



## A New Day... A Better Way... For State Employees

Testimony before the  
**House Appropriations Committee**  
On  
**HB 2393**  
By  
**Jane Carter, Executive Director**  
Kansas Organization of State Employees  
March 23, 2011

Mr. Chairman and members of the Committee,

My name is Jane Carter, Executive Director of the Kansas Organization of State Employees (KOSE), and I am happy to testify before you today on the importance of state employee longevity bonus pay.

Per K.S.A. 75-554, "Upon completion 120 months of state service...be eligible for longevity bonus pay." This statute has been the bedrock of employee stability for our state workforce nearly a quarter century.<sup>1</sup> I would argue to this Committee that longevity pay is still very much a fundamental tenet of state employment. Additionally, Governor Brownback has recommended funding longevity pay at \$50 in his FY 2012 budget report.<sup>2</sup>

Without a doubt, the elimination of longevity pay will further accelerate the already alarming turnover rate in state service. The statewide turnover rate for Kansas state classified employees is 13%.<sup>3</sup> State employees are leaving their positions due to insufficient benefits and low wages. According to the PEW Center<sup>4</sup> the total average compensation for Kansas state employees: "is well below the national average. Employee benefits per dollar of salary are the worst in the nation." Most business experts say that turnover of more than 10% actually significantly increases costs. With bad benefits and low pay, longevity is a small reward.

As we face increases to our KPERs contributions, a health insurance "premium surcharge" as well as proposed pay cuts and an ongoing hiring freeze, state employees simply cannot afford any more reductions to their paychecks. It adds up to a significant loss of income for state employees when it is all stacked up together.

In closing, longevity bonus pay is successful way of rewarding those who stay with the state. State workers understand shared sacrifice, but we do not believe that our most devoted and reliable employees should be financially hamstrung for their service.

Thank you for your time and consideration.

<sup>1</sup> Article 55. -75-5541. Longevity bonus payments; eligibility; limitations; administration.

<sup>2</sup> Governor Sam Brownback's FY 2012 Budget Report Vol. 1 Pages 64-65.

<sup>3</sup> State of Kansas 2009 Workforce Report. Dept. of Administration Division of Personnel Services Rev: 11/22/2010

<sup>4</sup> The PEW Center on the States. Government Performance Project Grading the States, Kansas 2008  
Kansas Organization of State Employees, AFL/AFSCME, AFL-CIO  
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For almost a decade, the Pew Center on the States, Governing Magazine and a group of academic experts have collaborated on this project to assess the quality of management in state government.

## CHARTING THE COURSE FOR EXCELLENCE IN GOVERNMENT PERFORMANCE

# Kansas

**B-**

*Amid growing concerns among Americans about job stability, health care and education, there is a new demand for government to work better and cost less. Innovative solutions, particularly at the state level, are driving reform and progress. For Kansas to make significant management gains, the state needs to find a better balance between centralized control and agency flexibility.*

*In some areas, such as transportation planning, the legislative and executive branches have disagreed on how to adapt to diverse and changing needs. In other areas, such as workforce planning, strategic planning and asset management, resistance to consolidating some functions has kept the state from making far-reaching improvements.*

### Executive Summary

The Kansas Legislature is considering a comprehensive pay plan overhaul that would increase the focus on employees' performance and bring salaries more in line with the market—an important step for a state with acute employee-retention challenges. Hiring already is improving. Agencies now lead recruitment and hiring efforts, which has sped up the process. Individualized recruitment campaigns are helping the state target key candidate groups. The state has implemented a branding campaign called "Making Big Things Happen."

Kansas does not have a formal statewide strategic plan, though the governor's budget helps set a strategic direction. Governor Kathleen Sebelius outlines her priorities and performance measures and, where possible, includes progress toward achieving results in the budget document. Agencies must submit their own strategic plans along with their biennial budget requests.

The Legislative Division of Post Audit's performance audit function has improved in recent years, with more ambitious audits and increased cost-analysis capabilities aiding the division's efforts. The public can easily access key government services on the state's Web site, and credible information about the performance of key state programs is readily available.

