

Budgeting for Outcomes in Michigan

The Public Strategies Group

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A Fiscal “Perfect Storm”

- Increased costs to educate, incarcerate, and medicate
- Growing pension obligations as population ages
- Rising debt and debt service
- Weakened revenue due to tax cuts and citizen resistance to price increases

Why Change?

Insanity is doing the same thing
over and over again -
expecting a different result!

The Old Budget Game

Core question: How much will it cost to keep doing what you've been doing, in the way you've always done it?

Core answer: More!

- Inflation
- Case loads
- Complexity

Result: Budget by cuts - Status Quo but Less!

The Old Budget Game

- Focus on paying for costs versus buying results
- Play hide and go seek with information
- Steal funds from other accounts
- Lie in accounting for spending & revenue
- Borrow - pay tomorrow for today's costs
- Use reserves or sell off assets to cover operating expenses
- Make something up
- "Thin the soup" across the board

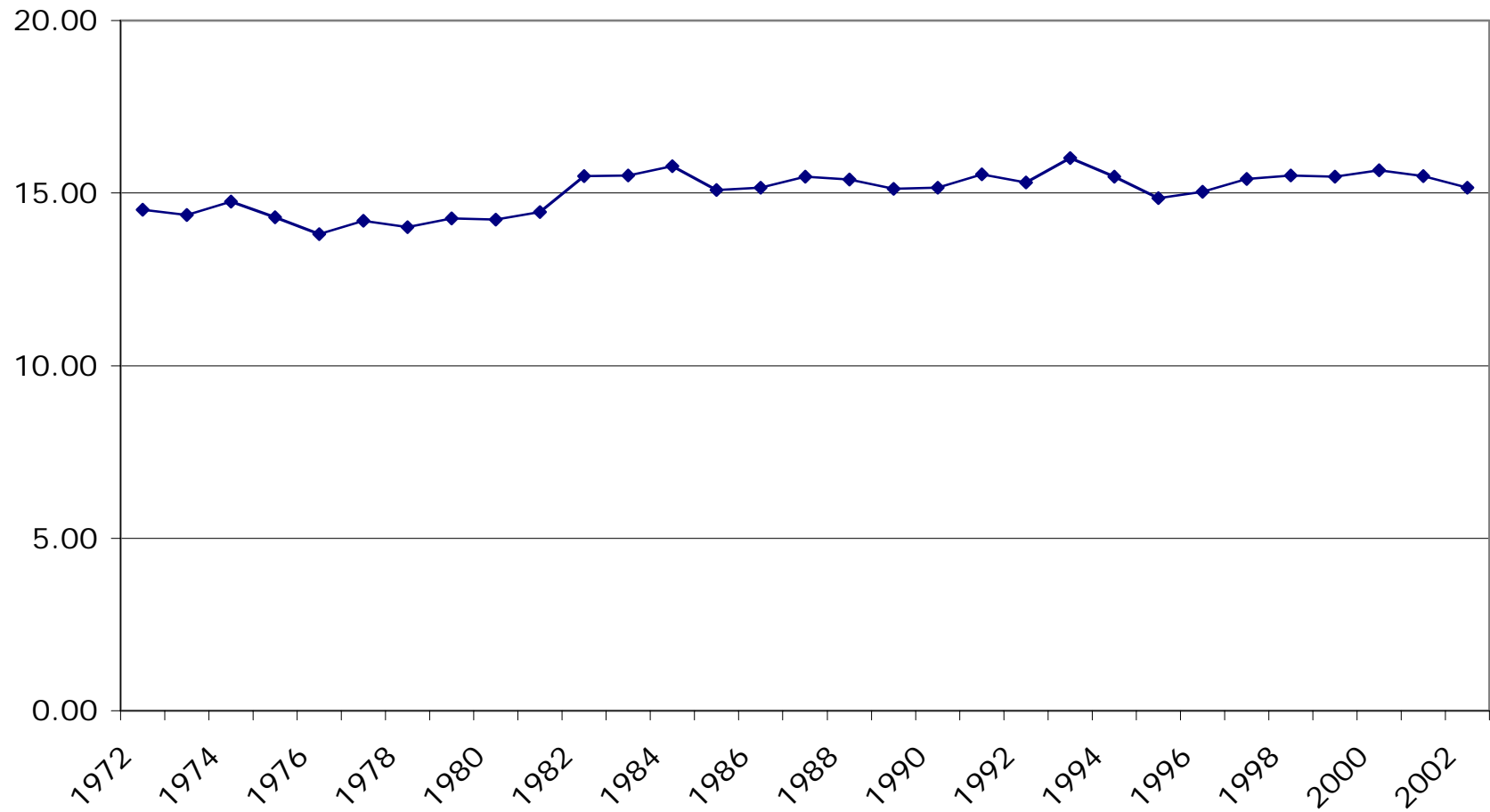
What If.....?

- The budget was structured around results citizens care about instead of state bureaucracy
- The process was focused on how to spend \$40 billion incredibly well versus how to “cut” \$750 million
- Every program had to declare the quantifiable results they will produce with the dollars they receive from the state
- The legislature prioritized and bought those activities that lead to the results citizens want instead of just continue what’s always been done

The New Approach

- Set the Price of Government
- Establish Priorities of Government (Results)
- Set a Price for Each Result
- Results Teams: Choose statewide performance indicators and draw causal “results maps”
- Assign Gov’s budget items to each result
- Appropriations: Consider budget proposals and then rank them based on contribution to results
- Budget buys results that citizens want at the price they are willing to pay.

