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# **Getting More Bang for the Buck in Louisiana**

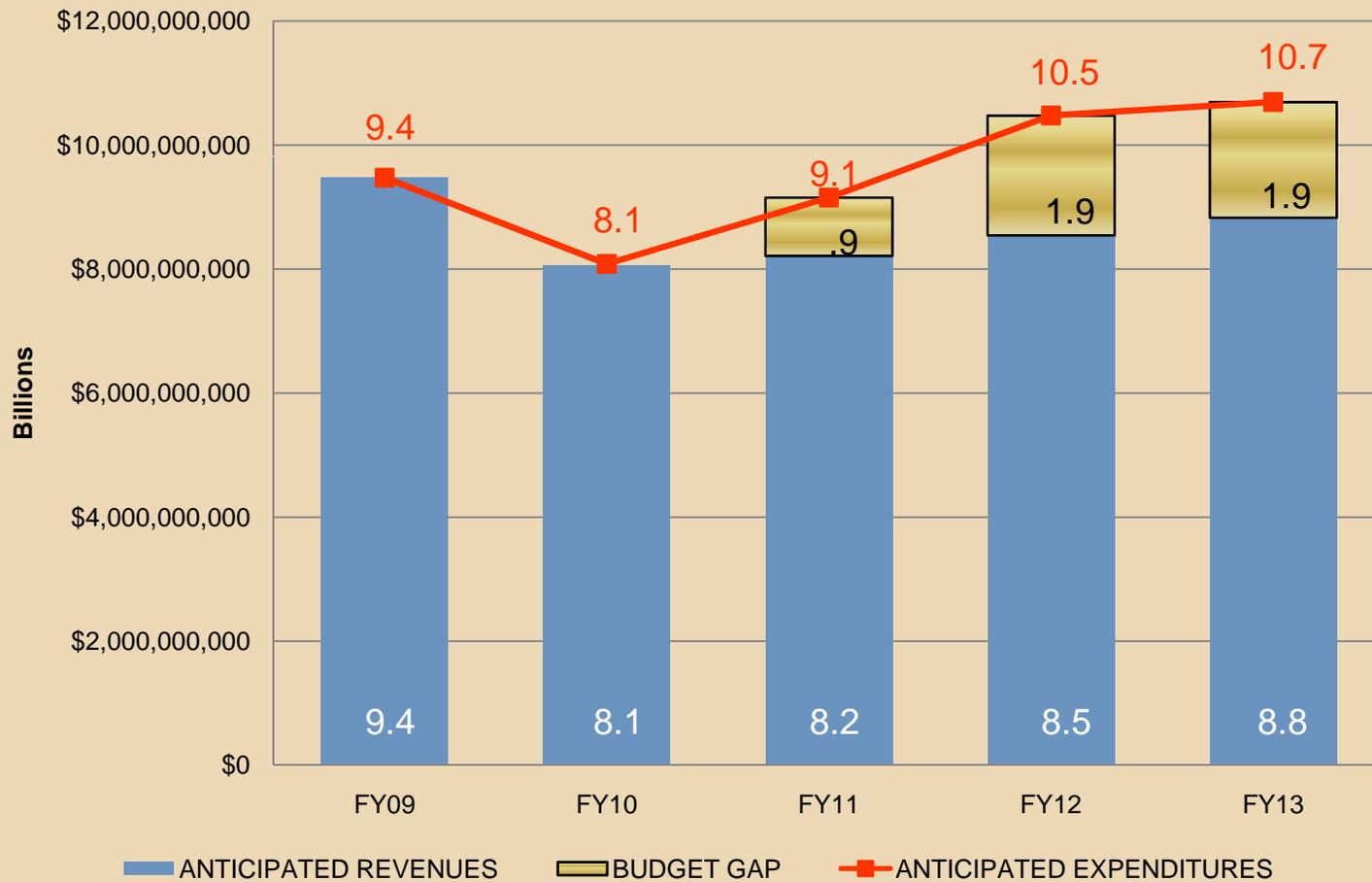
**Commissioner Angele Davis**

**Division of Administration**



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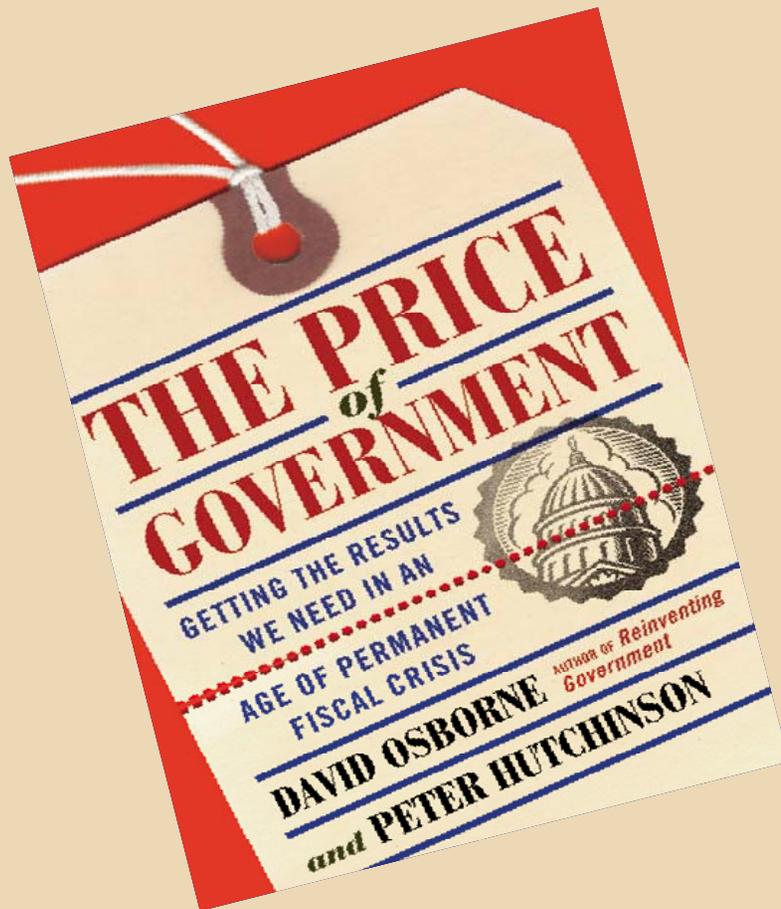
# 5-Year Budget Outlook





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# ***Getting More Bang for the Buck in Louisiana***