## TAKING ACTION

### Key Recommendations

The Government Performance Project's team of management analysts offers the following suggestions. State policy makers and business leaders may wish to consider:

#### People

- Developing a statewide workforce plan that includes training and development
- Implementing a competency management system
- Developing an online job application feature and an e-recruitment and selection system to help increase the number of applications per job opening

#### Information

- Focusing on strategic planning at the statewide and agency levels
- Ensuring that plans look beyond the current budget cycle and incorporate performance measures that will help assess progress in achieving statewide and agency goals
- Updating and improving coordination among information technology systems

#### Money

- Continuing to strengthen the pension system
- Expanding opportunities for citizen input in the budget process
- Advancing the creation and use of cost data across branches of government to strengthen performance

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Kansas faces significant fiscal challenges, including a \$5.4 billion pension liability that is proportionally one of the nation's largest such obligations. In addition, an education funding settlement is applying fiscal pressure, and in order to meet that obligation, the state is currently spending down its ending balance from the past fiscal year. At the insistence of the Kansas Supreme Court, the legislature increased education funding by \$194.5 million in school year 2006-2007, \$149 million in school year 2007-2008 and \$122.7 million in school year 2008-2009. The state relies on conservative revenue estimates and large year-end balances in lieu of a rainy-day fund.

Kansas does not calculate the accumulated value of deferred maintenance and lacks a statewide capital plan for general infrastructure. Instead, it relies on five-year agency plans. A legislatively mandated ten-year Comprehensive Transportation Program has reduced the policy flexibility of the Department of Transportation. A fixed ten-year list of projects contained in legislation limits resources and inhibits the department's ability to address major changes in infrastructure needs.

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**THE PEW CENTER ON THE STATES' Government Performance Project**

The Pew Charitable Trusts applies the power of knowledge to solve today's most challenging problems. Pew's Center on the States identifies and advances effective policy approaches to critical issues facing states.

The mission of the Government Performance Project, an initiative of the Pew Center on the States, is to improve service to the public by strengthening government policy and performance. 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.  
[www.pewcenteronthestates.org](http://www.pewcenteronthestates.org)

**TAKING ACTION****Key Recommendations  
(continued)****Infrastructure**

- Linking funding for infrastructure maintenance to the information collected by condition assessments for general infrastructure and transportation infrastructure
- Prioritizing funding of maintenance and calculating deferred maintenance
- Reviewing the transportation planning process to encourage periodic updates
- Developing a statewide capital plan that prioritizes agency five-year capital plans

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# PEOPLE

C+

## Strategic Workforce Planning

The state has no workforce plan or human capital plan, though data are compiled into an annual statewide workforce report. The central human resources (HR) agency uses this report to identify areas of high turnover where it could assist agencies with recruiting. HR also provides statistical analyses to agencies to support workforce planning efforts and consults with agencies in developing or updating workforce plans, which exist in most midsized and larger agencies.

The state's HR management information technology system is better than average, offering such components as compensation management, demographics, job classifications, performance management and recruitment. Kansas does not have a competency management system.

## Hiring

Agencies are responsible for their own hiring, and the state doesn't track the percentage of acceptances. Although time-to-hire is well below the national average, Kansas also receives fewer applications per classified job opening than other states. The state has worked well with agencies to identify successful employees and develop recruiting strategies and interview questions designed to attract those with similar traits. As in most states, nurses and some "skilled trades" tend to be the most difficult positions to fill, and Kansas does not offer referral or signing bonuses. Fewer new hires are fired during their probationary period than the national average, but more new hires than average quit during that same period.

Kansas has a decent e-recruitment system but lacks an online application feature. The state has strong feeder programs. College sophomores majoring in engineering are eligible for tuition assistance from the Department of Transportation, and Child Protective Services has instituted a paid practicum for social workers. Kansas officials believe a pending pay-plan reform would improve its ability to recruit talented employees. The plan awaits legislative approval and funding.

## PERFORMANCE

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

weakness     mid-level     strength

## TAKING ACTION

### Suggestions that state policy makers and business leaders may wish to consider:

- Developing a statewide workforce plan that includes training and development
- Implementing a competency management system
- Developing an online job-application feature and an e-recruitment and selection system to help increase the number of applications per job opening

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## Retaining Employees

The pay plan would likely boost retention as well, as pay compression has become severe. Voluntary turnover is above the national average for classified employees, and overall voluntary turnover has been increasing.

