Presentation to the Commission on Fiscal Stability and Economic Growth

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Collaboration at Work

CERC Value Proposition

CERC drives economic development in Connecticut by providing research-based data, planning and implementation strategies to foster business formation, recruitment and growth.

Cost Based Budgeting

Cost-Based Budgeting	
Starting Point	Last Year = BASE costs
Focus	Add/ Subtract costs re: BASE
Addition	Autopilot increases = new BASE Plus "needs"
Subtraction	"Cut" from new BASE
Submission	Justification for needs/costs -- plus a little extra

Cost Based Budgeting (cont.)

Incentives	Build up costs - make cuts hard
Analyst's job	Find hidden/ unnecessary costs
Elected's job	Choose to cut services, OR Raise taxes to cover costs GET BLAMED!
Focus of debate	What to cut What to tax
What drives decisions?	Avoiding pain before next election

Budgeting for Outcomes Asks Four Basic Questions

1. How much revenue will we have: What price of government will we charge our citizens?

2. What outcomes matter most to our citizens?

3. How much should we spend to achieve each outcome?

4. How can we BEST deliver each outcome that citizens expect?

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Baltimore Framework

BALTIMORE'S OUTCOME BUDGET PROCESS[3]

OLD WAY	NEW WAY
Starting Point: Last Year's Spending	**Starting Point:** Next Year's Goals
Funding Targets: By Agency	**Funding Targets:** By Priority Outcome
Agency Submission: How Allocation will be Spent	**Agency Submission:** Proposal to Achieve Results
Debate: What to Cut	**Debate:** What to Keep

SOURCE: BALTIMORE BUREAU OF THE BUDGET AND MANAGEMENT RESEARCH

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# South Carolina's "Budgeting for Results:" An Overview of the Process

Incremental or Traditional Budgeting	Results-based Budgeting
Focus is on the allocation of "new monies" only (5% of budget total)	Focus is on nearly all monies or the entire budget amount (excepting certain obligations such as debt service, reserve fund requirements, etc.)
Concentration is on inputs (what you buy), i.e. "objects of expenditure"	Concentration is on outputs (what results are expected)
Narrow or marginal decision making	Comprehensive or enterprise-wide decision making
Subjective based	Objective based
Preserving the status quo	Determining new, creative approaches to problems and needs
Agency or bureaucracy driven	Outcome driven
Promotes restraints, restrictions, and red-tape	Encourages flexibility and ingenuity
Control orientation	Planning and management orientation
Emphasizes compliance and preserving legality	Emphasizes performance and innovation
Stresses audit trails and conformity	Stresses program evaluation and improvement
Involves agency heads, elected officials and advocacy groups	Involves everyone wanting to participate, especially those wearing a "citizen's hat"
Encourages and perpetuates single agency programs	Encourages intra- and inter-agency cooperation among programs and activities

Source: Office of the Governor. (2005, January 5). *The FY 2005-06 executive budget*. Columbia, SC: Author, p. 23.

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South Carolina's Budgeting for Results Structure
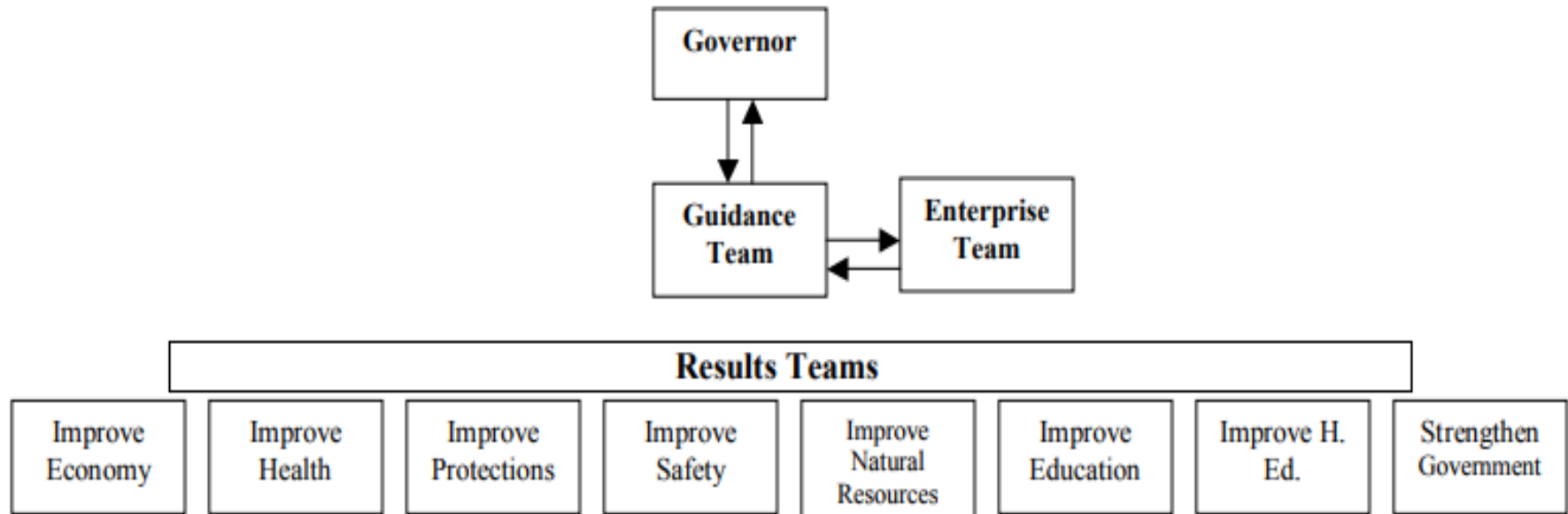
1. Decide How Much to Spend

