data-collection issues, including data sources, responsibility for collection, and the frequency of reporting,
- Data reliability and verification issues, including steps taken to ensure reliability, and
- Relevance to other programs and agencies.

In some jurisdictions, such as the state of Texas, such information is considered part of the basic definition of a measure, and is recorded as a matter of course.¹⁰ However, when we asked Ecology staff if they could provide this information for their key measures, we were told that it was not available in any standardized format. We were eventually able to gather much of this information through interviews with program staff, although with somewhat less consistency than might be optimal.

¹⁰ Texas State Auditor's Office, *Guide to Performance Measure Management 2000 Edition*, December 1999, SAO No. 00-318, pp. 12, 49-51.

This type of information is integral to every key performance measure, and as such, should be considered prior to formally adopting a measure. Gathering this information through some type of standardized process for all key measures would facilitate both internal and external performance measure reviews and promote consistency in how measures and targets are described, used, and reported. Appendix 5 presents a possible format for recording such information.

Reporting of Performance Measures

One of the primary purposes of performance measurement is to help promote accountability. For that to occur, however, pertinent information has to be both accessible and presented in a way that is easily understandable. Ecology does report performance measure information internally on its intranet site, and some programs report sending related information to stakeholders through mailings. The agency, however, does not post performance measure information on its website.¹¹

Currently, the only place where Ecology's performance measure information is available on the Internet is through agency "Performance Progress Reports," which are accessible through OFM's website.¹² We noted, however, that these reports have not been updated since September 2002. Moreover, the format of the reports does not include any type of bottom-line, overall assessment or analysis that discusses and summarizes key points in order to make the information easier to understand.¹³

The Washington State Department of Transportation (WSDOT) is a good example of an agency that prominently displays performance-related information on its website (<http://www.wsdot.wa.gov>). Under a heading titled "Accountability," the site directs interested parties to its quarterly performance measures report, titled *Measures, Markers and Mileposts* (also known as the *The Gray Notebook*). This comprehensive report tracks a variety of the department's performance and accountability measures. Through this report, and the high visibility given to it, WSDOT is helping to keep its stakeholders and the public informed as to its activities.

GENERAL FINDINGS: HOW PERFORMANCE MEASURES ARE USED

We interviewed agency managers—both top agency managers and individual program managers—to assess how performance measures are used throughout the agency. Our conclusion, based on these interviews, is that performance measures do tend to be used effectively throughout the agency.

¹¹ One of Ecology's programs, the Nuclear Waste Program, does include a link on its homepage to its quarterly performance measure report.

¹² See <http://www.ofm.wa.gov/budget/manage/perfrept/0103/index.htm>. These reports derive from OFM's Performance Measure Tracking and Estimate System (PMTES), referenced in Chapter 1.

¹³ The Governmental Accounting Standards Board recently issued a new report on *Reporting Performance Information: Suggested Criteria for Effective Communication*. One of the criteria is that external reports "should include an executive or management analysis that objectively discusses the major results for the reporting period as well as the identified challenges facing the organization in achieving its mission, goals, and objectives." See <http://www.seagov.org/index.html>.

As has been noted previously, top agency management actively supports the use of performance measures:

- **Managers discuss performance measures at quarterly executive management meetings** in order to track the progress each program makes toward agency goals, and to address any discrepancies in meeting targets. For example, when Ecology faced lawsuits related to smoke from agricultural burning, Air Quality began focusing on decreasing cereal-grain stubble burning and reporting their progress through performance measures at these management meetings.
- **Many program managers indicated that they are held accountable for meeting selected performance measures as part of their personnel evaluations.** For example, top management has indicated that improving permitting timeliness is a high agency priority. The manager of Water Resources now has performance measures in his work evaluation that relate to permitting efficiency.
- **The Director and Deputy Director use performance measures to encourage innovation.** For example, the Solid Waste Program, with guidance from top management, developed and implemented a performance measure that tracked the state's highway cleanliness rating. The new measure encouraged Solid Waste to launch a new anti-litter campaign that targets the population most likely to litter, males 18-35 years old. The focus on the new measure by top management and the program's implementation of the anti-litter campaign reportedly has led to a decrease in littering throughout Washington State.