The total average compensation is well below the national average, and employees use more annual leave and sick leave than average. Employee benefits per dollar of salary are the worst in the nation. On the plus side, grievances and appeals per 1,000 employees are well below the national average, and discrimination charges are almost nonexistent.

## Training and Development

The quality of Kansas agencies' training varies. The state does not track overall training data. A cross-agency Statewide Training Action Team regularly meets to share innovations, but Kansas lacks a statewide training and development plan, as do the agencies surveyed.

A new pay plan would streamline the state's grade-classification system and build career paths through which employees could gain raises without becoming supervisors. The statewide promotion rate is among the nation's highest. Agencies have leadership programs tied to succession planning, and a partnership with the University of Kansas provides other opportunities. Mentoring and cross-team training help to ensure the knowledge is retained when employees leave.

## Managing Employee Performance

The pay-plan overhaul would provide Kansas with a better way to reward top performers, though the performance review system may need to follow a more standardized model and be applied regularly. Currently, appraisals are not always conducted on time, and the review process is not well enforced.

Awards of up to \$1,000 are given for exceptional performance and separately for innovations that are implemented, but only 1 percent of employees receive such bonuses. The employee suggestion program offers no such rewards and is used infrequently. Agency surveys are common, and Kansas has used them in drawing up the pay-plan redesign. The state's discipline and termination policy appears to work efficiently and effectively.

## PEOPLE

### Perspectives on this area of state performance:

People form the living core of any organization.

To assess state performance in the People category, the Government Performance Project team examined how well a state manages its employees. Among many other factors, the team reviewed how states hire, retain, develop and reward high-performing employees.

Given the challenges of an aging workforce, new expectations of younger workers and competition for top performers with the private and nonprofit sectors, the ways in which a state conducts business in this crucial area are vital to its ability to serve the public.

Grades in the People category ranged from A in Virginia to D in New Hampshire and Rhode Island. The national average among the 50 states for the People category was C+, and ten states received that grade. Twenty-three states earned grades above the national average (grades of B- and above), and 17 states received grades below the national average (C and below).

A number of promising new practices in recruitment strategies and leadership development emerged from this year's study. The Project will provide additional detail on these practices in the coming months.

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# INFORMATION

## B

### Strategic Direction

Kansas does not have a statewide strategic plan, though the governor's budget helps set a strategic direction. The governor outlines her priorities and includes performance measures and, where possible, progress toward them. Agencies must submit their own strategic plans along with their biennial budget requests.

The state information technology (IT) plan does not include performance information and is not comprehensive, focusing mostly on e-government. Kansas has a "federated" model for IT governance in which a multiagency Information Technology Executive Council (ITEC) sets policy based on direction from the governor and legislature. State managers report that this environment invites discussion of important issues and provides a forum to sort through competing IT interests.

### Budgeting for Performance

Kansas produces a fair amount of performance and cost information through the governor's budget and agency performance reports, though the quality of these reports varies. The Division of Budget requires agencies to submit both outcome and output measures with their requests and explain how funding changes relate to performance.

The most pertinent performance information is included in the governor's budget and includes such policy areas as transportation, education and health care, which account for most state spending. The governor's budget lacks outcome data on several major policy areas, including public safety and the environment, however.

### Managing for Performance

The three branches of government are jointly planning new data centers and disaster recovery initiatives, but structural barriers to cooperation and information sharing exist, and some information systems are incapable of communicating and sharing data. Although software upgrades have begun to advance, many agencies still use legacy systems. Governor Sebelius is said to have a greater interest in helping state government function day to day than recent predecessors and has fostered cross-agency collaboration in particular sectors, such as water policy and training for state personnel.

