

Budget Reform

*Presentation to the Oversight and
Fiscal Committees*

June 25, 2001

Incremental Budgeting

- Current system
- Motivating Forces: Evaluate proposed new initiatives on their own merit by examining budgets, plans and goals.
- Reasons for Dissatisfaction: Difficulty in examining initiatives funded in the base budget.

Zero-based Budgeting

- The essence of an agency, program, division, or department is examined to determine its worth and value.
- Motivating Forces: Rebellion against incrementalism
- Reasons for Dissatisfaction: Complexity and extensive staff time necessary to formulate decision units and justify cost elements.

Program Budgeting


- Expenditures are based primarily upon programs. It is a transitional type of budget between the traditional character/object budget and the performance budget.
- Motivating Forces: Promotes examination of program goals and objectives, and an awareness of the economic costs of different programs
- Reasons for Dissatisfaction: Poorly suited to determine program performance, difficulty of coping with overhead costs.

Performance Budgeting

- Measurable performance objectives are used to make budget related decisions.
- Motivating Forces: Focus on outcomes and outputs
- Reasons for Dissatisfaction: Difficulty in relating performance measures to costs and analytical burdens related to cost/benefit analysis.


Biennial vs. Annual

- 20 states - Biennial Budgeting
- 30 states - Annual Budgeting




Biennial Budgeting supports Performance Budgeting

- 1st year: Nuts and bolts of budgeting
- 2nd year: Program review and analysis of outputs and results.
- Ability to scrutinize program accomplishments and problems more closely.



Budgeting Practices of Other States

- 72% of states use a combination of budgeting techniques.
- 18% use only program budgeting
- 8% use only incremental budgeting
- 2% use only zero-based budgeting



Of the Budgeting Practices Used

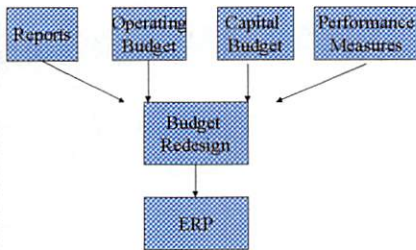
- 39% are program
- 33% are incremental
- 16% are performance based
- 12% are zero or modified base

Progress to Date on Budget Redesign

- Participation in ERP efforts including:
 - Deloitte and Touche Assessment
 - Vendor Education Sessions
 - Preparation of RFP

Collaborative Approach

Over 25 agencies participating



Recent Collaborative Successes

- Joint LFB/DOM Salary Model
- Resulted in better budgeting by:
 - Improved accuracy in salary projections (1/10 of 1% error)
 - Increased efficiency
 - Enhanced consistency and understandability
- Results due, in large part, to utilizing new technology.

Timeline/Cost

- 18 - 24 months
- \$42 million for ERP
- \$4 million of that \$42 million for budget