



FISCAL POLICY STUDIES INSTITUTE

May 21, 2007

The Honorable Toni Harp, Senator
The Honorable Denise Merrill, Representative
Co-chairs, Appropriations Committee
Connecticut General Assembly
Hartford, Connecticut 06106

Dear Toni and Denise:

Congratulations on the success of your efforts to strengthen the state's budget process through the second phase of the RBA initiative. As you know, I have worked closely with the Charter Oak Group throughout this year and have been impressed with what you and your colleagues have accomplished. Through this work, you have established the Connecticut legislature as a national leader in the business-like pursuit of government accountability. And you have made a real difference for citizens and taxpayers by getting agencies to work together to improve Connecticut quality of life and by asking tough questions of individual agencies about the effectiveness of their services.

I would like to take the occasion of the submission of the final Phase II report to offer a few of my own recommendations for how you might build on this record.

Quality of life report card: I believe you should require the executive branch to submit recommendations to the legislature for a set of results and indicators and to submit an annual report card on Connecticut quality of life. The process of identifying results and indicators should be broadly inclusive, and should be grounded in the RBA discipline about language clarity. This report card will give you a basis on which to judge Connecticut's progress on quality of life for all citizens and to help shape the cross agency and cross community policies necessary to improve quality of life in the coming years.

Both Population and Performance Accountability: You should maintain the requirement that agencies report on both their contribution to quality of life as well as their own performance. It must be clear that there is a level of accountability that is bigger than agencies and bigger than state government. State agencies have a role to play in getting children ready for school, creating healthy

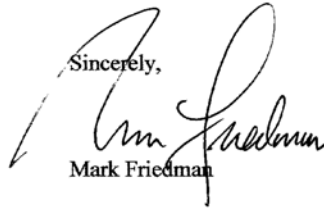
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communities and a clean environment. But they are not solely responsible for these conditions. Rather, they must be leaders in creating the partnerships necessary to make progress. Unless this notion of population level partnership is reinforced, agencies will be defensive and not ambitious about working with others for these higher purposes.

Balanced set of performance measures: You have put in place an expectation that agencies must report on customer results. This is powerfully important. But is also important that their work address measures of how well their services are provided. Each agency should identify a mix of three to five of these two different kinds of measures and then use those measures, not just in budget submissions, but also in a business-like process of continuous improvement. The seven performance accountability questions in RBA provide one method for doing this. The signs of a healthy accountability system will be the extent to which government takes action to address both population and performance accountability and both *How well did we do it?* and *Is anyone better off?* measures.

I hope you find these comments useful. I'd be glad to discuss them or answer any questions you or other committee members may have. I have truly enjoyed working with you and your colleagues in these past two years and look forward to our continuing conversations.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Friedman". The signature is fluid and cursive, with a large initial "M" and "F".

Mark Friedman

Connecticut Appropriations Committee
RBA Budget Initiative

Phase II Final Report

Presented by
The Charter Oak Group, LLC
May 21, 2007

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I. Background.

In August 2005, the co-chairs of the Appropriations Committee of the Connecticut General Assembly, Representative Denise Merrill and Senator Toni Harp, created an RBA Work Group of the Appropriations Committee. The Work Group's charge was to determine the applicability to the Connecticut budget process of the results-based accountability framework developed by Mark Friedman of the Fiscal Policy Studies Institute. Friedman helped initiate the effort by provided training to Work Group members at the beginning of the project. In the first year of this initiative, the work group applied the RBA approach to two areas of the budget: Long Island Sound and early childhood education.

Because of the limited time available for the pilot projects, the examination of the early childhood system was limited to a small vertical slice of the full system and its programs: expansion of preschool slots for children in priority school districts. Four pilot agencies – DEP, SDE, DSS, and DPH -- presented their RBA materials to their relevant sub-committees. Follow-up questions were sent to the agencies after their presentations, but, due to the lack of time, responses were not requested. At the conclusion of the presentations, the Work Group reviewed the process with agency personnel and legislators involved in the presentations and issued a final report on May 11, 2006.

In the second year of the RBA initiative, the RBA workgroup decided to expand the work begun in the 2005-2006 session and to continue the services of The Charter Oak Group to guide the process.

II. Objectives for Phase II.

In the late summer of 2006, the RBA Work Group defined four objectives for the second year of the RBA initiative:

1. Apply RBA to the environment and the early childhood system. For the environment, this would entail revisiting the work that had been done on Long Island Sound and adding an examination of the state park system. For early childhood, this would mean an examination of the entire population result: All children healthy and ready for school success by age 5.
2. Develop a framework and standardized tools for the broad application of RBA that any agency could use without being part of a formal pilot project directed by the RBA Work Group.
3. Apply RBA more directly to the budget process.
4. Institutionalize RBA by training Appropriations Committee members and by preparing OFA staff to assume responsibility for the process.

