



**UNIVERSITY OF
GEORGIA**

**Carl Vinson
Institute of Government**

**COMMITTED TO EXCELLENCE IN
GOVERNMENT**



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Performance Budgeting

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Learning Objectives

At the end of this session, you should be able to:

- Identify barriers to changing the budget process
- Recall some strategies to overcome barriers to change
- Identify different budget innovations
- Recall some resources related to budget



Why Change?



Rethinking Budgeting

Part of an ongoing GFOA initiative...

- Rethinking Revenue
- Rethinking Strategic Planning
- *Rethinking Budgeting*
 - Collaborative effort between GFOA, International City/County Management Association (ICMA), and National League of Cities (NLC)
 - Initiative will raise new and interesting ideas for how local government budget systems can be adapted to today's needs



The Rationale...

Traditional budgeting:

- Limits opportunities to revisit past decisions
- Creates barriers to being strategic
- Emphasizes winners and losers

Inputs Outputs Outcomes



The Rationale...

Threats to the status quo:

- Stagnant or diminishing revenues
- Conflict
- Volatility



Ongoing Effort

GFOA has convened a group of government officials and leading academics to

- Conduct a deep investigation of key weaknesses of the conventional local government approach to planning, budgeting, and monitoring/reporting, and
- Seek innovative alternatives.



No Need to Wait!

*With that effort as our inspiration,
let's discuss some ways we can
improve our budgets!*





Traditional Budgeting



What Does Traditional Budgeting Have Going for it?

It's not all bad, right?

- Simplicity
- Control
- Predictability
- Flexibility
- Easy to align to accounting



What Are Barriers to Change?



Barriers to Change

“We have always done it this way”

“If it is not broke, don’t fix it”

Individuals within the government that continue to be *“stuck on the escalator”*



Pair and Share

Identify Additional Barriers

Why don't we change?



- Reluctance to change
- Where do we start?
 - Stuck on the escalator

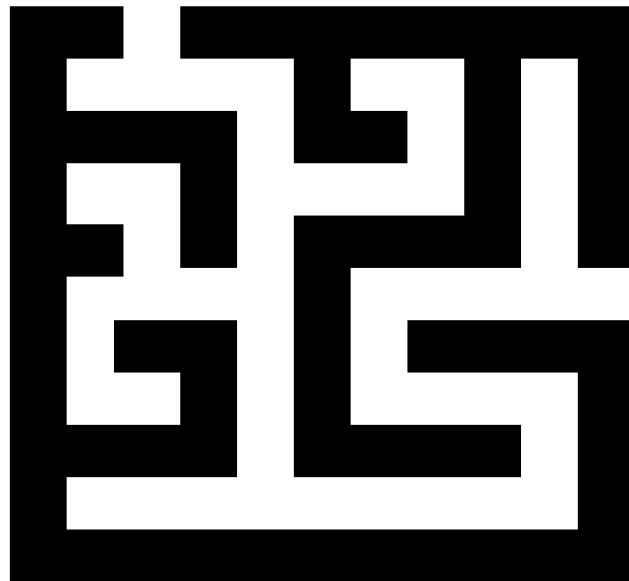


What Are Some Strategies to Overcome Barriers?



How Can We Address Barriers?

Status Quo



Our Ideal



What Are Some Budget Innovations?

Share your experience as we go!



Zero-based Budgeting

The idea: Justify your entire budget!

ZBB breaks down each budgetary entity, or decision unit, into a series of budgetary options, or decision packages.

- Base level
- Current level
- Enhanced level

<https://www.gfoa.org/materials/zero-base-budgeting>



Zero-based Budgeting

NO ONE DOES THIS! WHY ARE WE TALKING ABOUT A DECADES OLD IDEA THAT ISN'T EVEN FEASIBLE???

Let's scrap academic definitions for a minute and discuss the *point...*

- How else can we achieve this goal?
 - Program review
 - Zero-based analysis



Priority-based Budgeting

The idea: Fund what's most important!

A much more strategic process...

1. Identify resources
2. Identify costs of service-delivery programs
3. Identify community priorities
4. Score programs according to goal alignment

Mitchell, D., Larson, S. E., Henley, T., Spranger, A., & Myser, S. (2022). A reflection of changing priorities? The reallocative impact of priority-based budgeting in US municipalities. *Public Budgeting & Finance*, 42(3), 3–22.



Priority-based Budgeting

More than 200 governments do this...Does it work?

- Let's look at the research Mitchell et al. (2022) conducted...



