

The Free State Foundation

A Free Market Think Tank For Maryland...Because Ideas Matter

Perspectives from FSF Scholars

May 27, 2009

Vol. 4, No. 11

How is StateStat Working? A Good Management Tool, but Defective on Accountability

By

Len Lazarick*

The elaborate performance measurement program for government known as StateStat that Governor Martin O'Malley put in place has won him and his staff wide national recognition, as did the CitiStat program he created in Baltimore City.

But StateStat does not yet come close to delivering on its promise to provide Marylanders "with open, transparent, and timely information and data on state government agencies" because the information is indecipherable detail without analysis. The governor's staff needs to supply the analysis it performs, or provide information in some other more comprehensible form for the StateStat program to be accountable to the public.

What StateStat does provide O'Malley and his government is an often useful management tool to make sure agencies are operating efficiently and effectively, though it falls short in some areas.

* Len Lazarick is a Visiting Fellow with the Free State Foundation focusing primarily on Maryland state government issues. He was the State House bureau chief for the former Baltimore Examiner and has covered state and local government and politics in Maryland for a variety of newspapers for over three decades.

But even budget and performance experts who concede its effectiveness as an internal management tool say that because of its preoccupation with day-to-day measures such as overtime and absenteeism, StateStat does not tackle the larger and more important issues about whether the government is focusing on the right things to improve the community, not just spending money efficiently and effectively on existing programs. There needs to be a more open process, perhaps independent of StateStat, where the larger priorities are set and results are targeted and measured.

I. The Objective: Measuring Government Performance

Measuring how well government uses its scarce resources is a hot topic in these days of even scarcer dollars.

For over a decade Maryland has been using a program instituted by Governor Parris Glendening called "Managing for Results" (MFR) with decidedly mixed results. Each department and agency identifies goals and objectives to measure in their programs and reports them during the annual budget process. There are now hundreds of performance measures: the number of inmates rearrested (recidivism), number of attacks on correctional officers and inmates, the number of drug addicts falling back into abuse, the number of traffic fatalities and so on.

In a 2004 report, legislative auditors found that the agencies they reviewed did not use the MFR measure "as a budgeting or operational management tool," and therefore MFR was not "an effective decision-making tool."¹ An auditor's report just this March looking at 13 selected performance measures found some of them were inaccurate and some could not be backed up with data.²

Enter the O'Malley administration in 2007, bringing with it from Baltimore the famed CitiStat program that had won a Harvard award and some national acclaim, as well as imitators in other cities. Robert Behn, the grand guru of PerformanceStat and a professor at Harvard's Kennedy School of Government, defines the process this way:

A jurisdiction or agency is employing a PerformanceStat performance strategy if it holds an ongoing series of *regular, frequent, periodic, integrated meetings* during which the chief executive and/or the principal members of the chief executive's leadership team plus the individual director (and the top managers) of different sub-units *use data* to analyze the unit's past *performance*, to *follow-up*

¹ Office of Legislative Audits, *Department of Budget and Management -- Managing for Results Initiative: Initiative as Implemented is Not an Effective Decision Making Tool*. (Link: <http://www.ola.state.md.us/Reports/Results/DBM-MFRInit.pdf>)

² Office of Legislative Audits, *Managing for Results -- Performance Measures -- Public Safety and Safer Neighborhoods*, March 19, 2009 [Link: <http://www.ola.state.md.us/Reports/Results/MFR-PubSafety09.pdf>]

on previous decisions and commitments to improve *performance*, to establish its next *performance* objectives, and to examine the effectiveness of its overall *performance* strategies.³

That's what occurs several times a week at special conference rooms in Annapolis and Baltimore. Cabinet secretaries and their subordinates face questions and sometimes a grilling on their performance measures from the governor's top staff, and sometimes from O'Malley himself, although not as frequently as when he started the process two years ago.

On May 13, Health Secretary John Colmers, his deputies and staff sat on one-side of a square of tables facing O'Malley's Chief of Staff Michael Enright, StateStat Director Beth Blauer, and Deputy Chief of Staff Matthew Gallagher, who oversaw CitiStat in Baltimore and got the program started at the state level. Also around the square were representatives of the Department of Budget and Management, the governor's legal counsel and the Office of Minority Affairs – performance measures on Minority Business Enterprise contracting are often the first page of reports for most departments. Information Technology Secretary Elliot Schlanger and other members of the governor's staff were also present.