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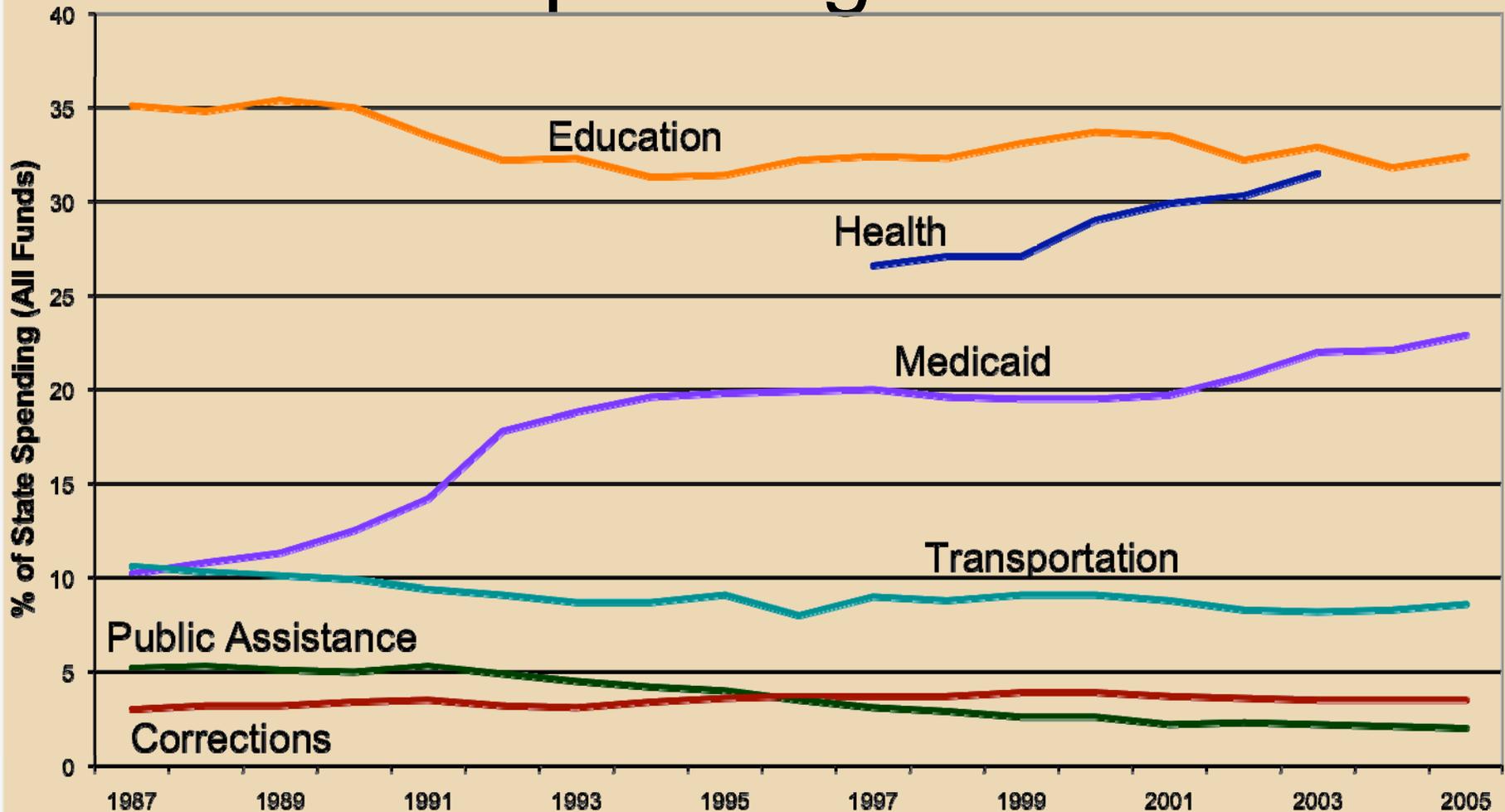
# An Age of Permanent Fiscal Crisis

- Rising costs to educate, medicate, and incarcerate
- Aging population; aging infrastructure
- Antiquated revenue structures, built for a manufacturing economy, not the information age
- Global competition



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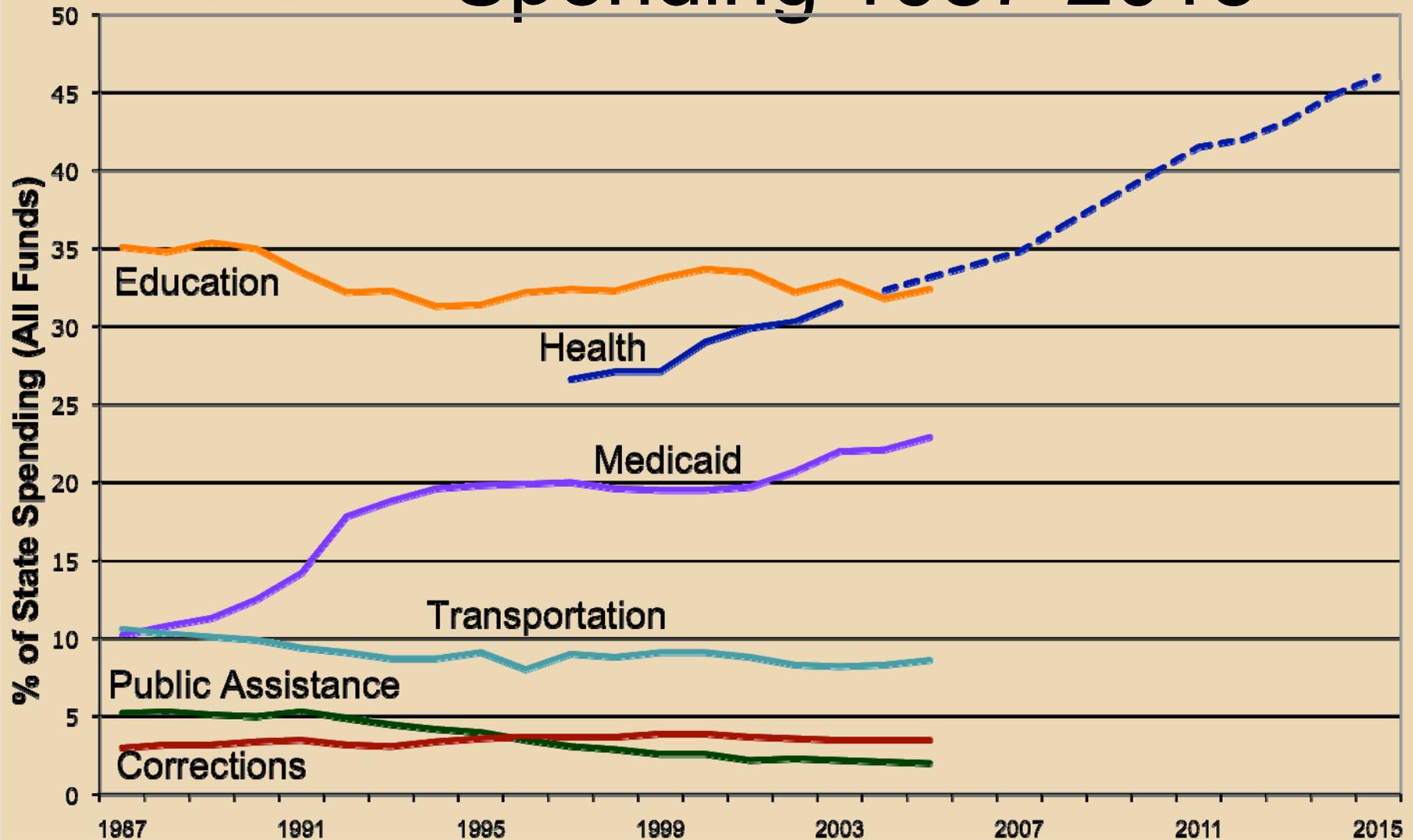
# Distribution of State Spending 1987-2005





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# Distribution of State Spending 1987-2015

