

# Better Budget Talk

January 21, 2009 By SHELLEY METZENBAUM

*Performance reporting offers a better way to explain painful trade-offs.*

Brutal. That is the only way to describe the budget choices facing state and local governments today.

Local news is filled with stories of the pain caused by state and local budget cuts. The headlines are horrible: blind workers losing long-held jobs, 25 percent cuts in the number of adult mental health caseworkers, slashed funding for school meals, and long-overdue infrastructure repairs delayed yet again. The choices facing governments today are just plain ugly.

Government leaders agonize over the budget-cutting decisions they must make. Few in the public, however, understand the complexities of the choices facing their elected leaders.

In truth, the limited understanding of the public is partly the fault of government. Few governments do a good job helping their citizens understand budget options. The budget documents they produce describe program funding by line item, but seldom in a way that provides a good sense of what government does, what it accomplishes, and the likely consequences of lower funding levels.

Early efforts to integrate performance measurement and budgeting tried to tackle this problem, but were hindered by a crude conceptual framework. Performance budgeting initiatives were launched with proclamations that effective programs would receive more funding while ineffective programs would be cut. Program managers complied with measurement and reporting requirements to avoid losing funding, but few gave much thought to producing data they could use to improve their programs and communicate better with the public. Early performance measurement and budgeting mandates often increased agency workload with little apparent societal benefit.

Smart government leaders soon figured out the fallacy of the early performance budgeting framework. They realized that it seldom made sense to cut funding for ineffective programs because the problems that spawned the programs still existed. Instead, they needed better data to understand the problems and to determine which practices were worth continuing and possibly expanding. Leaders also needed more detailed information about program costs. This allows programs to find more cost-effective approaches when successful interventions are identified.

In recent years, governments have gotten more sophisticated about performance measurement, performance management, integrating performance data and budget information, and communicating it. Let me share three promising practices all state and local governments would be wise to adopt:

- **Compile a single list showing, by category, the number of people served and items purchased.** For the 2008 fiscal year, New Jersey published its first "Citizens' Guide to the Budget" as a companion document to the line item, agency-oriented budget written for legislators. The guide includes a simple list showing the number of people served and items purchased across programs, concisely communicating what government funds, and consequently revealing its harsh budget-cutting choices: Drop a line of service, reduce the number served, reduce the quality of what is delivered, or discover productivity-increasing approaches. This list is useful not just to citizens but also to the governor and state legislators. Below is an excerpt from the 2009 New Jersey "[Citizens' Guide to the Budget](#)," for one of 10 state objectives:

<b><u>People Served/ Items Purchased</u></b>	<b><u>Helping Those in Need</u></b>
119,225,369	Subsidized School Lunches
29,436,218	Subsidized School Breakfasts
	Subsidized Drugs for Seniors and Disabled:
6,096,033	PAAD Annual Prescriptions
604,771	Senior Gold Annual Prescriptions
4,700,000	Hunger Initiative – Food Purchased (lbs)
3,933,000	Home-Delivered Meals to the Aged
781,004	Persons Receiving Health Care thru Medicaid
312,535	Energy Assistance – Tenants and Homeowners Served

- **Present program performance and key process indicators together with spending and personnel data.** Austin, Texas, uses a full suite of program indicators in its budget documents and performance measurement database. For fire and emergency response, for example,

Austin counts not only the number of fire and medical incidents, but also response time between call receipt and arrival, response time between dispatch time and arrival, percent return of spontaneous circulation after defibrillator use, cost per unit dispatched to alarms, spending levels and personnel levels. Taken together, the data provide a snapshot that clearly conveys how the city balances health and safety quality with program costs. (See [www.ci.austin.tx.us/budget/08-09/downloads/Performance\\_FINAL\\_reduced.pdf](http://www.ci.austin.tx.us/budget/08-09/downloads/Performance_FINAL_reduced.pdf) and [www.ci.austin.tx.us/budget/eperf/index.cfm](http://www.ci.austin.tx.us/budget/eperf/index.cfm).)

- **Present historic trends along with proposed performance targets and spending levels.** One of my favorite government performance reports is the New York City "[Mayor's Management Report](#)," which reports multiyear trends for each agency, and not just for performance, activity levels, response times, and relevant per unit costs, but also for spending and personnel. The ability to see trends for the same multiyear period for multiple indicators, including spending patterns, presents a coherent story. The sanitation department report, for example, helps the public see how changes in spending have historically corresponded to changes in staffing, activity and program outcome levels. This suggests how future spending reductions might affect street cleanliness, snow clearing and recycling rates. Each agency's performance report provides the public with a succinct but comprehensive picture of its priorities, progress, problems, and strategies, which in turn lays out budget-cutting options and implications.

In the age of the Internet and at a time of excruciatingly tight budgets, we can and must do a better job to help the public understand the budgetary trade-offs we face, what government funds and what it does not fund. We also need to communicate more clearly how government manages the delivery of services. With months and possibly years of difficult budget choices ahead, governments would be wise to adopt the promising performance budgeting and reporting practices described here.

**Shelley Metzenbaum** is the director of the Edward J. Collins Jr. Center for Public Management at the McCormack Graduate School of Policy Studies, University of Massachusetts Boston.

**This column originally appeared on [Governing.com](http://Governing.com), January 21, 2009. Copyright © 2009 The President and Fellows of Harvard College.**