

Grading the States 2005

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The Government Performance Project gives state governments information and data they can use to improve management and achieve goals.

<http://results.gpponline.org>

In February 2005, the Government Performance Project (GPP) released its latest evaluation of state management performance, *Grading the States 2005*. A review of four key management areas – money, people, infrastructure, and information – the project found that while all states faced similar economic challenges, the worst in over 50 years, their reactions and reaction times differed widely. Some states developed innovative and swift responses, while other states drifted behind.

Even as the budget picture brightens, the business of state government continues to be filled with management challenges. Whether it's improving public schools or keeping the air clean, the quality of a state's services to its citizens depends on its management systems.

Recognizing the link between management and policy outcomes, *Grading the States 2005* took a closer look at management capacity in the 50 states:

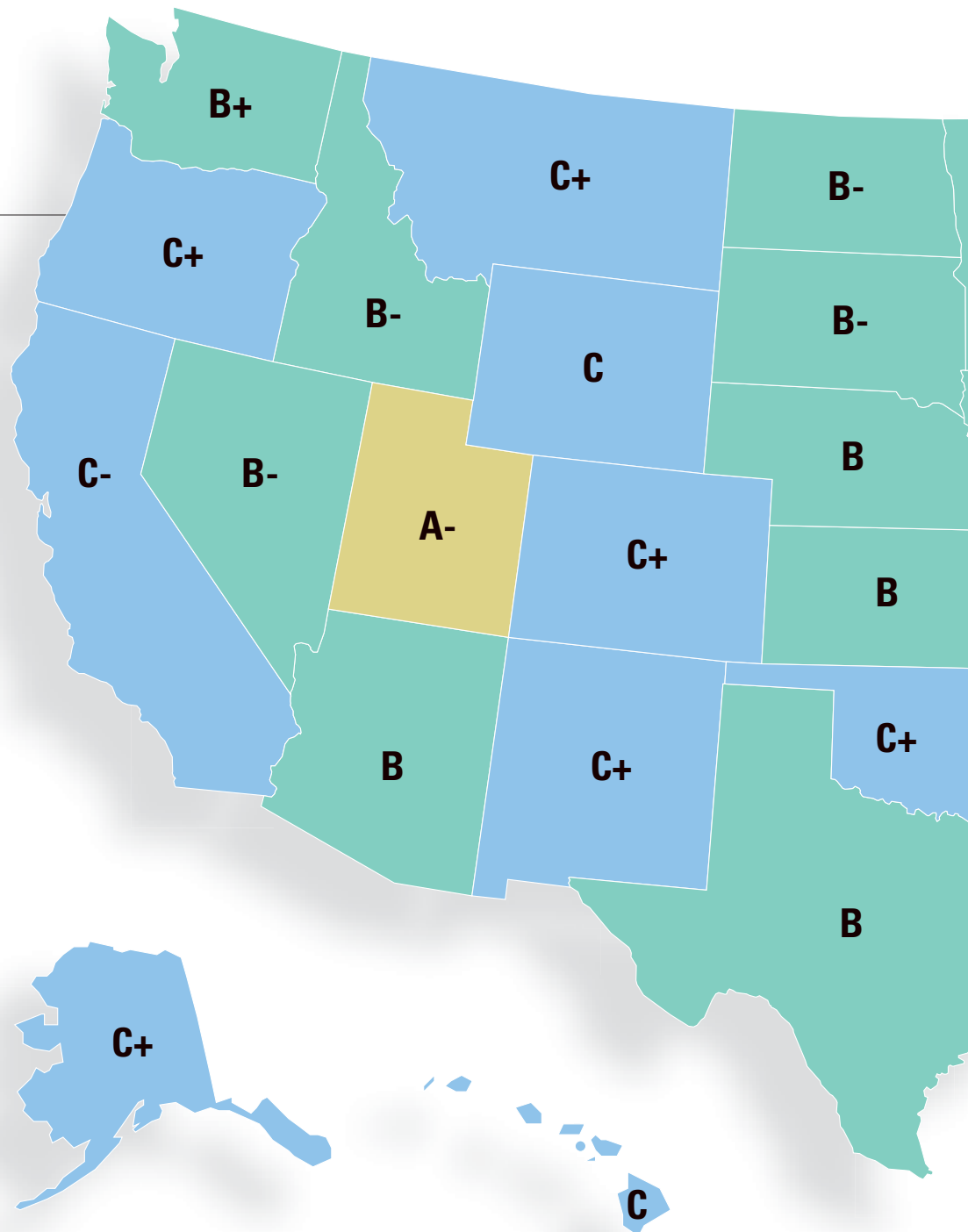
- What are the latest trends in revenue estimation? Did any of these techniques help your state steer clear of the budget storm?
- Does your state have the necessary employees to provide services to you now? Five years from now? How are neighboring states preparing for future workforce challenges? What recruiting strategies are in place to attract new employees?
- Does your state know the condition of its bridges and roads? If they are deteriorating, is there a plan in place to fix them soon?
- What can you learn from your state's website? Is information readily available about how and how well your tax dollars are being spent? How can your state track its performance better?

While these questions are not always popular, it is clear that management matters. In the pages that follow, we share but a small sample of the trove of data collected about the quality of and trends in management performance in the states. The GPP results website – <http://results.gpponline.org> – contains even more about innovative solutions to the most persistent management problems as well as many more charts. While at the site, you can also compare your state's performance against others, by management category or individual criteria used to arrive at the grades.

Once you have learned how your state fares, we invite you to contact us if you have questions and also to see how you can learn from other states.