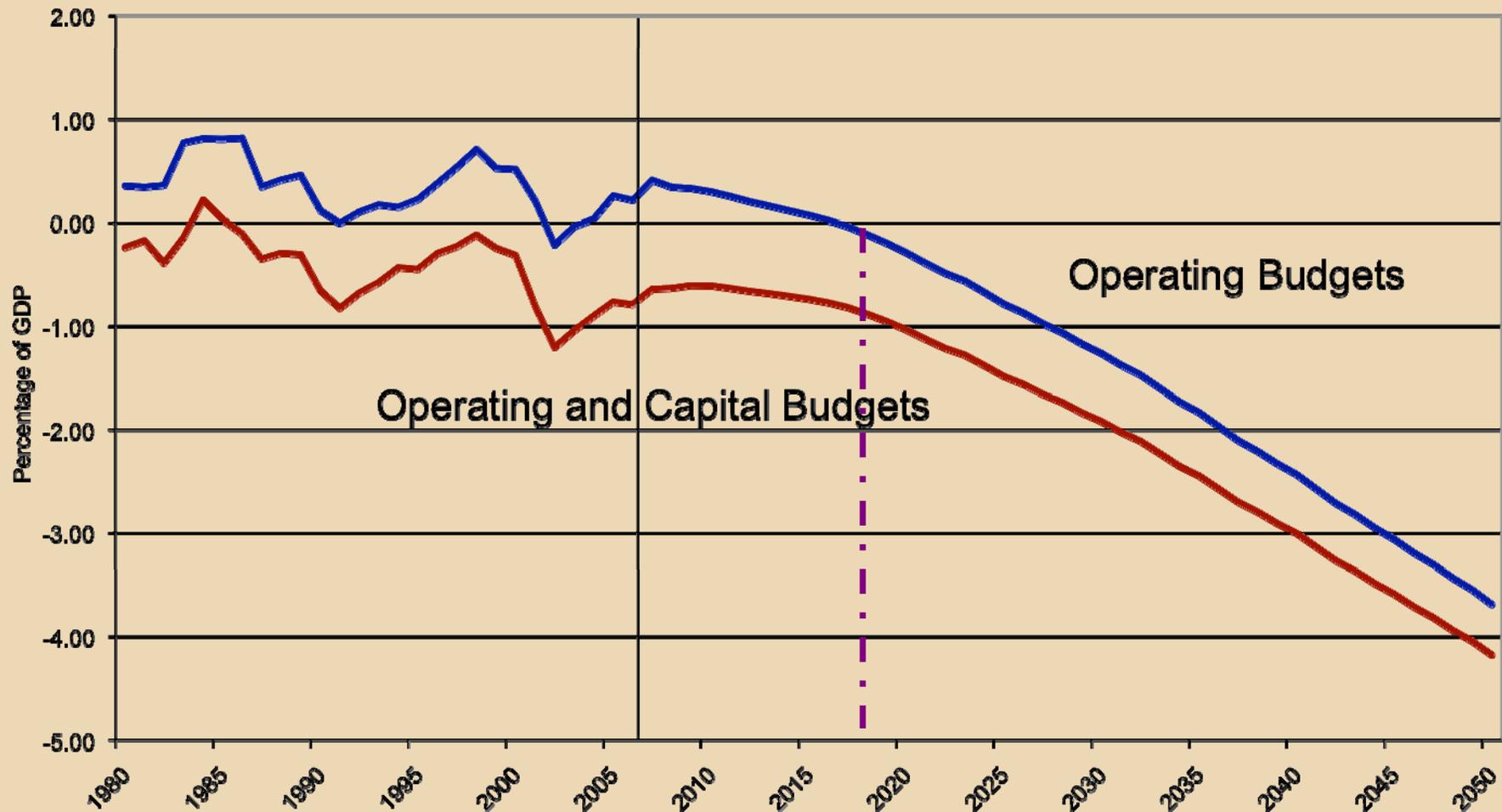




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# State and Local Government Surplus and Deficit 1980-2050

As a Percentage of GDP



Source: U.S. Government Accountability Office (GAO)



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# The Current Budget Game

<b>Cost- Based Budgeting</b>	
Starting Point	Last Year = BASE costs
Focus	Add/ Subtract costs re: BASE
Addition	Autopilot increases = new BASE Plus "needs"
Subtraction	"Cut" from <u>new</u> BASE
Submission	Justification for needs/costs -- plus a little extra



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# The Current Game (cont'd)

Incentives	Build up costs - make cuts hard
Analyst's job	Find hidden/ unnecessary costs
Elected's job	Choose to cut services, OR Raise taxes to cover costs <b>GET BLAMED!</b>
Focus of debate	What to cut What to tax
What drives decisions?	Avoiding pain before next election



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# Remember Albert Einstein's definition of insanity???

“Doing the same thing over and over  
again and expecting a different result.”

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# A New Game: Outcome-Based Budgeting

## States

- Washington
- Iowa
- South Carolina
- Michigan
- Louisiana Dept. of Culture, Recreation & Tourism

## Counties

- Snohomish, WA
- Multnomah, Oregon
- Mesa County, CO
- Polk County, FL

## Cities

- Azusa, CA
- Los Angeles, CA
- Spokane, WA
- Dallas, TX
- Ft. Collins, CO
- Northglenn, CO
- Redmond, WA
- Eugene, OR
- Tacoma Parks District

## School Districts

- Jefferson County, CO



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# Outcome-Based Budgeting Asks Four Basic Questions

- How much revenue will we have: What price of government will we charge our citizens?
- What outcomes matter most to our citizens?
- How much should we spend to achieve each outcome?
- How can we BEST deliver each outcome that citizens expect?



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# 1. Deciding How Much You Will Spend

- Start with the current revenue forecast
- Make adjustments as the forecast changes
- Use the budgeting process to get the most from this amount; don't waste time arguing about whether to spend more or less



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## 2. Setting the Priorities of Government: the Outcomes Citizens Desire

- The Governor makes the final decisions
- Use language that is understandable and compelling to citizens --10 words or less
- Include specific indicators/measures of success-- otherwise they are just good intentions



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# Louisiana's Draft Statewide Outcome Goals

- **Education:** I want increased academic achievement for all students, educational opportunities for all children, fewer children dropping out of school, and an educated workforce.
- **Economic Development:** I want Louisiana to retain, grow, and attract jobs with good pay, benefits, and advancement opportunities, in a diversified economy, with personal and corporate income growth and a strong and stable tax base, while protecting health and safety and wisely utilizing natural resources.
- **Transportation:** I want better, cleaner, safer and less congested roadways, and I want to get where I need to go efficiently, safely and reliably.



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# Louisiana's Draft Outcome Goals (2)

- **Hurricane Protection and Emergency Preparedness:** I want Louisiana to better prepare for, respond to and recover from the next emergency (hurricanes and all other hazards).
- **Public Safety:** I want people and families, including children, to feel safe at home, school, work and while traveling; I want less crime, including less drug abuse, and smarter, proactive policing; and I want New Orleans to be safe.
- **Social Services:** I want self-sufficient families and healthy and safe Louisianans, including families, children, elderly people, and veterans.



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# Louisiana's Draft Outcome Goals (3)

- **Health:** I want better health and affordable care, through reform of health care systems and financing systems and creation of a culture of personal responsibility for health.
- **Natural Resources:** I want a better environment and abundant natural resources available for our enjoyment, and I want to preserve Louisiana as a sportsman's paradise.
- **Transparent and Accountable Government:** I want a smaller, more cost-effective state government I can trust and be proud of.



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## 3. Pricing the Priorities

- How much are they each worth? **Not** how much do they cost?
- It's a judgment, based on values--not science.
- It is designed to create *finite* pots of money for which programs have to compete.
- Again, the Governor makes this decision, advised by his Leadership Team.