It's a choice: Raise taxes or fees? Cut spending? Or both?

A Leadership Group should make the decision:

- Legislative leaders

- Executive branch

- Business, education, community, and labor leaders.

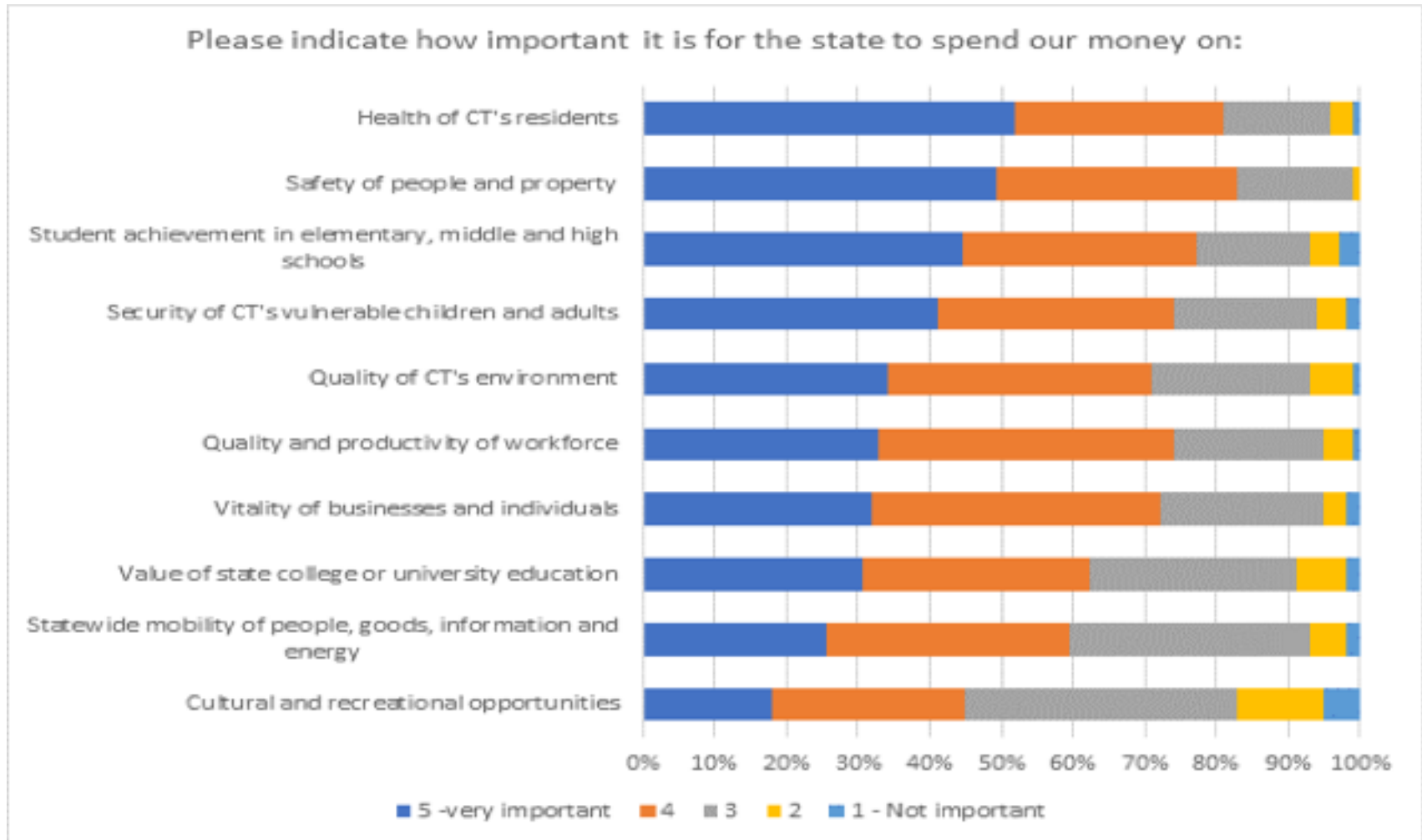# 2. Set the Priorities of Government: The Results Citizens Desire

