



# The Florida Senate

*Interim Project Report 2001-017*

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Committee on Fiscal Policy

Senator Roberto Casas, Chairman

## INTEGRATION OF PERFORMANCE EXPECTATIONS INTO AGENCY PERSONNEL MANAGEMENT

### SUMMARY

For most organizations, human resources play a key role in accomplishing organizational goals and objectives. The purpose of this interim project was to determine the extent to which state agencies make use of performance measures in personnel management. A survey of state agencies found that while performance measures play a role in the management of programs, they rarely impact employee evaluations.

Two agencies, the Department of Law Enforcement and the Department of Revenue have made use of performance measures in personnel management.

Agencies should incorporate performance measures and standards in their evaluation of Senior Management Service employees and those Select Exempt Service employees with management responsibilities. This can be accomplished without any statutory changes, as agency heads are responsible for developing a system to evaluate these employees.

Recent developments in planning and budgeting will result in more scrutiny of the costs and performance of agency operations, which should encourage agencies to link performance expectations to all their employees, including those in the Career Service.

### BACKGROUND

The Legislature has established performance expectations for all state agency programs. During the 1997 interim, the Senate conducted a review of contract management practices of several state agencies. However, no similar review has been conducted of agency personnel management practices, even though employees and their supervisors at all levels must know the specific expectations for their work in order for the

agency's program to meet its mandated performance standards.

Performance measures are but one ingredient in successful personnel management. Employees must also be evaluated on their skills, ability to work with others, and ability to learn. Recent studies by the U.S. General Accounting Office have shown how private and public sector organizations link personnel to organizational performance expectations in order to make the most use of their human resources.<sup>1</sup> To ensure that they meet the legislative performance expectations, Florida's state agencies must make the best use of their human resources as well as their contract providers. Incorporating performance measures into their personnel management is one way agencies can better ensure they meet their performance expectations.

### Agency Performance Expectations

Agencies have long been required to measure their performance. The Legislature began explicitly setting performance expectations in 1994 with the advent of performance-based program budgeting. The Legislature, through the annual appropriations process, defines agency programs and sets the expected level of performance (called a standard) commensurate with the funding level. These standards are set for individual measures of agency outputs and outcomes. Outputs are defined as the product or service delivered by an agency program while outcomes are the expected benefits or impact on the public from agency programs. Many agencies have developed measures in addition to those approved by the Legislature in order to provide more information on program operations for agency managers.

During the 2000 session, the Legislature revised Chapter 216, F.S., relating to state planning and budgeting

<sup>1</sup> Human Capital: Key Principles From Nine Private Sector Organizations, January 2000; Performance Management: Aligning Employee Performance With Agency Goals at Six Results Pilots, September 1998.

(Chapter 2000-371, Laws of Florida). Agencies must report on performance for legislatively approved measures as well as propose new levels of performance based on the resources requested. Chapter 216, F.S. now requires agencies to maintain internal systems of accountability. Such systems would allow agency managers and stakeholders to use performance information beyond those legislatively approved measures. These requirements continue efforts began in 1994 to clarify what the Legislature expects agencies to accomplish with the resources provided.

### **Agency Personnel Management**

The Department of Management Services administers human resource policy for the State Personnel System under Chapter 110, F.S. The State Personnel System is comprised of three main employee groups: Senior Management Service, Selected Exempt Service, and Career Service.

Senior Management Service (SMS) is comprised of the senior level managers for the highest executive level positions. SMS personnel serve at the pleasure of the agency head who assigns their duties and develops an individual performance appraisal system. Such an appraisal system must consider the efficiency, productivity and effectiveness of the employee as well as the organizational units under the employee's direction. With some exceptions, the number of SMS positions is limited by s.110.403 (1)(a) F.S. At the end of 1999, there were 517 SMS employees, making up 1% of the total of 114,909 employees in the State Personnel System.

SMS make up the senior level managers in agencies, but lower level managers also have a special personnel group. The Selected Exempt Service (SES) is comprised of management personnel that serve at the pleasure of the agency head and are exempt from some of the policies of the Career Service. While many SES employees have management responsibilities, others are highly trained professionals such as physicians and attorneys not in management. The number of SES positions is limited by s. 110.602 F.S. At the end of 1999, there were 3,440 Selected Exempt Service employees, or 3% of the employees in the State Personnel System.