At the individual program level, most managers were able to provide specific and substantive examples of how they use performance measures:

- **A number of programs incorporate performance measures into employee and manager performance evaluations.** For example, Environmental Assessment's employee evaluations include a key program measure that tracks how many reports were completed on time.
- **Many program managers use measures to track progress toward reaching targets and identify potential problems before the end of each quarter.** For example, the Nuclear Waste Program tracks the progress of the U.S. Department of Energy in order to anticipate any potential problems with reaching milestones set out by the Tri-Party Agreement.
- **In some programs, performance measures also are used to highlight the regions and/or offices that are performing at or above standards.** The program-level staff meetings then offer a venue to talk about best practices and strategies that can be employed by offices in different parts of the state. For example, among the regional offices in the Water Resources Program, the performance measure dealing with permitting generated discussions between regions meeting their targets and those that were not performing as well. The measure also led to an informal competition to decrease the backlog of permits in each region.
- **Managers in some programs also break down performance measures by region or by smaller, more descriptive units in order to better manage program resources.** The Hazardous Waste Program, for example, calculates the pounds of waste produced

broken down by industry and type of waste. This information can target their efforts on industries that are producing a significant percentage of hazardous waste or whose production has increased. In this way performance measures lead to a more efficient use of staff and other resources.

- **Performance measures also can be used to shape program budgets.** For example, the Toxics Cleanup Program uses performance measures to show how many sites they will be able to clean up depending on the amount of funding they receive.

Finally, we have assessed the role that Ecology's performance measures play in the development of its overall biennial budget. These measures do not play the central role envisioned in the Budgeting and Accounting Act (RCW 43.88.090) or in the Office of Financial Management's biennial budget instructions. Nonetheless, results from agency management's ongoing evaluation of the impacts of these measures are reflected in Ecology's budget submissions to OFM.

Ecology's top management also indicated that their accomplishments, as reflected in their key performance measures, have been helpful in presenting and explaining their budget proposals to the Legislature. For example, a top legislative priority has been to reduce the backlog in changes to water rights permits, linked to Ecology's Water Resources Program. The Legislature had previously provided additional resources to reduce this backlog, and the performance measure linked to this backlog reduction has been a central one for Ecology's Director. The Governor's proposed 2003-05 budget cut resources for this effort. The final 2003-05 legislative budget reduced the size of this cut, in part reflective of the progress Ecology has been making on achieving its performance targets for reducing this permitting backlog.

CHAPTER 3 – GENERAL CONCLUSION AND RECOMMENDATIONS

Ecology’s Performance Measurement System

Our review of Ecology’s performance measurement system was purposely limited to focus on “key measures” as identified by the agency. These measures represent only a portion of the agency’s total measures, and do not cover all its major areas of responsibility. Additionally, time limitations prevented us from examining some key issues in as much depth as we had anticipated.

These limitations notwithstanding, our overall conclusion, based on the measures we did review, our extensive interviews with program staff and reviews of agency documents, is that the Department of Ecology has a generally effective performance measurement system in place.

- There is a formal, written *Strategic Performance Management System* in place, and the agency has personnel specifically dedicated to this purpose. Pertinent information is communicated throughout the agency on an intranet website.
- Most of the key measures we reviewed were substantive, under the direct control of the program, and in line with both program and agency goals and objectives.
- Most program managers were able to cite specific and substantive examples of how performance measures are used as effective management tools.
- Performance measures and related issues are emphasized and discussed widely throughout the agency, including at regularly scheduled quarterly manager meetings.
- Performance measurement and assessment activities clearly have the strong and active support of top agency management.

Good systems can be improved, however, and the recommendations at the end of this chapter are intended to make such improvements.

The Overall State System for Performance Measurement Activities

As noted in Chapter 1, the current system of performance measurement and assessment in Washington is a decentralized one, with responsibility for its implementation primarily in the hands of individual agencies and their directors. In its response to the preliminary report of this study (see Appendix 2), the Office of Financial Management concurred with the characterization of the state’s system as decentralized, and noted that “*this may be the best approach to truly making performance management an integral part of financial management.*”

The broader state system, as such, was not the focus of this review, so we did not examine it in depth, and have not concluded whether or not a decentralized system is preferable. One result of a decentralized system, however, is that no central process ensures that high quality performance measures have been developed for all key areas in state government, or that measures are uniform and consistent. We found some instances in this review where Ecology had not developed quality measures for all of its key areas and had not developed OFM-suggested efficiency measures. A lack of centralized oversight could make it more likely that similar

patterns might be found at other agencies. The ability to track and assess performance on a statewide basis in a consistent manner is thus hindered.

