

Results  
Based  
Budgeting

**HFIN**

**FILE**

Alaska State Legislature

---

SENATE Finance Committee

January 22nd, 1998

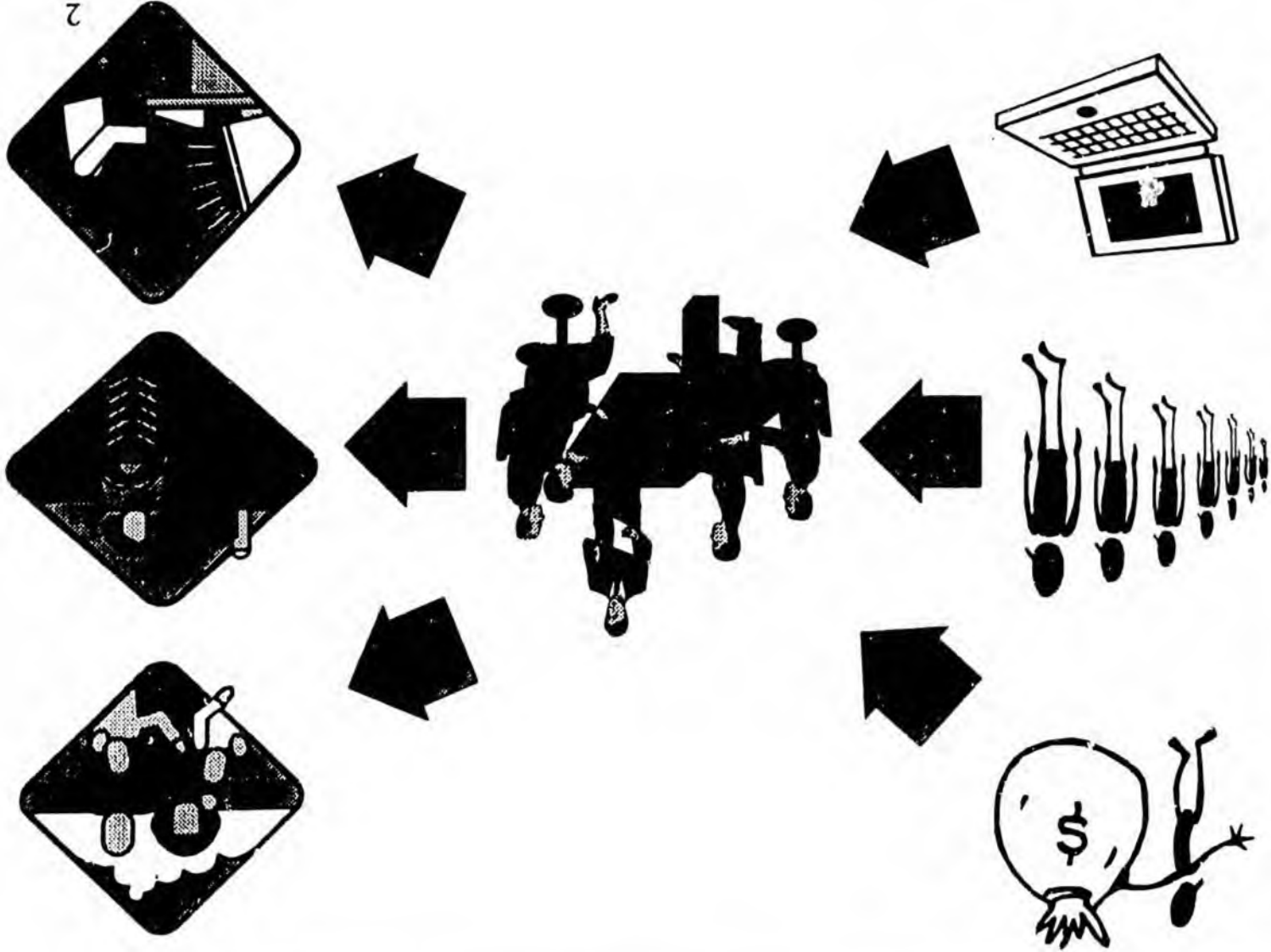
*Investing in Results*

Presented by:  
Craig L. Holt, President  
MTP Inc.

