



OFFICE OF THE GOVERNOR
COMMONWEALTH OF MASSACHUSETTS
STATE HOUSE • BOSTON, MA 02133
(617) 725-4000

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

By His Excellency

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

EXECUTIVE ORDER NO. 540

**IMPROVING THE PERFORMANCE OF STATE
GOVERNMENT BY IMPLEMENTING A COMPREHENSIVE
STRATEGIC PLANNING AND PERFORMANCE
MANAGEMENT FRAMEWORK IN THE EXECUTIVE
DEPARTMENTS**

WHEREAS, state government must continue to become more effective and efficient so that every tax dollar it uses is stretched as far as possible, and therefore must become smarter about how it operates and delivers services to the people of the Commonwealth;

WHEREAS, changing the way state government operates and delivers services requires that it identify outcomes that need to be achieved, regularly evaluate what is and is not working, align resources to strategic goals and facilitate informed engagement with the public so that limited resources are used more wisely and better results for the people of the Commonwealth are achieved;

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OFFICE OF THE GOVERNOR
STATE HOUSE DIVISION

WHEREAS, the Legislature has established an Office of Commonwealth, Performance, Accountability and Transparency (CPAT) in the Executive Office for Administration and Finance (ANF) to implement a program of strategic planning and performance management as well as to secure, maximize and better coordinate the use of federal grants in the Executive Department among other activities;

WHEREAS, the benefits of a comprehensive program of performance management throughout all Commonwealth Executive Offices down to the program level include increased efficiency and effectiveness in the delivery of government services, greater transparency and accountability in the operations of state government, improved public access to timely information about the performance of their government, and new avenues for meaningful civic engagement;

WHEREAS, a collaborative relationship with the Collins Center at the University of Massachusetts Boston has been formed to support implementation of strategic planning and performance management in the executive department, through which strategies and outcome measures on priority issues, such as job creation, closing the achievement gap in schools, containing health care costs and reducing youth and urban violence, have been developed;

WHEREAS, the Legislature has previously mandated strategic planning and instituted Offices of Performance Management in the Executive Office of Housing and Economic Development and the Department of Transportation, and legislation to impose similar requirements in other Secretariats has been proposed and passed by the Senate and incorporated in my Fiscal Year 2013 Budget Recommendations; and

WHEREAS, to build on progress so far to make Massachusetts a national leader in results-driven management and achieve the benefits of performance management, a comprehensive strategic planning and

performance management framework must be formalized and embedded as a critical part of the way government operates and makes decisions and to achieve this goal requires its implementation in all Secretariats down to the program level, used on a regular basis for managing government operations and linked closely with development of the state budget to enable program-based performance budgeting.

NOW THEREFORE, I, Deval L. Patrick, Governor of the Commonwealth of Massachusetts, by virtue of the authority vested in me by the Constitution; Part 2, c.2, § 1, art.1, do hereby order as follows:

Section 1. This Executive Order shall apply to all Secretaries and their executive offices, in this order called Secretariats.

Section 2. It shall be the policy of the Executive Department that each Secretariat shall develop, publish and implement a strategic plan for their state agencies down to the program level and through each strategic plan establish and subsequently operate a performance management system for their state agencies down to the program level.

To execute this Order, each Secretary shall establish an Office of Performance Management that shall lead development and coordination of strategic plans and a performance management program for the Secretariat and all its state agencies. Each Secretariat's Office of Performance Management shall be responsible for reporting on progress in implementing strategic plans, in compliance with any existing legislative mandates but also directly to CPAT as per this Order and any further guidance CPAT establishes to ensure that this Order is implemented. Where such Offices have already been established by law or other instrument, Secretariats will not be required to create a new Office. Existing Offices of Performance Management shall nevertheless be responsible to execute the activities and functions set out in this Order.

Section 3. Each Secretariat strategic plan shall define the mission of the Secretariat and its state agencies, identify appropriate and measurable program goals and determine performance outcome measures to assess success against those goals. Strategic plans should aim to demonstrate the impact of their programs on achieving program goals.

Strategic plans should be demonstrably aligned to the priorities of the Governor and as expressed in Budgets or other policy statements and it should be made clear in each strategic plan how it supports the Governor's priorities as appropriate.