The Career Service contains primarily non-management employees although some do have supervisory duties. Employees are divided into numerous specific classes. Further, these employees may be dismissed only for cause as compared to SMS and SES employees who serve at the pleasure of the agency head. The 1991 Legislature reformed Career Service. In addition to

decentralizing personnel functions, the reforms changed how employees are evaluated. The Review and Performance Planning System was to improve communication, increase the accountability of both management and employees, and develop employees. At the end of 1999, the 110,952 Career Service employees made up 96% of all employees in the State Personnel System.

## **METHODOLOGY**

To determine the extent to which agencies incorporate performance expectations into their personnel management systems, a survey of the agencies that comprise the State Personnel System was conducted.<sup>2</sup> Specifically, the survey asked agencies whether they used performance measures in the evaluation of their personnel. The Florida School for the Deaf and Blind was not surveyed because the Legislature has not set specific performance standards for the school. The Department of Labor and Employment Security was not surveyed due its reorganization by the 2000 Legislature.

In addition to the survey responses of 25 agencies, follow up interviews and document reviews were conducted. These methods identified reasons agencies do not use performance measures in personnel evaluations; current methods of evaluations; and what may be best practices for integrating performance expectations into personnel management. Recommendations to the state personnel system were developed to encourage agencies to integrate performance expectations into their personnel management systems.

## **FINDINGS**

### **Few agencies directly relate performance measures to personnel management.**

Based on the responses to the survey, it was clear that many agencies use performance measures in the management of their programs. It was also evident that program performance was discussed with personnel. But the survey asked specifically whether performance measures were used in the evaluation of personnel. Over half (14 of 25) of the agencies responded that they used performance measures in their personnel evaluations (see

<sup>2</sup> The State Personnel system is comprised of 28 agencies and does not include the state universities, community colleges, school districts, Lottery, Governor's Office, judicial system, or the Legislature.

Table 1). But when asked to describe how they used such performance measures or provide examples, only five could do so.

Legislative performance measures are most often set at the program and service level. Management of agency programs and services are most often the responsibility of SMS and SES employees. This would lead one to expect that agencies would be more likely to link performance measures to the evaluations of upper management. But this was not the case--agencies were no more likely to make use of performance measures in

measures were too new. These agencies wanted more time to test the measures before linking them to personnel evaluation. Other agencies thought that their measures would not be applicable for personnel evaluations.

**Agencies not using performance measures rely on traditional methods to evaluate personnel.**

Agencies that do not use performance measures in evaluating the personnel were asked how they do evaluate personnel. These agencies relied on the current state procedures to evaluate personnel. For SMS and SES, the agency head designs an evaluation system. In practice, it appears that agency heads rely heavily on a form developed by the Department of Management Services. The form requires individuals to be evaluated on both organizational and individual skills. The organizational skills include: planning, controlling, organizing, results planning and achievement, work products, budget management, managing change, directing and leadership, staffing, performance appraisal and feedback, discipline administration. The individual skills include: problem analysis and decision-making, technical skills, conceptual skills, presentations, self-direction, self-motivation, human relations, and relationships.

Agencies provided examples of their evaluations of SMS, SES, and Career Service employees. While not a representative sample of all such evaluations, the examples were reviewed to get a sense of how employees are evaluated. The SMS and SES evaluations showed that employees were rated on the above-mentioned areas using a scale of excellent, effective, and needs improvement. In addition to checking the relevant column in the form, some agencies added narrative explanations. In most samples, such narrative did not make use of quantifiable measures. Although a few evaluations did quantify employee performance on items such as number of cases investigated within a certain time.

The evaluation of Career Service employees used a different set of forms. These evaluations rely more on narrative explanations of performance rather than ratings of individual items as with SMS and SES. Career service employees are evaluated against the expectations contained in their respective personnel descriptions. As with the SES and SMS evaluations, the samples of evaluations reviewed were more likely to describe performance in narrative terms rather than in quantified terms.

	Could Document	Agency for Health Care Administration Children & Families Law Enforcement Revenue State
<b>Yes</b>	Could Not Document	Agriculture & Consumer Services Banking & Finance Corrections Elder Affairs Fish & Wildlife Conservation Commission Health Legal Affairs Military Affairs Public Service Commission
<b>No</b>		Business & Professional Regulation Citrus Community Affairs Education Environmental Protection Highway Safety & Motor Vehicles Insurance Juvenile Justice Management Services Parole Commission Transportation

Source: Senate Interim Project 2000-017 Survey  
the evaluation of their program managers than the evaluation of Career Service employees.