III. Revision of Standardized RBA Templates; Training of State Agencies, Legislative Staff, and Appropriations Members.

In October 2007, the standardized RBA templates developed during Phase I were revised in consultation with Mark Friedman and reissued with instructions for completing the templates. All agencies making RBA presentations to the Appropriations Committee were required to use these standardized tools. Copies of the templates (with final formatting changes suggested by Friedman) are included as Appendix I.¹

Also in October 2007, all state agencies (including the pilot agencies) and legislative staff were invited to a half-day training in the basics of RBA. Over 100 individuals from 31 state agencies attended the training. Following the training, Charter Oak held three monthly workshops for non-pilot agencies that wished to work with the RBA templates on their own. Non-pilot agencies were told that if they completed the templates, they would be allowed to make a special presentation to their Appropriations Committee sub-committee. Although as many as six programs attended these workshops, none ultimately decided to make a formal RBA presentation.

The Appropriations Committee added many new members in January 2007, and a new RBA sub-committee was established to continue the work begun by the RBA Work Group. To help prepare the new members, the Appropriations Committee arranged for Mark Friedman to do a half-day training in January for Appropriations Committee members focused on how to use the RBA in the budget process. Friedman also spent time with the pilot agencies responding to questions and helping them prepare for their presentations before the Appropriations Committee.

IV. Partnership with OFA:

One objective of the second year of the pilot project was to prepare OFA staff to assume responsibility for the process. The Charter Oak Group worked closely with the Director of OFA to develop an approach to this preparation effort. The Director of OFA identified three OFA staff who were assigned to work with Charter Oak Group to 1) develop a fuller understanding of the RBA framework, 2) understand the approach used by COG to work with state agency staff in order to develop and present the information required in the RBA templates, and 3) create linkages to and develop clear roles for the OFA substantive analysts in the RBA process.

Each of the three designated OFA staff members, together with COG staff, attended meetings held with executive branch agencies. OFA staff members also participated in the preparation of individual program templates and worked with the substantive area OFA staff to cross-validate the budget numbers provided by the agencies. The OFA team

¹ Part I is the full template at the population level. Part II is the full template at the program, agency, or system level. Part IA is an abbreviated population template for agencies that are primarily interested in presenting a single program that is not part of a broader system.

members also helped conduct a review of all of the program templates prior to the Appropriations Committee presentation on February 13.

The value of OFA's participation goes beyond its substantive contribution to the RBA process and products. The presence of the OFA team members at meetings with legislators and agency personnel sent a very strong message about the seriousness of the Appropriations Committee's commitment to RBA and helped to dispel the impression that RBA was just the latest management fad that would soon fade.

V. Role of RBA Work Group/Sub-committee

The RBA Work Group met monthly throughout the fall to review the progress of the initiative. Members of the Work Group were assigned to each of the pilot agencies and accompanied the COG/OFA teams to meetings with each agency's executive leadership about the RBA work that the agency was doing for the pilot project. Work Group members offered to serve as liaisons between the agency and Appropriations Committee for any issues regarding the process and to help brief the agency leadership before the presentation. In most cases, the Work Group members did not have any direct contact with the agency after the initial meeting, but in a few cases, the Work Group member did help resolve issues that arose before the presentations.

In January 2007, the work Group was replaced by the RBA sub-committee. The sub-committee sponsored the Friedman training of Appropriations Committee members in January and produced a work plan that called for it to serve a coordinating function for the Appropriations Committee sub-committees as they conducted their RBA hearings and then developed budgets for the pilot agencies. The RBA sub-committee convened a meeting of the sub-committee co-chairs and ranking members on February 26, 2007, at which the sub-committees decided to issue written follow-up questions to the pilot agencies requiring written responses before the conclusion of the sub-committee work group sessions. The RBA sub-committee held a second meeting with the sub-committee co-chairs and ranking members on April 2, 2007, at which time it was decided to fashion a response to the Governor's early childhood budget proposal that included accountability at the population level and outcome measures for all early childhood programs.

VI. Work with Pilot Agencies:

This year's work with the pilot agencies was more extensive than last year's pilot agency work for two reasons: There were more agencies involved this year than last, and there were many more programs included. COG principals assigned individual consultants to each agency so that there would be a single point of contact and each consultant, paired with a member of the OFA team, could build a relationship with the individual agencies. There were 7 state agencies and 24 programs covered.