MTP

Attachment  
1/22/98

Inputs to Outcomes/Program Impacts

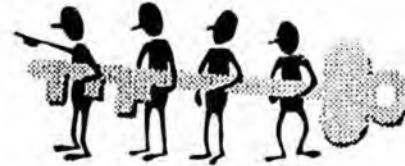


M T P

# Getting to OUTCOMES

---

## 4 KEYS



- *MANAGEMENT has to care about outcomes*
- *You need a process that focuses on RESULTS*
- *Budget discussion MUST shift to outcomes*
- *You WILL have to train managers and politicians*

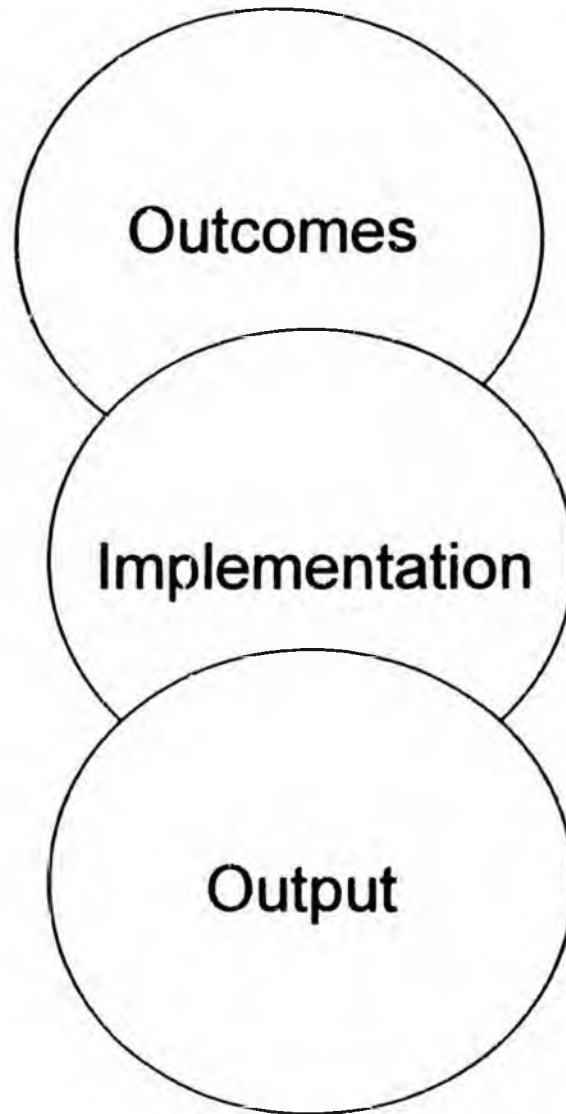
## 4 Steps

- *First define Agencies Mission/Purpose*
- *Next define Agencies Products/Services.....Results*
- *Next define the Customer (if it's internal question it!)*
- *Develop outcomes, preferably WITH customer input*

**MTP**

# Outcomes, Outputs and Overlaps

---



Policy = Legislative

= Executive Branch

Service Delivery = Agency

M T P

Performance Measurement is.....



Efficiency & Effectiveness



Efficiency=Making the BEST use of resources

- How much did we do?
- What did it cost?

Effectiveness=How WELL did we deliver our services

- Quality of our work?
- Customer perception of our work?

NOTE: The assumption above is that you are doing the "RIGHT THINGS".....

# What's IMPORTANT to measure?

Results.....not Activities

*Result: The intended "outcome" of the effort.*

*Activities: The things done to accomplish the "outcome".*

EXAMPLE - JOBS Training

Result = Person get's a Job

Activities =  
Person's case is established  
Person is trained  
Person receives child care assistance  
Person is taught interviewing skills  
etc.....



# Shifting from Spending to Investing

## Budget:

*How much do we "get"*

*Focus is on spending*

*Tends to "assume" costs*

*"check book" orientation*

## Invest:

*What did we "get"*

*Focus is on results*

*Tends to "challenge" costs*

*Revenue orientation*

## In What & At What Level?

- Agency Level - Mission
- Program Unit - Specifics within Agencies
- Outcomes - Broad (cross cutting) Goals
- Combination - Agency & Outcomes



