



## RECOMMENDED PRACTICE

### **Budgeting for Results and Outcomes (2009) (BUDGET)\***

**Background.** The US National Advisory Council on State and Local Budgeting (NACSLB) has identified four essential principles of effective budgeting. The specific principles include: (1) set broad goals to guide decisions, (2) develop strategies and financial policies, (3) design a budget supportive of strategies and goals and (4) focus on the necessity of continually evaluating a government's success at achieving the goals that it has set for itself (i.e., performance). The Government Finance Officers Association (GFOA) has officially adopted the recommendations of the US NACSLB. GFOA also has issued separate recommended practices on strategic planning and performance measurement. All of these documents underscore GFOA's longstanding support of strategic planning and performance measurement as part of the budget process.

Consistent with the US NACSLB principles, a growing number of governments use the budgeting for results and outcomes approach. Rather than starting with the prior period's budgeted programs and activities, they begin with available revenues, continue with a consideration of desired results and strategies, and then conclude by deciding what activities and programs can best achieve desired results. This approach is a marked departure from the incrementalism often characteristic of budgeting.

Budgeting for results and outcomes links strategic planning, long-range financial planning, performance measures, budgeting, and evaluation. It also links resources to objectives at the beginning of the budgetary process, so that the primary focus is on outcomes rather than organizational structure.

**Recommendation.** The Government Finance Officers Association (GFOA) recommends that governments consider budgeting for results and outcomes as a practical way to achieve the US NACSLB objective of integrating performance into the budgetary process. GFOA believes that the following steps should help a government in making this successful transition:

- (1) *Determine how much money is available.* The budget should be built on expected revenues. This would include base revenues, any new revenue sources, and the potential use of fund balance.
- (2) *Prioritize results.* The results or outcomes that matter most to citizens should be defined. Elected leaders should determine what programs are most important to their constituents.
- (3) *Allocate resources among high priority results.* The allocations should be made in a fair and objective manner.

- (4) *Conduct analysis to determine what strategies, programs, and activities will best achieve desired results.*
- (5) *Budget available dollars to the most significant programs and activities.* The objective is to maximize the benefit of the available resources.
- (6) *Set measures of annual progress, monitor, and close the feedback loop.* These measures should spell out the expected results and outcomes and how they will be measured.
- (7) *Check what actually happened.* This involves using performance measures to compare actual versus budgeted results.
- (8) *Communicate performance results.* Internal and external stakeholders should be informed of the results in an understandable format.

Budget professionals may play a number of roles in budgeting for results and outcomes, including the following:

- Facilitating government-wide results and analytic support.
- Providing “reality checks” on budget allocations and expected revenues in the light of adopted financial policies.
- Advising on allocations for administrative support functions, which provide necessary organizational infrastructure for achieving community goals, but do not typically emerge as high priorities on their own.
- Analyzing work product to evaluate the process of budgeting for results and outcome.
- Serving as an advocate for outcomes and the process in general rather than for any particular department.

Budgeting for results and outcomes is not just a one-year exercise, but also a multi-year effort that should improve the budget process.

### **References.**

- GFOA Recommended Practices:
  - *Recommended Budget Practices of the National Advisory Council on State and Local Budgeting (NACSLB) (1998).*  
<http://www.gfoa.org/services/rp/budget/budget-recommended-nacslb.pdf>
  - *Performance Management: Using Performance Measurement for Decision Making (2002) - Updated Performance Measures (1994).*  
<http://www.gfoa.org/services/rp/budget/budget-performance-management.pdf>

- *Adoption of Financial Policies (2001).*  
<http://www.gfoa.org/services/rp/documents/AdoptionofFinancialPolicies.doc>
- *Establishment of Strategic Plans (2005).*  
<http://www.gfoa.org/services/rp/documents/StrategicPlanningRPOrlando.pdf>
- *Managed Competition as a Service Delivery Option (2006).*  
<http://www.gfoa.org/services/rp/documents/ManagedCompetitionRP1.pdf>
- *Budgeting for Results and Outcomes (2007) (BUDGET)*- approved by the GFOA's Executive Board, March 2, 2007

Approved by the GFOA's Committee on Canadian Issues, June 27, 2009