

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Economic Development:
Analysis of Program Authority
and Performance Data

November 1997



Performance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**Department of Economic Development:
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**Performance Audit
Office of Legislative Auditor
State of Louisiana**

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November 14, 1992

The Honorable Randy L. Irving,
President of the Senate
The Honorable H. B. "Hunt" Downer, Jr.,
Speaker of the House of Representatives

Dear Senator Irving and Representative Downer:

This report gives the results of our performance audit of the Department of Economic Development and its related boards, commissions, and like entities. The audit was conducted under provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. In addition, this audit is one step toward meeting requirements of Act 1380 of 1995.

The report represents our findings, conclusions, and recommendations. We have also identified matters for legislative consideration. Appendix C contains the department's response. Appendix D contains the Division of Administration, Office of Planning and Budget's response. I trust that this report will be of use to you in your legislative decision-making process.

Sincerely,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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Office of Legislative Auditor

Executive Summary

Performance Audit Department of Economic Development: Analysis of Program Authority and Performance Data

The Department of Economic Development (DED) is the state's chief economic development agency. This department has 365 authorized positions and was appropriated over \$23 million for fiscal year 1996-97. Our performance audit of the department's program authority and performance data found that:

- In the executive budget, the department is divided into six budget units. The only missions reported in the executive budget are for the budget units. There is no overall mission in the executive budget for DED. However, the missions and goals, as presented in the executive budget, align with state law.
- There are three potentially overlapping functions within DED that serve small businesses.
- Two commissions that are not funded through DED, but are affiliated with the department, appear to have potentially overlapping functions related to motor vehicle dealers.
- State law authorizes the Office of Commerce and Industry to operate two programs that are not functioning and appear to be unnecessary.
- Overall, the performance data reported in the 1996-97 executive budget for DED provide some useful information for decision making. Most of the performance data in the executive budget meet the established criteria. All of the missions meet the criteria. The goals, objectives, and performance indicators meet most of the criteria. However, less than one-third of the indicators measure progress toward the objectives. This is mainly due to non-measurable objectives.

Audit Initiation and Objectives

The Office of Legislative Auditor conducted this performance audit in response to certain requirements of Louisiana Revised Statute (R.S.) 24:522. This law requires us to evaluate the basic assumptions underlying all state agencies, programs, and services. The law also requires us to make annual recommendations relative to the effectiveness and efficiency of programs and services provided. To address these directives for the Department of Economic Development, we analyzed the program authority and performance data reported in the 1996-97 executive budget for the department. We also searched for programs that may be potentially overlapping, duplicative, or unneeded.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- Determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority
- Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget are consistent with established criteria described in this report
- Determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes
- Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or unneeded

Department Overview

R.S. 24:501(A) creates the Department of Economic Development (DED). According to this law, the department is responsible for fostering the growth of industry and other commercial enterprises that will contribute to the overall improvement of the economy of the state. DED was appropriated

over \$50 million and authorized to have 385 positions for fiscal year 1996-97.

The following offices are created by state law within the department:

- Executive Office of the Secretary (Office of the Secretary)
- Office of Management and Finance
- Office of Commerce and Industry
- Office of Financial Institutions
- Office of Policy and Research
- Office of Technology, Innovation and Modernization

(See pages 16-28 of the report.)

For budgetary purposes, the department is divided into six budget units. The program information for the Office of Management and Finance, Office of Commerce and Industry, Office of Policy and Research, and Office of Technology, Innovation and Modernization are included in the Office of the Secretary budget unit in the executive budget.

(See pages 25-27 of the report.)

Missions and Goals Align With State Law

Overall, DED's missions and goals included the 1996-97 executive budget align with state law. The missions and goals reflect the intent of the legislature. However, the department's overall mission, to increase economic opportunity for all Louisianians, is not included in the executive budget.

All of the goals in the executive budget are explicitly stated, but this is not so for the missions. In some instances, the missions and goals are stated in the executive budget just as they are in state law.

(See page 29 of the report.)

**Potentially
Overlapping
Functions**

We identified three potentially overlapping functions within DED that serve small businesses. The Office of Commerce and Industry, the Division of Economically Disadvantaged Business, and the Louisiana Economic Development Corporation (LEDC) provide some type of assistance to small businesses. A detailed review would be necessary to determine if actual overlap exists. If indeed overlap does exist among these entities, then the state is probably spending more than it should to provide services to small businesses.

In addition, we found two commissions that are not funded through DED, but are affiliated with the department, appear to have potentially overlapping functions. The Louisiana Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission both perform functions related to motor vehicle dealers. As a result, the state may be spending more than is necessary to regulate the motor vehicle industry.

(See pages 26-30 of the report.)

**Potentially
Outsourced
Programs**

We identified two DED programs that appear to be outsourced. State law authorizes these programs within the Office of Commerce and Industry, but the department does not currently operate them. The potentially outsourced programs are One-Stop Licensing and the Local Economic Development Support program. According to a DED official, the One-Stop Licensing Program never received funding. In addition, the Local Economic Development Support Program has not received funding in 10 years. Consequently, these programs could be considered outsourced.

(See pages 31-32 of the report.)

Matters for Legislative Consideration

- 2.1 The legislature may wish to consider reviewing the following laws to determine if resources are or will be available to operate the following program. If not, the legislature may wish to abolish, amend, or transfer the responsibilities.

- **R.S. 36:184(F)**, which creates the Office of Technology, Innovation and Modernization.
- 2.2 The legislature may wish to repeal R.S. 51:581, which establishes the Local Economic Development Support Program since it has not been used for 10 years.
 - 2.3 The legislature may wish to consider combining the Louisiana Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission.
 - 2.4 The legislature may wish to consider repealing R.S. 21:536.1 (One-Step Licensing Program) since the Department of State is currently performing this function.

Analysis Conducted

We analyzed DED's performance data that are presented in the 1996-97 executive budget. We compared each mission, goal, objective, and performance indicator to a set of core criteria. We developed the core criteria using various sources, including *Manageware* and information provided by several program budgeting experts.

(See page 14 of the report.)

Results of Analyzing DED's Performance Data

Overall, the performance data reported in the 1996-97 executive budget for DED provides some useful information. However, few of the objectives are measurable or benchmarked. It is impossible for the performance indicators associated with these non-measurable objectives to show whether progress is being made toward achieving the objectives.

Missions. All of the missions meet the criteria. The overall department mission is not included in the executive budget. According to DED officials, the overall department mission is to increase economic opportunity for all Louisianians. The only

missions reported in the executive budget for DED are for the six budget units. Three of the six DED offices are included in the executive budget as a budget unit. The remaining three offices are included within the Office of the Secretary's Administration Program.

Goals. DED has 21 goals in the executive budget. Most of the goals are consistent with their mission and provide a sense of direction on how to address the mission. However, 12 of these goals lack a destination toward which the programs are striving.

Objectives. DED has 32 objectives in the executive budget. Most of the objectives are consistent with their related goal. All of the objectives specify a desired end result. Nearly one-third of the objectives measure progress toward achieving the goal. Less than one-fifth of the objectives are timebound.

Performance Indicators. DED has 100 performance indicators in the executive budget. We classified each indicator as input, output, outcome, efficiency, or explanatory/quality. Overall, we found that the indicators meet most of the established criteria in Exhibit 3-1:

- 36 of the indicators (36%) measure progress toward the related objectives.
- 118 of the indicators (83%) are consistent with the related objectives.
- 108 of the indicators (83%) are easily understandable and non-technical.

(See pages 45-63 of the report.)

Recommendations

- 3.1 The department's mission should be included in the executive budget.
- 3.2 The department and OPB should work together to ensure that their objectives are measurably and timebound.

- 3.3 The department and OPEB should work together to ensure that the indicators relate to the objective and that they measure progress toward achieving objectives.
- 3.4 The department and OPEB should work together to focus on including more outcome indicators in the budget for their programs.
- 3.5 The department should develop and present performance data for the loan guarantee in the Auxiliary Program.

Chapter 1: Introduction

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this performance audit of the executive budget program information for the Department of Economic Development in response to certain requirements of Act 1100 of 1995. This act amended the state audit law by adding Louisiana Revised Statute (R.S.) 24:522, which created the Louisiana Performance Audit Program. Although the legislative auditor has been conducting performance audits since 1986, R.S. 24:522 formalizes an overall performance audit program for the state. In addition to finding solutions to present fiscal problems, the legislature created the Performance Audit Program to identify and plan for the state's long-term needs.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- Determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority
- Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget are consistent with established criteria
- Determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes
- Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or unneeded

Report Conclusions

The Department of Economic Development (DED) is the state's chief economic development agency. DED is composed of six offices. This department has 365 authorized positions and was appropriated over \$53 million for fiscal year 1996-97.

There are five boards, commissions, or like entities that function as part of the department. Other boards and commissions are also affiliated with this department.

The information in the 1986-87 executive budget for DEED is divided into six budget units. Each budget unit has one or more programs.

We found that DEED's missions and goals, as presented in the 1986-87 executive budget, align with state law. We also found two commissions that are not funded through DEED appear to have potentially overlapping functions. In addition, we found that state law authorizes the Office of Commerce and Industry to operate two programs that are not functioning and could be considered outdated.

There is an overall department mission in the executive budget for DEED. However, department officials stated that the department's mission is to increase economic opportunity for all Louisianians.

The only missions reported in the executive budget are for the budget units. All of the missions identify the clients and purpose and they are organizationally acceptable. Three of the six DEED offices are included as budget units. The remaining three offices are included with in the Office of the Secretary's Administration Program.

There are 21 goals in the executive budget for DEED. Most of the goals are consistent with their mission and provide a sense of direction as how to address the mission. However, 12 of these goals lack a destination toward which the programs are striving.

There are 32 objectives in the executive budget for DEED. Most of the objectives are consistent with their related goal. All specify desired end results. However, only one-third of the objectives measure progress toward achieving the goal and less than one-fifth of the objectives are timebound.

There are 128 performance indicators in the 1986-87 executive budget for DEED. We found that most of the indicators are consistent with the related objectives and are easily understandable. However, less than one-third of the indicators measure progress toward the objectives. This is mainly due to non-measurable objectives. We also found that

while over 40% of the indicators are output indicators, less than 20% of the indicators are outcome indicators. Most of the objectives and performance indicators provide some useful information for decision making.

Accountability Initiatives

Article XIV, Section 6 of the 1974 Louisiana Constitution reorganized the executive branch into 20 departments. State law says that the structure of the executive branch of state government is to, in part, promote economy and efficiency in the operation and management of state government. Since the reorganization, additional efforts have been undertaken to eliminate duplicative, overlapping, and extraneous programs and activities. Some of these efforts require internal reviews of programs, policies, and services of state agencies while others provide for external reviews.

R.S. 24:522 requires the legislative auditor to annually make recommendations to the legislature relative, in part, to the effectiveness and efficiency of programs and services that the various state agencies provide. In particular, it directs the auditor to evaluate the basic assumptions underlying all state agencies, programs and services to assist the legislature in identifying those that are vital to the best interests of the people of Louisiana and those that no longer meet that goal. The act also requires state agencies to produce certain information during the budgetary process.

In July 1996, the Office of the Legislative Auditor issued a report that examined the performance and progress of Louisiana state government. That report followed up on all recommendations made in performance audits and staff studies issued by the legislative auditor during the previous three years. In that report, we tracked the progress of agencies in implementing recommendations contained in the performance studies and identified related legislation. We also identified a number of problem areas in state government including inadequate oversight and inadequate planning.

As part of our continuing efforts to meet the requirements of R.S. 24:522, we have issued this report that examines the legal authority for the department's programs and services. This report also examines the program information contained in the fiscal year 1996-97 executive budget and builds on the need for better

planning. As previously mentioned, similar performance audit reports are to be issued on all other executive branch departments.

State law (R.S. 45:190 *et seq.*) also requires agencies to provide the legislature with certain information to justify their existence in order to continue. This is referred to as the sunset review process. This process allows the legislature an opportunity and mechanism to evaluate the operations of state statutory entities.

State law also requires an annual report by department undersecretaries on their department management and program analysis. These reports, required by the provisions of R.S. 46:8, are referred to as Act 160 reports, since Act 160 of the 1983 Regular Legislative Session originally enacted this law. This law requires agencies to conduct evaluations and analyses of programs, operations, and policies to improve the efficiency, economy, and effectiveness of the departments.

Other performance legislation includes an accountability act for colleges and universities. Also, various agency performance related reports are required to be submitted with the agency budget request. One of these reports is referred to as the "Sunset Review Budget Request Supplement."

Program Budgeting and Strategic Planning Focus on Outcomes

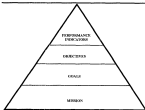
Act 804 of the 1987 Regular Legislative Session required the state to adopt a program budgeting system beginning in fiscal year 1988-89. R.S. 49:34 requires the executive budget to be in a format that clearly presents and highlights the programs operated by state government. According to *Admagnescere*, a publication of the Division of Administration's Office of Planning and Budget (OPB), program budgeting is a budget system that focuses on program objectives, achievements, and cost-effectiveness. *Admagnescere* also states that program budgeting is concerned with outcomes or results rather than with individual items of expenditure.

Strategic planning is a process that sets goals and objectives for the future and strategies for achieving those goals and objectives, with an emphasis on how best to use resources. Act 1465 of the 1997 Regular Legislative Session enacted R.S. 49:31. This law requires each state department to engage in the strategic planning process, produce a strategic plan, and submit it to the

commitments of administration and the appropriate legislative oversight committees by July 1, 1998. Program budgeting involves the development of missions, goals, objectives, and performance indicators. These factors are components of the strategic planning process.

Exhibit 1-1 below shows how missions, goals, objectives, and performance indicators relate to each other. As can be seen in this exhibit, the mission is the base from which goals are derived. Objectives flow from the goals, and performance indicators flow from the objectives.

Exhibit 1-1**Major Components of the Strategic Planning Process**



Source: Prepared by legislative auditor's staff using a creative diagram in *Management*.

Management defines these terms as follows:

- **Mission:** a broad, comprehensive statement of the organization's purpose. The mission identifies what the organization does and for whom it does it.
- **Goals:** the general end purposes toward which effort is directed. Goals show where the organization is going.
- **Objectives:** specific and measurable targets for accomplishment. Objectives include a degree or type of change and a timetable for accomplishment.
- **Performance Indicators:** the tools used to measure the performance of policies, programs, and plans.

