

Overview

“Priorities of Government” (POG) refers to a process, initiated by Governor Locke in 2002, to develop a strategic framework for making budget decisions. The framework is constructed by answering these questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- What changes in practice or costs do we need to make to maximize the results we deliver to citizens?
- How will we measure our progress?

A one-page overview of the POG process follows on the next page.

Agencies involved

OFM Budget and Policy Divisions coordinate the POG process. Executives from many agencies are selected to participate on various POG teams. All agencies contribute to the POG process through their strategic plan and budget submittal information.

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OFM maintains a **Priorities of Government website**

(<http://www.ofm.wa.gov/budget/pog/default.htm>) which features various resources and reports. Some highlights:

- POG team reports and presentations can be found at:
<http://www.ofm.wa.gov/budget/pog/reports.htm>
- The resources page contains POG descriptions, background information, activity inventory links, and other information.
<http://www.ofm.wa.gov/budget/pog/resources.htm>
- The Team Process Guide is designed for POG team members and offers an orientation to the POG approach, the instructions for the team tasks, and key schedule information.
<http://www.ofm.wa.gov/budget/pog/pdf/teaminstructions.pdf>
- OFM has prepared trend information for the key indicators of success identified for each result area.
<http://www.ofm.wa.gov/budget/pog/indicators/default.htm>

The “Priorities of Government” budget approach helps guide budget decisions by producing a results-based prioritization of state activities.

The POG process at a glance

The process starts by identifying the **priorities of government**—in this case, 11 key results that citizens expect from government.

- Each result was assigned a team of experts from different agencies, led by staff from the Governor’s budget or policy office.
- The teams present their work at a series of tollgate meetings with the Guidance Team – a group of executives from state and local government, and private and non-profit sector organizations. The Guidance Team makes sure the work of the teams stays result- and citizen-focused.

First, Result Teams **identify key indicators of success**. How would citizens know if we are making progress toward the high-level results?

Next, they **identify proven or promising strategies for achieving results**. What does our experience and research tell us about the factors most critical to success?

Throughout, teams have access to the **activity inventory**—a catalog of the specific activities of state government described in a citizen-oriented way. What do we do, and for whom? Why? What does it cost? What do we expect to accomplish?

Each team receives a **dollar allocation** that serves as a constraint to their purchase plan.

- The prioritization process is often more meaningful when the allocation is less than the amount currently spent in that result area.
- A dollar constraint encourages creativity, keeps proposals grounded in financial reality, and forces people to articulate priorities and choices.

Finally, the teams **develop a results-based prioritization of activities**. Given the available resources, what are the most important activities to buy to achieve results?

- Teams are asked to focus only on maximizing results for citizens through evidenced-based strategies, and to ignore fund source and statutory restrictions that stand in the way.
- When they’ve exhausted their allocation, they list the items they would buy back next, in priority order.
- Conceptually, for each result you end up with a list of prioritized activities with “purchases” above the line and potential buy-backs below the line.

Key benefits of this POG framework

- Helps keep focus on contribution to results—lets us escape agency “silos” and consider statewide strategies.
- Makes performance information more relevant to budget choices.
- Facilitates thinking about trade-offs above and below the line and across the results areas. Does the budget make sense as a whole?
- Helps frame the questions: “Why does the line have to be drawn here? Can we make things above the line cost less? Are we sure we’re buying things at the best price?”
- Shows the “keeps” as well as the “cuts.”

Note: POG is not the actual budget. It’s what the budget might look like if the only objective were to maximize results to citizens within a given dollar allocation. It helps build a better budget within the complex real world and helps identify barriers that need to be removed to build an even better one.

Key elements of the POG This section elaborates on some of the key elements of the Priorities of Government approach previously mentioned.

Results In 2002, the Guidance Team identified 10 results that form the core of what must be done – and done well – to serve the citizens of Washington State (OFM added one more result in 2003). These results provide the structure to the balance of the approach. The results listed below are not prioritized.