Priority-based Budgeting

Model selection

The formula for the non-parametric estimation approach can be found in Equation (1).

$$Y_{it} = \sum_{\tau=1}^{T_0} \beta_{\tau} I(\tau = 1) + \sum_{k=1}^G \gamma_g I(g = 1) + \delta D_{it-1} + \theta_k X_{itk} + \varepsilon_{it} \quad \forall t > T_0, \quad (1)$$

D represents the key determination of treatment, in this case being a low-priority department in a city that has implemented PBB, due to the nature of the coding of the dummy variables. The coefficient δ , or the average treatment effect for the treated, represents

Mitchell, D., Larson, S. E., Henley, T., Spranger, A., & Myser, S. (2022). A reflection of changing priorities? The reallocative impact of priority-based budgeting in US municipalities. *Public Budgeting & Finance*, 42(3), 3–22.



Priority-based Budgeting

TL;DR-

- Costly and time-consuming, BUT
- It does appear to lead to reallocation

How do we decide on our communities' priorities?

- Talk to me!
- Can we make a stronger link between budget and strategic planning?



Program Budgeting

The idea: Fund outputs, not inputs!

Goals are defined and expenses are allocated based on defined goals.

- Like PBB (another form of output-focused budgeting), this form can be more strategic.

13.4. Marketing and Promotion

Purpose: The purpose of this appropriation is to manage the state's farmers markets, to promote Georgia's agricultural products domestically and internationally, to administer relevant certification marks, to provide poultry and livestock commodity data, to administer surety bonds, to provide information to the public, and to publish the Market Bulletin.

Total Funds	\$8,462,827
Other Funds	\$855,701
Other Funds - Not Specifically Identified	\$855,701
State Funds	\$7,607,126
Georgia Agricultural Trust Fund	\$1,884,774
State General Funds	\$5,722,352



Program Budgeting

Like cooking chicken... This approach doesn't lend itself well to partial measures.

Tradeoff alert!

- Decision makers can be more strategic, BUT
- Departments get more discretion (often paired with more accountability)



Performance Budgeting

The idea: Let's see how we're doing!

Often looks like a program budget + performance measure. Link “what we’re spending” + “how we’re doing”

Keep in mind that the selection of performance measures is one of the most critical elements of the performance measurement system. They must be chosen to “measure the right things” – that is, they must be relevant to program goals.



Performance Budgeting

At its simplest, we're adding performance measure data to the budget.

GFOA Distinguished Budget:

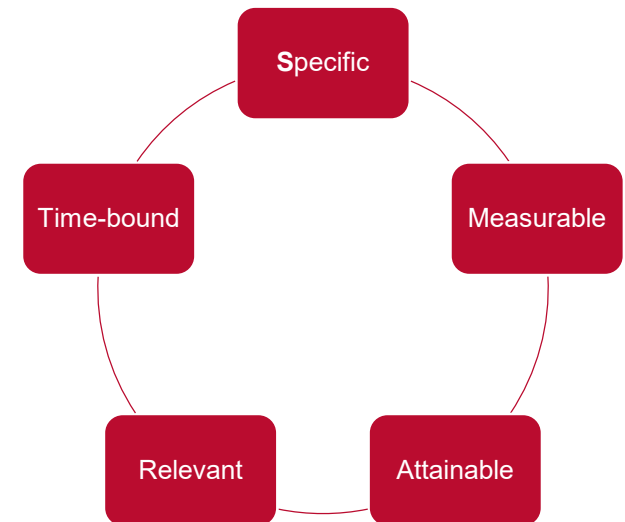
- #O6: Mandatory: Provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific departments and programs.



Performance Budgeting

This easy AND hard! How good are your measures?

- Effectiveness/Outcomes – measures how well a government accomplishes its goals and objectives as they relate to program and service delivery.
- Efficiency – measures how many resources a government consumes when achieving its goals and objectives as they relate to program and service delivery.
- Outputs – measures what the program or service produced in relation to its inputs. Customers can be internal or external depending on the type of good/service.
- Quality – measures the level of satisfaction of either internal or external customers in relation to the goods and services delivered to them.
- Workload Measures – measures the amount of outputs performed by a department, program, or service.



Performance Budgeting

What does discussion around your measures look like during the budget process?

Do you do any benchmarking?

- Talk to me!



ICMA's Innovations

The International City/County Management Association recently wrote about “five standout practices that add an innovative touch to the budgeting process.”

- Transparent
- Citizen-Driven
- Equitable
- Efficient
- Recovery-Focused

<https://icma.org/blog-posts/five-innovative-budgeting-practices-strengthen-your-community>



Participatory Budgeting

The idea: Citizen driven!

“The budget process is an important avenue for making resource allocation decisions, and thus, participatory budgeting allows citizens to have a say in how the taxpayers’ money is spent.”

“A binding public process in which residents decide how to spend a pot of public money.”