Furthermore, Management categorizes performance indicators into five types:

1. **Input indicators** measure resource allocation and demand for services. Examples of input indicators are budget allocations and number of full-time equivalent employees.
2. **Output indicators** measure the amount of products or services provided or the number of customers served. Examples of output indicators include the number of students enrolled in an adult education course, the number of vaccinations given to children, and the number of miles of roads resurfaced.
3. **Outcome indicators** measure results and assess program impact and effectiveness. Examples of outcome indicators are the number of persons able to read and write after completing an adult education course and the change in the highway death rate. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved.
4. **Efficiency indicators** measure productivity and cost-effectiveness. They reflect the cost of providing services or achieving results. Examples of efficiency indicators include the cost per student enrolled in an adult education course, the cost

occupancy rate at a hospital, and the average processing time for environmental permit applications.

3. **Quality indicators measure effectiveness in meeting the expectations of customers, stakeholders, and other groups.** Examples of quality indicators include the number of defect-free reports compared to the number of reports produced, the accreditation of institutions or programs, and the number of customer complaints filed.

Managers also points out the benefits of program budgeting. According to *Managers*, program budgeting streamlines the budget process. *Managers* also says that program budgeting supports quality management by allowing managers more budgetary flexibility while maintaining accountability for the outcomes of programs. Since appropriations are made at the program level, program managers can more easily shift funds from one expenditure category to another to cover unanticipated needs, according to *Managers*.

The need for accountability in government operations is gaining recognition both domestically and internationally. According to a recent report issued by the United States General Accounting Office, the federal government is currently implementing the Government Performance and Results Act of 1993. This act requires agencies to set goals, measure performance, and report on their accomplishments. The report also cites several states including Florida, Oregon, Minnesota, Texas, and Virginia and foreign governments such as Australia, Canada, New Zealand, and the United Kingdom that are also pursuing management reform initiatives and becoming more results-oriented.

In Louisiana, the 1995 general appropriation bill and resulting act included program descriptions for the first time. The 1997 general appropriation bill also includes key performance indicators. For fiscal year 1997-98, this information will be presented for informational purposes only. However, in the future, it will serve as a starting point for the full implementation of performance based budgeting.

Beginning in fiscal year 1998-99 and all subsequent fiscal years, key objectives and key performance indicators contained in the General Appropriation Act will be included in the agency's appropriation. Each agency will be required to provide quarterly

performance progress reports. The agency's appropriation will be issued conditioned upon the agency preparing and submitting these reports.

Executive Budget Is Basis for General Appropriation Act

Article VII, Section 11(A) of the Louisiana Constitution requires the governor to submit a budget estimate to the legislature that sets forth the state expenditures for the next fiscal year. This budget estimate, the executive budget¹, must include recommendations for appropriations from the state general fund, dedicated funds, and self-generated funds.

R.S. 39:36 requires the executive budget to be configured in a format that clearly presents and highlights the programs operated by state government. This statute also requires the executive budget to include:

- (1) an outline of the agency's programmatic structure, which should include an itemization of all programs with a clear description of the objectives of each program;
- (2) a description of the activities that are intended to accomplish each objective; and
- (3) clearly defined indicators of the quantity and quality of performance of these activities.

OPM develops the executive budget based on voluminous material contained in various documents prepared by the departments as part of their budget requests. The budget request packages are made up of six separate components, which are listed as follows. These packages contain both financial and program information.

1. **Operational plans** describe the various programs within state agencies. They also give program missions, goals, objectives, and performance indicators. Operational plans are derived from long-range strategic plans. Operational plans tell what

¹ The governor also submits a capital outlay budget. However, the scope of this audit includes only the executive budget.

portions of strategic plans will be addressed during a given operational period.

2. **Existing operating budgets** describe the initial operating budgets as adjusted for actions taken by the Joint Legislative Committee on the Budget, the Interim Emergency Board, the legislature, and/or the governor.
3. **Continuation budgets** describe the level of funding for each budget unit that reflects the resources necessary to carry on all existing programs and functions at the current level of service in the ensuing fiscal year. These budget components include any adjustments necessary due to the increased cost of services or materials as a result of inflation and increased workload requirements resulting from demographic or other changes. Continuation budgets contain program information.
4. **Technical/other adjustment packages** allow for the transfer of programs or functions from certain agencies or departments to other agencies or departments. However, total overall revenues and expenditures cannot be increased. The technical/other adjustment packages also contain program information.
5. **New or expanded service requests** are designed to provide information about the cost of new and/or expanded services that departments will provide. These service changes can come about as a result of regulation or procedural changes that are/were controlled by the agency or by the addition of services that were not previously provided. The new or expanded service requests also contain program information.
6. **Total request summaries** provide a cross-check of the total budget request document. These forms are designed to provide summaries of all the requested adjustments made to arrive at the total budget requests.

According to *Management*, the total budget request must be accompanied by the *Summary Budget Request Supplement* (i.e., BRS forms). The BRS forms list all activities that a budget unit has been directed to administer (through legislatively authorized programs and acts of the legislature) for which no implementing funds were appropriated in the existing operating budget. The BRS forms must be submitted to OPB, the Legislative Fiscal Office, and the Joint Legislative Committee on the Budget.

For the 1996-97 fiscal year, OPB prepared and published several volumes of a two-part executive budget using the departments' budget request packages. One part of the executive budget contains financial information, and the other part contains program information. The program information includes program descriptions, missions, goals, objectives, and performance indicators related to the services and products of each department resulting from spending state revenues.

According to R.S. 18-33, the governor must submit the executive budget to the Joint Legislative Committee on the Budget. The governor must make a copy of the executive budget available to each member of the legislature. The constitution requires that the governor submit a general appropriation bill for proposed ordinary operating expenditures in conformity with the executive budget document that was submitted to the legislature.

The general appropriation bill moves through the legislature similar to any other bill. The Appropriations Committee in the House of Representatives initially hears the bill and then it moves to the Senate Finance Committee. Both the House and Senate may amend the bill. The bill is voted upon in its final form by the full membership of both chambers. OPB monitors any amendments the legislature makes to the bill.

After the general appropriation bill passes the legislature, it is forwarded to the governor. Once the governor signs the bill, it becomes law in the form of the *General Appropriation Act*. After the governor signs the bill, OPB reports to the state departments any amendments made by the legislature. The state constitution allows the governor to veto any line item in the appropriation bill. A veto can be overridden by a two-thirds vote of the legislature. Exhibit 1-3 on the following page illustrates the executive budget and appropriation process.

Exhibit 1-2

Executive Budget and Appropriation Process

Executive Budget Process

Appropriation Process



*The governor has line-item veto power.

Source: Prepared by legislative auditor's staff using the state constitution, state law, Administrative, and Other Legislative Services - State and Local Government in Louisiana: An Overview (December 1995).

Scope and Methodology

Overview. This performance audit of the Department of Economic Development's program information was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Work on this audit began in August, 1996.

This section provides a summary of the methodology used in this audit. Based on planning meetings held by legislative audit staff, we formulated audit objectives that would address issues specific to the program information contained in the executive budget. The audit focused on the 1996-97 executive budget program information.

References Used. To familiarize ourselves with performance measurement, program budgeting, and accountability concepts, we reviewed various publications including the following:

- *Management* published by the Office of Planning and Budget (1993 and 1996 editions)
- Research Report - *Service Efforts and Accomplishments Reporting - Its Time Has Come. An Overview* published by the Governmental Accounting Standards Board (GASB) (1990).
- *Executive Guide: Effectively Implementing the Government Performance and Results Act* published by the U.S. General Accounting Office (June 1996)
- Various reports by the Canadian Comprehensive Auditing Foundation
- Reports from various states related to program budgeting and strategic planning

These publications are listed in detail in Appendix A. We also conducted interviews with personnel of the Urban Institute, the federal Office of Management and Budget (OMB), and GASB. These individuals represent both the theoretical and practical sides of current performance measurement and accountability efforts.

To gain an understanding of the state's budget process, we reviewed state laws regarding program budgeting. In addition, we interviewed staff of OFB and the Department of Economic Development regarding their budget processes.

Legal Basis for Missions and Goals. We searched state and federal laws to determine whether there was legal authority for missions and goals of the department and its programs. We also reviewed applicable laws to determine legislative intent related to the creation of the department and the functions that the department and its programs are intended to perform. In addition, we reviewed and organized data obtained from the department on its structure, functions, and programs. We also interviewed key department personnel about these issues. We included within the scope of our detailed audit work all related boards, commissions, and like entities for which funding was recommended through a specific line item in the executive budget. We also prepared a listing, which is contained in Appendix B, of all related boards, commissions, and like entities we identified, regardless of whether funding was recommended through a specific line item.

Comparison of Performance Data to Criteria. We developed criteria against which to compare the department's missions, goals, objectives, and performance indicators as reported in the 1996-97 executive budget. To help develop these criteria, we gathered information from GASS, OMB, the Urban Institute, and Management. During our criteria development process, we obtained input from GASS. We also obtained concurrence from GASS on our final established criteria. We then compared the missions, goals, objectives, and performance indicators to the established criteria.

In addition, we evaluated the objectives and performance indicators to determine if they collectively provide useful information to decision makers. When deficiencies or other problems were identified, we discussed them with appropriate personnel of the department and OPI. We did not assess the validity or reliability of the performance indicators.

Although other documents contain performance data on the department, we only compared the missions, goals, objectives, and performance indicators contained in the executive budget to the criteria. This decision was made because the executive budget is the culmination of OPI's review and refinement of the budget request components. It also represents the governor's official recommendation to the legislature for appropriations for the next fiscal year.

Potential Overlapping, Duplicative, or Omitted Areas. Finally, we reviewed the program descriptions and legal authority for the department's programs and related boards,

commissions, and like entities to identify areas that appeared to be overlapping, duplicative, or outmoded. We defined these terms as follows:

- **Overlapping:** instances where two or more programs appear to perform different activities or functions for the same or similar purposes.
- **Duplicative:** instances where two or more programs appear to conduct identical activities or functions for the same or similar purposes.
- **Outmoded:** those programs, activities, or functions that appear to be outdated or are no longer needed.

We did not conduct detailed audit work on the areas we identified as potentially overlapping, duplicative, or outmoded. We only identified them for further review at another time.

Areas for Further Study

During this audit, we identified the following areas that require further study:

- As previously mentioned, assessing the validity and reliability of performance indicators was not within the scope of this audit. However, if the legislature intends to include performance indicators in future appropriation bills and acts, validity and reliability become increasingly important. Consequently, in the future, the legislature may wish to direct a study of the validity and reliability of performance indicators included in appropriation bills.
- The programs, functions, and activities that appear to be overlapping, duplicative, or outmoded should be assessed in more detail to determine whether they are truly overlapping, duplicative, or outmoded. Once these assessments are completed, the legislature may decide whether any of these programs, functions, or activities should be altered, expanded, or eliminated.
- The availability of management information systems that can readily integrate data from a variety of

success is essential to a successful program budgeting system. Capturing accurate and meaningful performance data is important, in part, because of the increased emphasis the legislature is placing on program information. Therefore, the capabilities of the department's management information systems as related to program data should be addressed.

Report Organization

The remainder of this report is divided into the following chapters and appendices:

- **Chapter 2** describes the Department of Economic Development. This chapter gives the legal authority for the department and its programs as well as other information that describes the department and related boards and commissions. This chapter also compares the mission and goals of the department as reported in the 1996-97 executive budget to their legal authority. In addition, this chapter discusses programs, functions, and activities within the department that appear to be overlapping, duplication, or contracted, if any come to our attention.
- **Chapter 3** gives the results of our comparison of the department's missions, goals, objectives, and performance indicators as reported in the 1996-97 executive budget to established criteria. In addition, this chapter discusses whether the objectives and performance indicators collectively provide useful information for decision-making purposes.
- **Appendix A** is a list of references used for this study.
- **Appendix B** is a listing of boards, commissions, and like entities that we identified as being related to the department.

- **Appendix C** is the Department of Economic Development's response to this report.
- **Appendix D** is the Division of Administration, Office of Planning and Budget's response to this report.

Chapter 2: Department Overview

Chapter Conclusions

The Department of Economic Development (DED) is the state's chief economic development agency. DED is composed of six offices. This department has 345 authorized positions and was appropriated over \$53 million for fiscal year 1996-97. There are five boards, commissions, or like entities that function as part of the department. Other boards and commissions are also affiliated with this department.

The information in the 1996-97 executive budget for DED is divided into six budget units. Each budget unit has one or more programs.

DED's missions and goals, as presented in the 1996-97 executive budget, align with state law. In some instances the missions and goals are stated in the executive budget just as they are in state law. We determined that the missions were included in the executive budget, although they were not labeled as missions. All of the goals are identified as such in the executive budget.

Two commissions that are not funded through DED appear to have potentially overlapping functions. The Louisiana Motor Vehicle Commission and the Used Motor Vehicle and Parts Commission both perform functions related to new and used motor vehicle dealers. In addition, the Office of Commerce and Industry, the Division of Economically Handicapped Business, and the Louisiana Economic Development Corporation all provide some type of assistance to small businesses that potentially overlaps.

State law authorizes the Office of Commerce and Industry to operate the One-Stop Licensing and the Local Economic Development Support Fund programs. However, neither program is currently functioning and both could be considered sunsetted.

**DED Promotes
the Growth of
Industry and
Other Commerce
in the State**

R.S. 36:109(A) creates the Department of Economic Development (DED). According to this law, the department is responsible for fostering the growth of industry and other commercial enterprises that will contribute to the overall improvement of the economy of the state.

R.S. 36:109(C)(1) creates the following offices within the department:

- Executive Office of the Secretary (Office of the Secretary)
- Office of Management and Finance
- Office of Commerce and Industry
- Office of Financial Institutions
- Office of Policy and Research
- Office of Technology, Innovation and Modernization

According to R.S. 36:107(A), each office within DED, except the Office of Management and Finance and the Office of the Secretary, shall be under the immediate supervision and direction of an assistant secretary. The governor, with Senate consent, appoints the assistant secretary for each office.

Office of the Secretary. The secretary serves as the executive head and chief administrative officer of DED. The secretary is responsible for the policies of the department and for the administration, control, and operation of the functions, programs, and affairs of the department. In addition, the secretary is a principal advisor on economic matters to state government and is an ex officio member of a number of state boards and agencies that affect the state's economy.

Office of Management and Finance. R.S. 36:106(A) creates the position of undersecretary of the Office of Management and Finance. The undersecretary's responsibilities include accounting and budget control, procurement and contract management, data processing, management and program analysis, personnel management, and grants management for the department and all of its offices.

Office of Commerce and Industry. The Office of Commerce and Industry is the marketing arm of DED. According to R.S. 36:108(H), this office is to attract new industrial and business investments to Louisiana. The office can conduct national and international marketing and promotion and provide financial incentives for new investments. In addition, the office encourages and enables the development of export markets for products and services offered by Louisiana businesses. These functions are accomplished through the five divisions described in Exhibit 2-1 on page 28.