Statewide Results
<ol style="list-style-type: none"> 1. Improve student achievement in elementary, middle and high schools 2. Improve the quality and productivity of the workforce 3. Improve the value of postsecondary learning 4. Improve the health of Washington citizens 5. Improve the security of Washington’s vulnerable children and adults 6. Improve the economic vitality of businesses and individuals 7. Improve statewide mobility of people, goods, information and energy 8. Improve the safety of people and property 9. Improve the quality of Washington’s natural resources 10. Improve cultural and recreational opportunities throughout the state 11. Improve the ability of state government to achieve results efficiently and effectively

Result Teams A team of agency executives and experts is established for each result area. A senior budget or policy staff person from OFM serves as the lead for each team. Facilitation, research and staff support are offered to each team. Team size is kept fairly small to promote effective team interaction. The Governor’s Chief of Staff and the OFM Budget Director selected the initial team members with the goal of bringing the best minds in government together to work on this prioritization. Team members do not serve as representatives of their agency. Instead they are asked to wear a “citizen hat” and focus on how best to deliver maximum results to citizens.

The Result Teams perform the real work of POG. They are responsible for identifying key indicators of success for the results, purchase strategies most likely to deliver results, ideas to improve results and a proposed purchase plan.

Guidance Team The Result Teams present their work to a Guidance Team, a group of government, non-profit and business executives. The Guidance Team’s role is to provide an executive/citizen perspective and to review, strengthen, and endorse the framework and high-level purchase strategies put forth by the Result Teams. The Guidance Team makes final recommendations to the Governor and some members have supported their recommendations through outreach with their associations and op-eds in newspapers.

Guidance Team This year’s Guidance Team members include:

- Tom Fitzsimmons, Governor’s Chief of Staff
- Marty Brown, Office of Financial Management
- Dick Davis, Washington Research Council
- Stan Finkelstein, Association of Washington Cities
- Valoria Loveland, Department of Agriculture
- Maureen Morris, Washington State Association of Counties
- Steve Reynolds, Washington Roundtable
- Fred Stephens, Department of Licensing
- Dick Swanson, Washington Roundtable
- Beverly Weber, United Way Benton-Franklin County

Allocations An agreed-upon “price of government” – the state funding level set by the Guidance Team – is allocated among the Result Teams. These allocations serve as the limit teams can spend on activities to implement their chosen strategies. In POG, all state money is green; the allocation ignores fund type distinctions.

Purchase Plans As their final task, teams are asked to develop a “purchase plan” for their result area. A purchase plan is the list of activities the team decides are most important to implementing the strategies they’ve identified as key for

Maximize the Health of Washington Citizens		
(DSHS Medical Assistance, Dept. of Health, Health Care Authority)		
Activities that Best Achieve this Result - Highest to Lowest Priority		
What’s Purchased	FTEs	Total
1 All Dept of Health activities	1,267.7	163,932
2 Public Health investments	-	0
3 Consolidated Drug Purchasing	-	-25,099
Long Term Care Matrix project		-16,000
Increase managed care rates by Seattle Consumer Price Index		-62,954
Improve eligibility processes		-27,558
3 Mandatory Medicaid (Medical Assistance Admin)	920.4	2,728,362
4 Medical care for GAU/ADATSA (MAA)	2.2	4,274
5 Medically needy aged, blind, disabled (MAA)	9.2	132,779
6 DSH/Proshare (MAA)	-	148,804
7 Special programs (MAA)	20.6	20,983
8 Grants to community clinics.		
PDP, planning, WSHIP (HCA)	115.3	44,956
9 Medicaid optional children (MAA)	18.4	265,644
10 Basic Health Children <100% poverty (Basic Hlth Plan)	97.9	36,562
11 Basic Health Children >100% poverty (BHP)	8.0	17,374
SCHIP (Medicaid for children between 200 and 250% poverty)	1.2	10,507
13 Parents with incomes <100% poverty with BHP children	12.5	94,215
14 Parents with incomes >100% poverty with BHP children	13.5	79,575
15 Adults with dependents not enrolled in BHP	9.9	64,638
	2,496.8	3,680,993
What’s Not Purchased		
16 Adults with dependents not enrolled in BHP	6.7	47,036
17 Childless adults with incomes <100% poverty (BHP)	18.5	193,003
18 Childless adults with incomes >100% poverty (BHP)	29.7	99,870
19 Optional healthcare for workers with disabilities (MAA)	0.1	1,495
20 Optional benefits (adult dental, vision, hearing)	10.7	51,767
21 Medically indigent (MAA)	2.5	0
Total Reductions	68.2	393,171

achieving results. Teams may “purchase” activities from the Activity Inventory, modified forms of those activities or completely new activities. When a team runs out of money, it lists the remaining important activities in the order in which they should be bought back.