Strategic plans shall also describe any expected or potential policy challenges and external pressures that will impact the programs administered by the Secretariat over the life of the plan, such as demographic, technological, environmental or economic factors, and describe how the Secretariat is working to address these challenges and pressures for the long-term.

Strategic plans shall include outcome measures that relate to their program goals. These outcome measures should enable the Secretariat to measure progress in achieving their goals and must be prepared so they can be reported publicly as per this Order.

Strategic plans shall also include information on program outputs to be monitored and reported on, such as the number of people a program serves, the number of transactions, or the time it took for certain activities to be completed. Estimates of demand for programs going forward should also be provided to the degree possible.

Strategic plans shall identify any opportunities to improve services and reduce costs by reforming services or developing innovative models of service delivery during the life of the plan and set out where possible any

recommendations for legislative, regulatory or policy reforms to achieve said opportunities or improve service provision overall.

Strategic plans shall include a section on implementation, detailing the actions that the Secretariat and its state agencies will undertake to deliver their program goals. Implementation sections of strategic plans should include milestones for when proposed actions are proposed to take place and when program goals are proposed to be achieved.

It will be a responsibility of CPAT, in consultation with Secretariats, to develop a model strategic plan and to set out a proposed planning approach and appropriate timetable for the strategic planning process. CPAT will support Secretariats in structuring and evaluating whether the content of proposed strategic plans is consistent with the requirements in this Order before they are approved and published.

In implementing strategic plans, CPAT shall also develop, in consultation with Secretariats, a performance management implementation framework for use in executive offices and state agencies. CPAT shall provide support, technical assistance and guidance to Secretariats as needed to implement performance management.

Section 4. Strategic plans shall cover a period of at least two years forward from the fiscal year in which they are submitted.

The first strategic plans for each Secretariat consistent with implementing this Order shall be published alongside the Governor's fiscal year 2014 Budget Recommendations and at two-year intervals alongside the Budget from that point on. In the first year of a new Administration, strategic plans could be published at any time before the beginning of the next fiscal year after the inauguration, but no later.

Section 5. The publication of strategic plans and the Budget at the same time should facilitate performance-based program budgeting in state government. It will be a responsibility of CPAT, working under the Secretary and with other relevant partners in the Executive Office of Administration and Finance, Secretariats and the legislature to develop a program taxonomy and other necessary analytical tools to enable performance-based program budgeting to inform and be incorporated into the annual budget beginning with the fiscal year 2014 Budget Recommendation.

Section 6. A year after the publication of the two-year strategic plans, each Secretariat shall publish a performance report alongside the Governor's Budget Recommendation. Each performance report should detail progress in implementing the Secretariat's strategic plan and describe performance against the outcome measures in the strategic plan. Supporting analysis setting out why better outcomes are being achieved or why they have not been achieved and what actions may be taken to improve performance should be included where appropriate. Where a Secretariat is already required by legislative mandate to publish or report on performance to a different timeframe than that proposed in this Order, they should determine how best to satisfy both requirements in consultation with CPAT.

As part of developing the performance report, Secretariats shall also consider whether they want to modify their strategic plans. If they choose to do so, the performance report should describe any major changes to the Secretariat strategic plan that would impact or change its program goals or relate to any significant legislative, regulatory or policy changes they propose to implement those program goals.

In years when Secretariats are publishing new two-year strategic plans, Secretariats shall provide an appendix detailing performance against the outcomes in the previous two-year plan.

It will be a responsibility of CPAT, in consultation with Secretariats, to develop a model performance report. CPAT shall support Secretariats in structuring and evaluating the content of proposed performance reports to ensure they are consistent with the requirements of this Order before they are approved and published.

Section 7. For the purpose of assisting implementation of this Executive Order, each Secretariat through its office of performance management and in consultation with CPAT, shall develop a performance reporting framework that will enable it to track the activities and outcomes of recipients they provide grant funding to and for vendors they contract with, including for each of their state agencies.