According to department officials, since this study began some of the divisions described in Exhibit 2-1 on the following page have been re-named or combined with other divisions. The new division names are Business Incentives, National Marketing, International Marketing, International Trade, and Special Projects.

Exhibit 2-1
Functions of Office of Commerce and Industry Divisions

Division	Purpose
Business Services	<ul style="list-style-type: none"> • Works with Louisiana businesses in the areas of mobilization, start-up, procurement, training, manufacturing and innovative processes such as technology transfer, manufacturing networks, modernization and total quality management • Provides liaison between Louisiana businesses and local, state and federal agencies • Conducts and promotes trade shows and exhibitions for Louisiana business and assists in organizing in-state workshops, conferences and seminars
National Marketing	<ul style="list-style-type: none"> • Responsible for "selling" Louisiana's advantages as a business, manufacturing, and distribution location • The domestic sales arm of DEED and organizes business recruitment missions in cooperation with other development organizations • Prepares presentations and proposals, secures site-inspection teams and responds to inquiries generated by DEED's marketing program
Financial Incentives	<ul style="list-style-type: none"> • Administers business tax incentives, including processing applications for tax incentives and maintaining tax exemption records and records • Inspects tax exempt facilities to verify they are complying with the rules and regulations covering tax exemption matters • Provides administrative support in the Office of Commerce and Industry
Export Trade	<ul style="list-style-type: none"> • Helps Louisiana companies export Louisiana-made goods and services • Conducts seminars on export trade opportunities and procedures • Plans and manages trade development missions, visit companies to international trade shows and conferences, and provides support to Louisiana organizations involved in the promotion of international trade • Arranges meetings and appointments between Louisiana firms and foreign buyers • Represents Louisiana companies at various trade fairs and collect and disseminate trade leads • Manages the Louisiana office in Mexico City
International Development	<ul style="list-style-type: none"> • Responsible for attracting foreign business investment and manufacturing facilities to Louisiana • Identifies foreign prospects for investment in the state and markets the advantages of locating in Louisiana • Prepares industry recruitment missions to target countries and inspectors tours of potential Louisiana sites for foreign investors • Prepares presentations on Louisiana's investment potential for foreign investors • Manages contact offices in Europe and Taiwan

Source: Prepared by Legislative Auditor's staff using information received from the Department of Economic Development.

Office of Financial Institutions. The Office of Financial Institutions, according to R.S. 36:108(C), performs the functions and enforces the laws that regulate state banking associations, savings banks, trust companies, and homebased and building and loan associations. This office has three divisions: Depository Institutions, Non-Depository, and Securities. A deputy commissioner oversees the Depository and Non-Depository (consumer services) divisions and a second deputy commissioner oversees the Securities Division. The commissioner of financial institutions serves as the assistant secretary. The governor appoints the commissioner of financial institutions. Exhibit 2-2 below describes the responsibilities of each division.

Exhibit 2-2
Office of Financial Institutions Divisions' Responsibilities

Division	Purpose
Depository Institutions	Charter, supervise, and regulate federally insured state-chartered depository institutions and certain affiliated entities.
Non-Depository Institutions	Licenses, supervise, and regulate 31 programs.
Securities	Regulate securities offerings for sale to the public and license broker-dealers, agents, and investment advisers.

Source: Prepared by legislative staff's staff using information received from the Department of Economic Development.

Office of Policy and Research. The Office of Policy and Research, according to R.S. 36:108(D), provides research necessary to support the work of the department and its offices. This office performs the following duties:

- Analyzes new economic development policy directions and assesses the effectiveness of existing policies for the department and for the governor
- Develops and maintains an economic information database and information network and performs analytical research
- Responsible for a leadership role in developing an annual business plan for the department

- Provides an information ombudsman service for Louisiana businesses and others requiring information about doing business in Louisiana.

Office of Technology, Innovation and Modernization.

The Office of Technology, Innovation and Modernization, according to R.S. 34:188(F), develops and implements new policies and programs. These policies and programs are designed to encourage and enable economic and industrial diversification through technology, innovation, and modernization. This office is the focal point for technology-driven economic development strategies. In addition, this office supports innovation and entrepreneurship within the Louisiana economy and provides leadership in the modernization of existing Louisiana firms. According to DED staff, this office is not funded, but staff in the Office of the Secretary handle its functions.

Boards, Commissions, and Like Entities That Function Through DED

Boards, Commissions, and Like Entities. Five boards, commissions, and like entities function through DED. They are also included in the 1996-97 executive budget as a budget unit, a program or a function within a budget unit.

- **Louisiana Economic Development Corporation (LEDC).** R.S. 51:2312(A) creates LEDC to serve as the single review board for all financial assistance, grants, and investment programs administered by DED. These programs range from loan guarantees/participations to venture capital programs. Financial incentives programs administered by the Board of Commerce and Industry are excluded.
- **Louisiana Music Commission (Music Commission).** R.S. 25:213(A) creates the Louisiana Music Commission within the Office of Commerce and Industry. The purpose and function of this commission is to promote and develop popular commercial music and its related industry in Louisiana.

- **Louisiana State Board of Cosmetology (Board of Cosmetology).** According to R.S. 37:488(A), the Louisiana State Board of Cosmetology prepares administrative regulations, curricula, requirements and qualifications necessary to protect the health and welfare of the people of this state in using the cosmetology facilities controlled by this board.
- **Louisiana State Racing Commission (Racing Commission).** R.S. 4:141 establishes the commission to encourage lawful and honest statewide control of horse racing for the public health, safety, and welfare by safeguarding Louisiana citizens against corrupt, incompetent, dishonest and unprincipled horse racing practices.
- **Board of Commerce and Industry.** The Board of Commerce and Industry approves business and industry investment programs. The board also acts on tax exemption applications.

In addition, Act 80 of the 1996 First Extraordinary Session created the Louisiana Economic Development Council. This council will direct policymaking and strategic planning for economic development in the state. According to this act, the council should formulate and submit a comprehensive strategic plan for economic development in Louisiana (to be known as the State Master Plan for Economic Development), by January 1, 1998. However, Act 14 of the 1997 Regular Legislative Session changed the submission date for the strategic plan to January 1, 1999. Once developed, the council will submit the plan to the governor and the legislature. In addition, this council will work with an advisory group in the Office of the Governor to provide direction and coordination on any measures that the legislature decides to pursue.

Appendix B contains more information on these and 18 other boards, commissions, and like entities that are associated with DED. Exhibit 2-3 on the following page shows the department's organization chart.

Exhibit 2-3
Department of Economic Development
Organization Chart
As of August 18, 1986



(1) Organizationally, these three outside functions exist separately from the Department. However, the Department is responsible for their management and finance functions.

(2) No funding has been appropriated for this office. The director of policy and planning acts in the function of this office.

(3) The Board of Commerce and Industry functions through the Office of Commerce and Industry. The State Commission functions autonomously but is budgeted through the Office of Commerce and Industry.

Source: Prepared by legislative auditor's staff using information received from the Department of Economic Development.

**Executive Budget
Program
Structure**

In the executive budget, DED is divided into the following six budget units:

1. Office of the Secretary (05-251)
2. Office of Commerce and Industry (05-252)
3. Louisiana State Racing Commission (05-254)
4. Office of Financial Institutions (05-255)
5. Louisiana Economic Development Corporation (05-258)
6. Louisiana State Board of Cosmetology (05-259)

As can be seen above, three of DED's six offices are included as budget units. The performance data for the remaining three offices are included in the Office of the Secretary, Administration Program. As Exhibit 2-4 on the following page shows, these three offices are the Office of Policy and Research, Office of Management and Finance, and the Office of Technology, Innovation and Modernization.

According to department officials, when program budgeting was initiated, the Division of Administration, Legislative Fiscal Office, other legislative staff, and DED staff decided what activities would be placed under the Administration Program. This group of officials determined that all of the activities under the Administration Program were administrative and support services. DED officials stated that the activities of the Office of Technology, Innovation and Modernization are included in this program because no funding is available for this office. As a result, department officials say that the Office of the Secretary is responsible for fulfilling the duties of the Office of Technology, Innovation and Modernization.

There are other activities that are included in the Administration Program that are not administrative or support services. The Information Clearinghouse, Louisiana Economically Disadvantaged Business, and EconomicsAmerica programs are other activities that are included in the Administration Program.

**Exhibit 2-4
1996-97 Executive Budget Structure of DED**

Budget Units	Programs
Office of the Secretary (00-201)	<ul style="list-style-type: none"> • Administration <div style="border: 1px solid black; padding: 5px; margin-left: 20px;"> <ul style="list-style-type: none"> • Office of the Secretary • Office of Management and Finance • Office of Policy and Research • Office of Technology, Innovation and Modernization </div> • Communications • Small Business Bonding Assistance • Auxiliary
Office of Commerce and Industry (05-150)	<ul style="list-style-type: none"> • Business Recruitment • Louisiana Music Commission
Louisiana State Racing Commission (05-254)	<ul style="list-style-type: none"> • Louisiana State Racing Commission
Office of Financial Institutions (05-155)	<ul style="list-style-type: none"> • Financial Institutions
Louisiana Economic Development Cooperatives (05-256)	<ul style="list-style-type: none"> • Capital Accessibility
Louisiana State Board of Cosmetology (00-209)	<ul style="list-style-type: none"> • Louisiana State Board of Cosmetology

Source: Prepared by legislative auditor's staff using the 1996-97 executive budget.

R. S. 51:935 establishes DED as the state's economic development information clearinghouse. It also mandates the department to formulate a master plan for its implementation. The Information Clearinghouse is the responsibility of the Office of Policy and Research. DED has submitted a master plan for implementation to the Senate Committee on Commerce and Consumer Protection and the House Committee on Commerce.

Act 29 of the 1996 First Extraordinary Session placed the Louisiana Economically Disadvantaged Business Program in the Office of the Secretary. This program provides assistance and promotion for economically disadvantaged businesses to become competitive in a modern economy without regard to race or gender. An economically disadvantaged business is a small business organized for profit and that performs a commercially useful function. At least 60% of this type of business must be owned and controlled by one or more economically disadvantaged persons.

According to the 1996-97 executive budget, EconomicsAmerica is a new activity in the Administration Program. This project's goal is to provide Louisiana teachers with easily understandable instruction in useful economic concepts and analytical tools. In addition, this project is intended to improve teacher and school access to EconomicsAmerica instructional materials. The duration of the project is from July 1, 1996 to June 30, 1997.

Expenditures and Staffing

DED was appropriated over \$33 million for fiscal year 1996-97 and authorized to have 365 positions. Exhibit 2-3 on the following page shows department expenditures for fiscal year 1995-96 and the recommended and appropriated amounts for fiscal year 1996-97. The exhibit also shows the number of authorized positions for each program.

Exhibit 3-5
Department of Economic Development
Expenditures and Staffing
Expenditures for Fiscal Year 1995-96, Recommended and Appropriated Amounts
and Authorized Positions for Fiscal Year 1996-97

	1995-96 (Actual)	1996-97 (Recommended)	1996-97 (Appropriated)	Authorized Positions
Office of Secretary				
Administration	\$1,683,000	\$1,981,000	\$1,983,900	67
Communications	180,000	211,807	1,891,977	1
Small Business Hearing Assistance	250,000	0	500 ¹	50%
Activities	81,000	2,094,960	2,094,960	0
Subtotal	\$2,194,000	\$4,287,767	\$5,970,837	68
Office of Commerce and Industry				
Business Recruitment	\$4,300,000	\$1,200,000	\$5,033,970	47
Louisiana Trade Commission	155,000	0	148,000	2
Subtotal	\$4,455,000	\$1,200,000	\$5,181,970	49
Louisiana State Racing Commission				
Louisiana State Racing Commission	\$7,519,000	\$7,602,071	\$7,936,000	77
Office of Financial Institutions				
Office of Financial Institutions	\$6,180,000	\$1,086,960	\$7,829,000	110
Louisiana Economic Development Corporation				
Capital Assistance ²	\$11,484,000	\$10,800,000	\$70,500,000	0
Louisiana State Board of Cosmetology				
Louisiana State Board of Cosmetology	\$207,000	\$1,174,244	\$1,174,200	58
Department Total	\$38,186,000	\$24,797,241	\$81,682,000	268

¹ For fiscal year 1996-97, this program was combined with the newly created Economically Disadvantaged Business Program, which is included in the Administration Program.

² The amounts shown for LEDC represent total revenues. The total expenditures are \$715,000 for fiscal year 1995-96. The remainder was added to retained earnings.

Source: Prepared by legislative auditor's staff using the Comprehensive Annual Financial Report (CAFR) Fiscal Year 1995-96, Fiscal Year 1996-97 Executive Budget, and Fiscal Year 1996-97 General Fund Appropriations Executive Summary.

Missions and Goals Align With State Law

Overall, DED's missions and goals included the 1996-97 executive budget align with state law. The missions and goals reflect the intent of the legislature. However, the department's overall mission, to increase economic opportunity for all Louisianians, is not included in the executive budget.

All of the goals in the executive budget are explicitly stated, but this is not so for the missions. After meeting with department officials and the OPR analyst, we determined that the mission for each budget unit is included in the executive budget. However, the missions are not identified as such. In some instances, the missions and goals are stated in the executive budget just as they are in state law.

Potentially Overlapping Functions That Serve Small Businesses

We identified three potentially overlapping functions within DED that serve small businesses. However, we did not do any audit procedures to determine actual overlap among these functions. The three entities that perform these potentially overlapping functions are the Office of Commerce and Industry, the Division of Economically Disadvantaged Business, and the Louisiana Economic Development Corporation. As mentioned in Chapter 1, we defined overlap as instances where two or more programs appear to perform different activities or functions for the same or similar purposes.

In accordance with state law, all three entities provide some type of assistance to small businesses as shown in Exhibit 2-6 on page 38. Although these entities perform different activities, they are all working toward developing and strengthening small businesses in Louisiana. Specifically, LEDEC provides financial assistance for small- and medium-sized businesses while the other two entities provide other types of services. A detailed review would be necessary to determine if actual overlap exists. If indeed overlap does exist among these entities, then the state is probably spending more than it should to provide services to small businesses.