## PERFORMANCE

- Strategic Direction
- Budgeting for Performance
- Managing for Performance
- Performance Auditing and Evaluation
- Online Services and Information

○ weakness    ● mid-level    ● strength

## TAKING ACTION

### Suggestions that state policy makers and business leaders may wish to consider:

- Focusing on strategic planning at the statewide and agency levels
- Ensuring that plans look beyond the current budget cycle and incorporate performance measures that will help assess progress in achieving statewide and agency goals
- Updating and improving coordination among information technology systems

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## Performance Auditing and Evaluation

The Division of Legislative Post Audit produces high-quality performance audits that cover programs that affect a large percent of Kansas residents. Although small, the division has controls in place to ensure valid and reliable results and recently added a specialist in data mining and analysis who has enabled the office to perform more complex audits.

Several new staff have launched a massive cost study of education and will continue to focus on education issues.

## Online Services and Information

Citizens can easily perform many transactions from the state's Web site, including renewing vehicle and boat registrations, filing income taxes, applying for unemployment and Medicaid benefits, locating unclaimed property and filing insurance complaints.

Performance information is available for schools, as is graduation information for higher education. Residents may sign up for an interactive homework help service.

## INFORMATION

### Perspectives on this area of state performance:

Advances in information technology offer the promise of propelling every organization toward greater efficiency and accomplishment. Growing demands for public-sector transparency and for 24/7 public access to services are spurring a new level of creativity in meeting citizens' needs and improving internal business processes.

To evaluate performance in the Information category, the Government Performance Project examined how well state officials deploy technology and the information it produces to measure the effectiveness and results of state programs, make budget and other management decisions and communicate with one another and the public.

Grades in the Information category ranged from A in five states (Michigan, Missouri, Utah, Virginia and Washington) to D+ in New Hampshire and South Dakota. The national average among the 50 states for the Information category was B-, and 13 states received that grade. Fifteen states earned grades above the national average (grades of B and above), and 22 states received grades below the national average (C+ and below).

The study uncovered a number of promising new practices that are engaging the public, streamlining business processes, and improving the quality and utility of the information upon which state leaders rely to make policy and program decisions. The Project will provide additional detail on these practices in the coming months.

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# MONEY

**B-**

## Long-Term Outlook

Kansas faces significant fiscal challenges, including a \$5.4 billion pension liability that is proportionally one of the largest in the country. However, the state has implemented a long-term plan to fund the employee retirement system fully. The plan will draw from a \$500 million bond issue and higher payroll contributions for employees hired on or after July 1, 2009. Moody's bond rating service downgraded the state's bond rating in October 2006 but now rates Kansas as stable after the resolution of an education-related lawsuit.

The consensus forecasting process in Kansas appears to work well. Representatives from three agencies and three universities meet twice each year, and the group publishes its estimate, which binds the budget. The state also forecasts a range of expenditures, going into great detail for the first two years and somewhat less detail over five years for large and ongoing programs. The Division of the Budget and the Department of Revenue consult with other agencies to write fiscal notes for all tax and spending bills. Kansas only uses debt for capital projects and specific operational functions.

## Budget Process

Kansas typically passes its budget well before the deadline through a straightforward, efficient process. Agencies are asked to provide performance measures, and the governor and legislature review them in formulating the budget. A readable synopsis of the budget is available online during budget deliberations.

## Structural Balance

The education funding settlement is putting fiscal pressure on the state, which is spending down the ending balance from the past fiscal year to meet this obligation. Kansas has a well-balanced revenue structure, and though it lacks a rainy-day fund, it uses large ending balances as a countercyclical planning device. Income and sales taxes bring in most of the revenue, while current resources were equal or close to twice the debt from 2004 to 2006.

## PERFORMANCE

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

○ weakness    ● mid-level    ● strength

## TAKING ACTION

**Suggestions that state policy makers and business leaders may wish to consider:**

- Continuing to strengthen the pension system
- Expanding opportunities for citizen input in the budget process
- Advancing the creation and use of cost data across branches of government to strengthen performance

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## Contracting/Purchasing

Kansas disperses contracting and purchasing responsibilities to various agencies, which conduct about 40 percent of service contracting; the remainder is conducted by central purchasing. Fewer than 25 percent of transactions are conducted electronically, with only a handful of the most commonly supported online activities offered in the state. An incentive program enables agencies to keep one-half of the savings that result from under-spending.