In its 2003 Session, the Legislature reaffirmed its continuing interest in performance measures. A proviso in the 2003-05 Operating Budget directs OFM to report to pertinent legislative committees on the “ten general priorities of government upon which the 2005-07 biennial budgets will be structured.” Each priority of government should include a “proposed set of cross agency activities with definitions and outcomes measures.” Whether or not a decentralized performance measurement system can optimize these legislative directives should be considered.

Recommendations

Recommendation 1

To help measure and improve efficiency, Ecology should, where possible, develop efficiency measures as defined by OFM.

Explanation/Rationale: Efficiency measures show the relationship between inputs and outputs or outcomes (e.g., cost per case completed). They are one of three performance measure types that OFM requests of agencies, and they are widely recognized by other organizations such as the Governmental Accounting Standards Board. Ecology, however, does not have, or even recognize as part of its *Strategic Performance Management System*, these types of measures.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	Report back to JLARC on progress by March 1, 2004

Recommendation 2

To promote accountability, Ecology should ensure that it has performance measures for all key areas. Ideally, these would include all three types of measures, but should include at least output measures.

Explanation/Rationale: Our report noted examples where Ecology had not developed measures for all of its key activity areas.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	Report back to JLARC on progress by March 1, 2004

Recommendation 3

To provide broader context for its performance measures, Ecology should encourage managers to base performance targets on external standards or benchmarks whenever possible.

Explanation/Rationale: OFM directs agencies, whenever possible, to base their performance targets on “comparisons,” which include established industry standards and the performance levels of comparable organizations. Ecology does not currently direct its programs to consider such criteria, and a number of program managers indicated they did not look to such sources when setting performance target levels.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	Report back to JLARC on progress by March 1, 2004

Recommendation 4

Ecology should consider developing a process to gather select background information for all measures that it considers to be particularly important for either internal monitoring or external reporting purposes. (Note: An example of the type of information that could be collected, as well as a possible format for recording the information, is shown in Appendix 5.)

Explanation/Rationale: As envisioned, such a process would involve gathering background information that is integral to every key performance measure, including: the significance and use of the measure; performance targets, and the basis for target selection; data issues such as sources of information and responsibility for collection; steps taken to ensure data reliability; and relevance to other programs and agencies. Such a process would help ensure that such issues are considered when developing a measure, and would also assist both internal and external performance measure reviews.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	Report back to JLARC on progress by March 1, 2004

Recommendation 5

To help promote public accountability, Ecology should provide performance measure-related information on its public website.

Explanation/Rationale: A primary purpose of performance measurement is to promote accountability. For that to occur, however, performance-related information needs to be both accessible and presented in a way that is understandable. Ecology could provide a service to its stakeholders and the state’s citizens by posting this type of information on its website, something it currently does not do.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	Report back to JLARC on progress by March 1, 2004

Agency Responses

We have shared the report with the Department of Ecology and the Office of Financial Management and provided them an opportunity to submit written comments. Their responses are attached as Appendix 2.

Acknowledgements

We appreciate the assistance provided by the Department of Ecology staff in conducting this review.

Thomas M. Sykes
Legislative Auditor

On September 17, 2003, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Senator Jim Horn
Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

Performance and Outcome Measure Review Department of Ecology Case Study

SCOPE AND OBJECTIVES

MAY 2003



STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

STUDY TEAM

Robert Krell
Isabel Muñoz-Colón

LEGISLATIVE AUDITOR

TOM SYKES

Joint Legislative Audit & Review
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STUDY BACKGROUND

In its 2003-05 Work Plan, JLARC decided to examine issues pertaining to the state's fiscal reporting, accountability, and performance tracking systems. As part of this effort JLARC will conduct Performance and Outcome Measure Reviews of a number of key state agencies. The purpose of the reviews is to ensure that state agencies have effective measures in place for assessing and continuously improving performance, and to help establish budget and policy priorities. Through these reviews, JLARC will help demonstrate the accountability of state government to the public. The Department of Ecology has been selected to begin this JLARC review process.