**Exhibit 2-6
Potentially Overlapping Functions Within DED**

	Office of Commerce and Industry	Division of Economically Disadvantaged Business	Louisiana Economic Development Corporation
Functions per statute	<ul style="list-style-type: none"> • Provide services to small- and medium-sized businesses • Encourage and support the startup of new small businesses and the growth and expansion of existing Louisiana firms. <p align="center">R.S. 50:106(3)</p>	<ul style="list-style-type: none"> • Provide developmental assistance to economically disadvantaged businesses <p align="center">R.S. 51:755(4)(3)</p>	<ul style="list-style-type: none"> • Issue guarantees for economically disadvantaged and other Louisiana-based micro-businesses, small- and medium-sized businesses, and disabled person businesses <p align="center">R.S. 50:2102</p>

See also: Prepared by legislative auditor's staff using Louisiana Revised Statutes.

Two Commissions' Functions May Overlap

Two commissions that are not funded through DED, but are affiliated with the department, appear to have potentially overlapping functions. The Louisiana Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission both perform functions related to motor vehicle dealers.

First, both commissions license used motor vehicle dealers. However, state law only requires a dealer to be licensed by one of the two commissions. This situation could cause confusion for those seeking a used motor vehicle dealer's license and for those seeking to lodge complaints against such types of dealers.

Second, both commissions regulate shows where new and used motor vehicle dealers may offer motor vehicles for sale. For example, R.S. 32:1254(D) allows the Motor Vehicle Commission to authorize motor vehicle sales and shows at off-site locations under specific conditions. At the same time, R.S. 32:7227(B) allows the Used Motor Vehicle and Parts Commission to regulate trade shows at which new and used motor vehicles and other types of vehicles can be displayed, auctioned, or sold. As a result, the state may be spending more than is necessary to regulate this function.

organizations or a combination of such organizations. According to a DED official, money from this program is to be used for a particular project and cannot be used to fund the organization's operating cost. Therefore, this program may address some of the same issues that the Local Economic Development Support Program was intended to address.

Matters for Legislative Consideration

- 2.1 The legislature may wish to consider reviewing the following items to determine if resources are or will be available to operate the following program. If not, the legislature may wish to abolish, amend, or transfer the responsibilities.
 - R.S. 36:108(F), which creates the Office of Technology, Innovation and Modernization.
- 2.2 The legislature may wish to repeal R.S. 51:763, which establishes the Local Economic Development Support Program since it has not been used for 10 years.
- 2.3 The legislature may wish to consider combining the Louisiana Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission.
- 2.4 The legislature may wish to consider repealing R.S. 51:536.1 (One-Stop Licensing Program) since the Department of State is currently performing this function.

Chapter 3: Analysis of Performance Data

Chapter Conclusions

There is an overall department mission in the executive budget for the Department of Economic Development (DED). However, department officials stated that the department's mission is to increase economic opportunity for all Louisianians.

DED is divided into six budget units in the executive budget. The only missions reported in the executive budget are for the budget units. All of the missions identify the clients and purpose and they are organizationally acceptable.

There are 21 goals in the executive budget for DED. Most of the goals are consistent with their mission and provide a sense of direction on how to address the mission. However, 11 of these goals lack a destination toward which the programs are striving.

There are 33 objectives in the executive budget for DED. Most of the objectives are consistent with their related goal. All specify desired end results. However, only one-third of the objectives measure progress toward achieving the goal and less than one-fifth of the objectives are timebound.

There are 120 performance indicators in the 1996-97 executive budget for DED. We found that most of the indicators are consistent with the related objectives and are easily understandable. However, less than one-third of the indicators measure progress toward the objectives. This is mainly due to non-measurable objectives. We also found that while over 40% of the indicators are output indicators, less than 20% of the indicators are outcome indicators. Most of the objectives and performance indicators provide some useful information for decision making.

Analysis Conducted

We analyzed DED's performance data that are presented in the 1994-97 executive budget. We compared each mission, goal, objective, and performance indicator to the established criteria in Exhibit 2-1. The results of our analysis are presented in the remainder of this chapter.

Exhibit 2-1 Criteria Used to Evaluate the Fiscal Year 1994-97 Executive Budget Performance Data

MISSION: A broad, comprehensive statement of purpose

- ✓ Identifies overall purpose for the existence of the organization, department, office, institution, or program as established by constitution, statute, or executive order
- ✓ Identifies direct customers of the organization or internal and external users of the organization's products or services
- ✓ Organizationally acceptable

GOAL: The general end purpose toward which effort is directed

- ✓ Consistent with department, program, and office missions
- ✓ Provides a sense of direction as to how to address the mission, reflects the direction toward which the entity is striving

OBJECTIVE: A specific and measurable target for accomplishment

- ✓ Consistent with goals
- ✓ Measurable
- ✓ Timelyness
- ✓ Specifies desired end result

PERFORMANCE INDICATOR: Tool used to measure performance of policies, plans, and programs

- ✓ Measures progress toward objective or contributes toward the overall measurement of progress toward objective
- ✓ Consistent with objective
- ✓ Clear, easily understood, and non technical

Notes: The criteria were established based on input from Attorneys General, OMB, the Federal Office of Management and Budget, and the Urban Institute.

Source: Prepared by legislative auditor's staff to show established criteria used to evaluate the department's performance data.

Overview of Results of Analyzing DED's Performance Data

Overall, the performance data that are reported in the 1996-97 executive budget for DED provides some useful information. However, few of the objectives are measurable or timebound. It is impossible for the performance indicators associated with these non-measurable objectives to show whether progress is being made toward achieving the objectives.

Mission. The overall department mission is not included in the executive budget. According to DED officials, the overall department mission is to increase economic opportunity for all Louisianians. Missions are broad, comprehensive statements of purpose. This mission identifies DED's overall purpose and its customers. This mission is also organizationally acceptable. To be considered organizationally acceptable, the department must know what the mission is and agree with it. Without the overall mission in the executive budget, legislators and other executive budget users may not know the department's purpose or customers.

The only missions reported in the executive budget for DED are for the six budget units. As mentioned in Chapter 2, only three of the six DED offices are included in the executive budget as a budget unit. The remaining three offices are included within the Office of the Secretary's Administration Program. These three DED offices do not have missions reported in the executive budget. However, having a mission for each office or program is not a requirement.

None of the missions that are included in the executive budget are identified as such, but they are all consistent with the department's overall mission. In addition, the budget unit missions identify the purpose and customers for the programs. We verified that the missions were organizationally acceptable by reviewing the department's operational plan.

Goals. DED has 21 goals in the executive budget. Most of the goals are consistent with their mission and provide a sense of direction on how to address the mission. However, 12 of these goals lack a destination toward which the programs are striving. It is important to have goals that meet the criteria so managers will know the general end purpose toward which program efforts should be directed.

Objectives. DED has 32 objectives in the executive budget. Most of the objectives are consistent with their related goal. All of the objectives specify a desired end result. Nearly one-third of the objectives measure progress toward achieving the goal.

Less than one-fifth of the objectives are timebound. According to the OPR analyst for DED, the budget documents contain a specific time frame and the information contained in it is applicable for the upcoming fiscal year. If objectives do not give a specific and measurable target for accomplishment, executive budget users and program managers may not be able to determine if objectives have been met.

Performance Indicators. DED has 128 performance indicators in the executive budget. We classified each indicator as input, output, outcome, efficiency, or explanatory/quality. As stated in Chapter 1, outcome indicators are the most important performance measures because they show whether or not expected results are being achieved. About 18% of DED's indicators are outcome type. Over 40% of the indicators are output type. In some cases, the type of indicator is difficult to determine because it is unclear how the indicator relates to the objective.

Performance indicators are used to measure performance of policies, plans, and programs. Indicators should measure progress or contribute toward the overall measurement of progress toward objectives. Indicators should also be consistent with their objectives and clear, easily understood, and non-technical. In addition, each indicator should be classified as input, output, outcome, efficiency or explanatory/quality.

Exhibit 3-2 on the following page gives the number of each indicator type for each budget unit. As shown in the exhibit, only the Office of Financial Institutions has no outcome indicators.

Overall, we found that the following indicators meet most of the established criteria in Exhibit 3-1:

- 34 of the indicators (10%) measure progress toward the related objectives.
- 130 of the indicators (83%) are consistent with the related objectives.
- 108 of the indicators (83%) are easily understandable and non-technical.

Exhibit 3-2
Type of Performance Indicators by Budget Unit for DED

Budget Unit	Input	Output	Outcome	Efficiency	Quality	Total	Met an Indicator
Office of the Secretary	0	4	6	3	0	13	5
Office of Commerce and Industry	14	11	10	8	0	43	5
Louisiana State Bonding Commission	7	8	1	1	0	18	0
Office of Financial Institutions	7	10	0	5	0	20	0
Louisiana Economic Development Corporation ¹	0	2	1	0	0	3	0
Louisiana State Board of Cosmetology	0	1	1	1	2	5	0
Department Totals	28	31	21	18	2	120	10

¹ Each indicator represents a set of related indicators (for details, see performance indicators section on page 38).

Note: In addition to the DED indicators presented above, we identified one piece of explanatory information within the Louisiana State Bonding Commission.

Source: Prepared by legislative auditor's staff.

Most Office of the Secretary Performance Data Meet the Criteria

In the executive budget, the following programs are included in the Office of the Secretary:

1. Administration Program
2. Communications Program
3. Small Business Bonding Assistance Program
4. Auxiliary Program

We analyzed the performance data for each of these programs. Most of the performance data meet the criteria in Exhibit 3-1.

Mission. The mission of the Office of the Secretary meets all the established criteria listed in Exhibit 3-1. This mission identifies this budget unit's overall purpose and its client and is organizationally acceptable. The mission is in Exhibit 3-3 on page 38.

Administration Program

As mentioned in Chapter 2, the Administration Program contains performance data for the Office of the Secretary as well as three other offices. As a result, it is difficult to determine to which office the goals and objectives relate. For example, in Exhibit 3-3, Goal #6 for the Administration Program relates to the Office of Policy and Research, as does Objective #2. This situation has been partially corrected in the 1997-98 executive budget. Thus, it is clear as to which office the objectives relate but not the goals.

Exhibit 3-3 lists the performance data for the Administration Program in the Office of the Secretary. In addition, we have inserted the name of the appropriate office in *italics>* along with the goal and objective in Exhibit 3-3.

Goals. The executive budget contains six goals for the Administration Program. Each goal is consistent with its mission and provides a sense of direction on how to address the mission. Only Goal #1 reflects the destination toward which the program is striving.

Exhibit 3-3
Administration Program's Performance Data Reported in the
1996-97 Executive Budget

Office of the Secretary

Budget Unit Mission: To provide administrative leadership and departmental support services and encourage the development of economic initiatives.

Goals

- | | |
|--|---|
| 1. To provide leadership for the development and implementation of an effective economic development policy for the state. <i>(Office of the Secretary)</i> | 2. To provide support services to agency programs. <i>(Office of Management and Finance)</i> |
| 3. To provide the highest-quality legal assistance to department staff and regulatory assistance to department clients in a timely fashion. <i>(Office of the Secretary)</i> | 4. To provide technical and financial assistance to economically disadvantaged contractors and businesses. <i>(Office of the Secretary)</i> |
| 5. To develop and administer initiatives based on technology development, deployment and innovation. <i>(Office of Technology, Innovation and Micro Initiatives)</i> | 6. To provide information and economic policies based on research and analysis. <i>(Office of Policy and Research)</i> |

Objectives

1. Will continue to provide high-quality business economic, fiscal, information systems and procurement services to the Department of Economic Development staff. *(Office of Management and Finance)*

Performance Indicators

1. Developed OMB staff to determine satisfaction with support services provided by the various divisions within OMB
2. Provided 61 in-house computer training classes for 176 employees
3. Provided 15 in-house training classes in the areas of General Safety, Information Delivery, and Drug-Free Workplace to 566 OMB employees
4. OMB surveyed its OMB customers and received a 95.7% satisfactory rating, up from a 93.6 rating in FY 1994-95
5. Implemented a bar coding system for receivable process

2. Will serve as an information resource by continuing to receive 1,000 internal and external requests annually for various economic development information, and by conducting at least 175 specialized economic development research and analysis projects in a timely manner. *(Office of Policy and Research)*

1. Information request received
2. Proposal requests
3. Specialized research conducted in a timely manner
4. Research conclusions

3. Will continue to provide timely and effective legal opinions and litigation support. *(Office of the Secretary)*

2. Percentage litigation backlog
2. Percentage litigation timely
3. Percentage legal opinion backlog
4. Percentage legal opinion timely

4. Will formulate and advocate the adoption of innovative public policy in the field of technology and will foster and pursue the growth of applied scientific research in areas that can contribute to the growth and prosperity of the state. *(Office of Technology, Innovation and Micro Initiatives)*

We determined that the information presented as performance indicators for this objective in the executive budget are not best performance indicators based on our criteria shown in Exhibit 3-1.

5. Will assist small economically disadvantaged Louisiana businesses to achieve optimal competitiveness in today's economy. *(Office of the Secretary)*

(Use a timely data and analyze the program's indicators presented in the executive budget)

Source: Prepared by Legislative Committee Staff using performance data from the 1996-97 executive budget.

Objectives. All five objectives are consistent with the goals and specify desired end results. However, none of these objectives are timebound, and only Objective #2 is measurable. Consequently, a user of the executive budget may not know the desired level of performance or when the objective should be achieved. Each objective in the Administration Program also relates to an office that is included in this program.

Performance Indicators. The indicators for the Administration Program meet most of the criteria in Exhibit 3-1. The executive budget contains 13 performance indicators for the Administration Program. All of the performance indicators are consistent with the related objectives and all but two are clear and easily understandable. Only 4 of the 13 performance indicators (31%) measure progress toward the objectives.

The two indicators that are not clear and easily understandable are associated with Objective #2. These two performance indicators are vague and it is hard to determine exactly what the indicator means. For example, according to Office of Policy and Research staff, Indicator #4 "research consultations" refers to someone contacting this office to do research. However, a legislator could misinterpret this indicator to mean that the office staff is initiating research. As a result, legislators could make misinformed budgetary decisions about this activity.

The nine performance indicators that do not measure progress toward the objectives are associated with Objectives #1 and #3. These two objectives are not measurable; therefore, it is impossible for the indicators to show whether progress is being made toward achieving the objectives.

The information presented as performance indicators for Objective #4 in the executive budget did not qualify as one of the types of indicators as defined in Chapter 1. The information presented in the executive budget simply lists job duties of the program; therefore, we concluded that these statements were not indicators. However, the CFO analyst views these statements as outputs of the department's efforts for this activity and stated that the indicators mark progress of the objective.

Collectively, the objectives for the Administration Program tell the external user what the program is attempting to accomplish. However, only one of the five objectives for this program is measurable. Therefore, it is not possible for the indicators to show

whether progress is being made toward achieving the stated objectives.

The results of our analysis of the Administration Program performance data are shown in Exhibit 3-4 below.