M T P

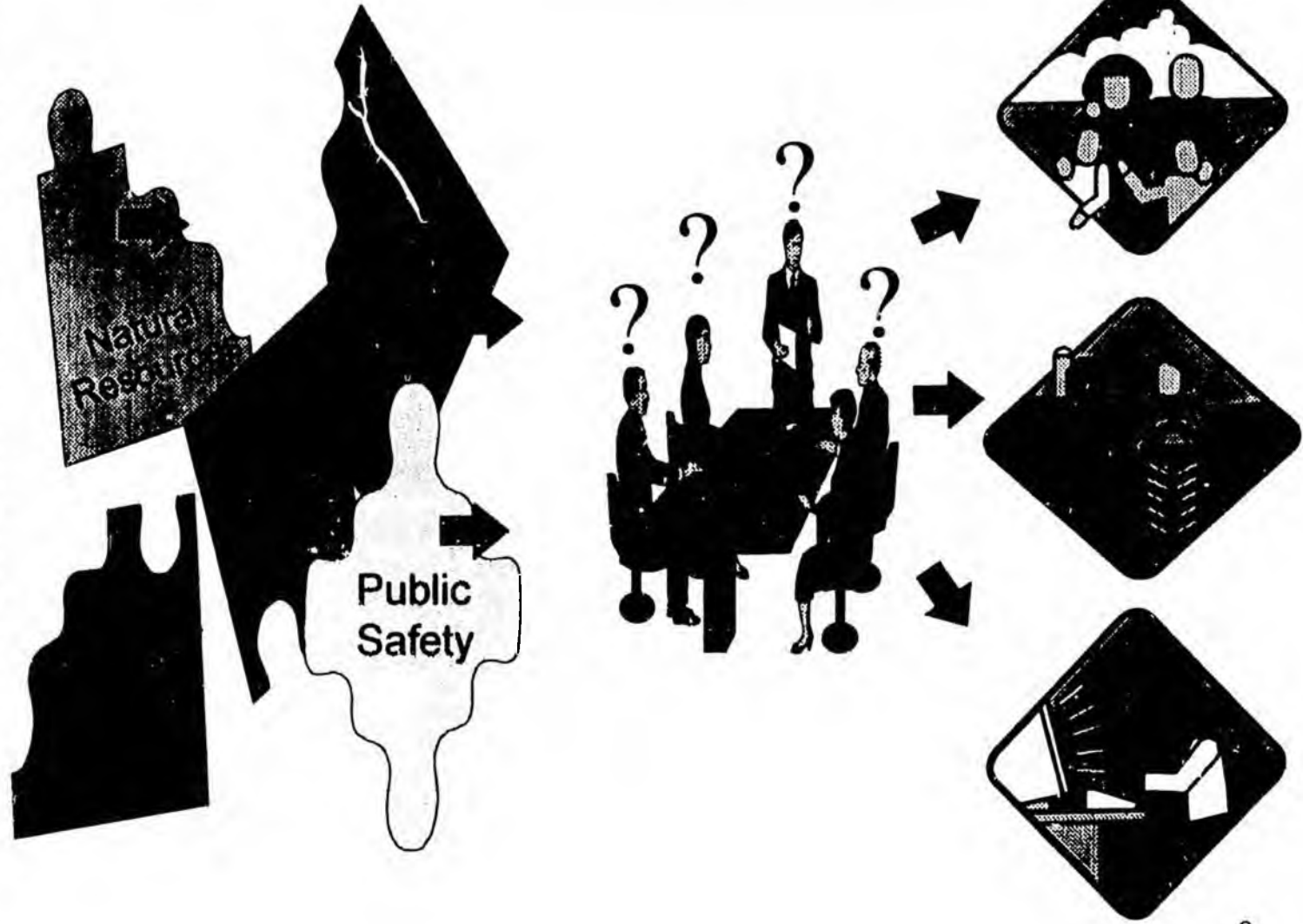
# Investing in Agencies

---



- % spent on administration.
- % spent on Over Time.
- Ratio of managers to staff.
- Layers of management.

# Investing in Programs



MTP

# Investing in Outcomes



- % of Kindergartners ready to succeed in school.
- # of children abused or neglected per 1,000 persons under age 18.

So HOW do we shift to OUTCOMES?

---

“Really good ideas ultimately have something simple at the bottom of them.”

*Dr. Arno Penzias - Nobel Prize Winner*  
FORTUNE Magazine - January 15, 1996

MTP

## KEY QUESTIONS?

---

1. What's your Mission?
2. What are your programs and how do they contribute to the Mission?
3. Who are your customers?
4. What are your Program Outcome Performance Measures?
5. How did you do last year?
6. What do you intend to do differently this year?
7. What are your strategies/priorities for this next year?
8. Which measures are you going to use to validate and monitor our investment? -(cost)
9. \* *Is there duplication between agencies?*
10. \* *Are other options viable to accomplish these outcomes?*