The study is expected to be completed by August 2003.

DEPARTMENT OF ECOLOGY BACKGROUND

The Department of Ecology was created in 1970 as Washington's principal environmental management agency with "authority to manage and develop our air and water resources in an orderly, efficient, and effective manner and to carry out a coordinated program of pollution control involving these and related land resources." To meet the mandates set out in statute, the Department administers ten major environmental management programs ranging from the Air Quality Program to the Hazardous Waste and Toxics Reduction Program. The Department of Ecology's 2001-2003 Biennium Budget, including both state and federal funds, is approximately \$319 million.

STUDY SCOPE

This study will entail a review of the Department of Ecology's performance measurement system, focusing both on the measures themselves as well as the Department's use of those measures.

STUDY OBJECTIVES

1. Determine whether the Department's performance measures are consistent with both statutory mandates and internal strategic plans.
2. Determine whether the Department's performance measures are appropriate in terms of providing substantive information that enables assessment of the agency's performance in all key areas.
3. Review the process followed by the Department in developing its performance measures, including the extent of involvement of employees and stakeholders, and if appropriate, other agencies that may operate relevant programs.

STUDY OBJECTIVES (Continued)

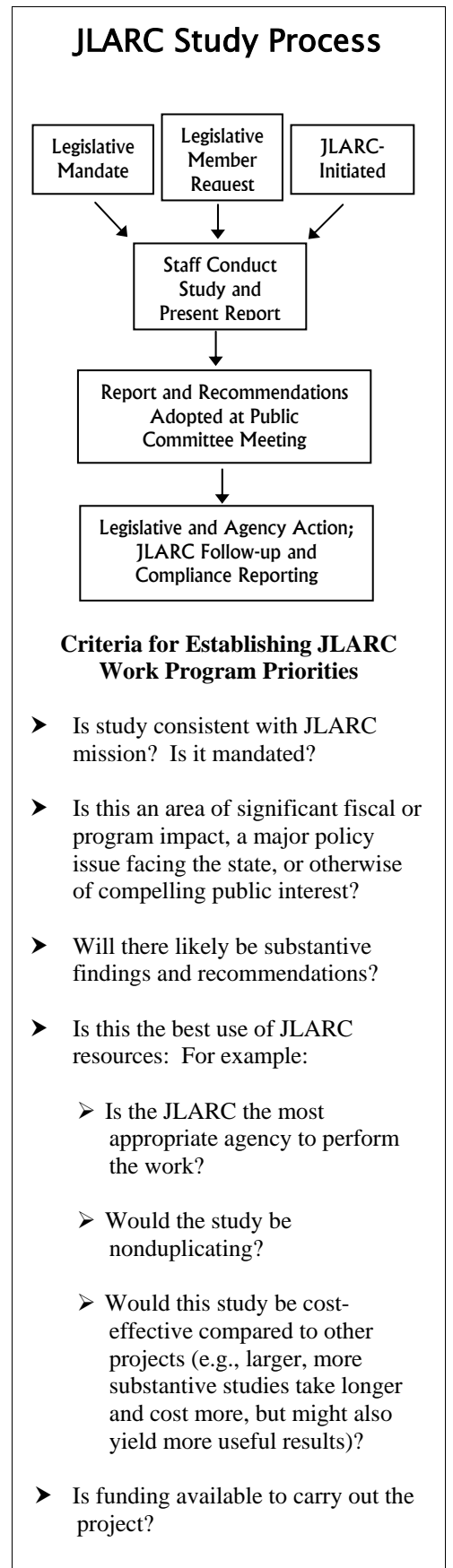
4. Assess the extent to which the Department makes substantive use of its performance measures in terms of:
 - a. Managing resources in an efficient and effective manner;
 - b. Making operational improvements;
 - c. Assessing its performance compared to external standards or benchmarks; and
 - d. Assisting in its budget planning, development, and allotment processes.
5. Assess the extent to which the Department is in compliance with the provisions of RCW 43.88.090 relating to the development of a mission statement, goals, objectives, and strategic plans, and the subsequent linkage of these items to its budget proposals.
6. Determine if the Department's performance measure information is reliable, and if it is collected and reported in a uniform and timely manner.
7. Identify performance measures that are considered by agency management to involve significant data collection costs, and determine if such costs are warranted in light of the value received.
8. Review and assess the Department's practices with respect to reporting performance measure information, including to employees, stakeholders, the legislature and the public.