Exhibit 3-4
Results of Comparing Administration Program's Performance Data to Established Criteria

Goals	<ul style="list-style-type: none"> • 6 of 6 are consistent with office mission • 6 of 6 provide a sense of direction • 1 of 6 reflects destination
Objectives	<ul style="list-style-type: none"> • 5 of 5 are consistent with goals • 1 of 5 is measurable • 0 of 5 is timebound • 5 of 5 specify an end result
Performance Indicators	<ul style="list-style-type: none"> • 4 of 13 measure progress toward the objective • 13 of 13 are consistent with the objective • 11 of 13 are clear and easily understood

Source: Prepared by legislative auditor's staff using results of comparing Administration Program's performance data to criteria in Exhibit 3-1.

Communications Program

Goals. The executive budget contains two goals for the Communications Program. Both of these goals are consistent with the budget unit mission and provide a sense of direction on how to address this mission. Only Goal #1 reflects the destination toward which this program is striving. Exhibit 3-5 on the following page lists the goals and other performance data for the Communications Program.

Exhibit 3-5
Communications Program's Performance Data Reported in the
1996-97 Executive Budget

Goals:

1. To direct the department's advertising program in support of the agency's mission of recruiting new domestic and foreign business and industry.
2. To coordinate and plan the department's public information activities.

Objective:

Will coordinate, plan, and produce media opportunities to publicize Louisiana business programs and generate inquiries from business executives as well as provide support for staff domestic and international marketing specialists.

Performance Indicators:

1. Number of media opportunities generated
2. Number of domestic and international business inquiries
3. Cost per inquiry
4. Special promotional offers (Trade Shows, Conferences)

Source: Prepared by legislative auditor's staff using performance data from the 1996-97 Executive Budget.

Objectives. The executive budget contains one objective for this program. The objective is consistent with the goals and specifies a desired end result, but it is not measurable or timebound. The objective of this program provides information for an external user to determine what the program is attempting to accomplish. However, since the objective is not measurable, an external user would not know the targeted levels of performance for those accomplishments.

Performance Indicators. The executive budget contains four performance indicators for this program. All five of the indicators are consistent with the objective and three of the four are clear and easily collectible. Indicator #1 is not clear because it does not specify what is a media opportunity. Because the objective for this program is not measurable, it is not possible for the performance indicators to measure program toward the objective.

The results of our analysis of the Communications Program's performance data are shown in Exhibit 3-6 on the following page.

Exhibit 3-6
Results of Comparing Communications Program's
Performance Data to Established Criteria

Goals	<ul style="list-style-type: none"> • 2 of 2 are consistent with office mission • 2 of 2 provide a sense of direction • 1 of 2 reflects destination
Objectives	<ul style="list-style-type: none"> • 1 of 1 is consistent with goals • 0 of 1 is measurable • 0 of 1 is timebound • 1 of 1 specifies an end result
Performance Indicators	<ul style="list-style-type: none"> • 0 of 4 measure progress toward the objective • 4 of 4 are consistent with the objective • 3 of 4 are clear and easily understood

Source: Prepared by legislative auditor's staff using results of comparing Communications Program's performance data to criteria in Exhibit 3-4.

Small Business Bonding Assistance Program

The goal for the Small Business Bonding Assistance Program meets all of the criteria in Exhibit 3-1. According to the executive budget and the GPR analysis for DED, during the preparation of the executive budget this program was being combined with the Economically Disadvantaged Business Program. Therefore, no objectives or indicators were included in the 1996-97 executive budget for this program.

Auxiliary Program

There is inadequate performance data in the executive budget for the Auxiliary Program. This program includes two activities: the Directory of Louisiana Manufacturers and a loan guarantee to the Alliance Compressor Plant in Natchitoches. These two activities are not related. The executive budget only includes two objectives for this program, one for each activity. These objectives do not show the outcomes of these activities.

According to agency officials, the directories of Louisiana manufacturers are sold and the proceeds are put back into the program. No indicators are reported in the 1996-97 executive

budget to reflect the number of directories sold or the proceeds collected from this activity. However, the 1997-98 budget does show how many directories are expected to be sold.

The loan guarantee is not a true program but rather a potential liability to the state. According to a DED official, the Alliance Compressor project did not qualify as a LEEDC program. The loan guarantee commits the state to paying off the loan in the event the company defaults. According to the executive budget, this project will create 350 direct new jobs. However, no performance data are included that show whether any jobs have been created or any other impact that the project has had on the state. According to DED staff, some data are collected from Alliance. Without any performance data, legislators do not know whether this project is a success, or whether there is a potential that state funds will have to be used to cover outstanding obligations resulting from this project.

Must Office of Commerce and Industry Performance Data Meet the Criteria

In the executive budget, the Office of Commerce and Industry includes two programs—the Business Recruitment Program and the Louisiana Music Commission. The performance data for these programs meet most of the criteria. The performance data for the Business Recruitment Program and the budget unit mission are in Exhibit 3-7 on page 46.

Mission. The mission for the Office of Commerce and Industry meets all the established criteria in Exhibit 3-1. This mission identifies the budget unit's overall purpose and its client and is organizationally acceptable.

Business Recruitment Program

Goals. The executive budget contains four goals for the Business Recruitment Program. Goals #1 and #2 directly relate to the divisions of the office that make up the Business Recruitment Program. These goals meet most of the established criteria in Exhibit 3-1. The only exception is that Goal #2 does not reflect a destination. Therefore, these goals will provide legislators with some useful information.

Goal #3 relates to the Louisiana Music Commission. This goal is consistent with the mission and provides a sense of

direction. However, it does not reflect a destination. According to an official in the Office of Commerce and Industry, the Louisiana Music Commission is included in the office mission of expanding and creating business and industry. However, in the executive budget, the commission is a separate program. This goal should be included with the Louisiana Music Commission Program and not under the Business Recruitment Program. This structure could be misleading and suggests that the commission is receiving appropriations through both programs.

Goal #4 relates to the function of the Red River Development Council. This goal is consistent with the mission and provides a sense of direction. However, it does not reflect a destination.

Objectives. The executive budget contains five objectives for the Business Recruitment Program. None of these objectives are timebound. As a result, legislators may not know when the objectives should be achieved. All five objectives are consistent with the goals and specify a desired end result. These are measurable. Generally, the objectives tell an external user what the program is attempting to accomplish. Thus, a legislator could use the objectives collectively to make some informed decisions about the Business Recruitment Program. We did not identify an objective for the International Investment Division within the program. Therefore, an objective for this division needs to be added to provide legislators with complete information for the Business Recruitment Program. We have inserted the name of the appropriate division or activity in italics along with the goal in Exhibit 3-2.

Performance Indicators. The indicators for the Business Recruitment Program meet most of the criteria in Exhibit 3-1. The executive budget contains 43 performance indicators for this program. All of the indicators are consistent with the objective and all but six are clear and easily understandable. Over half of the performance indicators measure progress toward the objective.

Exhibit 3-7
Business Recruitment Program's Performance Data Reported
in the 1996-97 Executive Budget

Office of Commerce and Industry**Budget Unit Mission:**

Market Louisiana to out-of-state and international business, assist potential and existing Louisiana exporters, maintain foreign trade offices, administer tax exemption programs, and encourage and assist in the start-up and expansion of business and industry.

Goals:

1. To stimulate the creation of employment opportunities throughout the state through domestic and international trade and investment.
2. To encourage and assist in the start-up of new business and industry.
3. To promote the development and use of popular music in Louisiana and adjacent music industry.
4. To promote economic development in the Red River Basin and adjoining areas.

Objective	Performance Indicators
1. Will initiate 100 initial project visits to investigate investment opportunities in Louisiana. (Business Incentives Division)	<ol style="list-style-type: none"> 1. # of firms in targeted industries 2. # of potential projects with project completed 3. # of potential projects currently underway 4. # of companies seeking LA to explore location opportunities 5. # of positive location and expansion decisions
2. Will introduce 200 Louisiana firms to trade opportunities through Trade Week. (Export Trade Division)	<ol style="list-style-type: none"> 1. LA firms seeking to enter or expand foreign markets 2. Firms matched 3. Foreign firms in our target markets seeking mutually beneficial trade opportunities 4. Firms matched
3. Will continue to administer all tax incentives to achieve the results for which they were established. (Financial Incentives Division)	<ol style="list-style-type: none"> 1. Total applications 2. New permanent jobs 3. Construction jobs 4. Industrial investments 5. Capital Investment 10 year applications 6. Capital Investment - All programs 7. Total contract awards 8. Total contract expenditures 9. Financial Incentives division staff 10. Financial Incentives division expenses 11. Administrative fee revenue 12. Applications awarded 13. Applications processed 14. Advances received 15. Advances received 16. Costs per application 17. % applications processed/reviewed 18. % investments/all interests 19. Fee revenue/application
4. Will provide assistance to 100 Louisiana resident businesses and industry and 500 communities. (Business Services Division)	<ol style="list-style-type: none"> 1. # of communities 2. # of instances in which assistance requested major assistance from BDD 3. # of Louisiana businesses 4. # of companies awarded in Total Quality Management/ISO training
5. Will promote economic development in the Red River Basin and adjoining areas. (Red River Council)	<p>We determined that the information presented as performance indicators for this objective in the executive budget are not true performance indicators based on our criteria stated in Exhibit 3-1.</p>

Note: We did not identify an objective to which the International Investment Division relates.

Source: Prepared by Legislative Auditor's staff using performance data from the 1996-97 executive budget.

Nine of the 19 indicators for Objective #3 measure progress toward the objective. Objective #3 is lacking a specific target measurement. Thus, it is impossible for the indicators to show whether progress is being made toward achieving the stated objective. Adding a target measure to the objective could result in the indicators measuring progress toward the objective.

Five of the indicators for Objective #3 are not clear and easily understandable. For example, Indicator #4 "Industrial inspections" is not stated so that the user will know how it relates to tax incentives. According to the OPR analyst, this indicator is part of the process of administering tax incentives. However, this cannot be determined from the information given in the executive budget.

We determined that the information presented in the executive budget as performance indicators for Objective #5 are not true performance indicators based on our criteria shown in Exhibit 3-1. Thus, legislators are not able to see the performance of the Red River Development Council.

The results of our analysis of the Business Recruitment Program's performance data are shown in Exhibit 3-8 on the following page.

Exhibit 3-8
Results of Comparing Business Recruitment Program's
Performance Data to Established Criteria

Goals	<ul style="list-style-type: none"> • 4 of 4 are consistent with office mission • 4 of 4 provide a sense of direction • 3 of 4 reflect destination
Objectives	<ul style="list-style-type: none"> • 5 of 5 are consistent with goals • 3 of 5 are measurable • 0 of 5 is timebound • 5 of 5 specify an end result
Performance Indicators	<ul style="list-style-type: none"> • 24 of 40 measure progress toward the objective • 43 of 40 are consistent with the objective • 27 of 40 are clear and easily understood

Source: Prepared by legislative auditor's staff using results of comparing Business Recruitment Program's performance data to criteria in Exhibit 3-4.

Louisiana Music Commission

Goals. As mentioned earlier, the executive budget includes a goal for the Louisiana Music Commission under the Business Recruitment Program. The executive budget also includes two goals for the commission under the Louisiana Music Commission Program. Both of these goals are consistent with the budget unit mission and provide a sense of direction on how to address the mission. However, neither goal reflects the destination toward which the program is striving. The goals along with the other performance data for this program are in Exhibit 3-9 on the following page.

Objectives. The executive budget contains one objective for the Louisiana Music Commission Program. The objective is consistent with the goals and specifies a desired end result, but it is not measurable or timebound. This objective provides the external user with information to determine what the commission is attempting to accomplish. However, since the objective is not measurable, an external user would not know the targeted levels of performance for those accomplishments.

Exhibit 3-9
Music Commission's Performance Data Reported
in the 1996-97 Executive Budget

Goals:

1. To develop Louisiana as a viable incubator of music talent and music industries.
2. To promote Louisiana music and musicians world-wide.

Objective:

With promote and develop popular music and the related industry in Louisiana.

Performance Indicators:¹

1. Received public recognition of the L.A. Music Commission through unprecedented efforts as television, radio and print and through assistance to corporate organizations who utilize music as a fundraising tool. LTM, in its third year of operation, has increased its audience by 200,000. It can now be seen in both LA in the Metroplex, Shreveport area.	4. The New Orleans' Jazz Cultural Celebration has expanded with both governmental and private organizations to accomplish many significant goals, including a Jazz Band Camp with Loyola University, a Jazz Symposium, live performances that tie to the public and more. This program had a direct economic impact of over \$50,000.
2. Working with the BBC on a radio series about L.A. music.	3. Acted as a catalyst for the Louis Armstrong Jazz Institute ceremony to be held on New Orleans. The economic value of this event has been estimated at over \$1,000,000.
3. Working with the new public radio station "South to Louisiana" using an 80 affiliate network.	

¹ We determined that the information presented as performance indicators for this program are not true performance indicators based on our criteria shown in Exhibit 3.1.

Source: Prepared by legislative auditor's staff using performance data from the 1996-97 executive budget.

Performance indicators. The five statements presented for this objective as performance indicators in the executive budget did not qualify as one of the types of indicators as defined in Chapter 1. Therefore, we concluded that these were not indicators. An official with the commission said that it is a big challenge for them to quantify their performance. In addition, the official said there are no specific controls that allow them to know the impact their organization has made on the music industry. However, one objective in the commission's strategic plan relates to developing a stable environment for music business. It also shows performance measures of the increase in the number of radio stations dedicating airtime to Louisiana artists. The commission needs to develop and implement methods of capturing and reporting these data. Without performance indicators, legislators may be funding this program without knowledge of how the commission impacts the music industry and how it benefits the economy.

The results of our analysis of the Music Commission performance data are shown in Exhibit 3-10 below.

Exhibit 3-10	
Results of Comparing Louisiana Music Commission's Performance Data to Established Criteria	
Goals	<ul style="list-style-type: none"> • 2 of 2 are consistent with office mission • 2 of 2 provide a sense of direction • 0 of 2 reflect destination
Objective	<ul style="list-style-type: none"> • 1 of 1 is consistent with goals • 0 of 1 is reasonable • 0 of 1 is timetabled • 1 of 1 specifies an end result
Performance Indicators	<ul style="list-style-type: none"> • The information presented was not considered indicators

Source: Prepared by legislative auditor's staff using results of comparing Louisiana Music Commission's performance data to criteria in Exhibit 3-1.

Most Racing Commission Performance Data Meet the Criteria

The performance data for the Louisiana State Racing Commission (Racing Commission) meet most of the criteria. Exhibit 3-11 on the following page lists the performance data for the commission.