The work with the pilot agencies was also enriched by the presence of Legislative Liaisons. One or two legislators from the RBA Sub-committee met at least once with the

agencies to explain the purpose of the RBA project and to engage in a dialogue with the agency leadership around issues of mutual concern likely to be raised during the RBA process.

Much of the COG consultant work with the agencies involved providing them with feedback as they developed their program templates. Some of the help was mechanical, mostly with formatting the templates. Most of the substantive work centered on helping the agencies distinguish between population and program measures. There was also the need for frequent clarification about the three types of program measures: how much we are doing, how well we are doing it, and is anyone better off. While agencies understood the differences conceptually, they often misapplied the concepts when identifying measures for individual programs.

VII. Presentations to Appropriations Committee and Sub-committees; Follow-up

The full Appropriations Committee held a three-hour meeting on February 13, 2007, at which time the pilot projects presented their RBA materials. DEP presented a population template for Long Island Sound and a program template for the Clean Water Fund. It also presented a population template for outdoor recreation and a program template for the state parks. The early childhood Cabinet presented a population template for the result, "All children healthy and ready for school success by age 5" and a system template for the early childhood service delivery system, which included seven state agencies and 24 separate programs. These RBA templates are presented as Appendix II. Questions that arose out of the February 13 presentations are contained in Appendix III.

Over the next two weeks, the pilot agencies presented program templates for individual programs during their Appropriations sub-committee hearings and responded to follow-up questions about these programs at their sub-committee work group sessions. Each sub-committee issued written follow-up questions to the pilot agencies requiring written responses before the conclusion of the sub-committee work group sessions. The sub-committee questions and agency responses are contained in Appendix IV.

VIII. Appropriations Committee Response to the RBA presentations: Early Childhood Budget and Legislation

In adopting its budget for the early childhood system, the Appropriations Committee made several significant changes to the budget proposal made by the Governor. These changes primarily transferred money from the creation of new preschool slots to areas of accountability, quality and systems building. The RBA framework played a crucial role in making this possible because the Cabinet had identified the major strategies that worked as part of its implementation plan. Two of those strategies were expanding the capacity of the system (creating more slots) and enhancing the system in terms of accountability, quality systems, and governance.

The Committee was guided by the strategic focus of the RBA presentations that the Cabinet and pilot agencies had made. The committee also drew on work that had been

done by the early childhood advocates and providers, which had explicitly embraced the RBA framework used by the Cabinet and had recommended additional investments in quality and accountability.

At the same time, the Committee drafted legislative language that spoke to the governance aspect of system enhancement by requiring the Cabinet to assume a coordinating role for the early childhood system and to report to the legislature on efforts to implement accountability, quality, and efficiency throughout the system. Under this legislation, the Cabinet would be specifically charged with developing an accountability plan at the population, system, and program levels; developing common program and quality measures that all programs would be required to use, and reporting on the new indicators and measures annually.

IX. Evaluation of the Process by State Agencies, Sub-committee Members, and Legislative Staff

On May 7, 2007, the Appropriations Committee called together legislators, legislative staff, and agencies that had been involved in the second year of the RBA process. The co-chairs of the Appropriations Committee, Representative Denise Merrill and Senator Toni Harp, opened the meeting and turned it over to the co-chairs of the RBA Sub-Committee of the Appropriations Committee, Senator Robert Duff and Representative Diana Urban. They proceeded to elicit reactions, positive and negative, from both agencies and legislators regarding their experience with the RBA process this year. The following points were made during the discourse that followed.

Benefits

- Many who spoke at the evaluation session emphasized the value of the low cost/no cost analysis
- RBA useful for making presentations
- Useful in identifying points of collaboration with other agencies and giving us a broader systems view
- Everyone is asking the right questions in hearings as a result of this process
- The discussion of indicators focuses agencies on what is meaningful; made us think about outcomes instead of just numbers served
- Drives internal discussion in new and more productive ways; has led to a jump-start of strategic planning
- The language is changing and that is changing the culture
- RBA has given the early childhood system a tool for making data-driven decisions

Challenges

- Developing and communicating the indicators are more difficult than it appears
- There are sometimes accountability processes on a federal level that have to be considered or accommodated to RBA
- There needs to be more communication with the public about this process so they can understand it and why it is being used