Guo, H. (David), & Neshkova, M. I. (2013). Citizen Input in the Budget Process: When Does It Matter Most? *American Review of Public Administration*, 43(3), 331–346.

Pape, M., & Lim, C. (2019). Beyond the “Usual Suspects”? Reimagining Democracy With Participatory Budgeting in Chicago. *Sociological Forum*, 34(4), 861–882.



Participatory Budgeting

- (1) Citizens will better understand resource allocation decisions
- (2) Public officials learn citizens' preferences, and
- (3) Citizens review public officials' accountability

Guo, H. (David), & Neshkova, M. I. (2013). Citizen Input in the Budget Process: When Does It Matter Most? *American Review of Public Administration*, 43(3), 331–346.



Participatory Budgeting

OpenGov breaks down the steps:

1. The government first allocates a certain portion of the budget to the participatory process.
2. The government then provides information to orient public knowledge to the specific budget items and issues involved.
3. Citizens then deliberate and decide how the budgeted money should be spent.
4. Ultimately, the government adopts and approves the budget.
5. Finally, implementation progress is reported to the public.

<https://opengov.com/article/innovative-examples-of-participatory-budgeting-in-government/>



Participatory Budgeting

What does this look like in Chicago:

“PB Chicago” – 4 wards are given discretionary “Menu Money” (around \$1.3 million in 2012)

- Research finds “the “usual suspects” are indeed overrepresented” but lower socioeconomic status residents “were just as likely as affluent residents with a history of political and civic participation to be involved in the more demanding phases of PB Chicago, and sometimes even more so.”

Pape, M., & Lim, C. (2019). Beyond the “Usual Suspects”? Reimagining Democracy With Participatory Budgeting in Chicago. *Sociological Forum*, 34(4), 861–882.



Participatory Budgeting

Greensboro, NC “allows residents to decide how to spend \$500,000 worth of City funds -- \$100,000 per City Council district.”

Contracted with the Participatory Budget Project to facilitate.

- <https://www.participatorybudgeting.org/mission/>

<https://www.greensboro-nc.gov/departments/budget-evaluation/participatory-budgeting/about>



Participatory Budgeting

When does it matter most?

Research study “results show that citizen participation in the budget process has greatest positive effect on organizational performance at both the early and ending stages of the budget process, namely, the stages of information sharing and program assessment.” (less important during discussion and decision)

What does this tell us?

Guo, H. (David), & Neshkova, M. I. (2013). Citizen Input in the Budget Process: When Does It Matter Most? *American Review of Public Administration*, 43(3), 331–346.



Open Budget

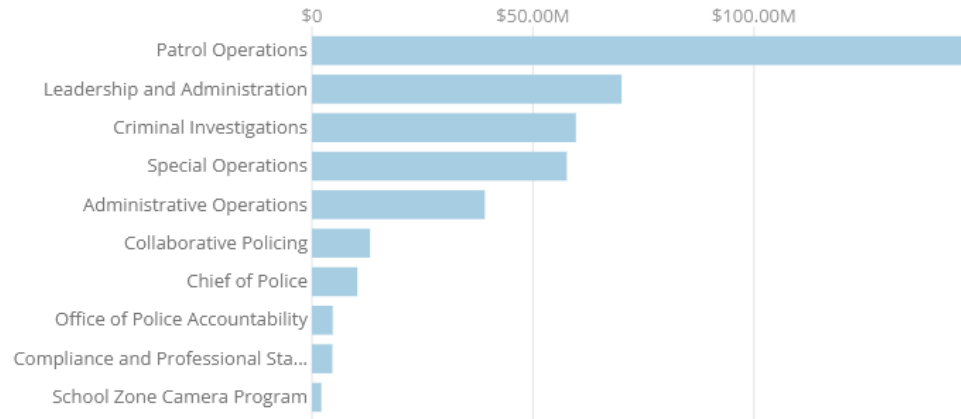
The idea: Transparency!

<https://openbudget.seattle.gov>

Let your public view the details

Pros and Cons?

- Talk to me!



Other Ideas

Stress Tests

- <https://www.gfoa.org/materials/stress-tests-gfr1021111>

Budget Equity Tool

- <https://www.sanantonio.gov/Equity/Initiatives/BudgetEquityTool>



What Are Some Resources?



More Information

GFOA Rethinking Budgeting

- <https://www.gfoa.org/rethinking-budgeting>

OpenGov Participatory Budget Examples

- <https://opengov.com/article/innovative-examples-of-participatory-budgeting-in-government/>

ICMA Five Innovative Budgeting Practices

- <https://icma.org/blog-posts/five-innovative-budgeting-practices-strengthen-your-community>





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Questions?

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