Mission. The mission for the Racing Commission meets the established criteria listed in Exhibit 3-1. The mission identifies the commission's overall purpose and its client and is organizationally acceptable.

Exhibit 3-11
Louisiana State Racing Commission's Performance Data Reported
in the 1996-97 Executive Budget

Mission:

To promulgate and enforce rules and regulations and administer state statutes governing horse racing.

Goal:

To provide effective administrative support necessary to carry out the regulatory and administrative functions of the Louisiana State Racing Commission including breeder awards and breeding certification.

Objectives:	Performance Indicators:
1. Will reduce the length of time required to issue state racing licenses, reduce administrative costs and applicant inconvenience.	1. Time required to issue state racing licenses.
2. Will improve the quality of regulation of racing as measured by a reduction in the number of cases overturned by the Louisiana State Racing Commission.	1. # of equine samples tested 2. # of license samples tested 3. # of positive equine samples 4. # of positive license samples 5. Cases heard 6. Cases overturned 7. # of civil suits filed
3. Will ensure the proper ownership of thoroughbreds and compliance of owner license procedures by the registration of 95% of all horses racing in Louisiana.	1. # of tags replaced 2. Average # of horses racing 3. Percent of horses racing that are registered
4. Will improve the quality of regulation by strengthening auditing procedures and increasing the number and quality of audits through more effective use of computers and statistical data.	1. # of race days 2. Total gross revenue 3. Racing Commission expense 4. State police expense 5. Overtime hours worked 6. Overtime costs 7. Agency cost per race
5. Will continue to administer the payment of breeder awards in a timely and efficient manner.	1. Breeder awards

Source: Prepared by legislative auditor's staff using performance data from the 1996-97 executive budget.

Goal. The goal reported in the executive budget for the Racing Commission meets the established criteria. The goal is consistent with the commission's mission, provides a sense of direction on how to address the mission, and reflects the destination toward which the program is striving.

Objectives. None of the five objectives for the Racing Commission reported in the executive budget are timelined. As a result, a user may not know the time frame for achieving the objectives. Only Objective #3 is measurable. It is important that all objectives are measurable so that the user can know what the

program will achieve with its resources. All of the objectives are consistent with the goal and specify a desired end result. The objectives meet the other criteria as listed in Exhibit 3-1. Collectively, the objectives provide information for an external user to determine what the program is attempting to accomplish. However, since most of the objectives are not measurable an external user would not know the targeted levels of performance for these accomplishments.

Performance indicators. The executive budget reports 10 performance indicators for the Racing Commission Program. All 10 performance indicators are clear and easily understandable. Only three of the performance indicators measure progress toward their objective. These three indicators are all included within Objective #3.

All of the performance indicators are consistent with their respective objective except for the seven indicators for Objective #4. Specifically, the indicators presented for Objective #4 do not represent ways to strengthen auditing procedures. For example, the indicator "state police expenses" gives the amount of money allocated for this expense. However, according to the OPD analyst, the state police investigate complaints reported to the commission about illegal activity on racing grounds. There is no clear connection between the objective of strengthening audit procedures and the indicators listed. As a result, it is possible that legislators could make misinformed decisions using indicators that do not relate to the objectives. This objective does not appear in the 1997-98 budget.

The results of our analysis of the Racing Commission performance data are shown in Exhibit 3-12 on the following page.

Exhibit 3-12
Results of Comparing Racing Commission's
Performance Data to Established Criteria

Mission	<ul style="list-style-type: none"> • 1 of 1 identifies overall purpose • 1 of 1 identifies client/customers • 1 of 1 is organizationally acceptable
Goals	<ul style="list-style-type: none"> • 1 of 1 is consistent with office mission • 1 of 1 provides a sense of direction • 1 of 1 reflects destination
Objectives	<ul style="list-style-type: none"> • 5 of 5 are consistent with goals • 1 of 5 is measurable • 0 of 5 is timebound • 5 of 5 specify an end result
Performance Indicators	<ul style="list-style-type: none"> • 3 of 19 measure progress toward the objective • 12 of 19 are consistent with the objective • 19 of 19 are clear and easily understood

Source: Prepared by legislative auditor's staff using results of comparing Racing Commission's performance data to criteria in Exhibit 3-1.

Most Financial Institutions Performance Data Meet the Criteria

The performance data for the Office of Financial Institutions (Financial Institutions) meet most of the criteria. The data for this office represent depository and non-depository financial institutions and securities. Exhibit 3-13 on page 54 lists the performance data for Financial Institutions.

Mission. The mission that is reported in the executive budget for the Office of Financial Institutions meets the established criteria listed in Exhibit 3-1. The mission identifies the office's overall purpose, its client, and is organizationally acceptable.

Goals. The goal that is reported in the executive budget for the Office of Financial Institutions meets most of the established criteria. This goal is consistent with the mission and provides a sense of direction on how to address the mission. However, it does not reflect the destination toward which the program is striving.

Exhibit 3-13
Office of Financial Institutions' Performance Data Reported
in the 1996-97 Executive Budget

Mission:

To regulate providers of financial services within its jurisdiction in order to protect the public interest and enhance confidence in the financial services industry.

Goal:

To promote stability and growth in Louisiana's financial services industry.

Objectives:	Performance Indicators:
1. Will continue to ensure that sufficient resources are available to fulfill OFI's statutory mandate.	Percent of revenue collected from: 1. Institutions supervised by OFI 2. Depository institutions and their holding companies supervised by OFI 3. Institutions regulated by the Non-Depository Division 4. Activities regulated by the Securities Division
2. Will continue to provide for the regulation, licensing, charter, registration, supervision, and examination of depository financial institutions.	1. # of institution charter applications 2. # of other institution applications 3. # of institutions 4. # of holding companies 5. # of trust departments 6. # of institutional charters processed 7. # of institutional branch applications processed 8. Growth rate in institution assets 9. # of institutions examined 10. # of holding companies examined 11. # of trust departments examined 12. Total assets held by institutions
3. Will continue to regulate, license, register, supervise, and examine non-depository financial services providers as mandated by state law, within established timeliness and schedules.	1. Total # of annual Econostipulations by category 2. # of new and renewal applications 3. # of revoked/suspended applications 4. # change of location/venue 5. # change of ownership/control 6. # of written complaints 7. # of complaints resolved/settled 8. Annual refund/delinquency by entities regulated 9. # of examinations
4. Will continue to regulate, license, and examine securities in Louisiana in compliance with statutory mandates, within established time frames and schedules.	1. # of security applications examined 2. # of security applications withdrawn 3. Aggregate value of securities offerings 4. # of security licenses issued 5. # of security offerings authorized 6. Average value of securities authorized (in \$ mil)
5. Will promote the availability of capital for economic development in the state.	(These are new programs for the office in the 1996-97 executive budget and do not include performance indicators.)
6. Will examine other statutorily mandated programs assigned by the Legislature.	
7. Will provide information to Louisiana consumers and lenders concerning the interest credit line.	

Sources: Prepared by legislative auditor's staff using performance data from the 1996-97 executive budget.

Objectives. The executive budget reports seven objectives for the Financial Institutions Program. All of the objectives specify a desired end result. Objectives #5, #6, and #7 are not consistent with the program goal and do not have any related indicators. None of the objectives are measurable and only objectives #3 and #4 are timeliness.

The objectives collectively provide an external user with information to determine what the program is attempting to accomplish. However, since some of the objectives are measurable an external user would not know the targeted levels of performance for those accomplishments.

Performance Indicators. The executive budget reports 11 performance indicators for this program. As mentioned earlier, Objectives #5, #6, and #7 do not have any indicators. All 11 indicators for this program are clear and easily understandable. None of the indicators measure progress toward achieving the objective. Only indicator #8 for Objective #2 is not consistent with the objective. This indicator does not relate to the functions of Financial Institutions. A legislator could use the indicators to make some informed decisions regarding Financial Institutions. However, without measurable objectives, it is not possible for the indicators to show whether progress is being made toward achieving the objectives.

The results of our analysis of the Financial Institutions' performance data are shown in Exhibit 3-14 on the following page.

Exhibit 3-14
Results of Comparing Financial Institutions' Program
Performance Data to Established Criteria

Mission	<ul style="list-style-type: none"> • 1 of 1 identifies overall purpose • 1 of 1 identifies clients/customers • 1 of 1 is organizationally acceptable
Goal	<ul style="list-style-type: none"> • 1 of 1 is consistent with office mission • 1 of 1 provides a sense of direction • 0 of 1 reflects destination
Objectives	<ul style="list-style-type: none"> • 4 of 7 are consistent with goals • 0 of 7 is measurable • 2 of 7 are timebound • 1 of 7 specify an end result
Performance Indicators	<ul style="list-style-type: none"> • 0 of 31 measures progress toward the objective • 33 of 31 are consistent with the objective • 31 of 31 are clear and easily understood

Source: Prepared by legislative auditor's staff using results of comparing the Office of Financial Institutions Program's performance data to criteria in Exhibit 3-1.

**Nearly All
LEDC
Performance
Data Meet the
Criteria**

The performance data for the Louisiana Economic Development Corporation (LEDC) is presented in the executive budget as the Capital Accessibility Program. The performance data for LEDC meet nearly all of the criteria in Exhibit 3-1. Exhibit 3-15 on page 58 lists the performance data for LEDC.

Mission. The mission for LEDC meets the established criteria in Exhibit 3-1. The mission identifies the program's overall purpose and its clients, and is organizationally acceptable.

Goals. Both goals for the Capital Accessibility Program meet the established criteria. Each goal is consistent with its mission, provides a sense of direction on how to address the mission, and reflects a destination toward which the program is striving.

Objectives. The executive budget reports three objectives for this program. Objectives #2 and #3 meet all the established criteria. Objective #1 is not timebound or measurable. As a result, the objectives collectively provide information for an external user to determine what the program is attempting to accomplish. In addition, a legislator could use the objectives to make informed decisions regarding this program.

Performance Indicators. In the executive budget, the indicators are not arranged under one particular objective. According to the OPB analyst, LEIDC reports historical information in the budget because the legislators usually inquire about this information in committee meetings. There are three tables in the executive budget for LEIDC. For the purpose of this analysis, each table is considered as one set of indicators.

All three indicators are consistent with the objective and are clear and easy understandable. However, only Indicator #2 measures progress toward the objective. Even though most indicators do not measure progress toward the objective, they do provide some information for external users to determine what the program is attempting to accomplish.

Exhibit 3-15**Louisiana Economic Development Corporation's Performance Data
Reported in the 1996-97 Executive Budget**

Mission:

LEDC is the single investment review board for financial assistance programs administered by the Department of Economic Development and allows for competitive assistance to be offered to new and small Louisiana businesses.

Goals:

1. To administer a state-sponsored innovative financing initiative that is viewed as a national model.
2. To provide innovative and creative financial development programs that stimulate the flow of private capital and social financing for the development, expansion, and retention of small business.

Objectives:

1. Will expand the use of existing LEDC programs so that the budget allocated to the program is fully utilized by qualified projects approved by the LEDC board.
2. Will assist local communities in the location/expansion of at least ten industries annually by administering a grant and revolving loan fund for infrastructure projects.
3. Will improve loaned operations by reducing default losses to 10% annually from the preceding year until losses are less than 10% of portfolio value annually.

Performance Indicators:¹

1. LEDC's investment totals.
2. Currency, participation, direct loan-collective rate as percentages of total dollars.
3. Total # of approved projects.

¹ Each indicator represents a table of information included in the executive budget for the Capital Accessibility Program.

Sources: Prepared by legislative auditor's staff using performance data from the 1996-97 executive budget.

The results of our analysis of the Capital Accessibility Program performance data are shown in Exhibit 3-16 on the following page.

Exhibit 3-16
Results of Comparing Capital Accessibility Program's
Performance Data to Established Criteria

Mission	<ul style="list-style-type: none"> • 1 of 1 identifies overall purpose • 1 of 1 identifies clients/customers • 1 of 1 is organizationally acceptable
Goals	<ul style="list-style-type: none"> • 2 of 2 are consistent with office mission • 2 of 2 provide a sense of direction • 2 of 2 reflect destination
Objectives	<ul style="list-style-type: none"> • 2 of 3 are consistent with goals • 2 of 3 are measurable • 2 of 3 are timebound • 2 of 3 specify an end result
Performance Indicators	<ul style="list-style-type: none"> • 1 of 3 measure progress toward the objective • 3 of 3 are consistent with the objective • 3 of 3 are clear and easily understood

Source: Prepared by legislative auditor's staff using results of comparing Capital Accessibility Program's performance data to criteria in Exhibit 3-1.

**Must Board of
Cosmetology
Performance
Data Meet the
Criteria**

The performance data reported in the executive budget for the Louisiana State Board of Cosmetology (Board of Cosmetology) must meet all of the criteria in Exhibit 3-1. Exhibit 3-17 on the following page lists the performance data for the Board of Cosmetology.

Mission. The mission for the Board of Cosmetology meets the established criteria. This mission identifies the board's overall purpose and its clients and is organizationally acceptable. Thus, legislators will know the purpose of the board and who it serves.

Goals. The goals for the Board of Cosmetology meet most of the established criteria. Each goal is consistent with the board's mission and provides a sense of direction on how to address the mission. However, Goal #2 does not reflect a destination toward which the entity is striving.

Objectives. The executive budget reports three objectives for the Board of Cosmetology. Objective #1 meets all of the established criteria. However, Objectives #2 and #3 are not timebound. In addition, Objective #3 is not measurable. Again, a user may not know when to expect the results of the objectives or know what level of results to expect. Collectively, the objectives provide information for an external user to determine what the program is attempting to accomplish. In addition, a legislator could use the objectives to make informed decisions regarding the program.

Exhibit 3-17

Louisiana State Board of Cosmetology's Performance Data Reported in the 1996-97 Executive Budget

Mission:

To regulate, control and monitor members of the cosmetology industry.

Goals:

1. To increase compliance with the Cosmetology Act to ensure that public health, welfare and safety standards are met for protection of the general public.
2. To assure that licensees (paranailologists, estheticians, manicurists) possess basic entry level professional competencies.

Objective	Performance Indicators
1. Will reduce the risk of injury or exposure to disease in cosmetology facilities by 10% by July 1997.	<ol style="list-style-type: none"> 1. Routine inspections per salon. 2. San violations. 3. Enforcement actions.
2. Will maintain ten terminal time licenses, renewals at a four work maximum.	<ol style="list-style-type: none"> 1. License renewal time frame (in months).
3. Will ensure that adequate levels of education are being offered by cosmetology schools under the board's jurisdiction.	<ol style="list-style-type: none"> 1. Scheduled test dates.