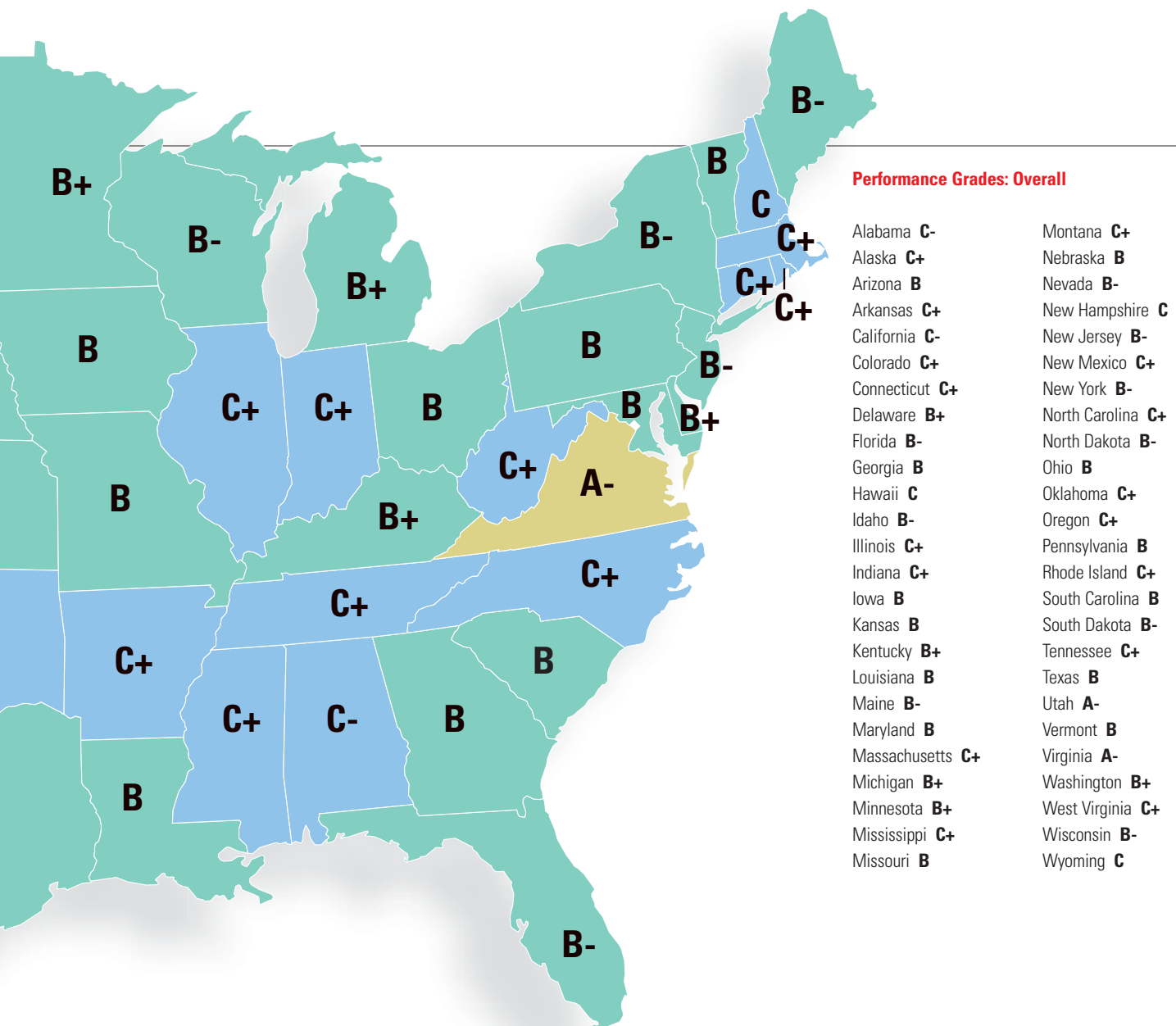
Overall Performance

The grades published here represent the performance of each state as a whole, not any individual or specific department. The GPP recognizes that, like snowflakes, no two states are exactly alike. They vary in their size, their constitutional structure, and a host of other factors. Many considerations go into the assessments, including legal processes, the structure of state policies and programs, the relationships among elements of the state government, and the



relationship between government and its citizens. States are not graded against each other; they are graded against the criteria, which were developed using the best research in the field.

An important note about this year's grades: extensive changes have been made to both the criteria and the methodology, and, therefore, grades in 2005 are not comparable to grades from previous years. Such comparisons should not be made – they would be both misleading and inaccurate.

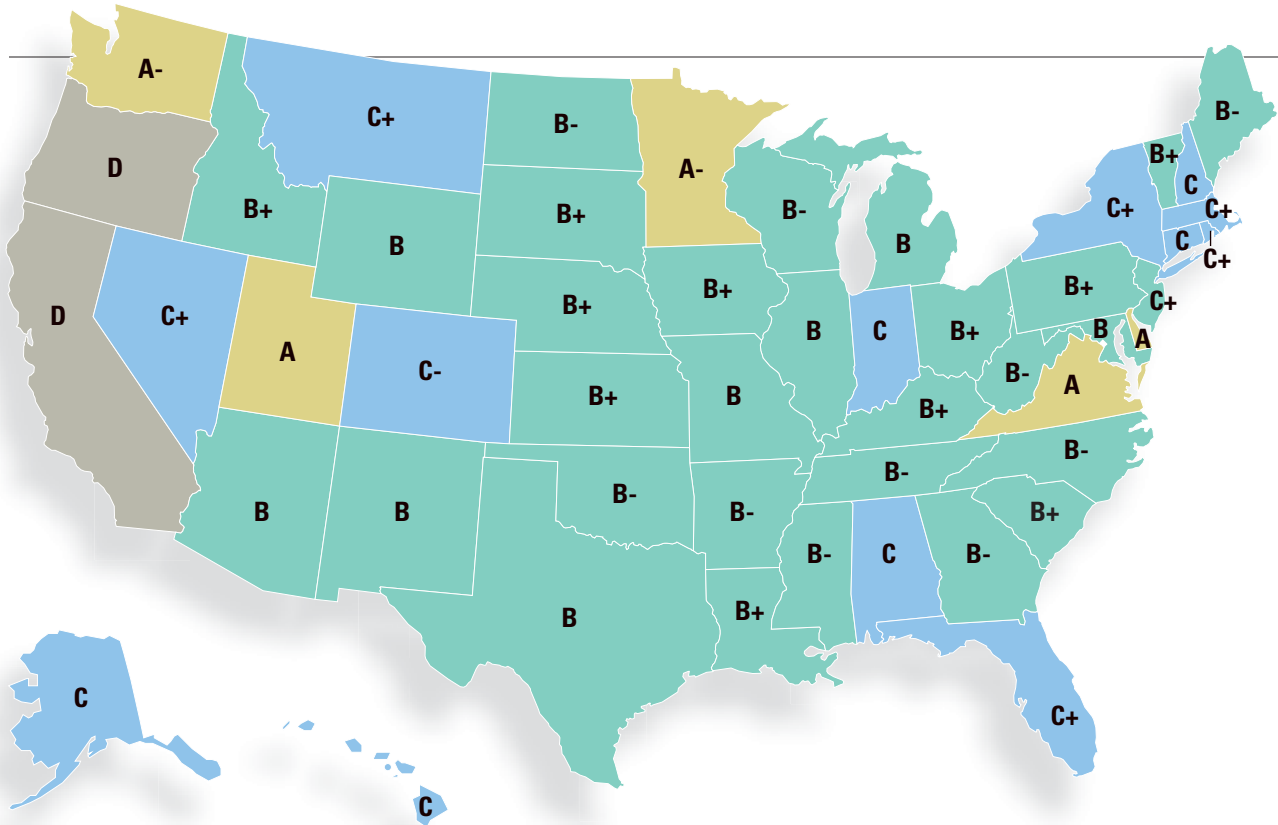


Money

How well does the state manage its fiscal resources, including budgeting, forecasting, accounting and financial reporting, procurement, contracting, investments, and debt?

To answer this question, the GPP evaluated states' performance relative to the following criteria:

- **Long-Term Outlook** – The state uses a long-term perspective to make budget decisions.
- **Budget Process** – The state's budget process is transparent and easy to follow.
- **Structural Balance** – The state's financial management activities support structural balance between ongoing revenues and expenditures.
- **Contracting / Purchasing** – The state effectively manages procurement activities.
- **Financial Controls / Reporting** – The state systematically assesses the effectiveness of its financial operations and management practices.



Performance Grades: Money

Alabama C	Georgia B-	Maine B-	Nevada C+	Oregon D	Virginia A
Alaska C	Hawaii C	Maryland B	New Hampshire C	Pennsylvania B+	Washington A-
Arizona B	Idaho B+	Massachusetts C+	New Jersey C+	Rhode Island C+	West Virginia B-
Arkansas B-	Illinois B	Michigan B	New Mexico B	South Carolina B+	Wisconsin B-
California D	Indiana C	Minnesota A-	New York C+	South Dakota B+	Wyoming B
Colorado C-	Iowa B+	Mississippi B-	North Carolina B-	Tennessee B-	
Connecticut C	Kansas B+	Missouri B	North Dakota B-	Texas B	
Delaware A	Kentucky B+	Montana C+	Ohio B+	Utah A	
Florida C+	Louisiana B+	Nebraska B+	Oklahoma B-	Vermont B+	

Our findings:

States showed considerable ingenuity in dealing with the recent fiscal crisis, the worst in 50 years. Many of them made a renewed commitment to get back to the basics – to improve long-term planning, replenish rainy day funds, and revisit revenue estimating techniques.

Delaware takes one of three top grades for its strong financial performance with good structural balance, innovative purchasing and contracting systems, and a strong commitment to assessing the fiscal impact of policy decisions. Virginia is also a stand-out, maintaining a commitment to long-term planning and a highly transparent budget process while keeping the state's rainy day fund replenished.

