



## Budgeting for Outcomes

### The Right Results for the Right Price

Snohomish County, Washington, is refining how it measures its programs' effectiveness for citizen satisfaction and managerial efficiency.

*Editor's note: Beginning with this issue, Government Finance Review will include a column focusing on government performance. "PM<sup>2</sup> Connections: Performance Measurement and Management" will highlight entities that are successfully using performance management techniques to make decisions and manage their operations. The editors invite input from your jurisdiction.*

When Snohomish County Executive Aaron Reardon was a state legislator he liked the budgeting process the State of Washington used under Governor Gary Locke. When he became county execu-

tive of Snohomish County, Washington, he sought to duplicate this success in changing the budget process to one that focused on reaching results for citizens. This process is called "Budgeting for Outcomes."

Most government budget processes follow a traditional path. In proposing the budget, the top executive in the government starts with last year's spending and the programs that were funded in that previous year. Instead of starting with the previous year's budget and justifying increases or cuts from that base, Budgeting for Outcomes calls upon government leaders to start with a set of results that matter to citizens and then fund programs according to their value in achieving those results. Performance measurement is critical to evaluate if a program is producing results for a community and thus should be funded.

County Executive Reardon asked his finance director Roger Neumaier to oversee the Budgeting for Outcomes process. Now four years later he reports on how this has worked and the link with a strong performance measurement system.

#### **I. How long have you been doing Budgeting for Outcomes in Snohomish County?**

Snohomish County has been using the Budgeting for Outcomes process since 2005 (budget year 2004). This year we will complete our fourth budget

#### **Make me an "Offer"**

In the Budgeting for Outcomes process, an "offer" is a proposal to produce a measurable result at a price. Departments, and sometimes others, make offers to help reach one of the results citizens want from their government. All offers are then ranked and funded until money runs out for that result. Performance measures are an integral part of offers because they allow decision makers to compare different offers to one another by the measurable outcomes they propose to produce.

Snohomish County, Washington, is located on Puget Sound north of Seattle. It has a population of 67,000 and an annual budget of \$713 million.

with the process. We use the Budgeting for Outcomes process for all funds and all departments. Over the four years the county has been stabilized fiscally as reflected by our bond rating.

When Snohomish County first used the Budgeting for Outcomes process, we had an 8 percent deficit in our general fund and a new county executive who had experienced Budgeting for Outcomes at the state level as a legislator.

## **2. What has changed about how you use it over the last four years?**

The first year we were focused on learning the differences in approaches between Budgeting for Outcomes and a traditional budgeting process. Each year we get better. There is less training. The first two years each “offer” (see sidebar) went through two iterations, by the third year we were down to one. However, most importantly the county culture now expects Budgeting for Outcomes. For example, the first year we heard a lot about mandates and how we were mandated to provide certain services. We went through a process where we documented all legal mandates and minimum level of services that were to be provided and found that there were very few. Because of Budgeting for Outcomes, Snohomish County now provides services to the community that citizens value versus providing a service because we perceive we have to.

## **3. What have been some of the key positive outcomes from using Budgeting for Outcomes?**

Fewer complaints about what is in (and not in) the budget and a much broader and more comprehensive understanding of the county fiscal situation. Also, it is clear that we provide outcome-based services that have a value to the public. We do not fund processes, we fund outcomes. Culturally there has been a big shift at the county and it is only partially about budgeting — we have changed the way we think about government. We are now a county government that understands that it exists to provide value to (rather than processes for) the public. If we are not providing sufficient value, we should stop providing a service. In order to know how successful you are in providing value, you need meaningful performance measures.

