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Overview of Budgeting for Outcomes Initiatives across the U.S. and their Implications for Illinois Service Providers

In 2011, the Illinois General Assembly passed HB 5424, the legislation known as “Budgeting for Outcomes.” In an effort to increase fiscal responsibility, this program ties available revenue directly to defined spending priorities, with programs or “activities” that achieve those selected outcomes ranked in order and giving funding until all funds are exhausted. In other words the state will “buy” their desired results, and those that fall below the funding line are assumed to be a lower priority or deliver less to the citizens of the state. This varies from the traditional or “incremental” model of budgeting in which departments continue to submit funding requests for the same programs and staff, increasing slightly for inflation or changes in the department. Budgeting for outcomes (also known as budgeting for results, zero-based budgeting, and performance-based budgeting), is marketed as a more transparent and accountable method of developing budgets, and includes the public in the decision-making process. As the state of Illinois begins to create commissions, set priorities, and initiate roll-out, it is vital that Illinois Partners be engaged and educated about the process. This began by comparing the legislation in Illinois with similar legislation in other states, including Iowa, Washington, Michigan, South Carolina, and Vermont, all of whom passed performance-based budgeting legislation recently. There was also follow-up research about implementation in smaller jurisdictions, including various counties and cities. While the terminology varied and the processes were not identical, there was much that these endeavors had in common with the proposed Illinois legislation. The formation of a working group is the initial step. This group allocates funds according to proposed results and established priorities, which forces tough choices.

In some cases, the priorities established by the state were fairly vague, such as “improving the health of all Washingtonians.” They developed ten Results Areas for Washington State, using the governor’s guidance team, including: student achievement, post-secondary learning, vulnerable children and adults, health, safety, natural resources, culture and recreation, economic vitality, mobility, and state government. Agencies then propose activities relating to these areas and link them to a measurement or outcome; while each outcome might have multiple activities attached, no activity can be approved without an outcome. A results team reviews Requests for Results (RFRs) defining their strategies, indicators, and allocating funds.

The bidding process through Budgeting for Outcomes is often done in multiple rounds, passing through internal, legislative, and public review. Bidding allows vendors and providers to link the prioritized outcomes to their programs with a detailed dollar amount. The idea is that competition in bidding will foster creativity, encouraging agencies to return to the drawing board when reviewing their programs, and look across the service silos to consider broader goals and outcomes. In Washington, bids are ranked and funded until the funds run out (everything else falls below the line).

In Iowa, priorities and “benchmarks” in the categories of economic development, workforce development, and strategies for strong families were determined using public input through a statistically valid public opinion survey conducted in 1994. The approach is comprehensive; Iowa intends to use these benchmarks to determine their budget, the direction of policy decisions, and trickle-down to more local spheres. Communities were also invited to work with the council to develop benchmarks for their community, which are considered “Benchmarking Communities.”

In Michigan, cross-agency planning groups developed plans around six priority areas. The public was invited to comment through town hall meetings scheduled at different locations and times, and attended by either the Governor or Lt. Governor. The planning groups were given the task of establishing strategies to achieve broad priorities and also develop “performance indicators” to measure their success. When ranking activities based on feedback from the public, it should be noted that due to budget constraints, many “high priority” activities fell below the funding line in Michigan.

In Multnomah County, Oregon, a budget forum is held to introduce residents to the process of selecting priorities out of 18 county service categories. Surveys were available online, on paper, and were advertised in the local paper. Residents ranked their top six county service programs between March and May 2011, with Mental Health Services, Community Health Services, Aging and Senior Services, Schools and Early Childhood Services, Health Clinics, and Homeless Services receiving the most votes. Property Assessment and Taxation, as well as Parole and Probation Services and Elections, received the lowest priority rankings. Several public hearings scheduled for May also allowed citizens the opportunity to comment on the services they most value.