The purchase plan leads to a useful snapshot of the result area as a whole, such as the example on the left. The purchase plans show the team’s prioritization of activities within the result area. The result areas themselves are not prioritized. This provides great flexibility for decision-makers to apply prioritization factors across and within the results areas.

Improvements in the second round of POG

After the initial Priorities of Government effort, OFM conducted a number of lessons-learned sessions with participants and stakeholders to identify improvements for the second iteration. Here are some of the key changes made for the 2004 POG effort.

Time frame extended In 2002, the POG process took place over about 10 weeks' time and began after agency budgets had already been submitted. While the tight time frame ensured a sense of urgency and momentum, it clearly was a handicap to comprehensive analysis and communication with agencies.

In 2004, the POG process began in the spring and focused on defining strategies, and using research and tools to identify promising areas for study or action. Agencies then had the opportunity to respond to the POG team recommendations through the budget request, an opportunity they did not have in 2002. The process started again in September and focused on the development of purchase plans.

OFM issued tailored budget instructions to agencies The revised time frame provided the opportunity to use performance information and research more strategically in budget development than in the past. In the spring, teams identified performance gaps and evidence-based strategies that might close those gaps. OFM used these recommendations to issue tailored budget instructions to agencies. These instructions asked agencies to provide specific budget proposals, legislative requests and research aimed at increasing the results achieved.

Budget systems changed to support POG The Activity Inventory database provided a powerful foundation to the initial POG process. Because this data was not integrated with budget data, however, OFM, agencies and legislative staff spent many hours reconciling the two data sources. OFM updated the state budget development systems to include both activity description information and performance measures, and to enable the budget to be built by activity in addition to the traditional incremental approach.

Performance measures are now linked to activities With the change in the budget systems, OFM also changed the orientation of performance reporting. In the past, agencies were asked, as part of the budget submittal, to submit performance measures tied to agency goals. This year, agencies were instead asked to submit performance measures that explained the expected results for each activity. Reports now display performance measures as part of the activity description. Results teams and analysts have found this activity approach to performance measures to be much more useful for analysis and decision-making.

Public meetings and outreach Because POG took place in such a compressed period of time in 2002, there was very little opportunity beyond the Results Teams to involve the public or even state agencies. Since 2002, OFM has worked hard to keep agencies abreast of planned POG developments and to improve the ability of agencies to offer feedback and get answers to questions. The POG website was established and OFM has tried to post POG team reports and other resources as soon as they are available. The site now also includes a feedback form for citizens to provide input into the POG process.

On June 2 and 3, OFM held public meetings in Spokane and Seattle on the Priorities of Government. Marty Brown, OFM Director, took the audience through each result area and discussed the key purchases and key items not purchased in the 2003-05 budget. Citizens had the opportunity to ask questions and to provide feedback through hand-held voting devices, written comments and statements. The sessions were taped by TVW and aired throughout the summer.

Tax exemptions review One criticism of the initial POG effort was that it did not take a look at the revenue side of the ledger – particularly tax exemptions and credits and their relative contribution to results. This year, the POG process will take a first step in reviewing tax exemptions and credits by result area. The list of credits and exemptions will be sorted by result area. Links and notes on state research available for any of the credits and exemptions will be identified and made available. The Guidance Team felt this was a necessary first step to a more comprehensive POG-type review in the future.

Impacts

This section describes some of the key impacts of the Priorities of Government approach to date.

OFM and Executive The POG framework forms a statewide strategic plan for state government. This has led to a more comprehensive and strategic approach to budget discussions and decisions.

POG has changed the dynamic of the budget story in times of fiscal challenge from “cuts, cuts, cuts” to “priorities, keeps, and then cuts in this context.” This is a welcome communication aid for a bad-news budget. It also eases staff’s task of explaining tough choices to stakeholders.

OFM has found the purchase plan view to be the most effective means yet for supporting a Governor’s decision-making needs. It breaks free from agency silos and offers a more manageable and comprehensive view of the entire state budget options.