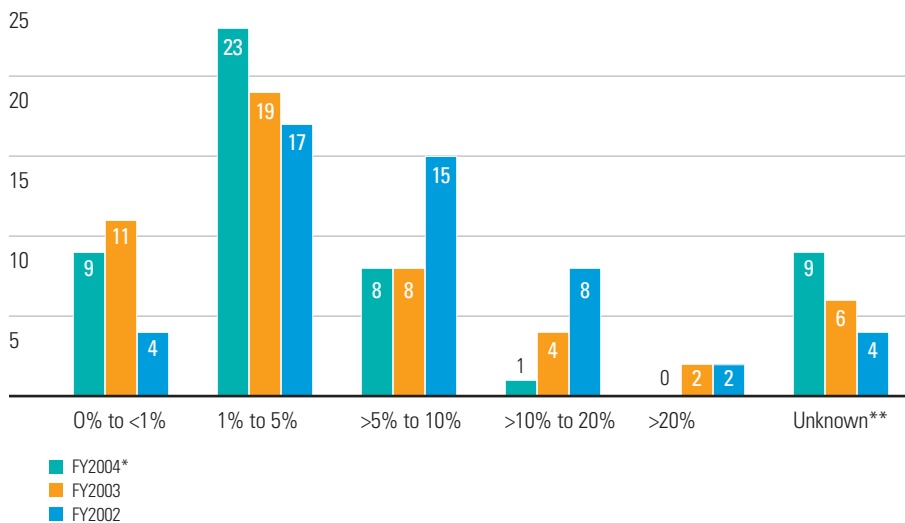
Forecasting Accuracy

Accuracy in forecasting general fund revenue is best reached when multiple methods, including simple trend analysis and consensus forecasting, are used. In fiscal years 2002, 2003, and 2004, a handful of states achieved consistent accuracy regarding this measure. These states include West Virginia, Ohio, New Mexico, Rhode Island, and South Dakota.

Results from the 2004 GPP survey demonstrate that there is no single method of forecasting revenues that is best for all states. On the other hand, results indicate that states using a variety of forecasting methods and including simple trend analysis and consensus forecasting tend to be most accurate. States that do not employ simple trend analysis, along with other forecasting methods, tend to generate the greatest differences between estimated and actual general fund revenues.

Percent Difference between General Fund Revenue Estimates and Actuals Fiscal Years 2004, 2003, and 2002

Number of States



* Difference between original revenue estimate and year-end estimate.
**Data for these states are incomplete or not available for all three years.

Number of States = 50
Source: Government Performance Project, 2005.

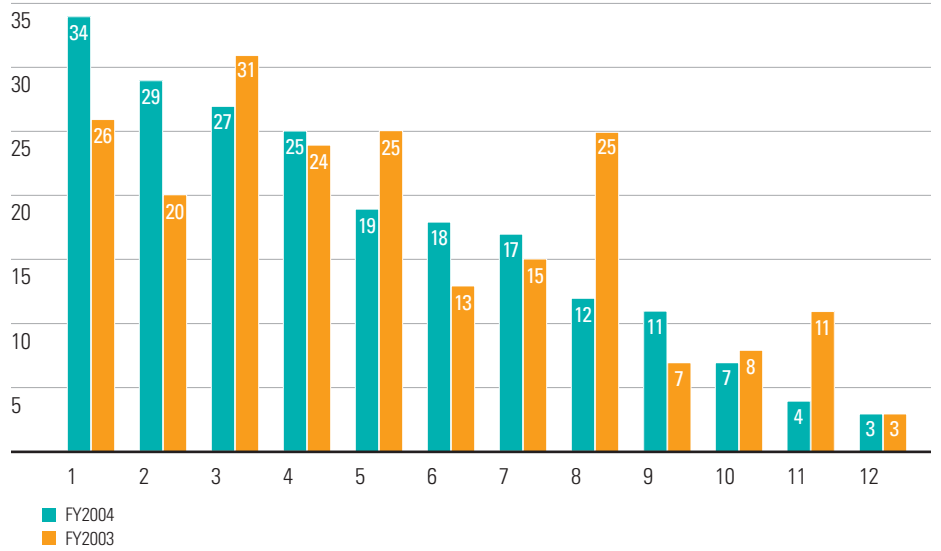
Money

Revenue Generation Strategies

To balance budgets many states make changes to revenues, expenditures, and debt. In recent years, states used the following revenue actions to realize budget balance by the end of each fiscal year noted.

State Revenue Generation Strategies: FY2004 and FY2003

Number of States



Number of States = 49
Source: Government Performance Project, 2005.

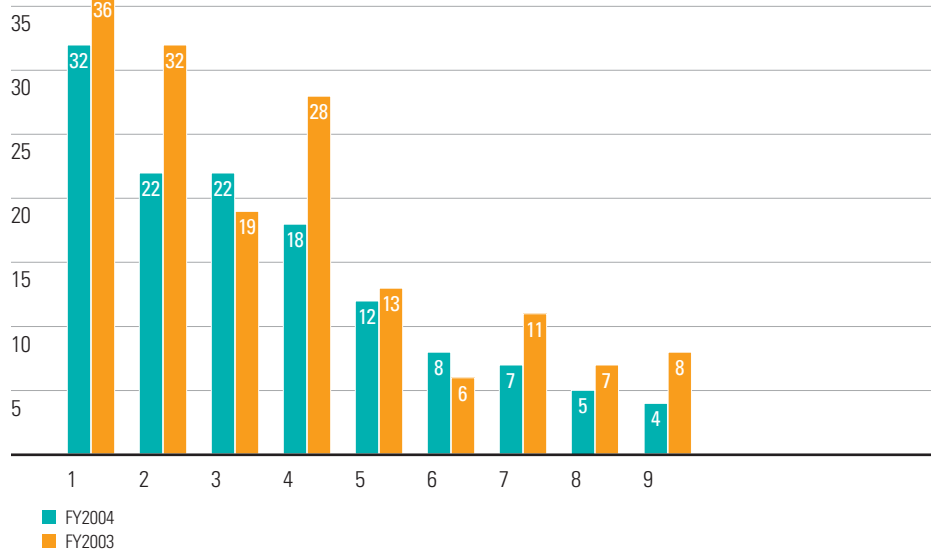
- 1 = Use one-time/windfall revenue
- 2 = Increase tax collection enforcement
- 3 = Use non-routine transfers from other funds
- 4 = Increase and/or add fees/charges
- 5 = Use carry-forward balances in the general fund
- 6 = Change tax structure to generate revenue increase
- 7 = Conduct debt refinancing
- 8 = Use budget stabilization or rainy day fund
- 9 = Conduct sale of assets
- 10 = Use additional debt financing
- 11 = Draw down other contingency funds
- 12 = Increase short-term borrowing

Expenditure Strategies

In recent years, states used the following expenditure strategies to realize budget balance by the end of each fiscal year noted.

State Expenditure Strategies: FY2004 and FY2003

Number of States



Number of States = 45
Source: Government Performance Project, 2005.