MTP

## Example Performance Measures:

---

Program: Welfare to Work

### Efficiency:

*Cost per client that gets a job.*

### Effectiveness:

- *Average time to move from Welfare to Work.*
- *% of clients placed above minimum wage.*
- *% of "repeat" clients*

## Caution - "Simplify to Succeed"

---

*Resist the urge to over complicate for "perceived" completeness. Begin by having each program unit, agencies, submit the following;*

- At least one efficiency & one effectiveness measure for each program result.
- Brief narrative to support measure.
- Graph depicting baseline, actual & potential results.
- Quarterly reporting to OMB
- (Oregon SB-1130)

## PIT FALLS (Lessons from the "Pit")

---

- ✓ There MUST be agreement by the committees that they will follow an agreed upon approach - Speaker and President KEY.
- ✓ Legislative and Executive MUST agree on a shift from spending to investing. The debate on where to invest will still remain.....
- ✓ Create accountability mechanisms - between the Executive and Legislative. (Performance Contracts)
- ✓ Not everyone(Executive and Legislative) will "want" to change. Predetermine the consequences.....
- ✓ Reward appropriate behavior (Executive and Legislative)

## PIT FALLS (Lessons from the "Pit")

---

- ✓ Focus is to improve - not keep score. Resist the urge to "judge" the numbers too quickly.
- ✓ Build in a quarterly review process, and be ready to make mid-course corrections.
- ✓ Most Financial Systems "count things" and will probably have to be modified, to provide results based information
- ✓ Remember- no one wins -if poor investments are made!

**Alaska State Chamber of Commerce**

---

*Alternative Ways to Deliver  
Government Services*

*January 22nd, 1998*

*Presented by:  
Craig L. Holt, President  
Managing Total Performance, Inc.*

MTP

Attachment #2  
1/22/98

# Tools for Improving Government

---

Activity Based Costing (ABC)

Asset Sale

Benchmarking

Contracting Out

Managed Competition

Outsourcing

Privatization

Performance Contracts - Managers

MTP

# Tools for Improving Government

---

Activity Based Costing (ABC): Methodology that assigns costs to products or services based on resources consumed.

Asset Sale: Transfer of ownership of government assets or functions to the private sector. - Golf Course

Benchmarking: The process of comparing like functions and services.

Contracting Out: Private or non-profit organizations provide goods or services for the government.

# Tools for Improving Government

---

Managed Competition: Public employees and private contractors compete for same work.

Outsourcing: The service delivery of a government function is contracted with the private sector, while the responsibility still resides with the government. - Guard Rail Repair.

Privatization: Service delivery & responsibility for an entire government function is turned over to the private sector.

Performance Contracts: Managers agree to a list of program outcomes, with compensation and dismissal linked to accomplishment.

# Reasons for choosing Alternative Service Delivery

## Georgia:

- Limit government growth
- Reduce scope of government
- Improve government efficiency

## Massachusetts:

- Reduce state budget deficit
- Reduce cost of government services
- Improve government services

## Michigan:

- Reduce state budget deficit
- Shrink size and scope of government

## New York:

- Reduce size and scope of government
- Reduce cost and improve government services

## Virginia:

- Improve service and productivity of government
- Reduce the cost of operations



## Reported Results achieved - (GAO/GGD-97-48)

<u>Georgia:</u>	<u>Reason</u>	<u>Result</u>
State Maintenance of auto's	<i>not core</i>	\$300,000/year
Lancer Island Recreation Area	<i>not core</i>	\$6 million/year
<u>Massachusetts:</u>		
Prison health care	<i>cost savings</i>	\$1.4 million/year
County road maintenance	<i>improve service</i>	\$4.5 million/year
Social Service Collections	<i>improve service</i>	40% increase
<u>Michigan:</u>		
Armory Sale	<i>not core</i>	\$400,000
Physical Security Services	<i>cost savings</i>	\$1.2 million
Worker's Comp. Accident Fund	<i>not core</i>	\$261 million
<u>New York:</u>		
Vista Hotel	<i>not core</i>	\$141.5 million
Tax form processing	<i>cost savings</i>	\$7.5 million/year
<u>Virginia:</u>		
Delinquent Tax Collection	<i>improve service</i>	\$6.8 million/year
Child support enforcement	<i>improve service</i>	60% cost reduct.

Criteria and things to consider....

---

Is this currently being done in the private sector?

Is there sufficient "competition" in the private sector?

Is this REALLY a government function?

Does this function exist elsewhere in government?