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# WA: Pricing its Priorities

Results	
Increase student achievement K-12.	29%
Improve the quality and productivity of the workforce.	6.5%
Deliver increased value from post secondary learning.	9%
Improve the health of Washingtonians.	11%
Improve the condition of vulnerable children and adults.	10%



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# WA: Pricing its Priorities

Results	
Improve economic vitality.	5.5%
Improve the mobility of people, goods, information and energy.	12%
Improve public safety.	8.5%
Improve the quality of WA's natural resources.	5%
Improve cultural and recreational opportunities.	3.5%



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# Citizens Can Offer Input

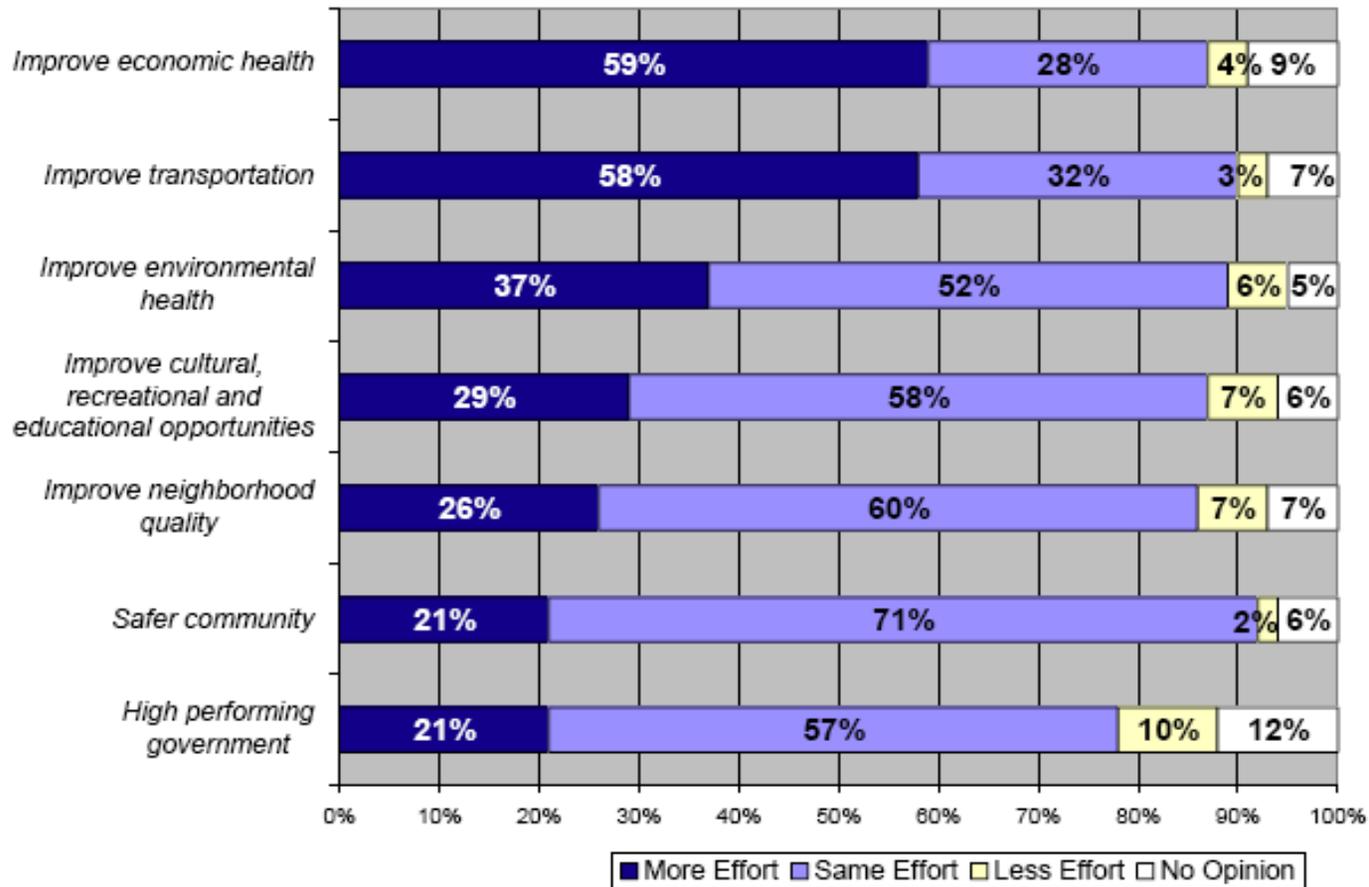
- Some jurisdictions have asked residents to divide a dollar between the priorities, on a web site.
- Fort Collins, Colorado, asked residents to respond to a survey. For each goal, respondents stated whether the goal should receive *more*, the *same* or *less* effort than it currently receives.



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# Fort Collins Survey

FIGURE 22  
BUDGET PRIORITIES





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# What We Have Learned About Pricing the Priorities

- There is tremendous inertia around last year's numbers, even though maintaining status quo spending patterns is simply not sustainable.
- This is a strategic decision, based on priorities and values.
- The initial allocation is not the final allocation. You will revisit and adjust the numbers later in the process.
- Consider getting public input, but don't let the public make the decision.





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## 4. Delivering the Outcomes: Results Teams Create Purchasing Strategies

- Results Teams are “Buying Agents” for citizens; they wear a citizen’s hat.
- They include ‘best and brightest’ strategic thinkers. Some have strong subject-matter expertise; others do not.
- Consider including a few members from outside state government.
- No “sellers” (e.g. department heads) allowed on the Results Team to whom they sell.
- Budget office participates on teams and provides staff support.



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# Results Teams

- First task: Define 3 key indicators.
- E.g., for health:
  - Infant mortality rate
  - Self-perception of health on survey
  - Percentage with health insurance



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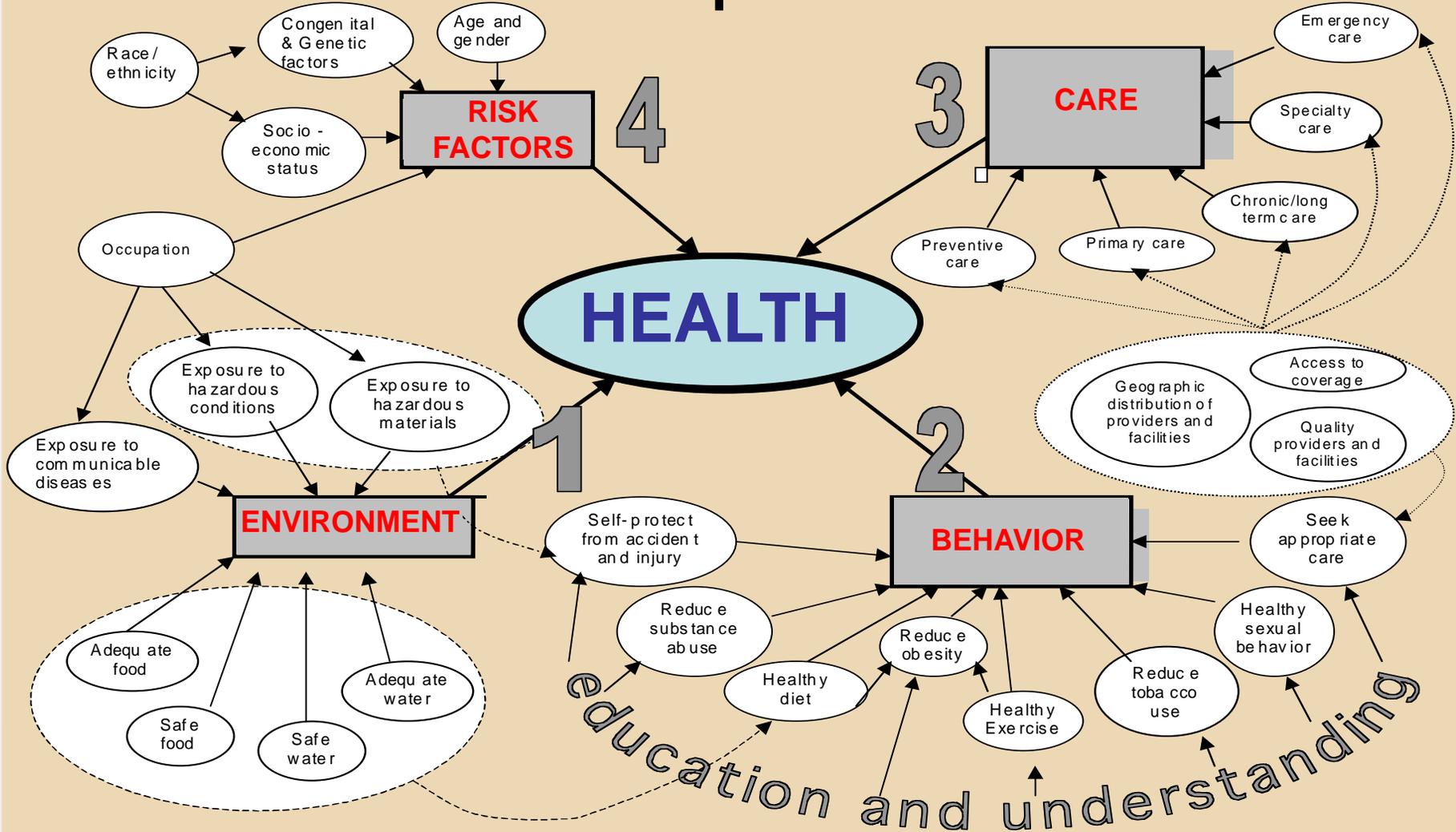
# Results Teams