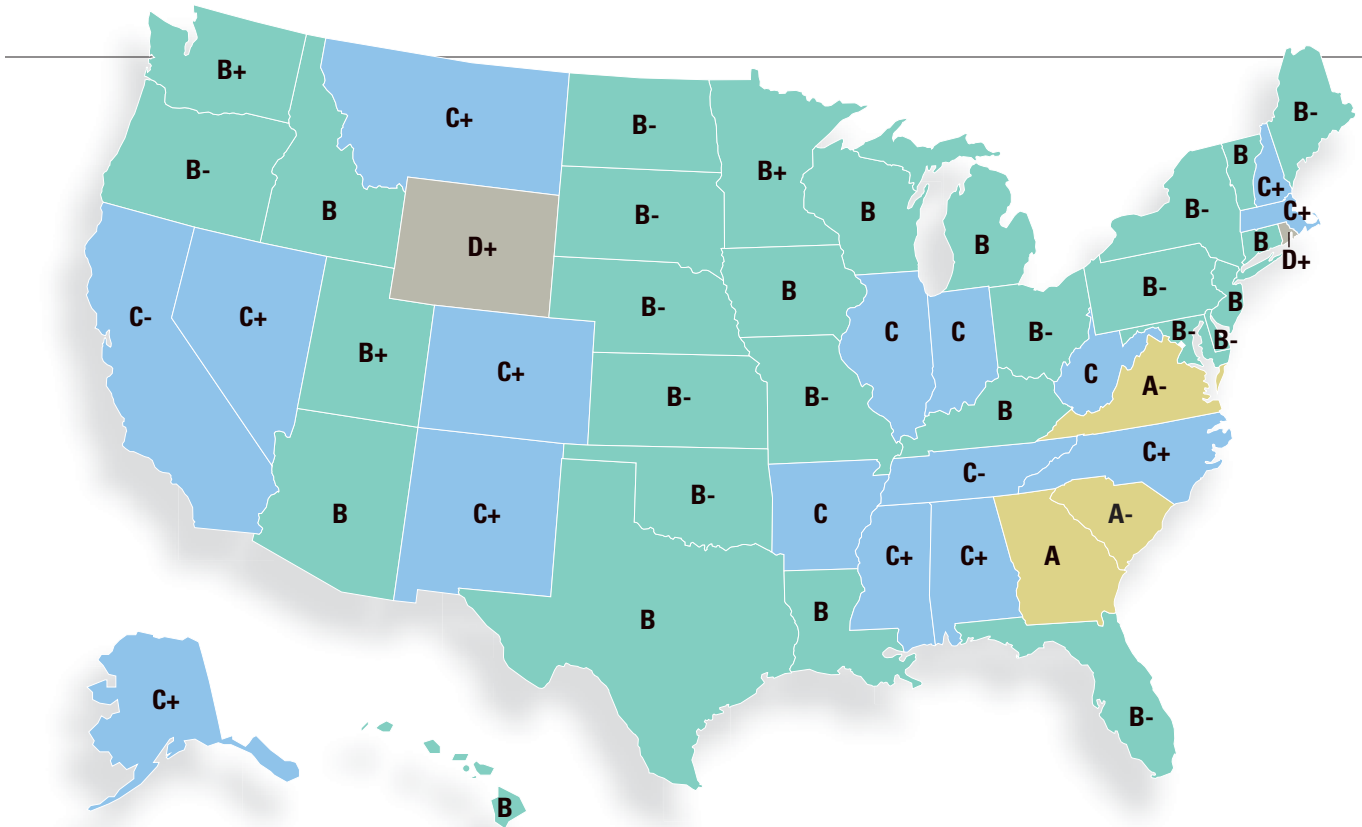
- 1 = Make targeted spending cuts
- 2 = Conduct across the board spending cuts
- 3 = Initiate program reorganization
- 4 = Freeze hiring
- 5 = Cut local aid
- 6 = Implement privatization initiatives
- 7 = Initiate layoffs
- 8 = Reduce contribution to pension funds
- 9 = Delay payments for purchases

People

How well does the state manage its employees, including implementing an effective and efficient hiring, retention, development, and reward system?

To answer this question, the GPP evaluated states' performance relative to the following criteria:

- **Strategic Workforce Planning** – The state regularly conducts and updates a thorough analysis of its human resource needs.
- **Hiring** – The state acquires the employees it needs.
- **Retaining Employees** – The state retains a skilled workforce.
- **Training and Development** – The state develops its workforce.
- **Managing Employee Performance** – The state manages its workforce performance programs effectively.



Performance Grades: People

Alabama C+	Georgia A	Maine B-	Nevada C+	Oregon B-	Virginia A-
Alaska C+	Hawaii B	Maryland B-	New Hampshire C+	Pennsylvania B-	Washington B+
Arizona B	Idaho B	Massachusetts C+	New Jersey B	Rhode Island D+	West Virginia C
Arkansas C	Illinois C	Michigan B	New Mexico C+	South Carolina A-	Wisconsin B
California C-	Indiana C	Minnesota B+	New York B-	South Dakota B-	Wyoming D+
Colorado C+	Iowa B	Mississippi C+	North Carolina C+	Tennessee C-	
Connecticut B	Kansas B-	Missouri B-	North Dakota B-	Texas B	
Delaware B-	Kentucky B	Montana C+	Ohio B-	Utah B+	
Florida B-	Louisiana B	Nebraska B-	Oklahoma B-	Vermont B	

People

Our findings:

A wave of retirements threatens both institutional knowledge and leadership in states. In over half the states, one in five state government employees will retire in the next five years. A reasonable number of states are paying close attention to workforce planning, but others, limited by budget cutbacks or simple lack of interest, have not made planning a priority.

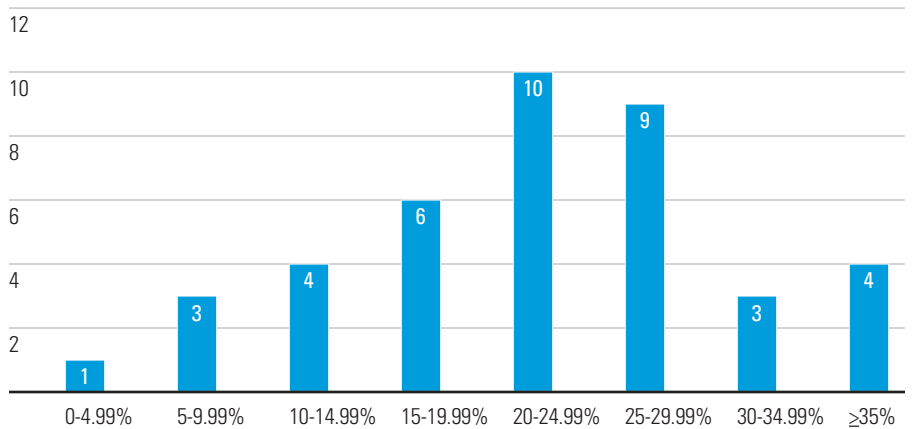
Georgia, the only state receiving an “A,” has integrated workforce planning with the state’s strategic planning process. Going one step further, the state creates employee performance plans outlining the skills needed to move up the career ladder. Like Georgia, South Carolina has shown a commitment to workforce planning. Recognizing future workforce challenges and gaps, South Carolina has established certification classes to train its future leaders and a mentoring program to ensure the transfer of knowledge from one generation of workers to the next.

Percent of Classified Employees Eligible to Retire in the Next Five Years

In the coming years, a large percentage of state employees are set to retire, resulting in the loss of both experience and knowledge. States vary in how well they are planning ahead for these future workforce changes. To ensure the continuity of state services, states need to analyze their current and future human resource needs and use that information as a basis for succession planning.

The chart reflects the rates of looming retirement and, accordingly, a potential brain drain, in 40 states. In the next five years, more than half of the states may lose at least 20 percent of their workforces to retirement. The challenge facing state governments is a worldwide problem that will require states to think strategically about how to prepare for the exit of a substantial share of their state workforce.

Number of States



Number of States = 40

Source: Government Performance Project, 2005.

