

# **GASB State of Oregon Case: Budgeting Teaching Notes**

## **Class Use Objectives**

### **Background to the Case**

The State of Oregon is best known among the states as the pioneer for performance measurement. As far back as the 1970s, Oregon started attempting program budgeting, zero-based budgeting, and other approaches related to what is later known as performance measurement (p. 10). In the 1980s, the state again took the lead among states in initiating the famous “Oregon Shines” program, a macro, societal level strategic planning process, which was the base for the “Oregon Benchmarks” that this case talks about.

### **Objectives**

The case provides information on two areas that are of our special interest for citizen-driven performance and budgeting. First, from the very beginning, citizen participation has been part of the initiative. Input from citizens and businesses was intensive and between 15-20 percent of Oregonians claim knowledge of the program. (p. 2) Second, the Oregon Benchmarks have been used in making budgeting decisions—allocation of limited resources by elected officials, legislators and agencies.

Thus, our objective in using this case is to understand, appreciate and analyze how these two areas have been functioning in Oregon. As the case mentions in its later part, citizen participation went into the direction of limiting government spending and use of performance measures by agencies is for obtaining (restoring the reduced) more resources for their programs. Used well, this case can benefit students by providing them with a more comprehensive view of how well a performance measurement program can go or how astray it may slip.

### **Pre-Requisites**

- Before assigning the case, instructor may need to brief the students on the origin and development of performance measurement among the 50 states, and the role Oregon has been playing in initiating cutting-edge concepts and practices.
- Since it is a fairly long case, pre-class reading is necessary; however, instructor may remind students to focus more on parts related to citizen participation and use of performance benchmarks in budget allocation.

### **Discussion Questions**

1. What is the origin and development of performance measurement in the state of Oregon? Briefly recount. What do you (can we) see as the greatest achievement(s) of Oregon in this area?

--Hints to instructor:

- a. Origin in the 1970s, p. 10, last paragraph;
- b. Oregon Shines initiative in the 1980s, p. 5;
- c. Oregon Benchmarks, p. 2.

2. How widely has performance measurement been involving citizens in the state since its start in the 1970s? Provide some evidence from the case.

In Oregon, a survey found that 15-20 percent of citizens have some knowledge of the Benchmarks program. Do you judge this as a low or high ratio? How does this ratio compare with other states that you know of? Then what can you/we infer from this and other cases that you have discussed about the extent of citizen participation at the state level?

3. In the 1990 election, Oregonians voted to pass a property tax cap.
  - a. What consequences do you think the cap may have on performance measurement in the state?
  - b. Furthermore, the referendum requires that the state fill the revenue gap for school districts from the tax cap. In what way will this requirement affect performance measurement of state agencies? And what has been the actual case? Is that similar to what you have imagined?
4. One direct budgetary consequence of the property tax cap and state funding requirement for schools was an almost 15 percent reduction in non-education related programs. (p. 7)
  - a. Against this background, how did the direction of performance measurement change? Give some general comments.
  - b. How did the governor use performance measures to cope with the decrease in program funding? Can you identify any similarity between this use of performance measures and some previous budgeting techniques/strategies?
  - c. Then, “benchmarks suddenly became important for state agencies” and many “creative ways” cropped up to link agency programs to the benchmarks. Comment on the potential positive as well as negative impacts this “forced or stretched” linkage has exerted on the actual use of performance measures/benchmarks by state agencies.
5. The 158 original benchmarks set in Oregon were macro, societal goals that were not necessarily set for state agencies. When state agencies used them for budgetary allocation purposes, gaps became apparent. Comment on:
  - a. The number of benchmarks almost doubled (from 158 to 272). Some people view the change as positive; some take it negatively. What is your opinion?

- b. Then Oregon Shines II, with a focus on education, lists only 92 benchmarks, with a document linking agency programs to the benchmarks. How do you view this change?
- 6. The use of performance measures by Oregon's elected officials and legislators in the budgetary process provides evidence that performance information is a useful and effective tool to allocate resources and to evaluate programs. (p. 12) But to some interviewees (managers in state government), that was never the intended use of performance measures.
  - a. What do you see is the gap between the two opposing opinions?
  - b. Why have elected officials and legislators grabbed the benchmarks as conveniently tools in resource allocation?
  - c. Why do managers view such use as "unintended"? What is the underlying gap here between resource allocators and resource users?