If you have time, ask the residents (we did):
- Surveys
- Focus groups
- Internet surveys

This input creates legitimacy for the process.

But the Leadership Team should make the final decisions.

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InformCT Consumer Confidence Survey (2017 Q3)

Please indicate how important it is for the state to spend our money on:

Categories (top to bottom): Health of CT's residents; Safety of people and property; Student achievement in elementary, middle and high schools; Security of CT's vulnerable children and adults; Quality of CT's environment; Quality and productivity of workforce; Vitality of businesses and individuals; Value of state college or university education; Statewide mobility of people, goods, information and energy; Cultural and recreational opportunities

Legend: 5 - very important | 4 | 3 | 2 | 1 - Not important

Budget Priorities (2017 Q4)

The State of Connecticut must prioritize the issues on which it spends the budget. Please rank the issues below in terms by how important it is for the state to spend money on that issue.
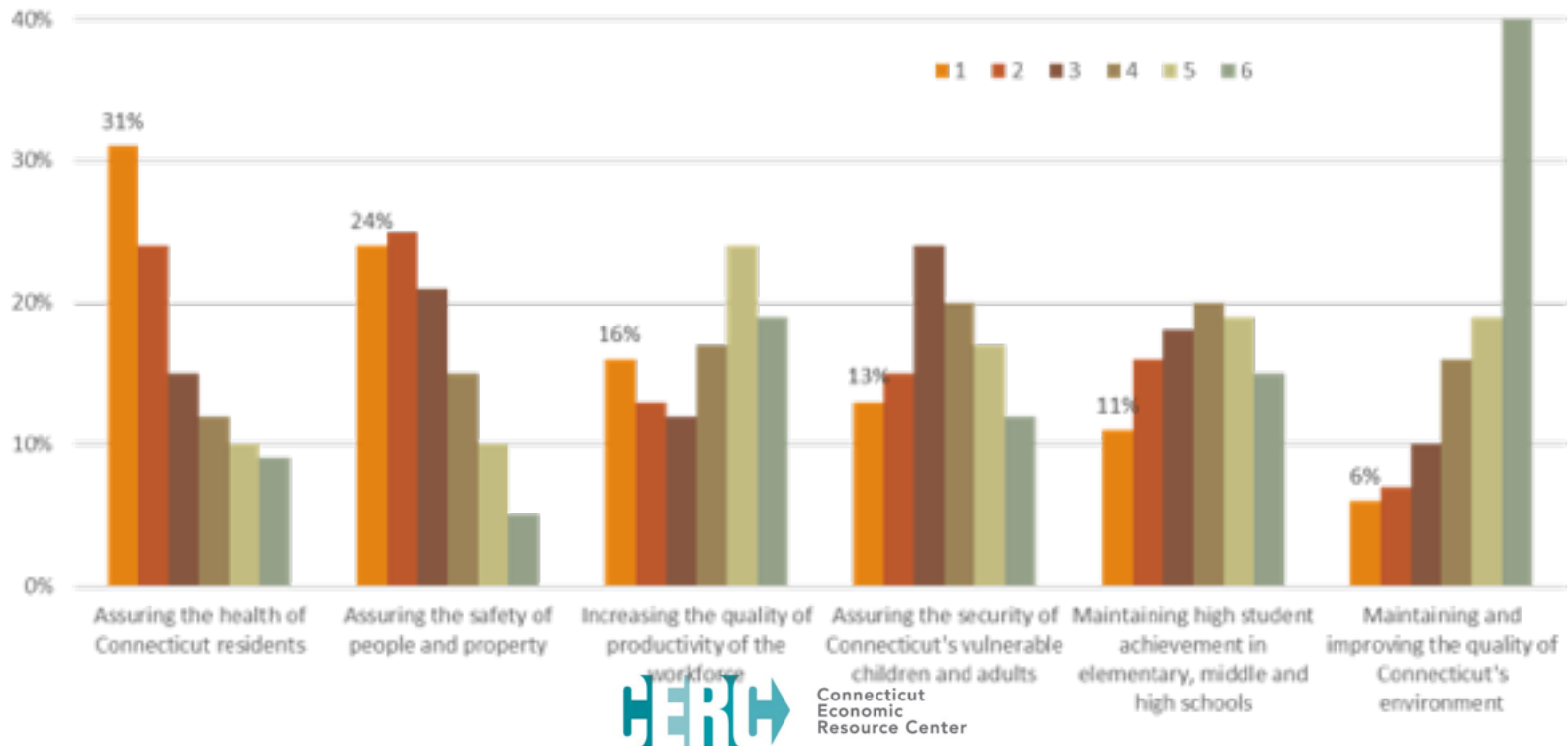
3. The Leadership Team Then Prices the Priorities