Timeframe for the Study

The preliminary report will be completed by August 2003. That report will also address issues to be considered as JLARC extends this review process to other state agencies.

JLARC Staff Contact for the Study

Robert Krell	(360) 786-5182	krell_ro@leg.wa.gov
Isabel Muñoz-Colón	(360) 786-5179	munoiz_is@leg.wa.gov



APPENDIX 2 – AGENCY RESPONSES

- Department of Ecology
- Office of Financial Management



STATE OF WASHINGTON

DEPARTMENT OF ECOLOGY

P.O. Box 47600 • Olympia, Washington 98504-7600
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AUG 25 2003

JLARC

August 21, 2003

Mr. Thomas M. Sykes
Legislative Auditor
PO Box 40910
506-16th Avenue SE
Olympia, WA 98501-2323

Dear Mr. Sykes:

Thank you for the opportunity to review and comment on the Joint Legislative Audit and Review Committee's (JLARC) preliminary report on the **Performance and Outcome Measure Review: Department of Ecology Case Study**. Before I comment, however, I would like to commend you and your staff for the thoughtful and respectful process used to conduct this review of the Department of Ecology. Through the review, Ecology has had an opportunity to learn about how others perceive our approach to strategic management and the types of questions that are being asked about performance measures outside of our agency.

Overall, the preliminary report represents a generally accurate and positive accounting of Ecology's Strategic Performance System and where the agency is in the evolution of performance measures. A few points, either directly or indirectly, made in the report are worth noting.

While perhaps not through the exact nomenclature, Ecology's Strategic Performance System incorporates all the major principles from the Baldrige Quality Criteria and Balanced Scorecard approaches. Ecology's experience is that the use and accountability of performance measures linked to strategic planning and budget is an iterative, learning process that must be adapted to the agency's business and culture.

At Ecology, managers are held accountable for selecting, using and reporting their program plans and performance measures based upon a set of definitions and criteria. Senior Management does not "tell" a program manager if their output or outcome measures are "good" or "bad." Strict adherence to whether or not a measure meets the "book" definition of an output or outcome measure is not as significant as the learning and growth that takes place in the use of the measure and its linkage to objectives and targets.



Ecology managers meet quarterly to present and discuss their performance data. Through this accountability, the manager discovers if their measures are giving them the information that they need to make decisions or explain performance. This peer review and dialogue, conducted within a safe environment, is rich and thoughtful.

During the 01-03 Biennium, Ecology took several steps to further align the agency strategic plan, program plans, and budget, with performance measures. This is a very deliberative process that takes time and commitment. The agency's formal Strategic Performance System guidance is amended on a biennial basis to reflect the learning that has taken place on the development, tracking, use and reporting of performance measures.

As JLARC moves forward with the review of other state agency performance systems, Ecology encourages its managers to be open to the way in which each agency learns, adapts and manages with its use of performance measures. When looking at performance measures, the important questions should be centered around, "Does the agency have a comprehensive strategic performance system (i.e. Balanced Scorecard-like system) in place? How is performance measurement data being used as a management and accountability tool, and how is the information communicated both internally and externally?"

Finally, as you are aware, each of the five specific recommendations in the preliminary study report includes a completion date. It was my understanding that this was a case study of Ecology's performance measures and management system, rather than an audit of our system. I welcome the recommendations, and do support them, but believe it is premature to include completion dates in the case study. Therefore, I recommend deleting the proposed completion dates from the report.

More specifically, I offer the following comments on the report recommendations:

1. Develop efficiency measures as defined by OFM, where possible.
 - The scope of the JLARC study was to review the use of outcome and output measures. The agency has been working toward the development and use of efficiency measures and does have some in use.
2. Ensure performance measures for all key areas.
 - The JLARC study narrowly focused on a few key measures from each environmental program. The study was not an in-depth review of all measures for each program. Therefore, the study did not assess whether or not performance measures exist for all key areas.