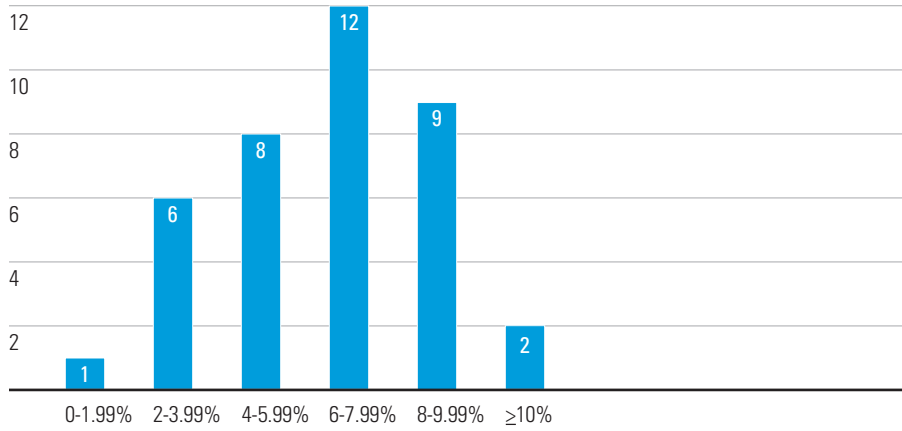
% Voluntary Turnover and % Involuntary Turnover (Classified FY2003)

The 2004 GPP survey asked states to respond to a series of questions about retaining classified employees. The rates of voluntary and involuntary turnover reflect the number of employees leaving the state's workforce in a given year.

The data in these charts reflects rates of voluntary and involuntary turnover for classified employees, individuals whose positions are part of the classified system. Employees may be serving in probationary, provisional, or permanent positions (in other words, any non-temporary classified employee). In FY2003, the rates of voluntary turnover in 38 states were higher than involuntary turnover, with most frequent response rates between 6-7.99 percent and 0.5-0.99 percent, respectively.

% Voluntary Turnover

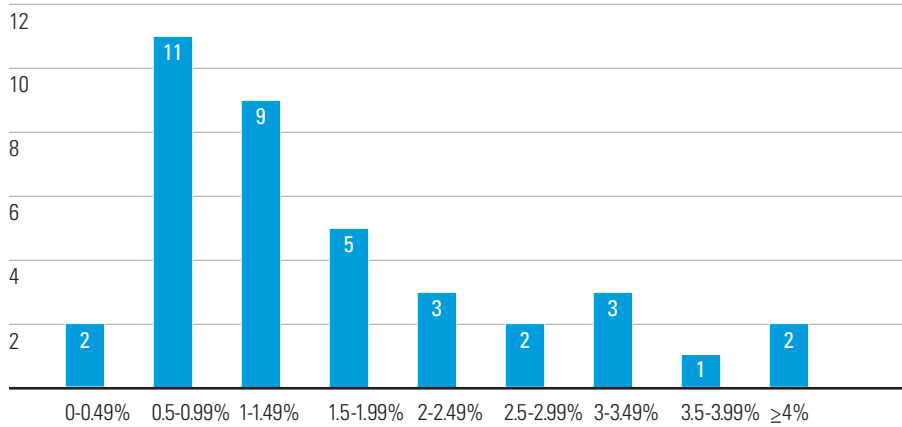
Number of States



Number of States = 38
Source: Government Performance Project, 2005.

% Involuntary Turnover

Number of States

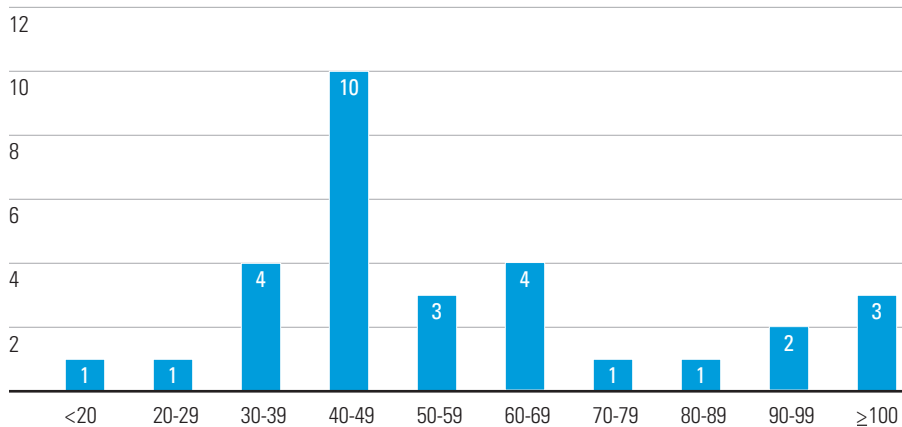


Number of States = 38
Source: Government Performance Project, 2005.

Average Number of Days to Fill Position in FY2003

Given both impending retirement and turnover in the states, it is critical that states are able to hire employees in a timely manner. The most frequent response for days to fill a position in FY2003 was 40-49 days, with only six states averaging less than 40 days.

Number of States



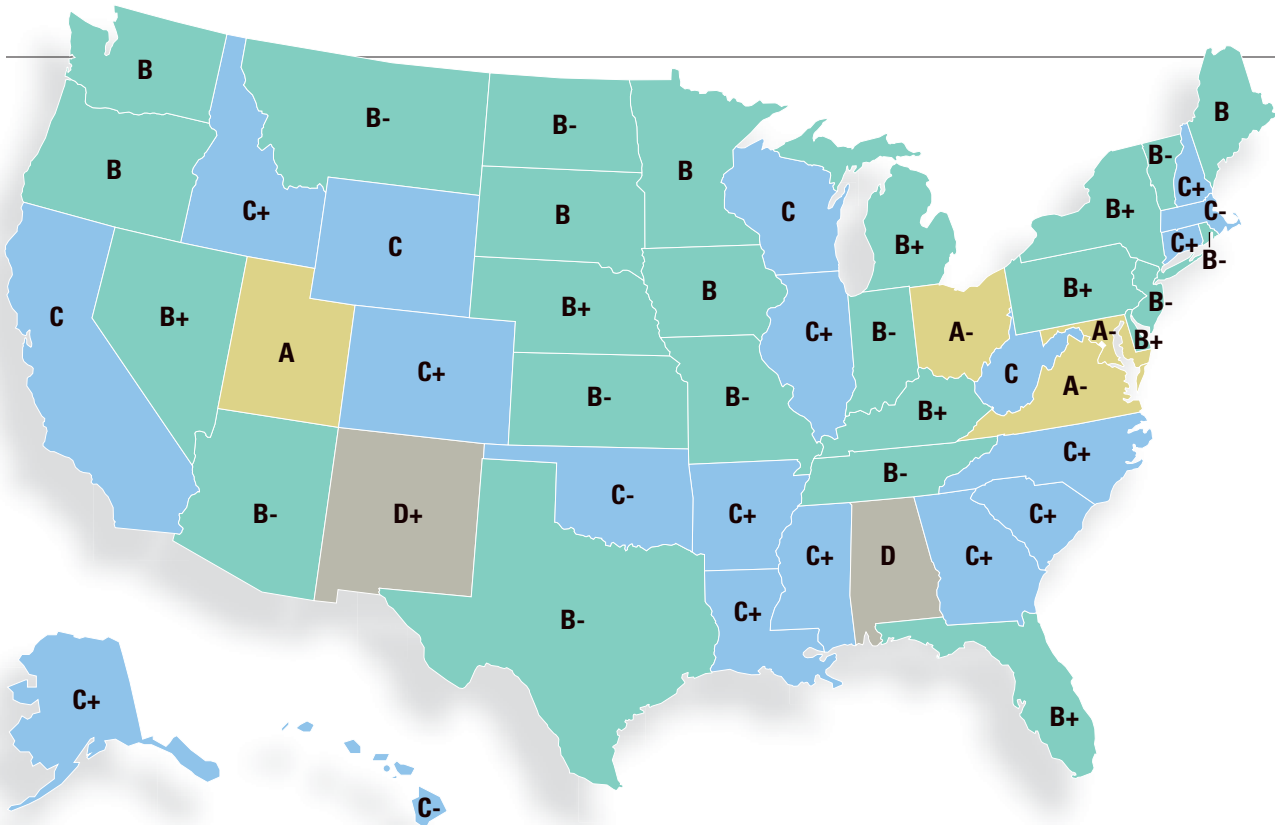
Number of States = 30
Source: Government Performance Project, 2005.

