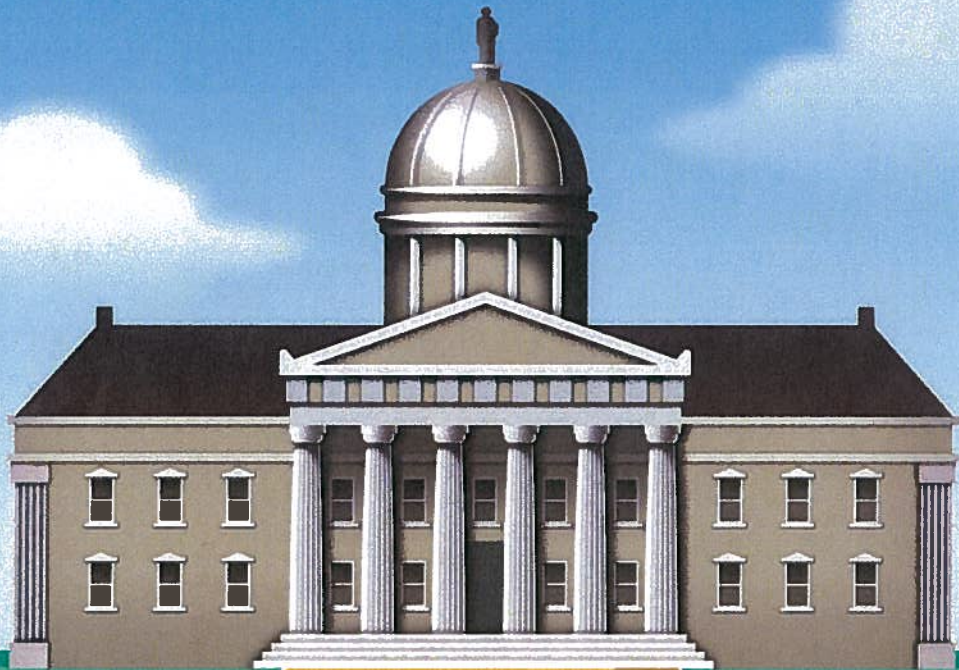


GOVERNING

Measuring Performance

The State Management Report Card for 2008



C Massachusetts

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

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

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

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

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

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

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

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

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

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

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

Money C+

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

People C

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

Infrastructure D+

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

Information C

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

Population (rank): 6,437,193 (13)

Average per capita income (rank): \$30,686 (4)

Total state spending (rank): \$39,880,324,000 (11)

Spending per capita (rank): \$6,195 (10)

Governor: Deval Patrick (D)

First elected: 11/2006

Senate: 40 members: 35 D, 5 R

Term Limits: None

House: 160 members: 140 D, 19 R, 1 Vacant

Term Limits: None

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

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

Infrastructure The Rough Road

50-STATE
AVERAGE
GRADE
B-

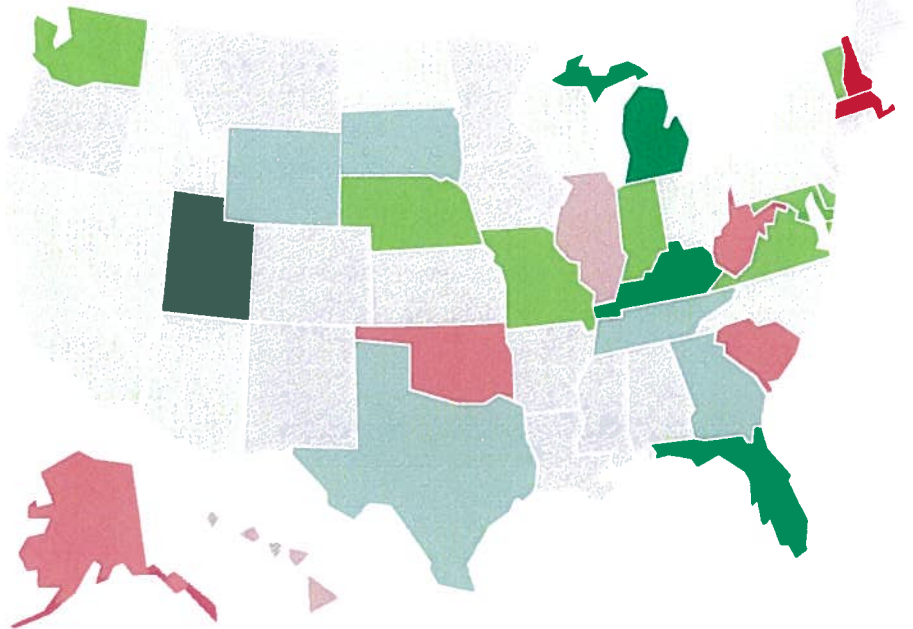
Last spring, there was a prison riot in Indiana. The casual observer, informed by Hollywood movies, might guess that the roots of unrest were vicious gangs, escape efforts or hostile guards.