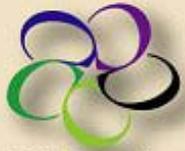
- Second task: Develop cause-and-effect map, based on research, explaining what causes the outcome:
  - A visual representation of the path to the result
  - Not limited to what state government does
  - A theory of causality based on proven or promising practice



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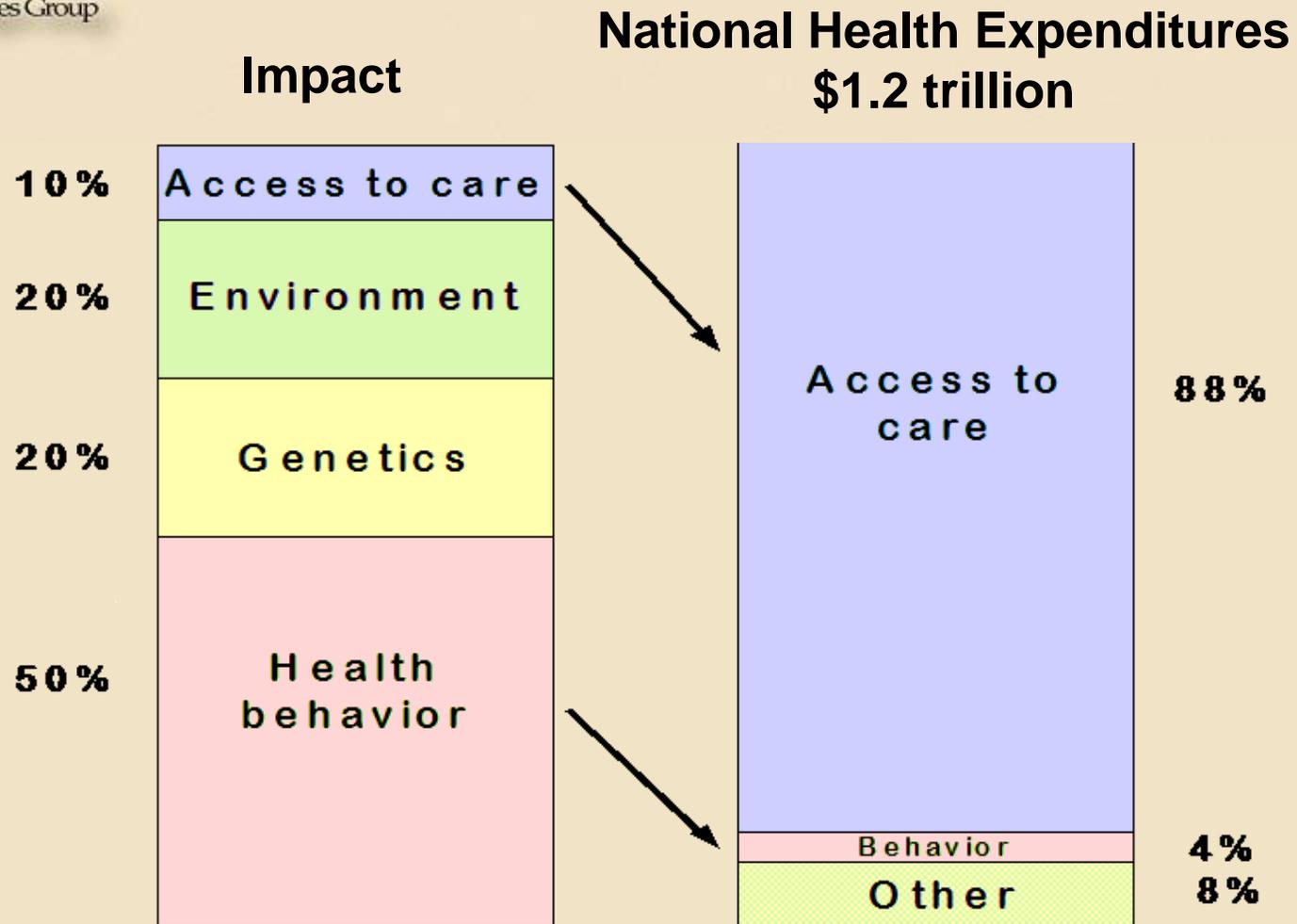
# Sample Cause-and-Effect Map for Health





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# Health Impact vs. Spending



Source: Centers for Disease Control and Prevention, University of California at San Francisco, Institute for the Future



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# Rethinking Your Strategies for Better Health