Also in the room were three fiscal analysts from the Department of Legislative Services, the people who review and comment on the department's budget for the legislature. Some analysts attend the sessions for the departments they cover on a regular basis, and all members of the legislature have an open invitation to attend. Another observer along with this writer was a member of the performance review staff for the federal Office of Management and Budget, one of the many visitors to StateStat over the years.

The 90-minute session covered an update on the swine flu outbreak on which many in the room had worked closely together for days. Enright was looking ahead to the fall in case a new and larger outbreak of the H1N1 virus occurred, focusing on what the governor should do and what kind of communications plan was in place. There was also a report on the growth of Medicaid enrollment of the uninsured, a topic of intense interest to O'Malley; on the treatment of Bupe (buprenorphine) addicts and why it was difficult to get physicians involved; on the recovery of funds from Medicaid fraud; and a progress report on the closing of the Rosewood Center for the severely developmentally disabled, considered one of the successes of StateStat, albeit controversial with some of the residents and their relatives. Where there once were 143 patients, now just 14 are left, with the rest placed in other residential settings. Are the displaced happy, satisfied? Enright asks. Later he suggests the governor send thank-you notes to the lower level staff who have successfully placed the patients and the displaced state workers who cared for them.

³ Robert Behn, "The Seven Big Errors of PerformanceStat," February 2008, Policy Briefs (Kennedy School) [link
<http://www.ksg.harvard.edu/thebehnreport/Behn,%207PerformanceStatErrors.pdf>

The questions and conversations are detailed, focused on solving problems and developing tactics for the future. The sessions are the hard grind of governing – exhaustive, fact-filled and tedious. The questioning is driven by past sessions – the health department comes in once a month – and by a briefing memo prepared by the four-member StateStat staff. Surprisingly, the 16-page memo, with its 20 graphs and five charts based on 28 pages of data on performance measures from the department, is not shared with the department secretary or their staffs before or even after the meeting. Only the governor and his staff get to see them. All they get to see are selected graphs and charts projected on screens in the room.

The notion is they come prepared to answer anything about the performance measures, Blauer said. "As a general rule we don't telegraph what we're going to ask," Gallagher said. Why the briefing memos aren't shared, he said, is a question out-of-state observers frequently ask about the process. Some implementers of CitiStat do share the staff analysis, but Gallagher believes that results in staged presentations.

A May 14 session with the Division of Parole and Probation follows a similar format with a similar cast of characters representing some of the same departments. This is old hat for Public Safety Secretary Gary Maynard who is in front of the governor's staff almost every week because his department is divided into two sessions, one on corrections and one on parole, every two weeks.

As they do with most departments, but particularly Public Safety and Correctional Services, the governor's staff zeroes in on overtime use, a persistent problem in corrections. They also discuss increased seizure of cell phones, the Violence Prevention Initiative for former inmates under supervision, and the operations of the ignition Interlock program to prevent convicted drunk drivers from repeating. And on this day, Enright and Gallagher hammer away at the 28 repeat findings of problems by legislative auditors, who review all parts of the department every three years. O'Malley's staff chief wants more signs of progress, and he wants to see some "metrics" to show it. The department was aware that the legislative audits were going to be reviewed at this StateStat, which might explain why an unusually large number of DPSCS staff – almost 30 -- attended the meeting.

Despite the tough scrutiny at the two meetings, the cabinet secretaries were unfazed. "I generally find it useful," Colmers said in an interview. "I'm always looking at this as an opportunity to manage better" and it works well "if you approach it collegially." To prepare for the meetings, the departments must sift through and compile a lot of data, but "these are largely numbers that any manager would want to have," Colmers said, noting "we run an \$8 billion business" at the Department of Health and Mental Hygiene.