## Financial Controls/Reporting

From 2004 to 2006, Kansas prepared its Comprehensive Annual Financial Reports in a timely manner and in accordance with generally accepted accounting principles. The reports received unqualified opinions all three years. The 2006 single audit received a clean opinion on the financial statements. The executive budget office and legislature use cost analysis on a limited basis, while certain agencies use it more actively.

## MONEY

### Perspectives on this area of state performance:

Having adequate financial resources and managing them well allows states to turn policies into results that matter for people. A state's fiscal systems are especially important in navigating today's uncertain economic climate.

To gauge how well a state is functioning in the Money category, the Government Performance Project evaluated the degree to which a state takes a long-term perspective on fiscal matters, the timeliness and transparency of the budget process, the balance between revenues and expenditures, and the effectiveness of a state's contracting, purchasing, financial controls and reporting mechanisms.

Grades in the Money category ranged from A in Utah to D+ in California and Rhode Island. The national average among the 50 states for the Money category was B-, and ten states received that grade. Twenty states earned grades above the national average (grades of B and above), and 20 states received grades below the national average (C+ and below).

Transparent financial transactions and unfettered public access to fiscal information have become two of the leading indicators of a state that is functioning well in this area. Several promising new practices in real-time tracking of statewide expenditures and budgeting decisions, as well as joint executive and legislative revenue forecasting approaches, are highlighted in this year's study. The Project will provide additional detail on these practices in the coming months.

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# INFRASTRUCTURE

**C+**

## Capital Planning

The Kansas Department of Transportation (KDOT) has a ten-year Comprehensive Transportation Program. But the legislature has reduced the agency's flexibility by adopting a fixed ten-year list of projects. This limits resources and inhibits the department's ability to address major changes in infrastructure needs.

Kansas has no statewide capital plan, and though agencies have five-year plans, the state has unreliable information on the condition of some of its facilities. The Department of Corrections has no such plan but does analyze capacity needs based on demographic trends. The budget office prioritizes projects and appears to communicate well with legislators. Agencies must submit capital improvement plans to the state building advisory commission, the budget division and the Joint Committee on State Building Construction. Existing maintenance tends to take priority over new construction. Although required in budget instructions, only some operations and maintenance costs are taken into account.

## Project Monitoring

The state monitors its core buildings with weekly status reports for quality and monthly reports for cost overruns, delays, efficiency and safety. Non-core buildings receive less regular attention. Contractors take one day to address safety issues, one week for poor quality, two to three weeks for delays, one to two months for inefficiencies and three to six months for cost overruns.

KDOT rigorously tracks individual activities, sets milestones and holds monthly production control meetings where projects that have missed deadlines are scrutinized and corrective actions are taken. An increased focus on performance measurement—along with better technology and new engineering approaches for some activities—have helped keep projects on time and within budget. Contractors must update their project schedules regularly, receiving one day to correct poor quality or safety problems and one week on inefficiencies, cost overruns or delays.

## PERFORMANCE

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

weakness     mid-level     strength

## TAKING ACTION

**Suggestions that state policy makers and business leaders may wish to consider:**

- Linking funding for infrastructure maintenance to the information collected by condition assessments for general infrastructure and transportation infrastructure
- Prioritizing funding of maintenance and calculating deferred maintenance
- Reviewing the transportation planning process to encourage periodic updates
- Developing a statewide capital plan that prioritizes agency five-year capital plans

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## Maintenance

Kansas fails to fund maintenance at an adequate level. It is unclear the extent to which the Division of Facilities Management actively assists agencies in assessing building conditions. Core buildings have reliable annual condition assessments that help set priorities, but that process is decentralized and less consistent across the state. Kansas does not calculate the accumulated value of deferred maintenance.

## Internal Coordination

The Budget Office and the legislative building construction committee review agency five-year plans to create the capital budget based on recommendations from the building advisory commission. The Division of Facilities Management helps agencies with design and construction-related services, property leasing and building management, while maintaining a database of leased property and providing space inventory reports. KDOT coordinates with other state agencies, metropolitan planning organizations and local governments.