- Need to figure out how to capitalize on the political value of the process, especially for policy issues that cross agency and committee boundaries
- We may need to look at federal programs and how they can be more fully integrated into the process
- Federal programs have required measures for years and thus have more good data available
- It is often difficult to decide what to report and what not to report
- Needed to start the RBA process earlier in the year
- Individual agencies should have more contact with legislators around the RBA process; opportunity to talk about the program provides reinforcement and reward for all the work required
- The templates were too confusing for the legislature to use. We need to simplify the forms so there is not so much detail on individual programs

Recommendations

- Training in RBA needs to emphasize the purpose and value of the RBA process
- Appropriation Committee needs to change its processes and structure to facilitate further development and use of RBA
- Integration between committees of cognizance and Appropriations sub-committees must be worked out
- There needs to be more inter-committee and inter-agency cooperation
- OFA needs to be brought into the process more fully
- Budget priorities need to be matched to results, allowing us to shifting funding to programs that work
- Need longitudinal studies
- A lot of programs feel like players for the first time; they need to be kept engaged and brought fully into the process
- Agencies need to be held accountable for implementing their action steps, especially the no-cost/low-cost action steps

X. Recommendations for Phase III

The Charter Oak Group's recommendations for Phase III of RBA were developed assuming the following objectives for Phase III:

- 1) to expand the use of RBA in the appropriations process under the guidance of the RBA Sub-committee of the Appropriations Committee
- 2) to have the Office of Fiscal Analysis support this expansion of RBA
- 3) to further engage the sub-committees of the Appropriations Committee, as well as the committees of cognizance, in the use of RBA.
- 4) to require the use of RBA in all programs where new or expanded funding is requested.

Four current conditions are important to the meeting of the above objectives:

- the continued existence and activity of the RBA Sub-committee of the Appropriations Committee
- the continued availability of OFA staffing resources to support the RBA process
- the legislative requirement that new or expanded funding requests are accompanied by outcome measures
- the involvement of the executive branch, particularly OPM

There are several options for furthering the RBA agenda as outlined above given the current conditions. Some require further definition of roles and responsibilities, some require changes in legislative language, and some require substantially more executive branch involvement and commitment.

1) Develop desired quality of life results that can be aligned with performance measures developed by individual programs.

The quality of life results are the necessary starting point in order to identify and bundle various programs and agencies contributing to a particular aspect of well-being for the citizens of the state. This can be done in several different ways. Inclusion and parsimony are the two critical components. Some of the options include:

- a. The RBA Sub-committee can “refresh” the result areas created by the Progress Council in the early 1990’s, validating them together with an executive branch working group. Beyond the requirement that new and expanded budget requests be accompanied by an RBA framework using these quality of life results, the RBA Sub-committee can select one or more result areas for cross-program RBA efforts each year.
 - b. The RBA Sub-committee, together with an executive branch working group and external stakeholders, can create a new menu of desired quality of life results for this purpose.
 - c. The RBA Sub-committee, working with each of the other Appropriations Committee sub-committees and in consultation with the committees of cognizance, could select two important desired quality of life results to emphasize each year.
- 2) *The back of the budget language requiring new or expanded programs to provide outcome measures should be expanded to require measures of program quality (RBA upper right quadrant: How well did we do it?), as well as program outcome measures (RBA lower right quadrant: Is anyone better off?)*
- 3) *Engage the executive branch in further RBA development.* OPM is critical to the continued success of the RBA effort because it can sponsor and support executive branch agency involvement in the development of program performance measures. The resources of OFA to support RBA will not be sufficient to ensure that executive agencies have the support they need to create viable RBA indicators, performance measures, and baselines at the population and program levels.

- 4) *Engage legislators and institutionalize RBA at different levels of the General Assembly.*
 - a. The feedback session demonstrated that the deeper one delves into RBA, the more one touches on the intersection of budget and policy. The involvement of the committees of cognizance becomes critical to ensure cross-validation of substantive information and foster congruence in the activities of the committees of cognizance and the sub-committees of the Appropriations Committee.
 - b. One way of doing this would be to engage the committees of cognizance in the development of results statements. (See recommendation 1, above.) Another way would be to have the committees of cognizance require the agencies that come before them to utilize the RBA framework in their presentations.
 - c. In cases of cross-agency/cross-program/cross-sub-committee RBA efforts, the committees of cognizance could engage with the sub-committees of the Appropriations Committee in the process of making cross-program budget recommendations

- 5) *Develop an approach to the use of the RBA templates that does not overburden legislators, agencies or legislative staff.* This can be accomplished by providing legislators with only the summary pages of the templates. At the same time, it is essential to continue to emphasize the distinction between population results and program performance, the use of the standardized RBA language (see Appendix V for the glossary of RBA terms in Connecticut), the alignment of population indicators with program performance measures, and the concept of turning the curve.