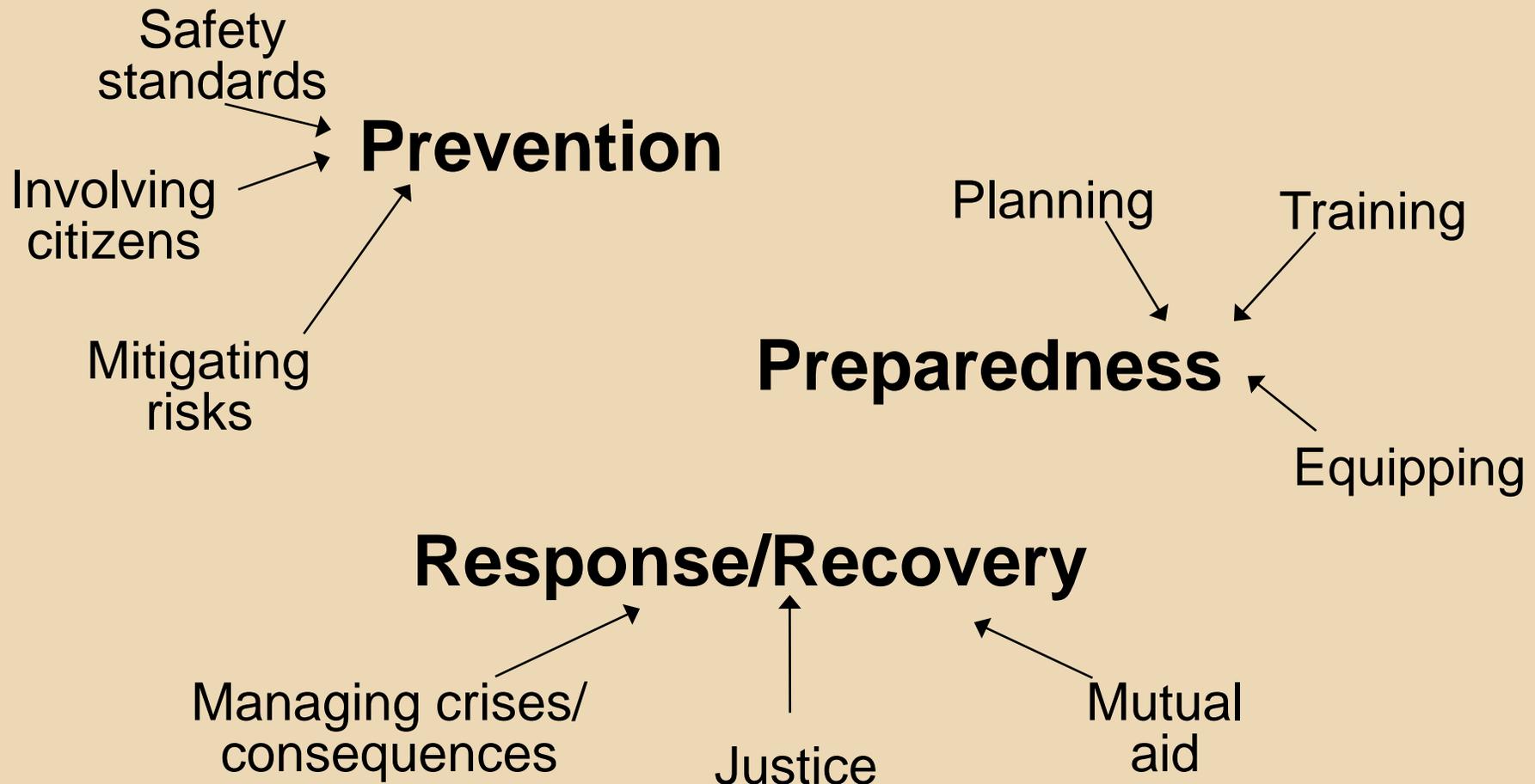
- Focus on changing lifestyle choices (smoking, drinking, diet, exercise, etc.).
- Focus on prevention: pre-natal care, immunizations, educating new parents, etc.
- Stop high-cost, repetitive cycles of care in emergency rooms.
- Electronic health records, to eliminate duplicate tests, increase quality and cut costs.

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# Sample Cause-and-Effect Map: Public Safety





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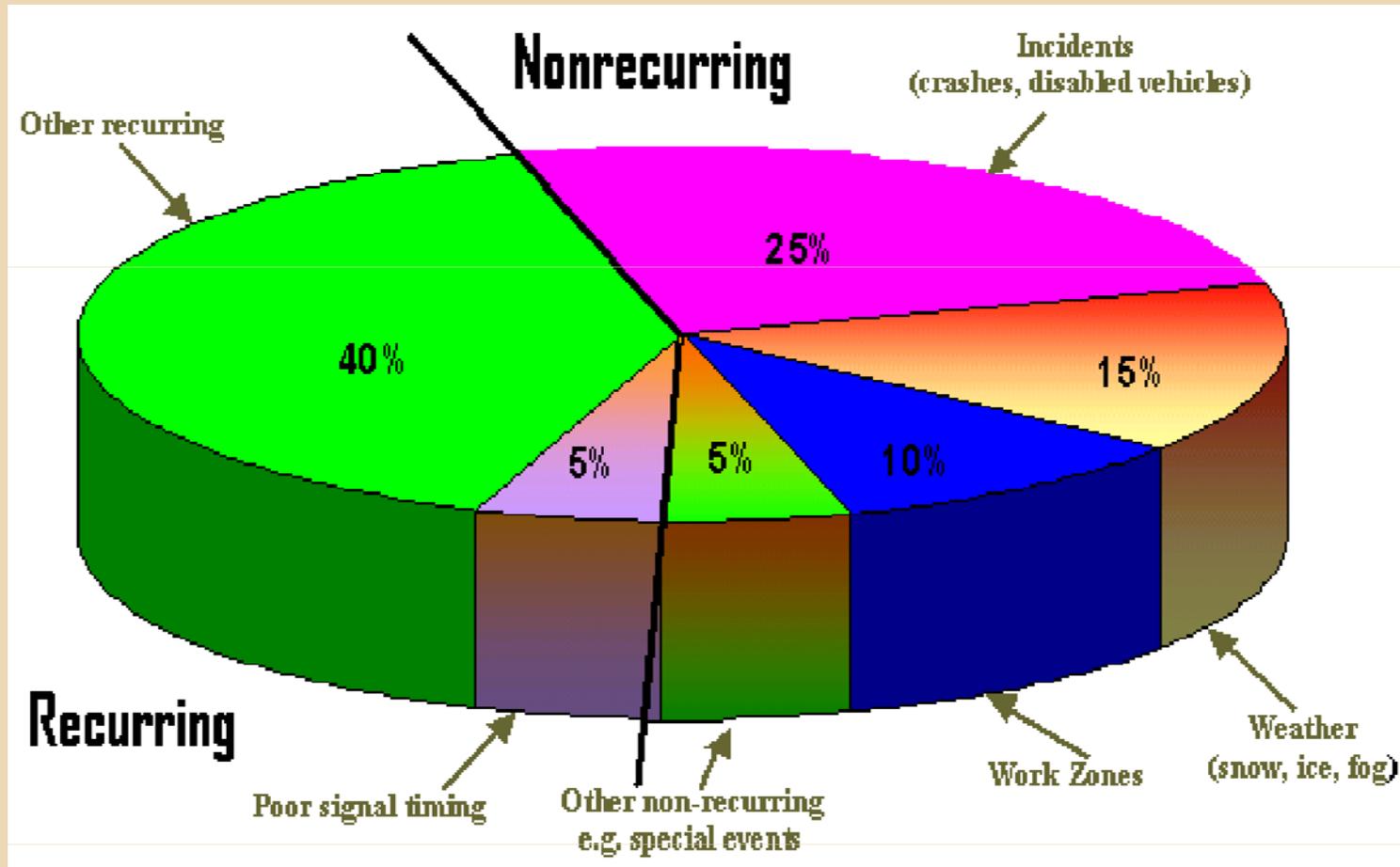
# Rethinking Your Strategies for Public Safety

- Prevention -- Examples:
  - Sunnyvale and Domestic Violence
  - Allegheny County program to reduce recidivism
- Community engagement/policing
- Rethinking drug enforcement
- Drug courts & community courts
- Increasing voluntary compliance



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# Increasing Mobility: Causes of Traffic Delays





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# What Causes Non-Recurring Incidents?