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

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

Perhaps the most serious disconnect

Infrastructure



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

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

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

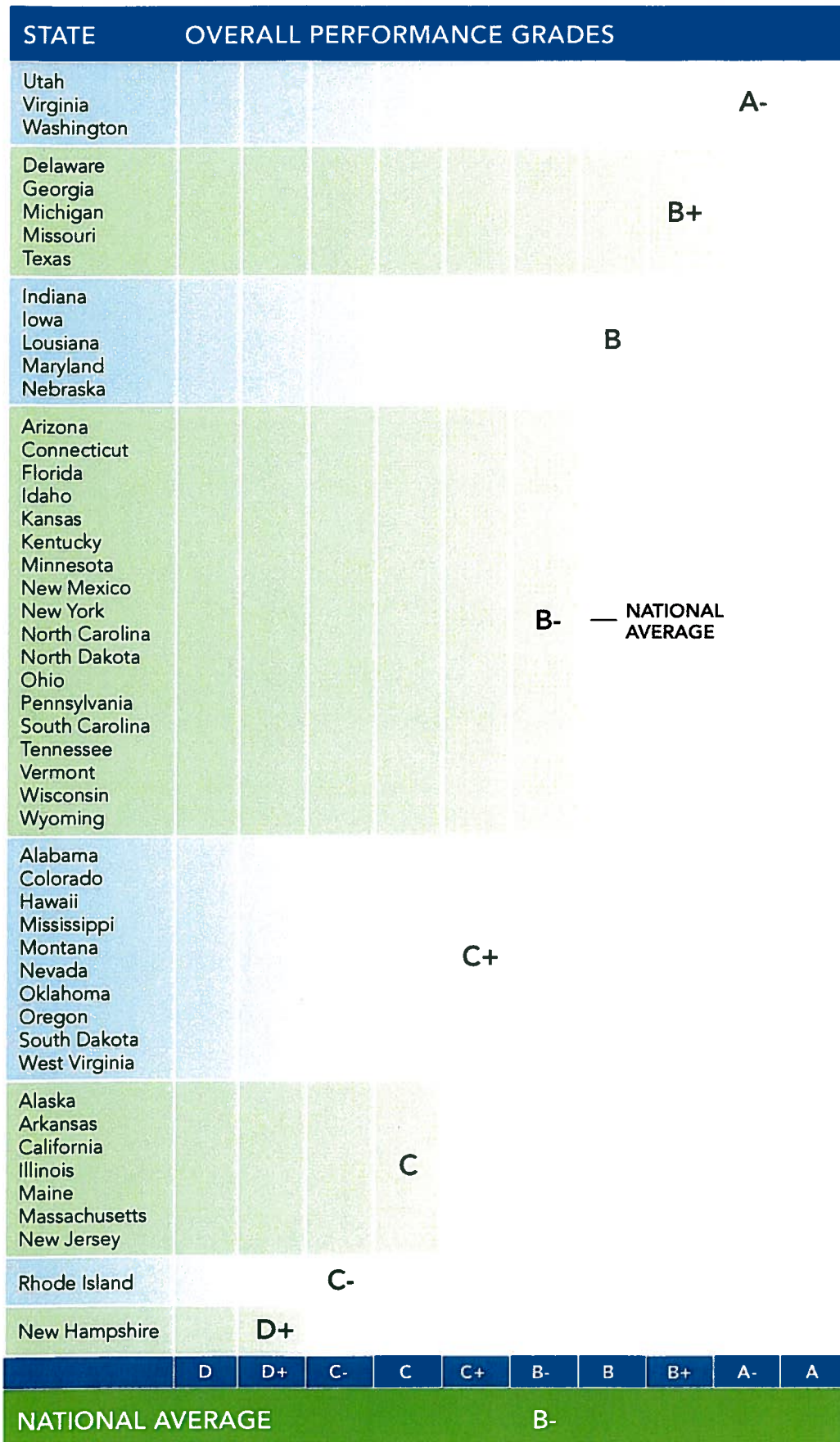
years. The fact that it has a system in place to make estimates of this kind puts it in better shape than a number of other states.

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

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

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

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



THE PEW CENTER ON THE STATES' Government Performance Project

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The Project evaluates how well states manage employees, budgets and finance, information and infrastructure. A focus on these critical areas helps ensure that states' policy decisions and practices actually deliver their intended outcomes.

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The Project grades but does not rank states. All states within a given grade category receive the same grade and are listed alphabetically.