3. Base performance targets on external standards or benchmarks, where possible.
 - The agency has taken steps toward benchmarking with other states - most recently with permit timeliness measures.
4. Consider developing a process to gather background information for measures.
 - While this can be a valuable exercise, in particular, for documentation and historical reference on how or why a particular measure was chosen, it can be a very time-consuming process.
5. Publish performance-measure related information on the agency public website.
 - Ecology concurs with this recommendation and is already taking steps toward publishing performance measure data on its website.

Thank you again for the opportunity to comment on the preliminary report. I am looking forward to providing formal comment at the September 17, 2003, JLARC meeting.

Sincerely,



Tom Fitzsimmons
Director

cc: Linda Hoffman, Deputy Director



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0313

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CLARC

August 25, 2003

TO: Thomas Sykes, Legislative Auditor
FROM: Marty Brown, Director *MB*
SUBJECT: PERFORMANCE AND OUTCOME MEASURE REVIEW: PRELIMINARY ECOLOGY CASE STUDY

Thank you for the opportunity to review and comment on the preliminary report for the Performance and Outcome Measure Review: Department of Ecology Case Study. Per your request, listed below is the Office of Financial Management's (OFM) response to your recommendations and a few additional comments regarding OFM's performance measure oversight.

<u>RECOMMENDATION</u>	<u>AGENCY POSITION</u>	<u>COMMENTS</u>
Rec 1 – Efficiency Measures	Concur	*
Rec 2 – Key Area Measures	Concur	*
Rec 3 – Performance Targets	Concur	*
Rec 4 – Background Information	Concur	*
Rec 5 – Publish on Website	Concur	*

* All of these recommendations are good ideas and should continue to be implemented as funding permits. Although it should be noted that the Department of Ecology is completing some of these tasks on an informal, if not formal basis, especially for its high priority areas. For example, the Water Resources Program routinely calculates an efficiency measure related to the number of water right permits processed per FTE, and benchmarking was completed for permit timeline measures and in-stream flow setting.

In addition, the 2003-05 OFM Budget Instructions ask agencies to submit to OFM, as part of their strategic plan, "only a core set of useful and verifiable performance measures relating to agency goals." The instructions acknowledge that agencies may use a broader set of performance measures to meet their management needs. They also describe the types of measures (outcome, output, and efficiency, with outcome measures preferred) of most interest to OFM, but do not require agencies to submit each type.

As the report states, OFM does not approve all the performance measures used by an agency. OFM reviews and works with the agency to refine measures that will be published by OFM in the context of the budget. We agree the current system is decentralized and that this may be the best approach to truly making performance management an integral part of financial management.

cc: Candace Espeseth, OFM
Jim Cahill, OFM
Ann-Marie Sweeten, OFM



APPENDIX 3 – ECOLOGY’S STRATEGIC PERFORMANCE MANAGEMENT SYSTEM

The Department of Ecology’s performance management system is comprised of six key elements as described below and depicted graphically on the following page. The first four parts of the management system put performance measures in context by asking program managers and staff four key questions:

- **Why:** The question of “why” is intended to focus programs on developing performance measures that are aligned with Ecology’s mission and goals.
- **What:** This part of the planning process asks program managers and staff to create priorities and targets for their activities.¹⁴
- **How:** This question expects that program managers and staff will create a detailed strategy that includes “activities and products that will be completed to achieve their targets.”
- **Who:** Programs must keep in mind “who” they are doing their work for: the citizens of Washington State.

The next two parts of the performance management system are aimed at analyzing the results of their performance measures and adapting to the information they provide. The process of analyzing the results entails reviewing targets and priorities in relation to the outcome and output measures they track. At the program level, this “analysis occurs monthly and quarterly in preparation for the Deputy Director’s Quarterly Review Meeting and the monthly Environmental Program Managers Team meetings.” After results are evaluated, program managers and staff try to isolate what they have learned from this process and adapt. This may mean that they change elements of their strategic plan such as the allocation of resources and/or the types of activities they pursue. Adapting also means that programs may rethink their performance measures and their related targets. At this point they then go back to the first part of the system and start all over again. According to their literature, this iterative process “is what makes (Ecology) a learning organization.”

