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Governors And Budgets

How governors spend money is their most powerful lever to prioritize, make performance consequential and move agencies and stakeholders from frustration to innovation.

By Jim Chrisinger

Thirty-seven governors won election in November and delivered inaugural addresses. I just read them all. Whew

I was looking for details on how the newly-elected governors planned to spend the money. After all, budgeting tells everyone what's most important, and I have written previously about leveraging the budget as an opportunity during fiscal crisis. So, what do their inaugurals say about how they'll squeeze advantage from the fiscal crisis and solve their budget gaps?

Not so much. Many took a direction heavier on values, vision and home-state paeans. Colorado's John Hickenlooper took the prize in that department: "We have the best beer."

In the inaugurals, the most commonly-mentioned, spending-related phrases were "hard choices," "tough decisions" and "balanced budgets." Balance the budget, indeed. But how? Two governors declared they will not "spend money we don't have." Four governors vowed to "live within our means," like families do. Georgia Gov. Nathan Deal will "justify every cent." Florida Gov. Rick Scott will "justify spending and performance." And New York Gov. Andrew Cuomo will "right-size" and "reduce and consolidate."

Getting more specific, some governors claimed they will target changes in the way they pay for health care; others are looking to change the state-local equation. Some noted the need for strategic investments as well as cuts.

South Dakota Gov. Dennis Daugaard is ready to "redesign and refocus" and "reinvent our government." Tennessee Gov. Bill Haslam will "set priorities and establish measureable goals." And Nevada Gov. Brian Sandoval will "achieve efficiencies at every turn so that we might spend less and serve more." But do they have budget processes that inherently do these good things? Will they find themselves having to cheer-lead every painful step?

In refrains we hear more often now, several governors suggested a bright line, in-or-out approach: essential vs. non-essential; core vs. non-core. But how helpful is that? What my agency does will pretty much always be more essential than what your agency does. Isn't it more productive to think of spending options on a continuum from higher value to lower value?



Another theme was that government cannot be the only answer; the other two sectors must also contribute to solve our problems, though no one pointed out how the budget process could be engaged to actually incentivize that.

Of the 37 governors, Oregon's Gov. John Kitzhaber focused most on how to use the budget strategically. He began by laying out high-level goals, like 80 percent of high school graduates will achieve at least two years of post-secondary education or training. He then asserted the need to "change the focus of our political debate from cutting budgets and raising taxes to a focus on growing the economy and redesigning how we deliver public services." Further, he recognized that:

Historically, state government's response has been to cut from the current structure in lean times, and add back those cuts in good times -- leaving the structure of how services are provided basically intact. [...] Instead of creating a budget that does less of the same in the hopes that we will later be able to do more of the same, I will be proposing a budget and structural reforms that will do things differently...."

Kitzhaber also promises to move "from a current service-level budget to true outcome-based budgeting."

Current budgeting usually casts us as zero-sum prisoners of the status quo. The energy is all about cutting and revenue. Instead, start with the outcomes citizens and taxpayers want and create the broadest, most dynamic "marketplace" for spending options your politics and courage will allow. Use the leverage of the billions you do have available to incentivize innovation and reward those who offer you the best value.

Making value-based competition the engine of budgeting will trigger mighty resistance and entail much hard work. But it can be done, even with less than the best beer.

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