Notes: There are also two quality indicators that are listed in the executive budget that are not related to any particular objective.

Source: Prepared by legislative auditor's staff using performance data from the 1996-97 executive budget.

Performance Indicators. The executive budget reports seven indicators for the Board of Cosmetology. The indicators for Objectives #1 and #2 meet all criteria. The indicator for Objective #3 is not consistent with the objective and it is not clear and easily understandable. It is not clear how the indicator "scheduled test dates" relate to the objective of ensuring adequate levels of education. Other indicators should be developed that will measure

adequate levels of education such as test results or pass/fail rates. In addition, there are two quality indicators listed in the executive budget that are not related to any particular objective. Therefore, these indicators do not have an objective to be consistent with or measure progress toward.

The indicator for the Objective #2 states that the license renewal time frame is 2.5 months. However, the objective sets license renewal turnaround at a four week maximum. The indicators suggest that there is a problem or backlog of processing licenses for renewal. In this case, explanatory information is necessary. Legislators may not be aware of the situation that led to the backlog and, as a result, could make misinformed budgetary decisions for the board.

The indicators for Objectives #1 and #2 collectively provide information to enable users to determine progress made toward achieving the objective. However, the indicator for Objective #3 does not relate to the objective, thus it does not show progress toward achieving the objective.

The results of our analysis of the State Board of Cosmetology's performance data are shown in Exhibit 3-18 on the following page.

Exhibit 3-18
Results of Comparing State Board of Cosmetology's
Performance Data to Established Criteria

Mission	<ul style="list-style-type: none"> • 1 of 1 identifies overall purpose • 1 of 1 identifies clients/customers • 1 of 1 is organizationally acceptable
Goals	<ul style="list-style-type: none"> • 2 of 2 are consistent with office mission • 2 of 2 provide a sense of direction • 1 of 2 reflect a destination
Objectives	<ul style="list-style-type: none"> • 3 of 3 are consistent with goals • 2 of 3 are measurable • 1 of 3 is timebound • 3 of 3 specify an end result
Performance Indicators	<ul style="list-style-type: none"> • 4 of 7 measure progress toward the objective.¹ • 3 of 7 are consistent with the objective.¹ • 6 of 7 are clear and easily understood

¹ 2 of 7 are quality indicators but do not relate to a particular objective.

Source: Prepared by legislative auditor's staff using results of comparing State Board of Cosmetology's performance data to criteria in Exhibit 3-1.

Recommendations

- 3.1 The department's mission should be included in the executive budget.
- 3.2 The department and OPR should work together to ensure that their objectives are measurable and timebound.
- 3.3 The department and OPR should work together to ensure that the indicators relate to the objective and that they measure progress toward achieving objectives.

- 3.4 The department and OPS should work together to focus on including more outcome indicators in the budget for their programs.
- 3.5 The department should develop and present performance data for the loan guarantee in the Auxiliary Program.

Appendix A
List of References

Appendix A: List of References

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Appendix B

Boards, Commissions, and Like Entities Related to the Department of Economic Development Fiscal Year 1996-97

Appendix B: Boards, Commissions, and Like Entities

Name of Board, Commission, or Like Entity	Legal Authority	Purpose/Function
Budget Units		
Louisiana Economic Development Corporation	R.S. 51:2141	Serves as a single review board for all financial assistance, grants, and investment programs administered by EDCO.
Louisiana State Board of Cosmetology	R.S. 37:409	<ul style="list-style-type: none"> • License, supervise, investigate and regulate the beauty and hairdressing industry in the state. • Issue, suspend, or revoke licenses for cosmetologists, operators, hairdressers, estheticians, manicurists, managers, beauty shop owners, teachers, students and students.
Louisiana State Racing Commission	R.S. 4:144	Develop rules, regulations, and conditions for the conduct of the horse racing industry in the state.
Independent		
Board of Examiners of Certified Shortland Reporters	R.S. 37:2558	<ul style="list-style-type: none"> • Encourage proficiency in the practice of shortland reporting as a profession. • Promote efficiency in court and general reporting, and extend to the courts and to the public the protection afforded by a standardized profession by establishing a standard of competency for those persons engaged in it.
Louisiana Architects Licensing Board	R.S. 37:3111	<ul style="list-style-type: none"> • Exercise applications to be licensed as architects. License architects and adopt governing rules and regulations. • Issue, suspend, modify or revoke licenses to do business in the state.
Louisiana Cemetery Board	R.S. 9:51	Enforce and administer the rules and regulations that govern persons who are certified to conduct a cemetery business.
Louisiana Export and Import Trade Development Authority	R.S. 6:554	<ul style="list-style-type: none"> • Assist, promote, encourage, develop, and advance economic prosperity and employment throughout the state by fostering the expansion of exports and imports. • Cooperate and act with other organizations, public or private which promote and advance export and import activities in the state. • Establish a source of financing, credit, and security to support export and import trade development not otherwise available, particularly to Louisiana individuals and small businesses.

Name of Board, Commission, or Like Entity	Legal Authority	Purpose/Function
Louisiana-Mexico Economic Development Commission ¹	R.S. 51:992	<ul style="list-style-type: none"> • Provide public relations and disseminate information to government, business, and cultural leaders with a goal to coordinate economic development and resource utilization between Louisiana and the Country of Mexico. • Promote the development of new products, processes, or services or new uses for existing products or services manufactured or marketed in Louisiana and Mexico. Support market research aimed at identification of new markets in the international arena. • Foster and support educational and cultural cooperation between private business enterprises, financial institutions, educational institutions, nonprofit institutions and organizations, state government, and political subdivisions in Louisiana and in Mexico.
Louisiana Motor Vehicle Commission	R.S. 33:1283	<p>Licenses and regulate motor vehicle manufacturers, distributors, dealers, and persons doing business in Louisiana.</p>
Louisiana Pan African Commission ¹	R.S. 51:992	<ul style="list-style-type: none"> • Provide public relations and disseminate information to government, business, and cultural leaders with a goal to coordinate economic development and resource utilization between Louisiana and the continent of Africa. • Promote the development of new products, processes, or services or new uses for existing products or services manufactured or marketed in Louisiana or Africa. Support market research aimed at identification of new markets in the international arena. • Foster and support educational and cultural cooperation between private business enterprises, financial institutions, educational institutions, nonprofit institutions and organizations, state government, and political subdivisions in Louisiana and in Africa.
Louisiana Real Estate Appraisers State Board of Certification ¹	R.S. 55:1584	<ul style="list-style-type: none"> • Establish educational programs and research projects related to the appraisal of real estate. • Issue real estate appraisal certificates. • Adopt regulations defining the extent and type of educational experience, examinations, appraisal experience, and equivalent experience needed to meet the requirements. • Adopt regulations providing for qualifying and continuing education requirements for the issuance and renewal of certification. • Adopt standards for the development and communication of real estate appraisals and adopt regulations explaining and interpreting the standards.

Name of Board, Commission, or Like Entity	Legal Authority	Purpose/Function
Louisiana Real Estate Commission	R.S. 37:1402	<ul style="list-style-type: none"> • Regulate the issuance of real estate licenses, registrations, and certificates. • Create licenses, registrations and certificate holders. • Support or revoke licenses, registrations, and certificates. Impose additional continuing education requirements on licenses, registrations, or certificate holders.
Louisiana State Polygraph Board	R.S. 37:2405	<ul style="list-style-type: none"> • Regulate all persons who purport to be able to detect deception or verify the truth of statements through the use of polygraph instrumentation. • Provide a system of certification for persons who use polygraph instrumentation.
Louisiana State Radio and Television Technicians Board	R.S. 37:2300	<ul style="list-style-type: none"> • License and register professionals who service and repair radios, televisions, and recording devices. • Provide an adequate supply of skilled technicians throughout the state by the establishment of an apprenticeship program or by requiring sufficient prior education in electronics.
Louisiana Used Motor Vehicle and Parts Commission	R.S. 32:772	<ul style="list-style-type: none"> • License and regulate used motor vehicle dealers and accessories and accessories dismantlers and parts recyclers. Inspect used motor vehicle dealer locations and accessories dismantlers and parts recyclers. • Require all dealer sales to have a condition of sale. • Work with consumers and dealers to hear complaints on used vehicles and parts and to establish a Used Car Consumer Action Fund to hear complaints on a condition of sale. • Require all dismantlers, recyclers, and dealers to maintain their records for a period of three years. • Regulate the sell of performance warranties or guarantees. • Hold and conduct hearings on any violations of the provisions of this chapter. • Regulate the conduct of trade shows.
State Board of Architectural Examiners	R.S. 37:341	<ul style="list-style-type: none"> • Conduct exams, grant certificates, and regulate the practice of architecture. • A certificate from the board enables the holder to practice as an architect in Louisiana. • May participate in proceedings to revoke, suspend, or suspend the certificate of, place on probation, reprimand, admonish, or fine any registrant or certificate holder for violations as described in R.S. 37:153.

Name of Board, Commission, or Like Entity	Legal Authority	Purpose/Function
State Board of Certified Public Accountants of Louisiana	R.S. 37:79	<ul style="list-style-type: none"> • Examine applicants to be certified or licensed for the practice of public accounting in Louisiana. • Administer a written examination for certification of least once each year in the city of New Orleans. • Take appropriate administrative action to regulate the practice of public accounting in the state.
State Board of Examiners of Interior Designers	R.S. 37:1173	<ul style="list-style-type: none"> • Set rules and criteria for licensing and provide for taking the exam. • Adopt and promulgate rules of organization, practice, and procedure. • Adopt and promulgate, and enforce rules and regulations governing the standards of education, service, conduct, and practice of persons licensed.
State Boxing and Wrestling Commission	R.S. 4:61	<ul style="list-style-type: none"> • Issue licenses to hold, conduct, or give boxing or wrestling contests or exhibitions to any applicant. • Make rules and regulations governing all boxing and wrestling contests or exhibitions under its jurisdiction, the sale of tickets, the promoters, the contestants, and their morals and managers at such contests or exhibitions.
State Licensing Board for Contractors	R.S. 37:1171	License and regulate contractors to ensure compliance with business requirements.
Was Independent		
Board of Commerce and Industry	R.S. 51:903	Exercise these powers, duties, and functions with respect to the granting of tax exemptions for new manufacturing establishments or extensions.
Louisiana Music Commission	R.S. 28:113	Promote and develop public commercial music and its related industry in Louisiana.
Red River Development Board of Advisors ¹	R.S. 51:1405	Provide advice and assistance to the Red River Development Council and its project managers.
Red River Development Council ²	R.S. 51:1402	Develop, prepare, and propose a master plan for utilization of the water supply of the Red River for the purposes related to the development of the area within the watershed limits of the Red River and its tributaries.

¹ Abolished by Act #1136 (SB#1154) of the 1997 Regular Session of the Louisiana Legislature.

² According to R.S. 37:3594, this board is created within the Louisiana Real Estate Commission and the Department of Economic Development.

Appendix C

Department of Economic Development's Response

State of Louisiana

DEPARTMENT OF ECONOMIC DEVELOPMENT



601 Poydras Center, 20th
Floor

MEMORANDUM

Mark P. Ryan
Secretary

TO: David Greer

FROM: Kevin P. Kelly 

DATE: November 10, 1993

SUBJECT: Analysis of Program Authority and Performance Data

Please find our answers to the recommendations made in your report, *Analysis of Program Authority and Performance Data* attached to this memorandum as Attachment 1. We have also made some comments on data contained in the report. This is contained in Attachment 2. We have attached responses from the Louisiana Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission in their entirety to explain the difference and non overlap of the two groups.

We would like to offer some general comments on data contained in the report. Since an operational plan covers activities from July 1 to June 30, we feel that the objectives are time bound. The five year strategic plan has measurable objectives and tasks that are time bound. In addition, the Department would like a definition for the terms "destination" and "direction". The terms are used repeatedly throughout the report but are not defined nor could we find definitions for these terms in *ManageWare*. It is important that the Department understands the intent of these terms in order to improve our performance indicators.

In September of this year the Department held a two-day strategic planning retreat for agency heads and top managers. This meeting, coupled with the new guidelines for developing an operational plan have allowed our strategic planning documents and the content of our operational plan to become more workable management tools. The Red River Development Commission and the Louisiana Music Commission now have acceptable strategic plans and operational plans as a result of this work.

We look forward to further dialogue on our current work program and are ready to schedule an exit interview.

ATTACHMENT 1

Management Response to

Recommendations

in the

Analysis of Program Authority and Performance Data

Page 31: Recommendation

- 2.1** DED, OPB, and legislative staff should work together to improve department's program structure in the executive budget. The improved program structure will provide legislators with a better view of all offices and activities in the Administration budget.

Response: DED is amenable to working with OPB and legislative staff to restructure the programs in the Administration budget. Management recommends that the Office of Policy and Research and the Economically Disadvantaged Business Program be removed from the Administration program and made free standing programs.

Matters for Legislative Consideration

- 2.1** The legislature may wish to consider reviewing the following laws to determine if resources are or will be available to operate the following program. If not, the legislature may wish to abolish, amend, or transfer the responsibilities.

- **R.S. 38:185 (F)** that creates the Office of Technology, Innovation and Modernization

Response: Management would welcome an opportunity to discuss the future of science and technology programs with the appropriate members of DOW and the legislature.

- 2.2** The legislature may wish to repeal R.S. 51:461, which establishes the Local Economic Development Support Program since it has not been used for 19 years.

Response: Management agrees that the statute should be repealed.

- 2.3** The Legislature may wish to consider combining the Louisiana

Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission.

Response: See responses from the two Commissions in Attachments 3 and 4.

3.4 The legislature may wish to consider repealing R.S. 51:936.1 (One-Stop Licensing Program) since the Secretary of State is currently performing this function.

Response: Management believes that the statute should be studied for possible amendment or repeal.

Page 61:

Recommendation:

3.1 The department's mission should be included in the executive budget.

Response: The department's mission and goals are included in the operational plan included in the FY 1998-99 Budget Request being sent to the Division of Administration.

3.2 OPR may want to present each office's performance data individually in executive budget.

Response: The department will prepare the operational plan in any format agreed upon by OPR and legislative staff.

3.3 The department and OPR should work together to ensure that their objectives are measurable and time bound.

Response: The department considers that all objectives in an operational plan are time bound because the operational plan is for a specific time period - July 1 to June 30 and is a one year slice of the strategic plan. Times are specified in the various five year strategic plans. We will continue to work with OPR and legislative staff to assure that all objectives are measurable.

3.4 The department and OPR should work together to ensure that indicators relate to the objective and that they measure progress toward achieving objectives.

Response: The department believes that this is so in the current operational plan but would like examples from data studied. We will continue to work with OPR and legislative staff to assure that all objectives are measurable.