¹⁴ According to Ecology’s Strategic Performance Management System guide (June 27, 2001), “Targets enable us to measure progress toward achievement of priorities through tracking (performance measures) and evaluation (monthly and quarterly review). Targets are results you plan to achieve over a given period of time.”

Ecology's Strategic Performance Management System

Below is a graphic depiction of the Department of Ecology's performance management system described on the previous page. This graph was taken from materials provided by the Ecology.



APPENDIX 4 – ECOLOGY PERFORMANCE MEASURES

Comparison of Four Measure Sets, Including: 1) Those Identified by the Department as Its "Key Measures" for this Study; 2) Those Reported to the Office of Financial Management on an Ongoing Basis; 3) Those Included in the Department Director's Performance Contract with the Governor; and 4) Those Included in the Department's 2003-05 Budget Submission.

Program	Measure	Key Measure for JLARC Study	Reported to OFM on Ongoing Basis	Governor's Performance Contract	In Agency's Budget Submission
Air Quality	Percent reduction in emissions from cereal grain stubble burning.	X	X		
	Number of agricultural burn permits issued/denied within a 7-day period.	X			
	Increase the percentage of days statewide with good air quality.		X		X
	Reduce the emission of toxic fine particulate air pollutants from diesel engines by 50% by 2010 through cleaner fuels, improved technology, incentives and voluntary programs.			X	
	The tons of pollution taken out of the air by the motor vehicle emission check program on an annual basis.				X
	The number of violations of federal and state air quality standards.				X
Environmental Assessment	Increased stream flow monitoring in 8 basins; 64 new stream gauging stations.	X			
	Implement the state strategy to reduce persistent, bioaccumulative toxins by June 2003.	X			
	Support and contribute to the implementation of a comprehensive monitoring strategy and associated performance measure requirements under ESHB 1785.				X
Hazardous Waste & Toxics Reduction	Reduce the total number of pounds of hazardous waste generated in the state by 2% annually through pollution prevention technical site visits.	X	X	X	X
	Incidence of environmental threats/environmental threats resolved.	X			
	Develop long-range strategic plans for significantly reducing and properly handling hazardous waste.			X	
	Number of people/businesses receiving technical assistance education on hazardous waste management.				X
	Number of violations per 100 inspections.				X
Nuclear Waste	Reduce overall concentration of contaminants in groundwater.	X			
	Enforcement of federal government's responsibility to complete interim stabilization of Consent Decree milestones at Hanford Nuclear Reservation.	X	X	X	
	Percentage of the contaminated liquids transferred from single shell to double shell tanks at Hanford Nuclear Reservation.				X
	The percentage of the known contaminated surface areas cleaned up along the 100 Area of the Hanford Nuclear Reservation.				X

Program	Measure	Key Measure for JLARC Study	Reported to OFM on Ongoing Basis	Governor's Performance Contract	In Agency's Budget Submission
Shorelands and Environmental Assistance	Number of miles of riparian habitat enhanced or restored by Ecology's Conservation Corps.	X		X	
	Number of communities receiving targeted technical assistance from Ecology's Guidelines Outreach Assistance Team.	X			
	Reduce the time it takes to issue a decision for 401 Certifications (projects that potentially impact wetlands or water quality standards).			X	
	Compliance with shoreline permits adoption of new state Shoreline Master Program guidelines.				X
	Number of local shoreline master programs consistent with the federal Endangered Species Act.				X
	Adoption of new Shoreline Master Program guidelines.				X
	Number of the state's 62 watersheds (WRIAs) with established watershed management groups.				X
	Number of watershed assessments scoped and initiated.				X
Solid Waste and Financial Assistance	Roadside litter rating (based on Department of Transportation Cleanliness rating scale).	X	X	X	
	Develop long-range strategic plan for significantly reducing and properly handling solid waste.			X	
	Millions of pounds of litter cleaned up from state roads and public areas.	X			X
	Statewide recycling rate.				X
Spill Prevention, Preparedness, and Response	Reduce number of commercial vessel incidents, such as loss of propulsion or steering that can lead to oil spills to 1.9% in the 03-05 Biennium.	X		X	X
	Number of commercial vessel inspections conducted by Ecology.	X			X
	Reduce the number of oil spills to surface waters.		X		
	Maintain a rescue tug at Neah Bay for at least eight months in FY-01.				X
	Number of field responses to oil and hazardous material spill incidents.				X
	Reduce the total volume of oil spilled to surface waters.		X		X
Toxics Cleanup	Percent of known toxic contaminated sites with cleanup actions completed.	X	X		X
	The number of sites with cleanup actions completed.	X			
	Number of sediment acreage remediated for source control and cleanup.		X		
	Cleanup actions conducted at 15 priority toxic sites to foster economic development.			X	
	Reduce persistent bioaccumulative toxins through development of the Mercury Chemical Action Plan.			X	
	Number of reported releases from Underground Storage Tanks.				X