"I think it's a good process," Maynard said. "I've experienced nothing like it in other states." He served as head of corrections in Iowa and South Carolina, and as a high level prison official in Oklahoma and Arkansas. He said in most

states, you might get to see the governor and his staff far less frequently. At StateStat, "anything they pay attention to gets better," Maynard said. (This is in keeping with Behn's performance law: "What gets measured gets done.") We've driven down costs, we've driven down overtime, we've driven down contraband," the secretary said. Next year's budget calls for \$6 million less in overtime; a legislative analyst doubts they can achieve that goal, but Maynard believes they can. He also noted that looking at figures in StateStat, they found they had extra classroom seats and drug treatment beds that weren't being filled, and found they could increase services to prisoners with no increase in costs.⁴

II. The Value of StateStat

Part of the value of StateStat is that it happens at all and that it happens all the time. "The unfortunate truth is that most states today do not have the tools in place to make better-informed program and budget decisions," said the heads of the Pew Center on the States and its Government Performance Project in a February 2009 report that cited Maryland as one of four states that "continue to deliver."⁵ *Governing* magazine has given the process positive reviews, but "there are obvious snags in converting a similar system to a much larger entity with less-than-spectacular information technology."⁶ This is a problem O'Malley himself recognizes. He applied a process in which a mayor looked at trash collection and pothole repair to the more difficult task of changing a much larger government with many more difficult goals to attain. "Bigger ship, smaller rudder," O'Malley said.⁷

The General Assembly's fiscal analysts, who are a lot closer to the workings of Maryland government than outside observers, have generally found the process useful. In one case, the analyst for the Department of Human Resources said, "StateStat appears to be an effective process for identifying areas needing additional attention and leads to the improvement of department operations. The StateStat [process] fosters greater accountability on the part of the department which knows that the status of its efforts will be the subject of discussion at the next meeting."⁸ The analyst for DPSCS said, "Significant amounts of data are

⁴ The closing of the House of Correction in Jessup just two months after O'Malley became governor has repeatedly been cited as an example of a StateStat success, but Maynard said, "That had nothing to do with StateStat." The original plan was to make the 129-year-old prison into a minimum security facility, but after a prison guard was stabbed, Maynard asked O'Malley to let him shut it down immediately, shifting some of the most disruptive prisoners out of state. The move did save the state money.

⁵ Pew Center on the States, Trade-off Time: How Four States Continue to Deliver, February 2008, [Link http://www.pewcenteronthestates.org/uploadedFiles/GPP_Budget_revised_web_NEW.pdf]

⁶ "Grading the States," *Governing* magazine, March 2008, [Link <http://www.governing.com/gpp/2008/md.htm>]

⁷ Jonathan Walters, "Stat Governor," *Governing* magazine, October 2008, [Link <http://www.governing.com/article/stat-governor>]

⁸ Department of Legislative Services, Department of Human Resources – Fiscal 2010 Budget Overview, January 2009, [Link http://mlis.state.md.us/2009RS/budget_docs/All/Operating/No0_-_DHR_Overview.pdf]

being collected and reported that had not previously been tracked. In addition, with the frequency of DPSCS StateStat meetings, data is reported and issues are addressed in a more real time format."⁹

"It is an enormous commitment of our time," Gallagher admitted, with him or Enright attending 95% of the meetings. O'Malley is now a less frequent visitor, though he does attend most sessions of the similar BayStat program, which focuses on cross-departmental measures of the health of the Chesapeake and is not the subject of this paper. Rather than an annual budget review, the process strives to "keep our agencies focused on outcomes," Gallagher said.

StateStat has not attempted to quantify the savings it has achieved, but it has played a key role in the repeated budget cuts that have occurred in the past year, its staff said. Some other achievements not already noted include:

- Increased data sharing on gangs by public safety and law enforcement agencies. (Having the governor's top staff repeatedly interacting with multiple agencies on a frequent basis tends to produce greater collaboration.)
- Reduction in the backlog in DNA testing of convicted offenders.
- Reduction in the length of stay at juvenile facilities.
- Program Integrity for Medicaid increased savings from \$13.4 million in fiscal 2006 to \$20.9 in fiscal 2008, a 56% increase, and the program is on track to achieve even higher savings this year.

As a tool for managing a huge \$31 billion state government, StateStat appears to be having some positive effect, according to its participants and observers. But with so much invested in it by O'Malley and his administration, it ought to be.

Neil Bergsman, director of the Maryland Budget and Tax Policy Institute, witnessed the process as chief financial officer for the Department of Juvenile Services until 2007. He said, "I think it's a better than nothing, and better than what preceded it," referring to the annual Managing for Results review. StateStat "was an opportunity to solve operational problems," Bergsman said, and cabinet secretaries can use it as a forum to focus on departmental needs.