In Snohomish County, Washington, citizens also established open-ended priorities such as “improving the health of people in the community.” It is then up to a designated team focused on a specific area (Health and Vulnerability, Transportation, Public Safety, etc.) to determine what activities and strategies will best fulfill these goals, and then designate metrics based on factors to verify their success. This team is assigned by the county Executive, and for 2011 is made up of the Executive Steering Team. Their process includes strategy mapping, utilizing the priority statement, indicators of success, and a purchasing strategy. Examples of indicators include percentages of children and adults experiencing obesity and rates of reported violent crimes per 10,000 population.

Fort Collins, Colorado has been seen as relatively successful in their approach to budgeting. In advance, they prepare a calendar for the budget process which includes orientation for their departments, revenue projections, outcome determinations, bidding, review, sessions with the city council and public hearings, and then final approval. The city received a certificate of merit from International City/County Management Association (ICMA) for their improvements. They have actually been able to restore some previously cut programs, including Dial-A-Ride for seniors (at an adjusted service fee) and neighborhood park development, although at the expense of significantly reducing public sector employee benefits.

The success of these programs is not consistently evident. In Vermont, legislation was passed in 2010 called Challenges for Change, and was intended to be a performance-based budgeting effort that would save the state \$38 million dollars. However, the roll-out was not as successful as expected, coming short \$12 million in projected savings (under the most moderate estimates) and buy-in from agencies and advocates was lacking. A leader from a Vermont think-tank stated that the problems with the program lie in the state’s inability to create effective measurements and truly quantify its successes and failures. The Vermont Speaker of the House believes that in attempting to roll-out budgeting for outcomes across the entire state budget, that they took on too much at once, and recommend a slower implementation, starting with the Department of Human Services. Using the Challenges for Change framework (though the title has largely been abandoned), the Department of Human Services faced a cut of \$10 million in the proposed FY12 budget.

In South Carolina, the roll out of Budgeting for Results was greeted with excitement for the 2005-2006 Fiscal Year. However, recent budget difficulties have created drastic cuts to public assistance programs, including the state's Medicaid program. The year proceeding, the state was forced to remove funding from child immunization programs and restaurant inspections. It seems that the economic crisis has tied the hands of some states, impeding any efforts to purchase programs that have a critical value to their residents. In Dallas, after instituting Budgeting for Outcomes in the early 2000's after two years of deep cuts, they still have \$33 million missing from the city's budget. The continuing cuts and discontent have led the city financial team to believe that it takes multiple years to see effective results of performance-based budgeting.

The mixed responses of the Budgeting for Outcomes initiatives, and their inability to overcome extreme budget constraints in multiple locations, has persuaded Illinois Partners and our member agencies to get in front of this process early. As Illinois agencies draft RFPs (Request for Proposals) in response to new measures which they are in the process of determining, it is important to increase the advocacy of Illinois Partners. Our input is especially relevant as we consider that the legislation of other states did not reduce the strains on their budgets, and that cuts to funding for human services were evident in multiple jurisdictions that we reviewed. As the state begins to set its priorities, this is a critical stage where service providers need to make sure their voices were represented. Additionally, Illinois is attempting to engage the public at large in prioritizing outcomes they value, and using their proposed technology, there is another opportunity for providers, their clients, and their constituents to be engaged, since programs which are not publicly supported are not likely to be funded. Using the tools provided by this research, there is an opportunity to educate broadly on the benefits of funding human services, make the case for the inherent value of our programs, and reduce the stigma facing our clients.

Human service providers also value accountability, and have already developed several methods of measuring outcomes for the services they provide. The policy team of Illinois Partners also spent time researching the ROI (Return on Investment) that human services provide in order to link these programs to measurable results by cost. Pulling numbers from a variety of sources, it was determined, for example, that coordinating care for someone in the community costs \$8,400 - \$17,000 while a spot in a nursing home costs between \$36,000 and \$140,000, and that every dollar spent on Head Start programs save between seven and nine dollars in program costs in the future. Using these findings, providers can more readily make a case for the funding of their services.