Infrastructure

How well does the state manage its physical infrastructure, including its roads, bridges, buildings, and other fixed assets supported by capital and operating expenditures?

To answer this question, the GPP evaluated states' performance relative to the following criteria:

- **Capital Planning** – The state conducts a thorough analysis of its infrastructure needs and has a transparent process for selecting infrastructure projects.
- **Project Monitoring** – The state has an effective process for monitoring infrastructure projects throughout their design and construction.
- **Maintenance** – The state maintains its infrastructure according to generally recognized engineering practices.
- **Internal Coordination** – The state comprehensively manages its infrastructure.
- **Intergovernmental Coordination** – The state creates effective intergovernmental and interstate infrastructure management networks.



Performance Grades: Infrastructure

Alabama D	Georgia C+	Maine B	Nevada B+	Oregon B	Virginia A-
Alaska C+	Hawaii C-	Maryland A-	New Hampshire C+	Pennsylvania B+	Washington B
Arizona B-	Idaho C+	Massachusetts C-	New Jersey B-	Rhode Island B-	West Virginia C
Arkansas C+	Illinois C+	Michigan B+	New Mexico D+	South Carolina C+	Wisconsin C
California C	Indiana B-	Minnesota B	New York B+	South Dakota B	Wyoming C
Colorado C+	Iowa B	Mississippi C+	North Carolina C+	Tennessee B-	
Connecticut C+	Kansas B-	Missouri B-	North Dakota B-	Texas B-	
Delaware B+	Kentucky B+	Montana B-	Ohio A-	Utah A	
Florida B+	Louisiana C+	Nebraska B+	Oklahoma C-	Vermont B-	

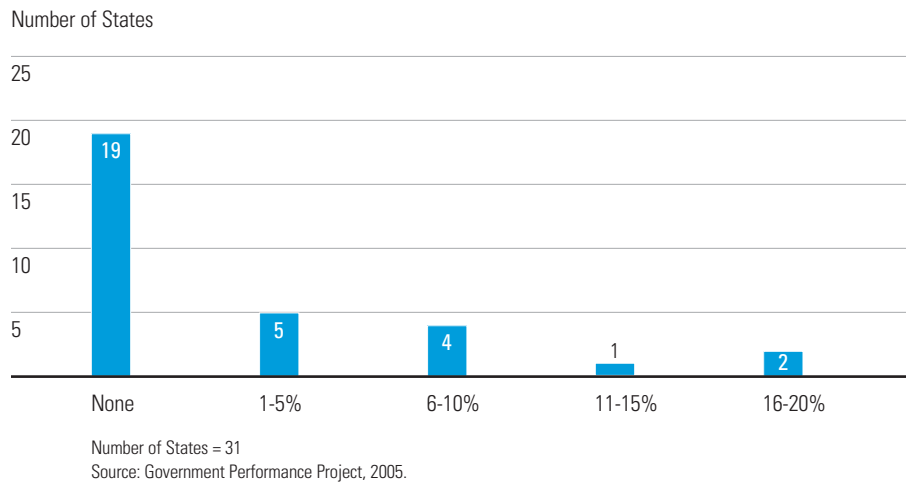
Our findings:

New accounting regulations have resulted in states' estimating and publishing the value and condition of their fixed assets. This information has encouraged an emphasis on maintaining states' existing facilities in good operating condition. Nevertheless, maintenance spending has suffered due to the recent budget crisis.

The best of the pack in 2005 for Infrastructure management is Utah. The state requires the equivalent of 1.1 percent of an asset's value to be deposited into a depreciation fund that is dedicated to asset maintenance. With a statewide capital plan that looks out five years, the state's infrastructure systems are firmly under control. Ohio also has an excellent performance record in planning, monitoring, and maintaining its infrastructure. The Ohio Department of Transportation can pull up from a database the condition of road segments for the past ten years.

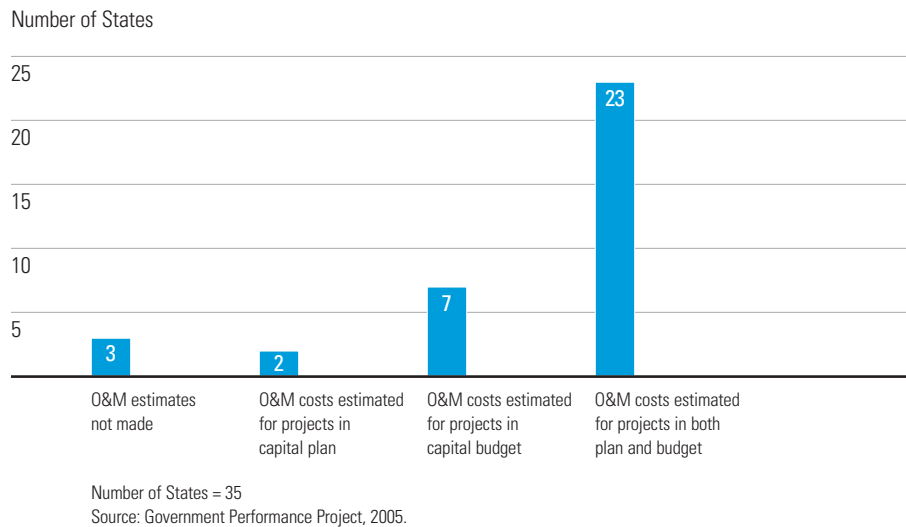
Assessing the Link Between Planning and Budgeting: Percentage of Spending in Each State's FY2004 Capital Budget that was not in Previous Capital Plans (all data provided by the states)

The 2004 GPP survey included a series of questions about capital planning and budgeting. The states were asked how much capital spending was budgeted for fiscal year 2004 and how much of that spending was for projects that were not included in previous statewide capital plans. These figures were then compared: this chart shows what percentage of each state's capital spending was not reflected in its previous capital plan.



Use of Estimated Operating and Maintenance Costs for Planning

The 2004 GPP survey asked the states whether they estimated the operating and maintenance expenses of capital projects as part of the process of planning those capital projects. Estimating those expenses before a project is built is an integral part of seeing that capital infrastructure is adequately maintained. The survey also asked whether those estimates were made as part of creating the capital plan, the capital budget, or both.

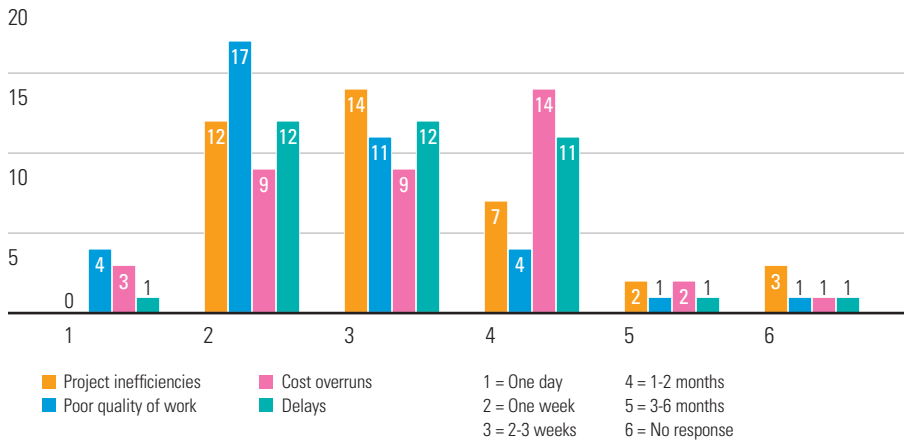


Infrastructure

Response Time Once Problem Has Been Detected

The variation in response time once a problem at the construction site has been detected is large. Average correction times fall between one week and two months. Additionally, the most frequent response time was one week. No state indicated that response time exceeded six months.