Program	Measure	Key Measure for JLARC Study	Reported to OFM on Ongoing Basis	Governor's Performance Contract	In Agency's Budget Submission
Water Quality	Percent reduction of bacteria in Nooksack River tributaries of Fishtrap and Bertram creeks.	X			X
	Number of water quality cleanup plans (TMDLs) submitted to the Environmental Protection Agency for approval.	X	X	X	X
	Increase the percentage of water volume metered in 16 critical fish basins to 80% by July 2003.			X	
	Reduce the impact of storm water runoff through the re-issuance of the Industrial and Construction Storm water General Permits.			X	
	Annual amount of state and federal grant and loan funding.				X
	Amount of time between grant or loan officer and signed agreement and disbursement of funds.				X
	Percentage of farms with certified dairy nutrient management plans.				X
Water Resources	Water right permits/applications (new and changes).	X	X	X	X
	Increase the number of streams with in-stream flows affirmed, amended, and/or set and establish flow monitoring in critical water basis.		X	X	
	Increase the volume of water restored to rivers to maintain in-stream flows, through trust water acquisition and donations, conservation and reuse, water rights changes, compliance and other actions.		X	X	X
	Number of water supply well construction start cards filed on time.				X
	Percentage of the state's dams above population centers posing low safety risk.				X
	Number of water rights technical assistance and enforcement actions taken to secure compliance.				X
	Percentage of Yakima adjudication completed.				X
Multiple Programs	Align grants with program priorities and sustainability; and develop outcome performance measures by July 2002.				X
	Percentage of State Environmental Policy Act (SEPA) documents listed in the SEPA database within one business day.				X
	Develop baseline data on percent of customers satisfied with Ecology permitting services (as measured by surveys).			X	
	Develop baseline data on percent of customers satisfied with Ecology customer service (as measured by surveys).			X	
	Increase the percentage of core permit processes that are described in a user-friendly format on the Internet.			X	
	Reduce the time it takes to make permit decisions through the establishment and attainment of permit timeliness for the following permits: state waste discharge, National Pollutant Discharge Elimination System (individual and general), shoreline conditional use and variance, air operating and air new source.			X	

APPENDIX 5 – SAMPLE PERFORMANCE MEASURE INVENTORY FORM

Performance Measure Background Information

Program: _____ <i>Key Activities:</i>	
Measure:	Type (check one): <input type="checkbox"/> <i>Output</i> <input type="checkbox"/> <i>Outcome</i> <input type="checkbox"/> <i>Efficiency</i> <input type="checkbox"/> <i>Other:</i> _____
Purpose, Significance, and Use: <i>Why is this measure important, and how is it used?</i>	Definition/Explanation of Terms: <i>Provide enough pertinent information to allow for a clear understanding of the measure, including definitions of all key terms.</i>
Performance Target: <i>What are the specific results to be attained and in what time frame will they be achieved?</i>	Basis for Selection of Performance Target: <i>What was the basis for selecting the performance target (historical performance, external benchmarks)? If targets not based on external benchmarks, did your program explore whether such benchmarks exist?</i>
Relevance to Other Agencies: <i>Is this measure likely to be relevant to other agencies? If yes, which ones?</i>	Data Collection: <i>What is the source of the data, who collects it, and at what intervals is it collected?</i>
Any Data Limitations:	Data Reliability and Verification: <i>How do you verify reliability of measure?</i>
Data Calculation: <i>How is the measure calculated?</i>	Data Collection Cost: <i>Are there any significant or unusual costs associated with collecting this data?</i>