**Agencies had few reasons for not using performance measures to evaluate personnel.**

When those agencies that did not report using performance measures in evaluations were asked why not, most either did not answer or stated that they planned to do so in the future. Those that did give reasons most often cited the fact that their performance

**Two agencies have related performance measures to personnel evaluations.**

The survey identified two agencies, the Florida Department of Law Enforcement (FDLE) and the Department of Revenue (DOR) that made greater use of performance measures in personnel management. The progress that these two agencies appear to have made may be a reflection of their long-term efforts to measure performance beyond the legislatively set performance measures.

FDLE had by far the most comprehensive effort underway to link all agency personnel to the legislative and internal performance measures. Staff responsible for evaluating personnel must develop a work plan that shows the work expectations. The work plan specifies relevant legislative or internal performance measures. The supervisor for each measure assigns a performance standard, or level of individual performance. Performance data are reported quarterly for each measure and reviewed by the supervisor and employee.

FDLE employees that exceed their performance standards are eligible for performance pay increases. Individual performance standards are set based on prior performance. Tying performance improvement to compensation may make sense, but also makes implementation more difficult. Fairness becomes a great concern from the employees' point of view. In addition, stakeholders are more concerned about the ramifications for agency salary policies and future costs. For these reasons, FDLE's performance pay program has been specifically authorized by the Legislature.

In addition to consideration of compensation, FDLE has had to take a systematic approach to meeting performance standards. It has had to ensure that the collective efforts of all employees meet statewide goals. Individual performance standards must be set to challenge the employee but also to ensure that legislative performance expectations set for the entire agency are met. Staff at regional offices perform much of the department's work. Such offices have tracked their performance, number of cases for example, for some time. FDLE has had to make use of its internal measures in order to tie all staff evaluations to performance. The work of many staff does not relate directly to the legislative set performance measures. Instead, FDLE has had to use its internal measures that are linked to legislative measures.

Another difficulty experienced by FDLE and most state agencies has been in measuring work that is not well

suited to counting. For example, while the number of cases is easily counted, the quality of investigative assistance must be derived from feedback from users of the services such as local law enforcement. In spite of the challenges, officials at FDLE believe their efforts have resulted in greater accountability for performance among their employees.

The Department of Revenue (DOR) has linked performance expectations to compensation and awards for a variety of employees. More recently SMS and SES employees have had performance contracts with the agency's executive director. The legislative performance measures and associated standards were featured in these contracts. In addition, the agency's executive director has had a performance contract with the cabinet.

This year, DOR plans to use the objectives in the Long Range Program Plan and the associated measures as the basis of its upper management performance contracts. Program managers will have to further specify the degree to which they will improve their programs through radical re-engineering, following best practices, or working towards continual improvement. The level of improvement and the time frame for such improvements will be included in the performance contracts. DOR has also experimented in the past with tying performance to employee compensation.<sup>3</sup>

**Recent Developments in Personnel Management Could Improve Link to Performance**

While agencies are not currently required to use performance measures in their personnel management, the Department of Management Services has called for such a link in its strategic plan for the State Personnel System. Department officials point to the efforts to implement a "Competency Based System" as one way to integrate performance measures into personnel management.

The Competency Based System would use previously established competencies for state job classifications as the foundation to manage state personnel. Competencies are observable, measurable patterns of knowledge, skills, abilities, behaviors, and other characteristics that employees need to successfully perform work-related tasks. The established competencies come from a database constructed by the federal Office of Personnel Management. These competencies can be regularly

<sup>3</sup> For more information see Senate Interim Report 2000-39 on Performance Incentives and Disincentives.

updated by occupational studies and are legally defensible. This will allow agency managers to more successfully hire personnel, manage their performance, and reward or terminate performance. Furthermore, the position description of each employee must be linked to the agency mission, goals and objectives. The new classification system will be phased in over time. The state is expected to use the new classifications for human service workers and some administrative staff in October 2001. While the Competency Based System will make a variety of improvements in state personnel, other opportunities are available to improve the link between personnel and agency performance.

### **Changes in planning and budgeting could improve the link between performance and personnel management.**

Chapter 216 of the F.S. guides the state's planning and budgeting. The 2000 Legislature revised and reorganized the chapter through ch. 2000-371, Laws of Florida.<sup>4</sup> In addition to retaining the requirements for performance budgeting, the Legislature made several major changes such as:

- Revising state agency planning process to require a Long-Range Program Plan,
- Creating the Legislative Budget Commission to consider changes in the budget necessary through out the year, and
- Requiring the Legislative Budget Commission to review agency budgets using zero-based budgeting principles<sup>5</sup>.