- Driver distraction contributes to 25-50% of accidents
- Top four things we do behind the wheel
  - Adjust/change radio station 82%
  - Drink beverages 80%
  - Talk on cell phone 73%
  - Eat snack 68%

Survey by Nationwide Mutual Insurance, November 2006



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# What We Have Learned Re: Cause and Effect Mapping



- **Changes the question**
  - From “How to contain/cut costs?” to “What leads to this result?”
- **Helps make complexity understandable**
  - Pictures speak a thousand words
  - Easy to see connections across results
  - Easy to see leverage spots (‘two-fers’)
- **Many formats for cause and effect maps work**



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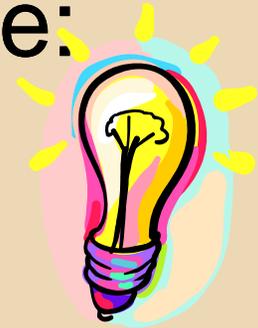
# Purchasing Plans: Improve the Outcome at the Set Price

- Results Teams define their purchasing strategies: What matters most? What can state government contribute? What strategies should we fund?
- Results Teams issue “Requests for Results,” specifying purchasing strategies, funds available for each, and desired results.
- “Sellers” are state departments, who can enhance their value by leveraging their resources with those of local governments, non-profits, and for-profits.



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# What We Have Learned Re: Purchasing Strategies



- Pay special attention to purchasing strategies --- they tend to be the weakest link, and they are critical.
- Maps lead to purchasing strategies --- where do we want to put our money for the best leverage?
- Some purchasing strategies may be used for all priorities (like “we want offers that show collaboration between different programs and/or departments,” etc.)



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# “Sellers” Make Offers

- Offers promise a specific level of performance at a specific price.
- They include proposed measures of performance.
- Offers assume no guarantee of funding based on historic levels.
- Offers are opportunities for departments to propose new, innovative practices.



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# Stimulating Creative Offers



- Sellers will be provided with pro-active training to understand what they are being asked to do.
- When Sellers see their offers ranked low, they get serious about rethinking.
- Dialogue between Results Teams and Sellers can produce much better offers.



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# Buyers Seek the Most Results for the Money

- Results Teams rank order offers
- Start buying from the top
- Draw a line when they run out of money
- Share the rankings and ask sellers to prepare better offers
- Discuss their feedback with sellers



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# Innovative Offers: Examples

- Iowa: Reinvented the Corrections Department, to drive down recidivism
- Washington State: Moved \$45 million from ER care to drug and alcohol treatment under Medicaid
- Los Angeles: New method to repave streets, using cold slurry seal
- Fort Collins, Colorado: Dial-a-ride



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# Results Teams do Final Ranking

- Results teams do new ranking
- Have further dialogue with sellers where necessary, to get best final offers
- May ask sellers to scale offers
- Buy from the top and draw a line when they run out of money
- Results Teams chairs meet to review their purchasing decisions and make adjustments
- Present their rankings and recommendations to the Leadership Team

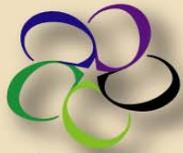


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# Governor and Leadership Team Make Final Decisions, Governor Presents Budget

Adjustments are always necessary:

- For political reasons
- Because low-ranked programs are mandated
- Because the leadership wants to shift money from one Statewide Outcome Goal to another
- Or because the revenue projection changes



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# WA. Budget: A Sample Page

## Health Care Spending Plan

**\$3.7 billion**  
GF-S and  
Health  
Services  
Account

**Savings:**  
**\$328 million**

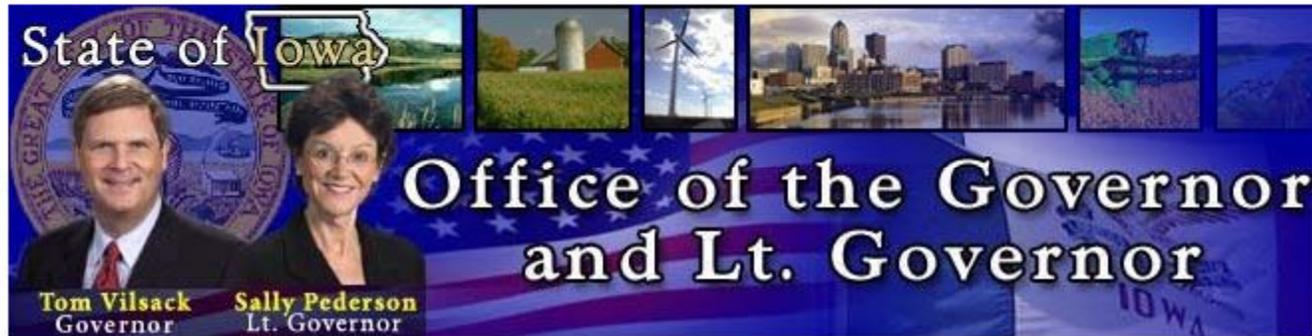


### Key Purchases

- *Medicaid health care for 908,600 vulnerable children and adults.*
- *All current children's health programs*
- *Statewide public health programs to protect all citizens*
- *Public health programs to ensure the health of babies and the safety of food*
- *Basic Health Plan insurance for 81,000 low-income people*
- *Expanded financial help to community health clinics*

### Examples of what's not purchased

- *Basic Health Plan coverage for 59,800 adults*
- *Health coverage for the medically indigent*
- *Optional Medicaid coverage for workers with disabilities*
- *Optional adult dental, vision, and hearing services*



## State of Iowa - Purchasing Results

Welcome!

Governor Tom Vilsack and Lt. Governor Sally Pederson have a better way to build their budget. This new process, Purchasing Results, achieves the most value for Iowans with the limited money available.

Bureaucratic budgeting starts with last year's budget and makes incremental adjustments. Not much improves that way. Good new ideas have trouble breaking through and mediocre old activities rarely go away. Purchasing Results turns bureaucratic budgeting on its head by subjecting all spending ideas, new and old, to negotiation and then prioritizing. The ones that add the most value are funded; the others are not.

Instead of bureaucratic line-items by department or program, the basic building blocks of Purchasing Results are:

1. "Requests for Results," statements by Buying Teams of what results we most want to achieve in a given policy area, with measures we can use to gauge our progress, and including advice on priorities and what strategies will best achieve the results, and
2. "Offers" by departments or groups of departments that respond to the Requests for Results by showing how they propose to produce what level of results for

### Related Links

[Purchasing Results Home Page](#)

[Overview of Purchasing Results](#)



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2. "Offers" by departments or groups of departments that respond to the Requests for Results by showing how they propose to produce what level of results for what price.

Purchasing Results more clearly shows Iowans the tough choices. On this website, you can see the choices that Governor Vilsack and Lt. Governor Pederson recommend for the next fiscal year. And you can try your hand at building the State's budget. This interactive website lets you make your own choices in each of seven policy areas. How would you Purchase Results for Iowans?

Result Area	# of Offers	Total Request (\$)	Amount Available (\$)
<a href="#">Education</a>	46	\$ 3,195,733,507	\$ 3,203,427,916
<a href="#">Economic Development</a>	21	\$ 126,282,579	\$ 125,842,579
<a href="#">Health and Human Services</a>	47	\$ 1,585,371,595	\$ 1,577,862,989
<a href="#">Justice</a>	28	\$ 455,480,593	\$ 447,162,060
<a href="#">Agriculture and Natural Resources</a>	26	\$ 99,170,936	\$ 96,820,936
<a href="#">Administration and Regulation</a>	66	\$ 279,209,181	\$ 276,906,628
<a href="#">Transportation, Infrastructure, and Capitals</a>	67	\$ 263,761,819	\$ 177,305,251
<b>Totals:</b>	<b>301</b>	<b>\$6,005,010,210</b>	<b>\$5,905,328,359</b>



## Iowa - Purchasing Results

Welcome!