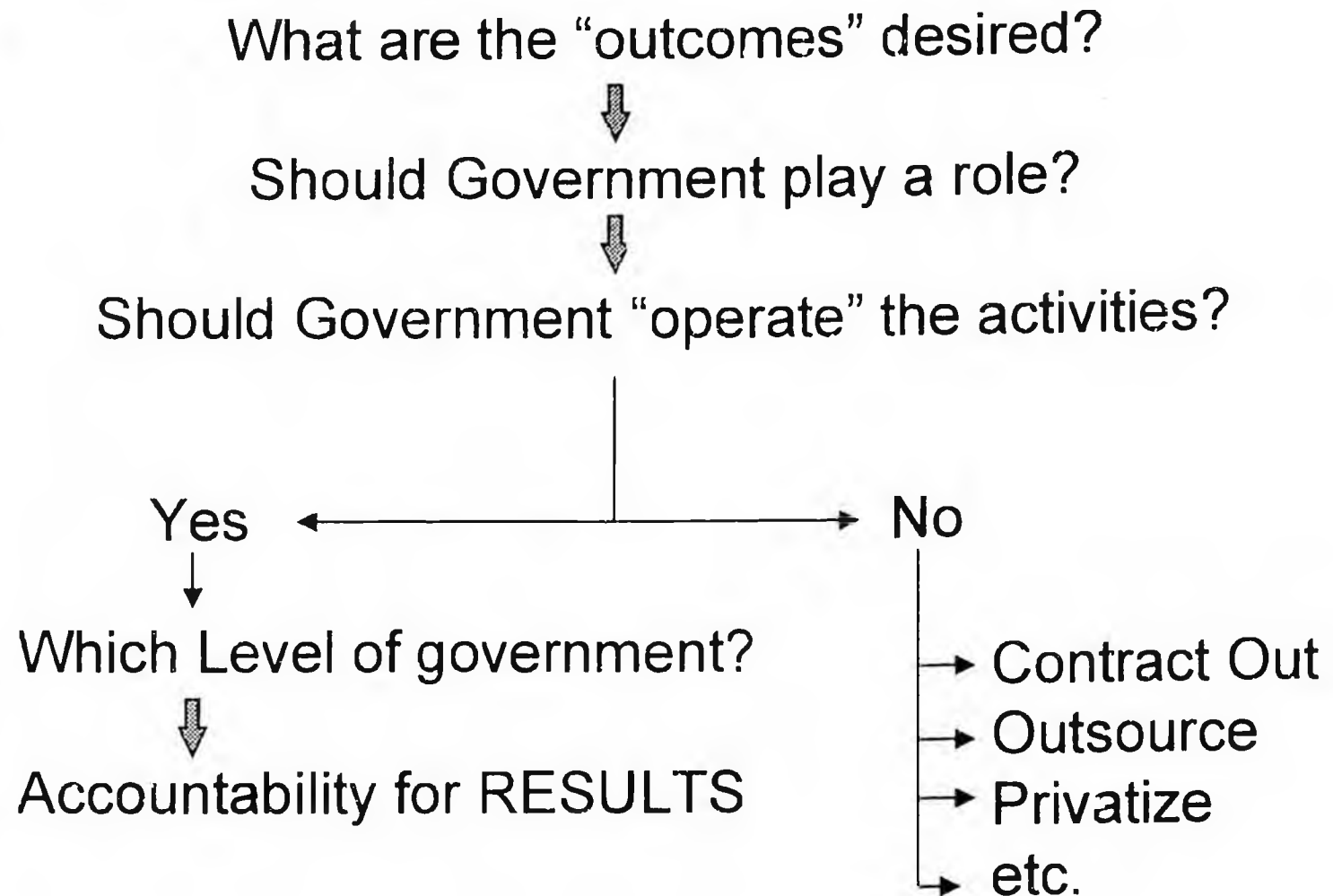
Is Integration an option?

How does this function compare on cost?

How does this function compare on Service Quality?

How Strategic to the future of Alaska?

## Decision Tree for Analyzing Programs



## Areas for Consideration

---

1. Cost cannot be the only factor.
2. Don't outsource to a monopoly, its actually worse.
3. Force Government Agency's to Articulate their Mission and demonstrate how their resources are contributing to that Mission.
4. Where similar functions are being done, managed competition is a good tool for improvement.
5. Look at State, County, and City for similarities.
6. Make DATA driven decisions, this means you will need some performance measures..
7. Provide training to Government Managers, this will be new.
8. The focus should be on IMPROVING government, not outsourcing, privatizing, or competition.

M T P