In addition to these statutory changes, recent revisions to the budget structure more clearly identify agency programs and services. This could result in a better relationship between agency performance and personnel management.

Zero-based budgeting reviews of agency budget requests will likely result in greater scrutiny of the cost and performance of agency programs, services, and activities. Changes to agency planning require agencies to give more consideration to the costs of their services and products, plan for the longer term, and establish performance goals for programs and services. While

agencies have had strategic plans for many years, the plans were poorly linked to the budget process and contained little information on the cost of programs. Costs must now be reported for programs, services, and activities, as well as for major units of output. The plans are to cover a five-year period and set performance goals for each of these years. For such plans to be meaningful, agencies must determine the needed resources including personnel, materials, and facilities to produce certain levels of performance.

Concurrent with revising Chapter 216, F.S., the Legislature and Governor agreed to changes in the budget format that emphasize agency programs and activities. The "budget entity", or lowest organizational unit to which funds are appropriated, is now at the "service" level. A collection of services makes up a "program" which was often the level of appropriations in the past. The Legislature will be more able to identify the goals and objectives of a service than in past budgeting formats because of this lower level of budgeting. Performance expectations are now more closely related to this level as well. This gives greater focus to the purpose of the agency efforts and should result in more information on the results of these efforts. The Legislature however, still requires financial accountability by appropriating funds by categories within the agency service, or budget entity.

Finally, proviso language for line item [1868 of the General Appropriations Act](#) for 2000-01 requires agencies to undergo an effort to map or define their business processes during the 2000-01 fiscal year. Business processes are the flow of work produced by an agency and have a beginning, middle and end. Government agencies are often described by organizational units, such as divisions and bureaus, rather than by the various activities or business processes that the division may administer. Mapping their respective operations along functional rather than organizational lines will allow agencies to better link personnel to performance. Once the activity is defined, and the cost and performance expectations defined, the agency can determine who is assigned to the work. The Legislature expects this effort will support the zero-based budgeting review process and facilitate the development of an integrated financial management system for the state.

All of these efforts to improve planning, budgeting, and agency accountability will lead to more information and scrutiny by agency stakeholders. For example, agencies preparing for zero-based budgeting reviews will need to monitor the cost and performance of its program's

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<sup>4</sup> For more information on changes to Chapter 216, F.S. and the requirements for the agency legislative budget request, see Senate Interim Project Report 2001-004.

<sup>5</sup> Zero-based budgeting typically requires entities to review and justify their entire budget as if they were starting over from "zero."

services and activities. Requiring performance and cost information below the program level will encourage agencies to better connect such performance expectations to their personnel. Agencies will know that the environment they face in the future will be one where stakeholders will be looking for the best combination of cost and performance from providers of services. Agency programs will face more competition from the private sector as they seek to continue to be the chosen providers of services. All this should lead to a greater emphasis on the human resources of agencies. This emphasis will be supported by better information on cost and performance, as well as closer scrutiny by stakeholders.

management responsibilities. Performance measures and standards approved the Legislature should be used along with other information to evaluate employee performance.

No law changes are needed to implement this recommendation--only changes in current agency procedures. By law, agency heads design the evaluation system for SMS and SES and the Department of Management Services provides a suggested form for such evaluations.

2. Career Service Employees – In mapping their business processes and developing their Long Range Program Plans, agencies should link Career Service employees to their respective services and activities. Use of performance measures in the evaluation of employees would need to be addressed through collective bargaining as evaluations are a term and condition of employment.

**RECOMMENDATIONS**

1. Senior Management Service and Select Exempt Service Employees – Agency heads should formally incorporate performance measures into their evaluation of Senior Management Service (SMS) employees and Select Exempt Services (SES) employees with

**COMMITTEE(S) INVOLVED IN REPORT** *(Contact first committee for more information.)*

- Committee on Fiscal Policy, 404 South Monroe Street, Tallahassee, FL 32399-1100, (850) 487-5140 SunCom 277-5140
- Committee on Governmental Oversight and Productivity
- Committee on Children and Families
- Committee on Health, Aging and Long-Term Care

**MEMBER OVERSIGHT**

Senators Burt and Mitchell