The purchase plan framework also makes clear the trade-offs always implicit in the budget decision process. This leads to more effective discussions with the Legislature and the public. The citizen-oriented activity descriptions also aid in this.

The process provides a more structured way for budget and policy staff to collaborate on key issues. However, it should be noted that the effort does require a significant investment of time and calls for diplomacy and facilitation skills from the team leads.

Agencies The Priorities of Government approach has altered the traditional OFM-agency relationship. Rather than waiting to see what ideas agencies submit as part of their budget, OFM has been more directive, asking agencies to submit specific budget proposals that advance a statewide result. Agencies now not only need to convince an OFM budget analyst of the merits of their proposals, but one or more POG Result Teams as well.

In many ways, POG involves agencies in the budget decision process more than ever before. However, not every agency participates directly on a POG team – a worry to many agencies.

Many agencies find disconcerting the shift in OFM's orientation from agency missions to statewide results. In POG, agency executives are asked to set aside their "agency hat" and to focus solely on maximizing the result. This clearly is a challenge and, at times, a conflict for an agency leader.

Agencies have had input on – but not final authority over – process participants and the classification of activities into result areas. OFM has felt that central control of these decisions is necessary for consistency, although agency arguments have certainly led to changes. However, there is increased tension in some cases in the differences between OFM and agency views.

Legislature Legislative members generally gave good reviews to the POG process, if not always the POG-based budget itself. In particular, they have appreciated the communication power of the activity descriptions and the purchase plan framework. Perhaps the biggest criticism of the effort is that it did not look at the revenue side of the budget. The process did not look at tax exemptions and credits and also did not publicly explore new revenue alternatives.

Legislative fiscal committee staff have been less enthusiastic about embracing the more detailed data requirements for producing an activity-level budget. This is quite understandable given the pace of the legislative process and the number of simultaneous budget versions staff must maintain to support it. OFM provides the Legislative Evaluation and Accountability Program committee with the full set of activity budget data and has also offered the code to the new activity budget system.

The Joint Legislative Audit and Review Committee used the statewide result structure in conducting a review of agency performance measures. They found advantages to looking at result areas as a whole rather than agencies in isolation. Their findings and recommendations can be found in Publication #4-10 at <http://www1.leg.wa.gov/Legislature/InsideTheLegislature/LegislativeAgencies/JLARC/Audit+and+Study+Reports/2004/>

External recognition and impact External response to the initial POG effort was similar to that of legislative members. Most interest groups, media outlets and citizens providing feedback were generally complimentary of the approach, though certainly not always with the actual budget itself. Some groups, such as the Washington Roundtable, have made references to the continued support and improvement of POG in their policy agendas.

OFM has been consulted by numerous jurisdictions considering a POG-type approach of their own, including South Carolina, Michigan, California, Oregon, Spokane and Duvall, and Ontario, Canada. OFM and the Governor's office have also been invited to share details of the process with professional organizations such as the National Governor's Association and the National Association of State Budget Officers.

Ideas for the Future

While OFM will initiate another round of lessons learned upon completion of this year's Priorities of Government process, a number of ideas for improvement already have surfaced:

- Start the process earlier** Begin the POG process in the middle of odd-numbered years. This would initiate the strategic component of POG ahead of strategic planning processes.
- Focus team efforts on key areas of need** Rather than issuing a general call for innovations and efficiencies, use the data from past POG efforts to task teams to identify such improvements for a defined set of activities. These should be the highest-priority and high-cost activities – activities we know the state must purchase to achieve results. The focus would target high-return areas and reduce "random acts of quality."
- Identify POG Values** Create a set of "guiding values" to the POG process. This would give visibility to other important issues—such as human rights and access to justice—without diluting the effectiveness of the Statewide Results framework.
- Help POG participants do a better job** Create a "field guide" for members of POG Result Teams. This guide could inform team members about important things to consider at each step of the POG process, providing advice on when and how to use group-process tools.
- Make the budget more accessible to citizens** Improve the way activity descriptions and performance information is provided to interested users via the OFM website. Include a budget modeling game on the website, which would help acquaint citizens with the activities of state government and allow them to make more informed budget priority suggestions. Explore alternatives for more public meetings and forums that have both education and feedback components.