To implement performance reporting frameworks, reporting requirements for grantees and vendors shall be determined by each Secretariat's office of performance management for grants and contracts under their administration using state revenues. Grantees and vendors can be made to comply with the Secretariat reporting frameworks as a condition of funding. In developing reporting requirements, Secretariat offices of performance management shall take into account the scale of reporting burdens that could be imposed on grantees and vendors and try to mitigate such burdens. Data that should be required of grantees and vendors may include, but not be limited to, measures of activities and outcomes supported by the grant funds or agency contract. Using these performance reporting frameworks each state agency shall report annually on the activities and outcomes of its grantees and vendors with its Secretariat office of performance management and CPAT. Relevant details that relate to the Secretariat's strategic plan should also be detailed in their performance report.

Secretariats and their state agencies should detail relevant elements of their reporting framework and its requirements in RFI and RFR proposals and ultimately include appropriate requirements in contracts with vendors.

Secretariats shall consult with CPAT on their plans for developing reporting frameworks and requirements, including the timeframe for implementation across their agencies. Where appropriate, Secretariats can propose a phased approach to its implementation in their state agencies and for specific grant or contract programs under their administration. It is the intention of this Order for grant and contract performance reporting frameworks to ultimately apply to all appropriate grants and contracts issued by state government.

Section 8. Secretariats shall work with CPAT and other relevant state agencies and commissions, such as the Procurement Advisory Board, to create opportunities to implement performance-based contracting across their procurement activities. Performance-based arrangements that should be evaluated for use by Secretariats include models that: allow for a portion of the cost savings generated by performance improvements to be retained for a time by the originating agency (known as a gain sharing arrangement); pay contractors if they are successful in achieving savings or revenue generated by their efforts in order to obtain cost savings and other non-tax related revenue enhancement (known as contingent contracting); and enable private investors to provide financing to social service providers for innovative approaches to service provision under arrangements where government pays only if the desired outcomes are achieved (known as social innovation finance). CPAT will be responsible for supporting Secretariats in conducting such evaluations and reviewing their findings.

Section 9. Secretariats shall work with CPAT to develop engagement and transparency plans to enable public consultation and communication of the information in strategic plans and performance reports. These plans may include, but not be limited to, public meetings and online facilities and should enable members of the public to contribute ideas to and comment on strategic plans, query performance reports and utilize relevant data.

Section 10. Responsibility for coordination and implementation of this Order across the Executive Departments rests with CPAT, working under the Secretary of Administration and Finance. CPAT via the Secretary shall report regularly to the Governor on its execution at least every quarter. CPAT shall regularly convene a working group of representatives from each Secretariat for the purposes of coordinating implementation of this Order.

Section 11. There shall be established an Advisory Council on Performance. The membership shall include representatives from the business, labor and academic communities' as well as senior officials from each Secretariat, other Executive Offices and members of the legislature and municipal government. The Council shall be chaired by the Secretary of Administration and Finance or his or her designee and the Secretary shall appoint its members.

The Council shall support CPAT and the Secretary in developing a nation-leading strategic planning and performance management framework for the Commonwealth, sharing and disseminating best practice in performance management, and considering innovative proposals and policy ideas that could support Secretariats in achieving their program goals and implementing their strategic plans.

It will be a responsibility of CPAT to organize and coordinate the activities of the Council.

Section 12. For the purpose of assisting the implementation of the Governor's priority to address youth violence, and consistent with efforts to implement performance management in the Executive Department, it shall be the policy of the executive office of health and human services, the executive office of public safety and security, the executive office of labor and workforce development, and the executive office of education to better understand youth

violence reduction and positive youth development program funding that serves proven-risk to low-risk youth.

After consultation with the assistant secretary of children, youth, and families at the executive office of health and human services, the aforementioned secretariats and applicable agencies shall respectively determine which state-funded programs address youth violence reduction and positive youth development.

The executive office of health and human services, the executive office of public safety and security, the executive office of labor and workforce development, and the executive office of education shall coordinate with the applicable agencies within their secretariats to establish reporting frameworks for programs that address youth violence reduction and positive youth development and shall establish said reporting frameworks in a form and manner appropriate for the identified programs. The reporting frameworks shall enable agencies to track the activities and outcomes of recipients they provide grant funding to and for vendors they contract with on the programs' respective target populations. Recipients of identified programs shall comply with reporting requirements as a condition of funding.

Each secretariat shall file with the executive office of health and human service's office of performance management and CPAT in the executive office for administration and finance a report detailing the impact of state funding on the identified programs' target populations within three months of the close of the grant period.