## **4. How has your use of performance measures worked with Budgeting for Outcomes? How has this evolved over the four years?**

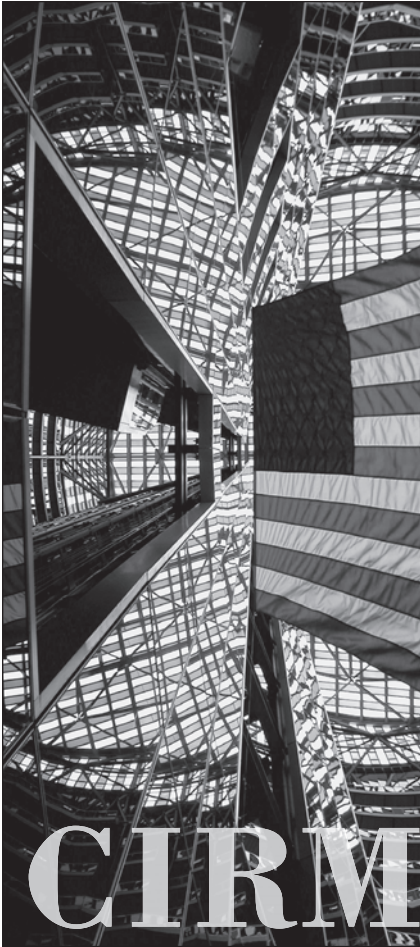
Since we began using Budgeting for Outcomes all of our performance measures are available on the Web. We have become much better at using data effectively and providing that information to the public. We have moved past measuring inputs to measuring outcomes. We communicate with the public regularly. I think through the process we have gained (and earned) community trust. We also have learned to recognize the difference between measures that are meaningful to the general public and measures that tell us how effective we are.

We currently have one set of performance measures that is used for both internal and external purposes. We need to consider developing two sets: one that responds to the public’s interest for information and a second that is tightly focused upon performance and managing to outcomes. We also know that we are not the experts in this and still have a lot to learn. We are not yet as good as we can be.

## **5. You have a Trailblazer Grant from the National Center for Civic Innovation — how will you use this to improve performance measurement and link to Budgeting for Outcomes in the future?**

As a result of the Trailblazer Grant, we will be adjusting and improving our emphasis on performance measures. We will hire a graduate intern to help us identify meaningful outcome-related performance measures utilized by other governments. We will work on further developing our internal and external measures as referenced above. (This will improve our ability to evaluate the effectiveness of our budget.) The executive office and budget office will work directly with county programs to better define, develop, and report outcome information. Additionally, we will hold a second round of public input by utilizing focus groups to better understand the types of performance measures the public is interested in. During the first year we used Budgeting for Outcomes, we had public meetings in each of the county’s five legislative districts to gain a better and updated understanding of citizens’ priorities.

## **6. What advice would you give to jurisdictions just starting the**



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### **Budgeting for Outcomes process in terms of performance measurement?**

Know the purpose of your program. Knowing what your products/outcomes are has to be the starting point. Understand citizen expectations. A jurisdiction must spend time and thought on how to measure success. Without meaningful performance measures, a government will lack credibility or will not know how effective its programs are. Performance measurement builds effectiveness internally and confidence externally.

It was really helpful to have assistance from consultants in the beginning, but is not necessary thereafter. The full support of senior management is essential. Having our county executive be the clear sponsor of the process gave us a level of momentum from the start that made a huge difference. Most importantly, meaningful outcome-related performance measures and Budgeting for Outcomes must go together. ■

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This article was prepared by **BEVERLY STEIN**, who served as the elected county executive of Multnomah County (Portland), Oregon, for eight years. She won *Governing* magazine's Local Official of the Year award in 1996. She is now a senior managing partner and co-owner of the Public Strategies Group and can be reached at [beverly@psg.us](mailto:beverly@psg.us).

The Public Strategies Group, Inc. and the GFOA's Research and Consulting Center jointly offer a BFO toolkit. For more information, contact [bfo@gfoa.org](mailto:bfo@gfoa.org).

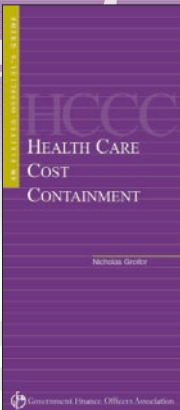
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