How much should CT spend on each?

◦ What is the relative worth of each priority?

It's a judgment--a strategic choice--not science.

These numbers can be adjusted later in the process--but they serve to create a finite pot of money for each outcome goal.

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4. Deliver the Outcomes: Results Teams Create Purchasing Strategies

Results Teams are "Buying Agents" for citizens

They include strategic thinkers who do not have an axe to grind or a program to protect

They could include legislators, legislative staff, executive staff, residents, and knowledgeable outsiders (from academia, think tanks, etc.)

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South Carolina's Results Teams (Inter-agency Appointees)

Goal Areas	Primary Agencies
Improve the conditions for economic growth	Commerce, Dept. of Insurance, PRT, Labor, License, and Review
Improve the health of South Carolina citizens	Health & Human Services, Mental Health, DAODAS, Disabilities & Special Needs
Improve protections for South Carolina's vulnerable children and adults	Dept. of Social Services, Vocational Rehabilitation, Commission for the Blind
Strengthen government's ability to achieve its results efficiently and effectively	Department of Revenue, Lottery, Budget and Control Board
Improve the safety of people and property	Corrections, Juvenile Justice, SLED, Public Safety, PPP,DMV, Department of Transportation
Improve the quality of South Carolina's Natural Resources	Dept. of Natural Resources, DHEC-Environmental, Dept of Agriculture, Forestry Commission, Clemson PSA, PRT—Parks
Enterprise Agencies	Santee Cooper, Ports Authority
Improve K-12 student performance	Department of Education, First Steps, ETV, Ed. Oversight Commission
Improve the state's post-secondary education system and cultural resources	Commission on Higher Ed., TECH Board, Tuition Grants, Museum Commission, Arts Commission, Library, Archives & History

Note: There were additional meetings or hearings with enterprise agencies, including, for example, the state's Research Authority and DOT.

Results Teams' Tasks

First task: Define three key indicators, so you can measure progress. e.g., for "Better Health"

◦ Infant mortality rate

◦ Self-perception of health on survey

◦ Percentage with health insurance

Second task: Figure out what really matters. What factors most impact the outcome?

Baltimore Population Outcomes

- Infant mortality rates dropped 38% between 2009 and 2015
- Property crime decreased 2.2% between 2011 and 2016
- The employment rate for 16-64 year-olds increased 11.6% from 2010 to 2015
- The number of jobs in Baltimore increased 6.2% between 2010 and 2016
- 23% more people reported walking and 40% more people reported biking in 2015 than in 2009
- Watershed bacteria levels were down 70% in 2016 from 2011 levels
- Usage of recreational facilities increased 89% between 2011 and 2016

Baltimore: Tips for Replication

Get Ready for a Fundamental Shift

Leaders Need to "Own It"

Create an Environment for Collaboration

Communication is Key

Provide Opportunities for New Leaders to Emerge

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Next Steps

Create Leadership Team

Set the Price of Government

Determine Priorities

Create Results Teams

Adopt Strategic Program Area Reviews

Reorganize Budget Division and Appropriations around Priorities

Results Teams Reports become Budget (with blessing of Leadership team)

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Thank You

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