Michigan Price of Government 1972-2002 (State & Local Revenue as % of Gross Personal Income)



The Results Citizens Want

- Economy is thriving & people are working
- Kids are succeeding in school
- People are prepared for jobs & the new economy
- Our natural resources are preserved and protected
- People are safe where they live, work, play
- People are healthy
- Vulnerable live free from harm & as self-sufficiently as possible
- People and goods move quickly & efficiently
- Government is effective, efficient, & accountable

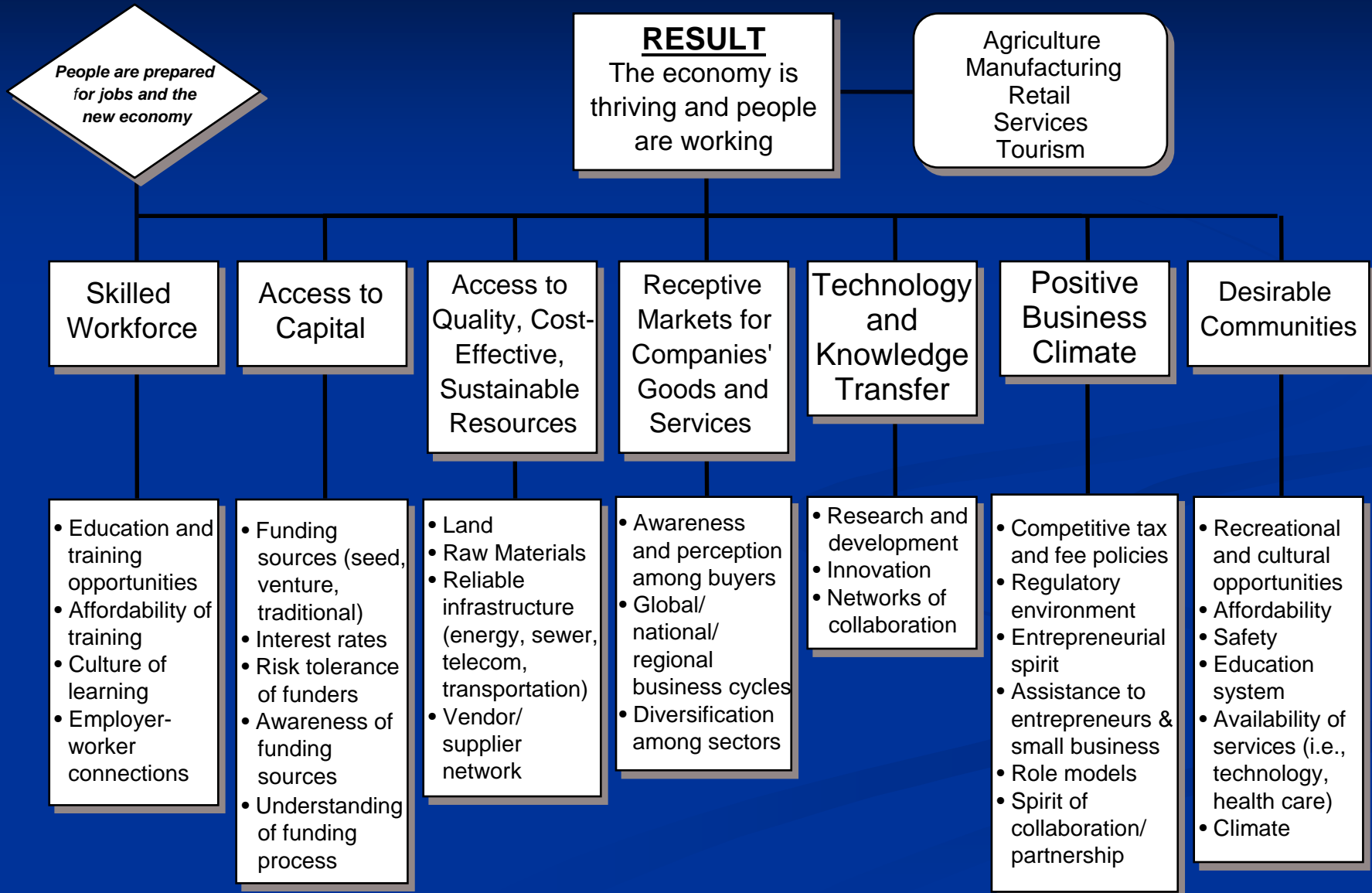
How Michigan Government Spends \$40 Billion A Year

Kids Succeed in School	32.0%
People are Healthy	25.5%
Vulnerable are Protected	11.1%
People and Goods Move Efficiently	8.9%
People are Safe	7.2%
People are Prepared for Jobs	6.2%
Government is Effective & Efficient	4.7%
Economy is Thriving	2.6%
Natural Resources are Protected	1.8%

Indicators of Success for “The Economy is Thriving”

- Employment
 - Unemployment rate
 - Civilian labor force employment
- Earnings
 - Per-capita income
 - Average weekly earnings
- Business Growth
 - Benchmarks with other states
 - Diversification into “emerging” industries

"Thriving Economy" Results Map



Departments That Impact The “Thriving Economy” Result

- Agriculture
- History, Arts, and Libraries
- Higher Education
- Labor & Economic Growth
- Natural Resources
- Treasury

What Will Success Look Like?

- A budget built around results, not just departments
- An appropriations process that examines every dollar spent, not just General Fund
- A different set of questions being asked (and hopefully answered) regarding how programs contribute to the results
- A ranking of programs in each result based on their “value for money”

Change Does Not Come Easy

- Existing committee structure does not align with results
- Few programs have good performance information
- Ranking based on results challenges historical funding arrangements

How You Can Support This

- En-Courage Your Legislators to:
 - Ask the right questions
 - Demand results
 - Look at every dollar
- Testify/Lobby in Terms of Results
 - If you ask for more money, show more results
 - Bring evidence, not just anecdotes

Thank You!

Any Questions?