3.5 The department and OPR should work together to focus on including more outcome indicators in the budget for their programs.

Response: The number of outcome indicators has increased with the operational plan for FY 1999. However, some obvious outcome indicators are not controllable by the department. When economy of the state and nation are good, the output indicators (prospects funded, etc.) of the department increase. But decrease in unemployment rates and growth of family income can not be attributed solely to the work of the department. Work is underway to develop indicators that can show the outcome of the department's work product.

3.6 The department should develop and present performance data for the loan guarantee in the Auxiliary program.

Response: This information appears in the FY 1999 operational plan.

ATTACHMENT 2

RESPONSES

To Data In

Analysis of Program Authority and Performance Data

- Page 23: The Cabinet Advisory Group has 2 duties. The first is to develop integrated, synergistic departmental strategic plans and operational plans that will allow the State to meet or exceed the benchmarks in the State Wide Economic Development Strategic Plan adopted by the Louisiana Economic Development Council, which is chaired by the governor, and adopted by the legislature. The second is, in concert with the Council, to advise the governor on policy and statutory requirements necessary to meet or exceed the benchmarks. This "advisory group" is composed of executive branch department heads and relevant state-wide elected officials. It is the governor's cabinet with a few minus and a few added. Collectively, this body is not statutorily charged with reacting to legislative measures. Individually, they would, of course, administer whatever statutes fall to their lot.
- Page 24: Footnote 2 says that there is no funding for the Office of Technology, Innovation and Modernization. However, the Director of Policy and Planning has one full time staff person to work on science and technology issues and has contracts with the Louisiana Partnership for Technology and Innovation and the Louisiana Business and Technology Center to carry out certain line functions.
- Pages 25-26: "However, there are other activities that are included in the Administration program that are not administrative or support services. The Information Clearinghouse, Louisiana Economically Disadvantaged Business (sic), Economics America Programs (sic) are activities that are included in the Administration program." The Information Clearinghouse is a support program in that this is the data base that is used to develop data for use by the outgoing staff Economics America is a pass through appropriation.
- Page 29: "Potentially Overlapping Services to Small Businesses": Reorganization of the Office of Commerce and Industry eliminated any small business program except for expansion of manufacturing small businesses. The Louisiana Economic Development Corporation and the Economically Disadvantaged Business Program do not provide duplicate services. Clients of the two programs have different needs. Both groups use the Louisiana Small Business Development Center's 15 subcenter for general management and technical assistance to small business. The department does not feel that there is any overlap.
- Page 30: The Louisiana Motor Vehicle Commission and the Louisiana Used Motor Vehicle and Parts Commission are supported entirely from self-generated funds. Therefore the state is not spending any money on these functions.

- Page 38: "However, 12 of these goals lack a destination toward which the programs are striving." We would appreciate having some clarification and examples. We don't understand what is meant.
- Page 40: "108 of the indicators (82%) are easily understandable, and non technical." We would appreciate knowing which ones were unintelligible or too technical so that we may consider rewording.
- Page 42: It is difficult to have performance indicators for policy development conform to the criteria being used. If one is privatizing certain functions, one could count the output and outcome of the work of the contractor, but do you count the number of contracts as an output and the number of contractors who have fulfilled the scope of work as outcome? How do you measure positive influence on other groups. Sometimes it takes several years for the ship of state to correct course even so slightly. The department would welcome dialogue with OFR, legislative staff and other departments facing the same dilemma.
- Page 48: International marketing is combined with national marketing. Goal 1: To stimulate the creation of employment opportunities throughout the state through domestic and international trade and investment. Objective 1 combines the domestic and international marketing activities since the only difference is geography. International trade is separate because of the difference in function.
- Page 49: The OFR analyst quoted was mistaken or misunderstood about the function of the Red River Development Council. A full operational plan is included in the FY 90 operational plan. There is also a 5 year strategic plan available. The Council works on economic development projects utilizing or capitalizing on the water in the Red River and on the completion of the Louisiana portion of the El Camino Real from Georgia to San Antonio. Information on this function is correct in Appendix B.
- Page 50: The department just administers certain statutory or constitutional authorized tax abatement programs. These programs are a tool to achieve the mission and goal 1 (promote a growing and healthy economy) of the department. Historically, the legislature is interested in tax abatement programs from a policy point of view. The question is "What could we do with that money if we did away with the exemption?" "If local government had the money from the 10 year tax exemption, we wouldn't have to subsidize them."

ATTACHMENT 3

State of Louisiana
 DEPARTMENT OF ECONOMIC DEVELOPMENT

October 28, 1987



Mr. J. "Mike" Foster, Jr.
 Governor

Kevin P. Kelly, Jr.
 Secretary

VIA REGISTERED MAIL

Mr. Ron Henson
 Undersecretary
 Louisiana Department of Economic Development
 Post Office Box 94185
 Baton Rouge, Louisiana 70804-9185

RE: Department of Economic Development Analysis of Program Authority and Performance Data

Dear Mr. Henson:

This will acknowledge receipt of your memorandum of October 27, 1987.

We have reviewed the recommendations regarding the Louisiana Motor Vehicle Commission ("LMVC") and have enclosed comments with regard to pages 19 and 21. Our comments, as you will note, are in the form of further information for use by the members of the Legislative Audit Advisory Council in their decision making.

Although there is an duplication of financing by the LMVC and the Louisiana Used Motor Vehicle and Parts Commission, this agency needs to participate and aid the Council in reaching its goals.

With regard to page 21, as an agency created within the Louisiana Department of Economic Development ("DED"), pursuant to LSA-R.S. 34:209 (F), the LMVC will always cooperate, assist, and work with the DED to ensure the LMVC's mission, objectives, and performance indicators fall within the overall mission and objectives of the DED.

If we can be of any further assistance, do not hesitate to contact the undersigned. Please provide this agency with a copy of the final outcome of the Department of Economic Development Analysis of Program Authority and Performance Data.

Yours very truly,

LOUISIANA MOTOR VEHICLE COMMISSION
 MOTOR VEHICLE SALES FINANCE DIVISION

L. A. Hogue
 Executive Director

Enc.

LOUISIANA MOTOR VEHICLE COMMISSION
 MOTOR VEHICLE SALES FINANCE DIVISION
 8018 12TH ST.
 METairie, LOUISIANA 70003-9407
 (504) 838-6267 - FAX: (504) 838-6448

In response to Page 8.2

Louisiana Motor Vehicle Commission	R.S. 38:1281 et seq. R.S. 38:951 et seq.	<ul style="list-style-type: none"> • Administers the Motor Vehicle Sales Finance Act. • License and regulate motor vehicle manufacturers, distributors, factory branches, distributor branches doing business in Louisiana, as well as, new motor vehicle dealers, license doing business in Louisiana, used motor vehicle facilities of new motor vehicle dealers and lenders, factory representatives, distributor representatives, new motor vehicle salesmen, loaner agents, and motor vehicle salesmen of the used motor vehicle facilities of new motor vehicle dealers and lenders. • License and regulate all motor vehicle sales finance companies doing business in Louisiana. • Provide knowledge/policy guidance to licensees to insure proficiency in a statutorily mandated time frame for licensing, product matters, advertising, etc. • Conduct investigations of violations of the provisions of any law regulating the sale, lease or rental, distribution or financing of motor vehicles. • Conduct hearings on denial of a license, suspension or revocation of a license or imposition of civil penalties. • Conduct hearings of disputes between manufacturers or distributors and new motor vehicle dealers. • Enforce and police all federal, state, and local law and regulations concerning the advertising of motor vehicles. • Receive and investigate consumer complaints regarding financing. • Protect Louisiana consumers from unfair sales/lease practices by licensees. • Audit financing to insure records are properly maintained. • Work with consumer protection agencies, i.e., Better Business Bureau, State Attorney General's Office, etc. • Examine applications and supporting documentation, as well as, inspect licensee's facilities to determine whether they meet the standards of law to be licensed. • Adopt governing rules and regulations for both laws. • Authorize or deny motor vehicle sales and stores at office locations. • Conduct investigations under audits of licensees with regard to non-payment to the state of taxes and fees (i.e., license, title, documentary, etc.) collected. • Audit consumer pre-paid accounts, as well as, open accounts of sales finance licensees for compliance with the statute. • Supervise the return of overage of finance fees, interest, taxes, and other fees to consumer by licensees. • Inform and educate licensees as to updated laws and regulations that affect the motor vehicle industry in Louisiana.
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In response to page 20:

By statute, the Louisiana Motor Vehicle Commission ("LMVC") licenses and regulates the post-automobile vehicle facilities of its own motor vehicle dealer licensees and its licensees.

The Louisiana Used Motor Vehicle and Parts Commission ("Used") licenses and regulates all independent used car dealerships. Additionally, Louisiana Revised Statutes (R.S.) 38:179 of the "Used" law provides: "The provisions of this Chapter shall not apply to any person, partnership, corporation, or other entity that is licensed or regulated by the Louisiana Motor Vehicle Commission. If any provision of this Chapter conflicts with any provision of Chapter 4 of Title 38 of the Louisiana Revised Statutes of 1980, the provisions of Chapter 4 of Title 38 of the Louisiana Revised Statutes of 1980 shall prevail." (Chapter 4 of Title 38 is the "LMVC" law.)

The Louisiana Motor Vehicle Commission's new motor vehicle dealer licensees and its licensees are provided with copies of the law and its rules and regulations and are provided with any assistance they require. In this regard, they are aware if they wish to establish a used motor vehicle facility, they would obtain their application and ultimately their license with the "LMVC".

Additionally, the Louisiana Motor Vehicle Commission has a very good working relationship with other state agencies and if a complaint was lodged against someone who is not licensed by this agency or does not fall within the jurisdiction of this agency, (i.e., Louisiana Attorney General, Office of Financial Institutions, Department of Public Safety, Louisiana Used Motor Vehicle, etc.), the complaint would be forwarded to the proper agency, with a copy to the complaining person.

Act No. 341 of the 1987 Regular Session amended R.S. 38:172(2)(B) to delete the regulation of new motor vehicles at trade stores by the Louisiana Used Motor Vehicle and Parts Commission.



STATE OF LOUISIANA
 DEPARTMENT OF ECONOMIC DEVELOPMENT

October 28, 1997

State of Louisiana
 DEPARTMENT OF ECONOMIC DEVELOPMENT
 USED MOTOR VEHICLE AND PARTS COMMISSION

TO: RON HENSON, UNDERSECRETARY

FROM: JOHN M. TORRANCE, EXECUTIVE DIRECTOR

SUBJECT: RESPONSE TO DRAFT OF PERFORMANCE AUDIT

The Louisiana Used Motor Vehicle and Parts Commission was addressed three times in the draft of the performance audit. Below is the response to the questions raised on pages 29, 31 and 61.

The names of the two commissions may indicate duplication, but preliminary discussions by the board of the Louisiana Used Motor Vehicle and Parts Commission have occurred to change the name of the agency to reflect the commission's functions to the Transportation Licensing Commission. The name of LA Used Motor Vehicle and Parts Commission is a misnomer. The commission has been mandated by law to license all individuals and entities that engage in various modes of transportation except for new cars, air and rail. The Louisiana Used Motor Vehicle and Parts Commission regulates used cars and trucks, new and used motor homes, new and used motorcycles, new and used trailers and semi-trailers, new and used buses and wreckers, new and used boats and motors, used final stage manufacturers, used motor vehicle shredders, crushers, scrapped motor vehicle dealers and automotive dismantlers and parts recyclers.

The Louisiana Used Motor Vehicle and Parts Commission licenses the traditional independent small used motor vehicle dealers which have different issues regarding regulation versus a multi-million dollar new car dealership. The Louisiana Motor Vehicle Commission is the proper regulatory agency to address the needs of the new car dealerships.

The licensing by the Louisiana Motor Vehicle Commission of what deceptively appears to be off site small used motor vehicle dealerships but are actually owned by new car dealerships, is an overlapping of regulatory duties. Confusion is being created in the minds of consumers regarding these disguised business operations which should be regulated by the Louisiana Used Motor Vehicle and Parts Commission. When a new car dealer decides to take on the cloak of the independent used motor vehicle dealer, the operations should be regulated as such.

Russ Henson, Undersecretary

October 28, 1997

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Although there appears to be some confusion for consumers who tend to file complaints against a used motor vehicle dealer, consumers are well informed which agency regulates independent used motor vehicle dealers and those used motor vehicle dealers who are owned by new car dealerships except for the new off site used car dealerships being set up by the new car dealers to appear to be small operations. Both the Louisiana Used Motor Vehicle and Parts Commission and the Louisiana Motor Vehicle Commission are self-sufficient agencies which operate solely on self-generated funds.

In addition to the main functions of the agency, the Louisiana Used Motor Vehicle and Parts Commission utilizes their funds to provide enhanced training for the field investigators and to provide assistance on consumer complaints.

Trade shows which are regulated by the Louisiana Used Motor Vehicle Commission are those shows initiated by promoters for motor home dealers and marine dealers. The Louisiana Motor Vehicle Commission regulates only those shows which pertain to new car dealers.

Appendix D

Division of Administration,
Office of Planning and Budget's
Response



OFFICE OF PLANNING AND BUDGET

State of Louisiana
OFFICE OF ADMINISTRATION

OFFICE OF PLANNING AND BUDGET

BARBARA S. G. LACROIX
COMMISSIONER OF ADMINISTRATION

November 6, 1997

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94593
Baton Rouge, LA 70804-5997

Re: Analysis of Program Authority and Performance Data for the Department of Economic Development

Thank you for this opportunity to respond to the audit report, *Analysis of Program Authority and Performance Data for the Department of Economic Development*.

Our office generally agrees with audit recommendations regarding ways to improve the department's planning and performance accountability. To the department's credit, it should be noted that, working with staff from the Office of Planning and Budget, the House Appropriations Committee, and the Joint Legislative Committee on Senate and House Governmental Affairs, the department has already initiated improvements to its operational plan and performance indicators. These improvements were included in the department's total budget request package for FY 1997-98.

As you are aware, the Office of Planning and Budget maintains a standing offer to all state agencies of training and technical assistance in planning, budgeting, and performance accountability. Department of Economic Development staff have participated in recent Office of Planning and Budget training on the strategic planning, operational planning, and performance accountability requirements and guidelines of Act 1403 of 1997. In addition, we anticipate working with department executives and staff over the course of this fiscal year as they undertake strategic planning and continue improvements to their operational plans and performance indicators.

Sincerely,

Stephen R. Winters
State Director of Planning and Budget

SRW/MAB

c: Kevin P. Kelly, Sr.
Secretary, Department of Economic Development