Roy Meyers, a political science professor who teaches government budgeting at the University of Maryland Baltimore County, observed in a policy brief: "Because the StateStat approach is at the center of this administration, it will generate savings. Yet these savings are likely to be small," unless it goes along

⁹ Department of Legislative Services, Department of Public Safety and Correctional Services – Fiscal 2010 Budget Overview, January 2009 , [Link http://mlis.state.md.us/2009RS/budget_docs/All/Operating/Qoo_-_DPSCS_Overview.pdf]

with "reinventing" government by streamlining administrative processes that are "complicated and inflexible."¹⁰

There is no evidence that StateStat plans to do that.

III. What's Wrong with StateStat

While StateStat is having some positive effects, as a tool for citizens to gauge the effectiveness of their taxpayer dollars, StateStat is a dud. The Web site does not tell you what you need to know.¹¹

Until this writer pointed out the time-lag in the posting of reports, the documents on the Web site were running two months behind, containing data that is often a month or two older than that because of the time required to compile it. But lack of the promised timeliness hardly matters, since the reports themselves provide too much unfiltered data, filled with terms and acronyms for performance measures that only agency insiders, budget analysts and sophisticated program advocates can understand.

What's missing is analysis. What do these numbers mean? That analysis is provided in the charts, graphs and probing questions and explanations of the briefing memos that are not even available to the agencies themselves, much less to the public. Each report on the Web site is fronted with a single graph and chart from the analysis, but it is only one of 16 to 20 graphs and five to six charts in the briefing memos this writer saw.

This is what Stat guru Behn calls "Dashboards as Data Dumps." "How can an agency obfuscate while at the same time respond to the demands for transparency? Simple. Don't just provide the requested data. Don't just provide the key data. Instead, provide all the available data," Behn says.¹² The scholar makes a similar point about raw data without analysis in a report titled "The Data Don't Speak for Themselves."¹³

The briefing memos would be far more useful to an interested citizen than the data-dumps now there. To a sophisticated advocate, the Excel spread sheets the departments actually supply to StateStat would be far more useful than the PDF data sheets, since the Excel sheets could be massaged and manipulated to produce other breakdowns.

¹⁰ Roy Meyers, [Addressing Maryland's Structural Deficit through Better Performance Budgeting and Priority-Setting](http://userpages.umbc.edu/~meyers/policy_brief_5.pdf), UMBC Policy Brief 5, June 2007, http://userpages.umbc.edu/~meyers/policy_brief_5.pdf.

¹¹ <http://www.statestat.maryland.gov/reports.asp>

¹² Robert Behn, "Dashboards as Data Dumps," *Bob Behn's Public Management Report*, July 2008, <http://www.hks.harvard.edu/thebehnreport/July2008.pdf>

¹³ Robert Behn, "The Data Don't Speak for Themselves," *Bob Behn's Public Management Report*, March 2009, <http://www.hks.harvard.edu/thebehnreport/March2009.pdf>

Yet Gallagher remains committed to withholding the briefing analysis, and admits "I have this conversation with the governor all the time." After a U.S. Senate subcommittee hearing last summer where he testified on StateStat, in front of reporters, O'Malley actually pressed Gallagher to post the analyses, but Gallagher continued to resist, partly because some of the memos contain personnel information that would have to be redacted out.

Experts and practitioners in government budgeting and performance say that StateStat needs to do more than improve the efficiency and effectiveness of existing programs. To a great extent, these criticisms reflect a different philosophy about a process that for the O'Malley team originated with trash, potholes and crime reports.

UMBC's Roy Meyers for example favors approaches that are more broadly focused on spending that he believes would help the state solve its ongoing structural deficit. One is "performance budgeting," which presumes that "focusing on the cost of inputs, such as personnel and travel, distracts attention from the critical question of whether programs are attaining intended results." The other is what he calls "priority setting," where "the government uses a regular process of data collection and public deliberation to identify major concerns which budgetary and other policies should address."

