

December 7, 2010

## Results From Baltimore's Budget

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Baltimore was facing a fiscal year 2011 budget shortfall of \$121 million, or about 15 percent of projected discretionary general fund spending. That's become something of the norm for big cities. But Baltimore's solution was not the norm.

Budget chief Andrew Kleine was determined not to go down the road of across-the-board cuts and robbing Peter to pay Paul. He convinced his finance director and mayor to try a better way of budgeting, "outcome budgeting."

Kleine knew it would not be easy. Outcome budgeting disrupts the status quo and puts the focus of budgeting where it belongs -- on results for citizens. It's not magic, though, and it won't work unless leaders commit to changing the traditional mindset from an every-agency-for-itself money chase to a team effort to deliver more value per dollar spent.

So what happened under outcome budgeting in Baltimore? Three things. High-value activities got more money, more programs embraced innovation and low-return activities were reduced or eliminated.

### **High-value activities received relatively more money.**

In outcome budgeting, performance data matters. Now that people have experienced real money come or go based on performance data, Kleine is confident that he and his staff will have to spend less time cheerleading performance management. This budget, for example:

- Provided what was in essence new funding for youth violence prevention programs, which were losing funding from other sources. They showed great evidence of effectiveness, and therefore, received general fund money for the first time, even in the midst of a budget crisis.
- Increased funding for maternal and child health because their proposal presented strong evidence that funding would prevent seven to eight crib deaths a year and get children off to a strong start.

- Funded libraries at close to current service levels because Baltimore leaders emphasized life-long learning in their budget strategies, and libraries made excellent proposals with particularly strong data on their success with job seekers.
- Level-funded after-school programs, especially those run by the nonprofit Family League, because data showed that they increased school attendance.
- For the first time, funded new, 10-year smoke alarms and also maintained funding for fire prevention programs, part of an overall strategy of preventing problems instead of cleaning up messes.
- Fully-funded crime cameras because the evidence shows a 25 percent drop in crime in areas covered by the cameras. Similarly, the Violent Crimes Impact Division was level-funded because it responded to the public safety budget strategy of focusing resources on particular places to reduce violent crime.
- Funded the Emerging Technology Center and the Small Business Resource Center. The first was able to replace other funds with new general fund dollars because their data showed that "their businesses" had grown and stayed in Baltimore. Solid data demonstrated that the Small Business Resource Center helped start-ups succeed.

### **Outcome budgeting spurred innovation.**

Done well, outcome budgeting uses the leverage of the budget process to do more than just better allocate money. It drives innovation. Kleine explains that "the competition for dollars encourages new thinking about how to deliver services for citizens." Examples:

- Redesigned and automated Housing Code Enforcement to increase the number of vacant and unsafe structures rehabbed (and razed others), raise new revenue and leverage tens of millions in private investment. These results flow from a budget proposal that featured a stronger outcomes focus, clear strategies, more sophisticated IT and code changes. And this budget proposal asked for \$750,000 less than last year.
- Funded Operation Care, which zeroes in on the few people who most often call 911. Assigning a nurse to work with each "frequent flyer" results in lower costs through fewer 911 calls and ER visits.
- Funded a proposal for four new revenue officers, pegging their funding to their performance, including a provision that gives the revenue department a percentage of increased revenue.
- Moved \$5.5 million in utility spending from General Services to the agencies occupying city buildings. Now the agencies will have an incentive to lower their utility costs: They keep the savings if they do.

### **Low-value activities were reduced or eliminated.**

Getting rid of low-performing activities may now be the holy grail of government budgeting. Baltimore did it, strategically reducing service budgets by more than \$30 million. For example:

- City funding was eliminated entirely for a quasi-governmental entity that provided prisoner re-entry and tutoring services. They shared great anecdotal support, but no data documenting impact.
- The \$550,000 Creative Baltimore Fund was eliminated for lack of a clear strategy.
- Because two other agencies performed similar work, the Office of Community Development was zeroed out.
- The Commission on Aging was merged into the Health Department and both the Wage Commission and Office of Community Relations were consolidated into the Office of Civil Rights, which resulted in nearly \$1 million in savings without compromising priority services.

A wide variety of activities took more substantial cuts than others because they did not compete well against other uses of money on value, alignment, leverage and the other criteria.

Another twist in outcome budgeting is that one agency can make a case that it can achieve another agency's results better, faster and cheaper, and propose to take it over. In Baltimore, Housing and Community Development saw a better way to handle burglar alarm registration, then housed in the police department. Housing's proposal integrated redesigns of the property and burglar alarm registration processes, which will improve service, increase revenue and save the 30 percent that had gone to a private contractor to collect false alarm fees. This combined redesign will net an additional \$2.6 million. It will also free up police for more important work.

In some cases, the fiscal year 2011 budget cycle was used to put gears in motion for more significant change in the next cycle. For example, special recreation facilities, like ice rinks, driving ranges and others have been put on a path to self-sufficiency. Before, they received appropriations for their costs and their revenues went into the general fund. They had no incentive to ensure that revenues exceeded costs. Now their revenues will go into a special fund from which they can cover their costs. This year, they will still receive some, but less, general fund money and have been put on notice that general fund support is time-limited.

Another benefit of outcome budgeting is more accurately reflecting the true and full cost of activities, which facilitates the value comparisons that support better budget choices. For example, this year, the Baltimore stopped "free" collection of trash at public housing units; public housing will now have to bear that cost.

These results did not come easily. There were rough edges and the process required extraordinary effort. Kleine emphasizes that, "Outcome budgeting is not for the faint-of-heart. You need to have full commitment from the top and be prepared to stick with it for the long term."

[Outcome budgeting \(or its variants\) is a growing trend](#), and has been used in Los Angeles, New Orleans and Savannah, Ga., as well as California and Colorado, as tough fiscal times are spurring reexamination of priorities.

After the fiscal year 2011 budget was adopted, Kleine and his staff held focus groups, listened carefully, and improved the process for the next cycle. New Mayor Stephanie Rawlings-Blake has endorsed outcome budgeting and personally kicked off Baltimore's fiscal year 2012 cycle. Everyone looks forward to even better results the second time around. Value-based decisions are becoming the norm in Baltimore's budgeting.

To learn more about outcome budgeting in Baltimore, please contact Budget chief Andrew Kleine at [Andrew.Kleine@baltimorecity.gov](mailto:Andrew.Kleine@baltimorecity.gov).

This column originally posted at Governing.com - *Better, Faster and Cheaper*, December 7, 2010 and reprinted with permission.