Number of States

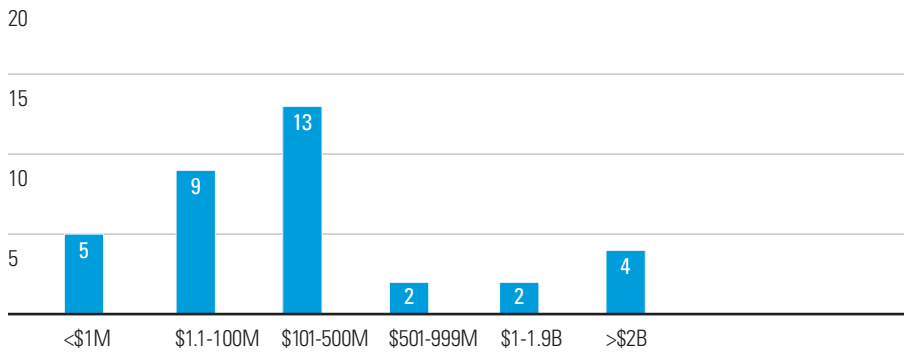


Number of States = 38
 Source: Government Performance Project, 2005.

Total Value of Deferred Infrastructure Maintenance (for Non-Transportation Facilities)

The figure illustrates the range of deferred infrastructure maintenance in 35 states. More than 20 states reported deferred maintenance in excess of \$100 million, which indicates that the need of funds for maintenance is a common challenge for many states.

Number of States

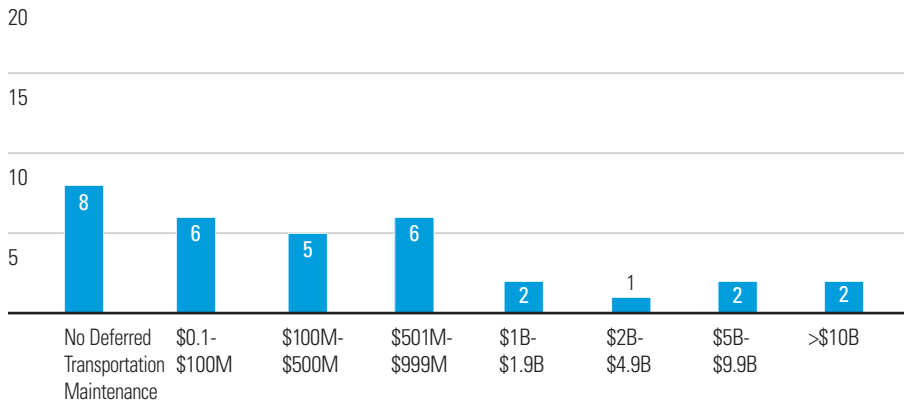


Number of States = 35
 Source: Government Performance Project, 2005.

Accumulated Value of Deferred Transportation Infrastructure Maintenance

The figure shows the range of values of deferred infrastructure maintenance for transportation in the 32 states. Eighteen states have deferred maintenance with a value greater than \$100 million. However, the amount of deferred infrastructure maintenance for state Departments of Transportation ranges from zero to over \$10 billion. Thus, while the need for maintenance funds is still a common pressure in many states, the magnitude of the fiscal need varies greatly across the country.

Number of States



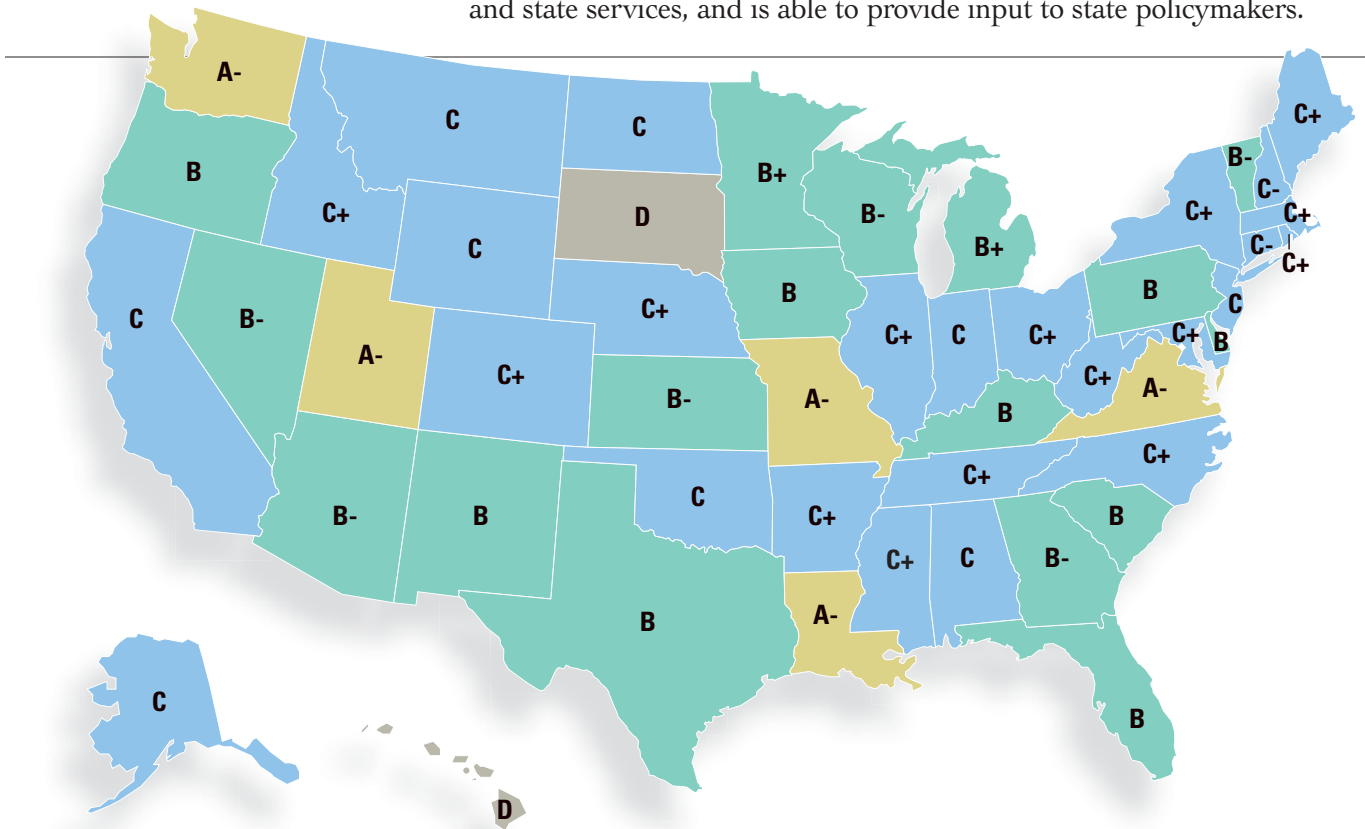
Number of States = 32
 Source: Government Performance Project, 2005.

Information

How well do elected leaders and managers use information and technology to measure the effectiveness of services, make decisions, and communicate with citizens?