Meyers' "performance budgeting" is similar to another school of performance mapping known as "Results Accountability." Developed by Mark Friedman, who served with Maryland's Department of Human Resources for 19 years, Results Accountability tries to answer the question: "Is anyone better off from this government program?" Adam Luecking, CEO of Results Leadership Group based in Bethesda, said his group, along with Friedman, is about to launch a new management application called ResultsStat™ which attempts to blend the two approaches, and emphasizes "the need for agencies to look at both efficiency and 'impact' measures."

For example, this might mean connecting the increase in education slots and treatment beds that Maynard said StateStat helped find with data on whether prisoners are indeed better schooled, less addicted and more likely not to endanger the community and return to jail.

The Advocates for Children and Youth in Baltimore have been monitoring StateStat "closely," said Executive Director Matthew Joseph. "They're not really measuring the more meaningful things" or "the right things," for instance, reporting recidivism among juvenile offenders much more frequently. Like the others, Joseph wants StateStat to do less measuring of "inputs" such as overtime and enrollments. He would like to see less data and fewer indicators, but more tying them to results, as his organization has done with its own "Data Dashboard," 10 easy-to-read thermometers of child welfare linked back to statistics and data.¹⁴ On the other hand, Behn points to the hazards of too few

¹⁴ <http://www.acy.org/articlenav.php?id=403>

performance measures, saying that this "can both drive and distort performance."¹⁵

Despite his strong criticisms, Joseph said, "We're very supportive of the process" of StateStat and its people are "very sharp." For their part, the StateStat staffers agree with the advocates' goals but disagree with how to get there.

IV. Recommendations for Improving Transparency and the Priority-Setting Process

To achieve the transparency and accountability promised for StateStat, the governor's staff ought to consider the more user-friendly dashboard used by Montgomery County's CountyStat program. The county issues quarterly reports that compile the presentations from sessions that occur at least weekly, sessions based not on data-dumps, but on the kind of graphs and charts that are in the StateStat briefing memos, though even more abbreviated.¹⁶

This would be more labor-intensive for an admittedly small staff than simply posting the data, but it is also more useful to taxpayers than the more frequent but incomprehensible data-dumps. If that is too much effort, the staff should edit the briefing memos and post them, along with a key to the numerous acronyms they contain.

Also, since the staff appears to be open to visitors attending, even though these are technically not public meetings, they should post the schedule for upcoming meetings so interested parties could ask to attend. Ideally, most meetings should be open, but this would no doubt undermine some of the frank discussions that occur on personnel and other issues, and could lead to dog-and-pony shows that would serve little use. However, the meetings are more meaningful to an observer with a briefing memo in hand.

O'Malley came into office promising to "get government working again," a slap at his predecessor. StateStat is how he wants to prove to the public it really is. It needs to do a better job of making that case, and it should open up the larger questions of what results government should be focusing on and measuring.

Perhaps there needs to be a separate and more public process that might be called PriorityStat to determine if we are spending on the right things. Washington State has a program called "Priorities of Government," a process that sits on top of a performance management system. It sets 10 broad, simply-stated priorities, and then supplies five to 10 indicators and measures to gauge the success of achieving the intended results.¹⁷

¹⁵ Robert Behn, "Danger of Using Too Few Measures," *Bob Behn's Public Management Report*, October 2007, www.hks.harvard.edu/thebehnreport/October2007.pdf

¹⁶ <http://www.montgomerycountymd.gov/statmpl.asp?url=/Content/EXEC/stat/reports.asp>

¹⁷ <http://www.ofm.wa.gov/budget/pog/default.asp>

Whatever the format for gauging the effective performance of programs, Maryland needs broad agreement on the priorities for government spending, and a way to measure whether those priorities are being achieved. Ideally, this is what the governor and the legislature engage in every year, but that larger discussion never takes place as the lawmakers wade through thousands of pages of budget documents. Taking such a priority-setting process seriously would also force a re-examination of all the spending mandates and funding formulas that once put in place are seldom repealed and continue to drive the structural deficit, as shown in an earlier Perspectives from FSF Scholars paper, "Curing Maryland's Structural Deficits: A Call for Mandate Reform."¹⁸

¹⁸ Len Lazarick, "Curing Maryland's Structural Deficits: A Call for Mandate Reform," Free State Foundation, April 15, 2009, http://freestatefoundation.org/images/Curing_Maryland_s_Structural_Deficits.pdf