## Intergovernmental Coordination

Kansas holds regular meetings with key stakeholders to ensure cross-state coordination on capital projects. As laid out in its Long Range Transportation Plan, KDOT has made a conscious effort to spend more time with city and county governments as well as other stakeholders to better communicate prior to making project-related decisions.

KDOT's partnership project with local governments helps establish performance measures, communicate among entities, and attain environmental clearances, among other activities.

## INFRASTRUCTURE

### Perspectives on this area of state performance:

A state's capital assets are the literal crossroads of the effects of the other three categories—People, Information and Money.

Incidents such as the Minneapolis bridge collapse and the levee failures in New Orleans after Hurricane Katrina prove that few functions of state government—in partnership with the federal government and other jurisdictions—have a greater impact on people's daily lives than maintaining and securing the state's infrastructure.

To assess how well a state is managing its roads, bridges and buildings, the Government Performance Project team factored the degree to which a state has transparent and effective capital planning and project monitoring processes, maintains its assets and coordinates this work within the state and with other jurisdictions.

Grades in the Infrastructure category ranged from A in Utah to D+ in Massachusetts and New Hampshire. The national average among the 50 states for the Infrastructure category was B-, and ten states received that grade. Seventeen states earned grades above the national average (grades of B and above), and 23 states received grades below the national average (C+ and below).

In assessing how states select, prioritize, monitor and maintain their infrastructure projects over the long term, the Project found a variety of laudable practices. The Project will provide additional detail on these practices in the coming months.

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**STATE OVERALL PERFORMANCE GRADES**

Utah  
Virginia  
Washington **A-**

Delaware  
Georgia  
Michigan  
Missouri  
Texas **B+**

Indiana  
Iowa  
Louisiana  
Maryland  
Nebraska **B**

Arizona  
Connecticut  
Florida  
Idaho  
**KANSAS**  
Kentucky  
Minnesota  
New Mexico  
New York  
North Carolina **B-** — NATIONAL AVERAGE  
North Dakota  
Ohio  
Pennsylvania  
South Carolina  
Tennessee  
Vermont  
Wisconsin  
Wyoming

Alabama  
Colorado  
Hawaii  
Mississippi  
Montana  
Nevada  
Oklahoma  
Oregon  
South Dakota  
West Virginia **C+**

Alaska  
Arkansas  
California  
Illinois  
Maine  
Massachusetts  
New Jersey **C**

Rhode Island **C-**

New Hampshire **D+**

	D	D+	C-	C	C+	B-	B	B+	A-	A
<b>NATIONAL AVERAGE</b>						<b>B-</b>				

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[www.pewcenteronthestates.org](http://www.pewcenteronthestates.org)

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

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## Glossary

Following are some of the factors the Project team considered in evaluating state performance. For a list of the detailed criteria, visit [www.pewcenteronthestates.org/gpp](http://www.pewcenteronthestates.org/gpp).

**Asset Condition Index (ACI):** A standard means of determining an asset's current and future physical condition. ACI is calculated by dividing the dollar amount needed for annual repairs by the amount that would be needed to replace the asset. There are three levels of condition: Good (0 to 5 percent), Fair (5 to 10 percent), and Poor (greater than 10 percent).

**Benchmarks:** Baselines against which the performance of government programs may be measured. The three most common types of benchmarks are past performance levels of the program, performance levels of similar programs in other states or agencies, and performance targets established by law or policy. Other possible types of benchmarks include targets set by federal regulations and standards prescribed by professional organizations.

**Bidder preference:** Advantage given to vendors meeting specific criteria in the bidding process for state product or service contracts.

**Broadbanding:** A technique that consolidates the number of salary grades into fewer but broader pay ranges. The spread of the pay ranges is wider, and there is less overlap among various pay ranges.

**Capital budget:** The spending plan for the year for building or acquiring major infrastructure projects, balanced against revenues or other financial resources. Although states often approve separate capital and operating budgets, capital projects also may be funded in the operating budget. For each item in the capital budget, costs may include those for the structure or land as well as related costs for original furniture and equipment.