To answer this question, the GPP evaluated states' performance relative to the following criteria:

- **Strategic Direction** – The state actively focuses on the strategic direction of its policy and on collecting information to support that policy direction.
- **Budgeting for Performance** – State officials have appropriate data on the relationship between costs and performance, and they use these data when making resource allocation decisions.
- **Managing for Performance** – Agency managers have the appropriate information required to make program management decisions.
- **Program Evaluation** – The governor and agency managers have appropriate data that enables them to assess the actual performance of policies and programs.
- **Electronic Government** – The public has appropriate access to information about the state, as well as the performance of state programs and state services, and is able to provide input to state policymakers.



Performance Grades: Information

Alabama C	Georgia B-	Maine C+	Nevada B-	Oregon B	Virginia A-
Alaska C	Hawaii D	Maryland C+	New Hampshire C-	Pennsylvania B	Washington A-
Arizona B-	Idaho C+	Massachusetts C+	New Jersey C	Rhode Island C+	West Virginia C+
Arkansas C+	Illinois C+	Michigan B+	New Mexico B	South Carolina B	Wisconsin B-
California C	Indiana C	Minnesota B+	New York C+	South Dakota D	Wyoming C
Colorado C+	Iowa B	Mississippi C+	North Carolina C+	Tennessee C+	
Connecticut C-	Kansas B-	Missouri A-	North Dakota C	Texas B	
Delaware B	Kentucky B	Montana C	Ohio C+	Utah A-	
Florida B	Louisiana A-	Nebraska C+	Oklahoma C	Vermont B-	

Information

Our findings:

More and more states are developing and using performance information, and the technology to support this process is improving. States know more than ever about how programs are performing. Executive-branch agencies tend to make the most use of the information; state legislatures the least.

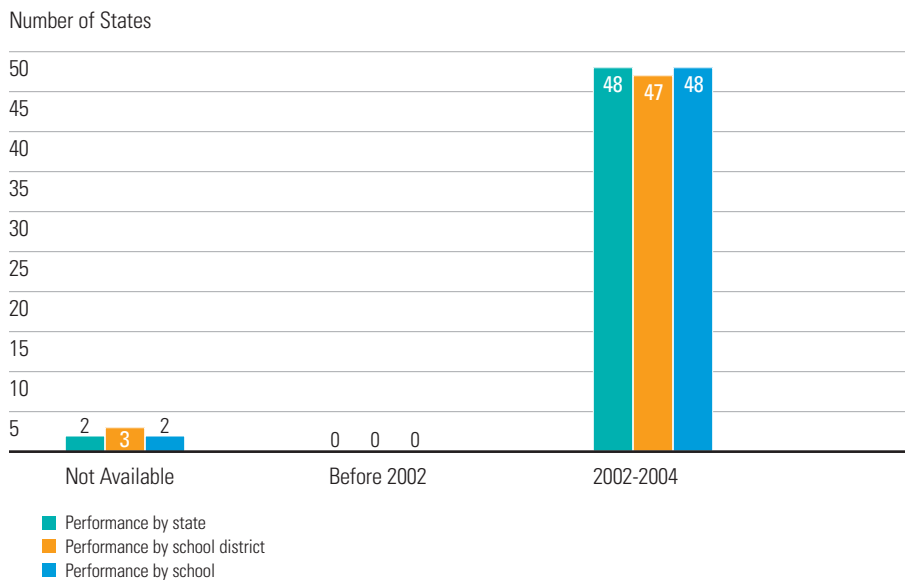
Louisiana is a high performer in this category. Agencies report on their performance quarterly through a database available to the public. The legislature analyzes performance measures and uses them to make funding decisions. In addition, the state has a strong performance auditing record. Washington is also a leader in this category, with both strong performance and information technology planning capabilities. Moreover, the state's strategic planning process – bolstered by the Priorities of Government initiative – is closely linked to the budget.

In addition to evaluating the availability and quality of performance information within state governments, the GPP reviewed states' websites to ensure that the public has appropriate access to information about the state, as well as the performance of state programs and state services. Specifically, the GPP

reviewed websites to see if the public can routinely access credible information about the performance of key state programs. The following three charts reflect the availability of performance information of schools, infant mortality rates, and crimes against persons and against property.

Performance of Elementary and Secondary Education Schools

The majority of states post current information on their websites about the performance of elementary and secondary education schools, with data available from the school year ending in 2002 or more recently. The majority of states have this information available by state, by school district, and by school.

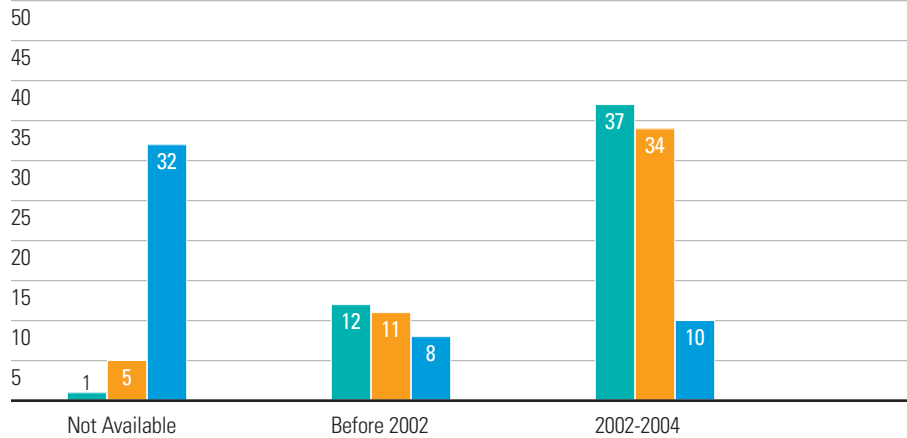


Number of States = 50
Source: Government Performance Project, 2005.

Infant Mortality Rates

A majority of states have current information about infant mortality rates by state and by county available on their websites. Only a handful of states, though, also have this information posted by city or town. In as many as twelve states, the most recent data regarding infant mortality rates was only available for years prior to 2002.

Number of States



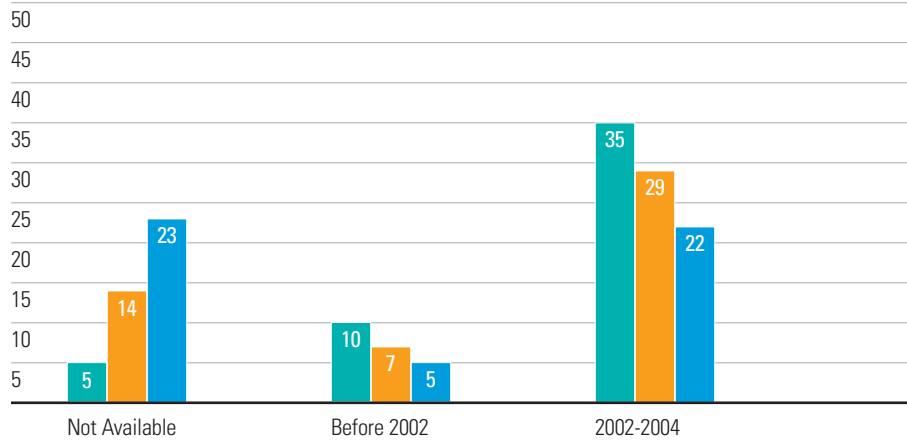
- Infant mortality by state
- Infant mortality by county
- Infant mortality by city or town

Number of States = 50
Source: Government Performance Project, 2005.

Crimes Against Persons and Against Property

More than half of the states make current information about crimes (against persons and against property) available by state and by county. Another ten to twenty percent provide crime data from years prior to 2002.

Number of States



- Crimes against persons and property by state
- Crimes against persons and property by county
- Crimes against persons and property by city or town

Number of States = 50
Source: Government Performance Project, 2005.

Acknowledgements

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