Section 13. For the purposes of this Executive Order the following terms are defined as follows:

"Gain sharing arrangements" means agreements between state agencies wherein some portion of the cost savings generated by performance improvements is retained for a time by the originating agency in order to encourage and

facilitate performance improvements, lasting efficiencies and cost savings.

“Measurable program goals” means goals for which the degree of achievement can be quantitatively assessed.

“Mission” means the organization's purpose or reason for existing. It should be distinguished from the organization's vision, which is what the organization strives to be or what the ideal state would be if all goals and objectives are met.

“Outcome” means the result of a program, service, set of activities, or strategy. It should be used to describe the impact of the service, set of activities, or strategy, not to describe what was done.

“Outcome measures” is an assessment of the results of a program activity or effort compared to its intended purpose.

“Outputs” are units of a product or service produced through activities and programs.

“Performance based arrangements” mean programs where an agreement is made relating to the performance results obtained from the efforts of one the parties involved, including *gain sharing*, wherein some portion of the cost savings generated by performance management or other initiatives is retained for a time by the originating agency, *contingent contracting*, wherein contractors are paid in accordance with value (i.e. amount) in savings or revenue generated by their efforts, *performance based contracting*, wherein private sector contractors are paid (usually a fixed predetermined amount) upon generation of a specified level of performance improvements relating to specific outcomes and *social innovation financing*, which enables private investors to provide financing to social service providers for innovative approaches to service provision under arrangements where government pays only if the desired outcomes are achieved.

“Performance-based program budgeting” is the practice of developing budgets by program (rather than for example by line item) while at the same time providing or linking information about the prior or expected results of the program and the cost of the program.

“Performance management” in the public sector is an ongoing, systematic effort to improve results by using evidence about the outcomes of programs to inform management decisions, drive strategy development and continuously improve the effectiveness and efficiency of government services and operations. Performance management requires the following steps:

- Establish goals and strategies to achieve them;
- Identify performance measures to assess success against achieving the goals;
- Cascade goals and measures throughout the organization down to the program level;
- Collect, analyze and report the performance measures to management and the public;
- Ensure managers at all levels use the performance information to make management decisions, develop strategies to achieve goals and take actions to continuously improve the efficiency and effectiveness of government services; and
- Integrate performance measurement with key processes like budget and HR.
- “Performance management program” means the establishment and ongoing operation of performance management (as defined above) within a secretariat, or across multiple secretariats that applies from the executive to the program level.

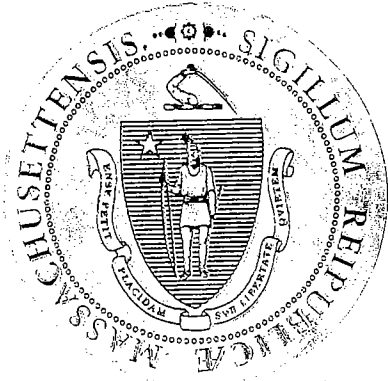
“Program” refers to a related set of activities that lead to a common purpose, objective or service.

"Strategic Plan" is the end product of a planning process which helps an organization: envision what it hopes to accomplish in the future; delineate its goals and objectives for achieving that vision; identify and understand obstacles and opportunities that affect the organization's ability to achieve that vision; and determine the set of sequenced activities and resource use that will best enable the achievement of the goals and objectives over a specified time frame.

Section 14. Nothing in this Executive Order shall be construed to require action inconsistent with any applicable state or federal law.

Section 15. This Executive Order shall remain in effect until amended, superseded or revoked by subsequent Executive Order.

Given at the Executive Chamber in Boston this 14th day of February in the year of our Lord two thousand and twelve, and of the independence of the United States of America two hundred and thirty-six.



Given at the Executive Chamber in Boston this 14th day of February in the year of our Lord two thousand and twelve, and of the Independence of the United States of America two hundred and thirty-six.

A handwritten signature in black ink, appearing to read "Deval Patrick", written over a horizontal line.

DEVAL L. PATRICK, GOVERNOR

Commonwealth of Massachusetts

A handwritten signature in black ink, appearing to read "William Francis Galvin", written over a horizontal line.

WILLIAM FRANCIS GALVIN

Secretary of the Commonwealth

GOD SAVE THE COMMONWEALTH OF MASSACHUSETTS