**Capital plan or capital improvement plan:** A financial plan for the improvement of state-owned infrastructure assets over several years, including such proposed projects as buildings, roads, bridges, parks, dams and land.

**Capital planning process:** A formal assessment of a state's future infrastructure needs. The review may consider demographics, service demand, public input, federal regulations, health and safety concerns, resource availability and other factors.

**Competency management system:** A process by which an organization develops and manages specific models that include skills and behaviors needed for specific employee positions. These models may then be used in recruitment and hiring, performance appraisal criteria, and training and development.

**Contracting:** The process by which the state obtains necessary services from nongovernmental vendors. (Note: We consider contracting for services different from procurement of goods or products.)

**Consensus forecasting:** A process through which a panel of experts creates a forecast by mutual agreement. For a state's revenue forecast, included experts may include officials from the executive branch and legislature, as well as outside academic researchers, private consultants or citizens.

**Earmarked revenue:** A source of revenue designated by law or state constitution to support a specific program or agency. By definition, "earmarked revenue" cannot include taxes imposed on specific goods, services or businesses; taxes on sale of fuels other than motor fuels; or refunds of fuel taxes.

**E-procurement:** A system utilizing Internet technology to streamline the purchases of goods and products to reduce costs.

**Human capital plan:** A plan for employing, developing and evaluating the workforce of an organization to achieve the organization's strategic goals and objectives. The plan typically is broader than a strategic plan or workforce plan, though it contains elements of both.

**Information technology (IT) plan:** A statewide plan to improve the state's information technology systems that assesses future needs to achieve the state's overall goals and objectives.

**Knowledge management system/strategy:** The process of gathering, organizing, sharing and using the knowledge and experiences of employees within an organization to improve performance. Knowledge management includes a wide range of personal and technological approaches to sharing knowledge.

**Leadership development program:** A training and education program to prepare participants for leadership or senior management positions within the state or agency.

## Glossary (continued)

**Life-cycle approach:** An approach to infrastructure maintenance that aims to keep capital assets in good working order for at least as long as they were originally designed to last.

**Maintenance deferral:** The act of postponing necessary operating and maintenance spending on an infrastructure asset.

**Operating budget:** The annual spending plan for the state's recurring expenses, including salaries, equipment and repairs (as distinct from expenses to build or acquire permanent infrastructure).

**Performance:** The accomplishments of an agency, program or employee relative to stated goals and objectives.

**Performance appraisal:** An evaluation of how well an employee performs his or her job in relation to a set of predetermined standards.

**Performance-based compensation:** A type of employee compensation based on demonstrated accomplishments on the job.

**Performance audits:** Audits that focus primarily on the effectiveness of an agency or program in meeting its objectives (rather than on legal or financial compliance issues).

**Performance management system:** A comprehensive process used to measure, improve and reward the performance of agencies, programs or employees.

**Performance measures:** Indicators of progress toward meeting prescribed objectives. Common measures for evaluating performance include outputs, outcomes and efficiency.

**Procurement:** The process by which the state obtains necessary goods or products from nongovernmental vendors. (Note: We consider procurement of goods or products different from contracting for services.)

**Rainy-day fund:** A type of contingency fund in which money is set aside to be drawn upon in case of a future budget deficit. It often is referred to as a budget-stabilization fund.

**Salary compression:** Inequity in employee pay occurring when the range of pay between the highest and lowest paid employees is unfairly small relative to their range of skills and experience.

**Strategic plan:** A comprehensive plan for accomplishment in relation to stated goals and objectives. Ideally, the plan should cover multiple years, include targets for expected accomplishments and propose specific performance measures to evaluate progress toward those targets.

**Structural balance:** A condition in which ongoing revenues meet ongoing expenses in a given fiscal year (excluding one-time expenses or revenues).

**Succession planning:** A process of systematically and deliberately preparing for future changes of leadership in key positions. The process may identify potential replacements and provide strategies for developing and/or hiring individuals to meet future needs.

**Tax expenditure budget:** A report showing the estimated reduction in state revenues attributable to tax credits, deductions and exclusions included in the state tax code.

**Workforce plan:** A plan assessing the current and future capacity of a state government or agency workforce, including actions necessary to meet future workforce needs.