These are the fiscal year 2007 purchasing choices for **Health and Human Services**. The Health and Human Services Buying Team began its work by telling the sellers (state departments or agencies) what they wanted to buy. They did this in a "Request for Results" (see the links on the right side of this page). This document outlined the results the Buying Team wanted to be achieved and gave sellers advice about priorities and the strategies that the Buying Team believes would be most productive in producing the desired results. The "Strategy Map" shows the cause-and-effect relationships that turn our resources into results. Each Offer was submitted in response to this Request for Results.

The prioritized list of Offers you see below reflect the Governor and Lt. Governor's commendation for how to best use the money available to achieve the best Health and Human Services results for Iowans. The Offers at the top of the list provide the most value; the Offers at the bottom the least value. So we use the first dollars to purchase the highest-priority Offers, and so on. A line is drawn to show where the money runs out.

Click on the "Fund" or "Not Fund" box for each Offer below to decide which ones you would buy, or not buy. See the "Amount Remaining" box to know how much you have left as you make your choices. Please note that the dollar amounts here represent *all appropriated funds*, not just State of Iowa General Fund dollars

**Related Links**

- [Purchasing Results Home Page](#)
- [Overview of Purchasing Results](#)
- [Request for Results](#)
- [Strategy Map](#)
- [Back to Summary Page](#)

Health and Human Services

Reset  
 Print

Budget	Funded	Remaining
\$1,577,862,989	\$1,577,862,989	\$0

Offer Number	Offer Name	Total Price
<b>Funded Priorities</b>		
401_HHS_006	<input type="text" value="Fund"/> Offer 401_HHS_006 by Human Services State Child Health Insurance Program/Hawk-i	\$20,377,584
401_HHS_007	<input type="text" value="Fund"/> Offer 401_HHS_007 by Human Services Child Care	\$24,447,517
588_HHS_005	<input type="text" value="Fund"/> Offer 588_HHS_005 by Public Health, Dept of Healthy Children and Families	\$2,171,190
401_HHS_003	<input type="text" value="Fund"/> Offer 401_HHS_003 by Human Services Medical Assistance and Medical Contracts	\$885,401,770
588_HHS_015	<input type="text" value="Fund"/> Offer 588_HHS_015 by Public Health, Dept of Defeating Infectious Diseases	\$1,140,887
401_HHS_009	<input type="text" value="Fund"/> Offer 401_HHS_009 by Human Services Child Welfare and Juvenile Justice Community Services	\$106,707,806
401_HHS_005	<input type="text" value="Fund"/> Offer 401_HHS_005 by Human Services Health Insurance Premium Payment	\$634,162
588_HHS_001	<input type="text" value="Fund"/> Offer 588_HHS_001 by Public Health, Dept of Addiction Free Iowa	\$29,711,871
401_HHS_004	<input type="text" value="Fund"/> Offer 401_HHS_004 by Human Services IowaCare	\$95,960,447
401_HHS_011	<input type="text" value="Fund"/> Offer 401_HHS_011 by Human Services Adoption	\$35,314,072
401_HHS_002	<input type="text" value="Fund"/> Offer 401_HHS_002 by Human Services Child Support	\$8,677,662

401_HHS_013	Fund	Offer 401_HHS_013 by Human Services Mental Health Institutes	\$20,508,058
401_HHS_014	Fund	Offer 401_HHS_014 by Human Services Resource Centers	\$23,302,660
401_HHS_017	Fund	Offer 401_HHS_017 by Human Services Improve Services to Family Investment Program Participants (FEDERALLY FUNDED)	
401_HHS_016	Fund	Offer 401_HHS_016 by Human Services Civil Commitment Unit for Sexual Offenders	\$4,757,704
270_HHS_005	Fund	Offer 270_HHS_005 by Finance Authority Home and Community Based Services Rent Subsidy Program	\$700,000
297_HHS_008	Fund	Offer 297_HHS_008 by Elder Affairs, Dept of Elder Affairs Special Projects	\$39,082
<b>Unfunded Priorities</b>			
401_HHS_019	Not Fund	Offer 401_HHS_019 by Human Services Greater Self-sufficiency for Iowans with Disabilities	\$600,000
270_HHS_006	Not Fund	Offer 270_HHS_006 by Finance Authority Home and Community Based Services Revolving Loan Program	\$2,000,000
270_HHS_004	Not Fund	Offer 270_HHS_004 by Finance Authority Transitional Housing Revolving Loan	\$1,400,000
270_HHS_007	Not Fund	Offer 270_HHS_007 by Finance Authority Senior Living Revolving Loan Program	\$3,000,000
297_HHS_005	Not Fund	Offer 297_HHS_005 by Elder Affairs, Dept of Substitute Decision Maker	\$395,517
671_HHS_002	Not Fund	Offer 671_HHS_002 by Veterans Affairs, Dept of Cemetery Development	\$80,280
588_HHS_021	Not Fund	Offer 588_HHS_021 by Public Health, Dept of Department of Health DAS Billings	\$32,809

[Back to Top](#)



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# The Bottom Line

- Balanced budget; close the gap
- Focus on the ‘keeps,’ not the cuts; invest in the Governor’s priorities
- Buy results, not costs
- Divest low-value spending
- Important investments go to the front of the queue
- General interest trumps special interests
- Continuous reform and improvement
- “Common Sense” communications



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# Organizing Teams/Roles

- Governor
- Leadership Team
- Results Teams
- Project Team
- Communications Team
- Technical Team



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# Governor

- Champions the process
- Advised by the Leadership Team
- Keeps legislature advised about status of process
- Proposes a budget to legislature based on the rankings and recommendations



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# Leadership Team

- Includes key budget decision makers; chaired by Commissioner Davis
- Sets parameters and guides the new budget process; busts barriers to achieve desired results
- Advises the Governor; holds “Tollgates” to review work in progress and provide feedback to Results Teams



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# Results Teams

- Include “best and brightest” strategic thinkers; no axes to grind
- Create a “Request for Results” that is a roadmap for the best use of state dollars to maximize results for the people of Louisiana
- Evaluate and rank Offers, provide feedback to department “Sellers”
- Negotiate better Offers, re-rank, and submit to the Leadership Team the best possible package of Offers for that Statewide Outcome Goal



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# Project Team

- Chaired by Ray Stockstill. Consists of key Budget and other DOA staff and perhaps a few others
- Oversees and coordinates the day-to-day process and communications --- reviews materials, identifies and solves problems, etc.
- Meets weekly



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# Communications Team

- Organizes internal and external communications, including rumor control

# Technical Team

- Integrates outcome-based budgeting with Louisiana's current technical and data systems; coordinates with ERP implementation



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# Questions and Discussion



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# Tentative Calendar

<b>July/August</b>	<ul style="list-style-type: none"><li>• Get organized, form teams, assign roles, plan, set parameters</li></ul>
<b>August</b>	<ul style="list-style-type: none"><li>• Orient and launch Results Teams</li></ul>
<b>September</b>	<ul style="list-style-type: none"><li>• Complete Requests for Results</li><li>• Orient and launch Sellers; begin writing Offers</li></ul>
<b>October</b>	<ul style="list-style-type: none"><li>• First draft Offers due</li><li>• Initial evaluation and ranking</li><li>• Feedback, dialogue, negotiations &amp; improve Offers</li></ul>



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# Tentative Calendar

- |                         |  |
|-------------------------|--|
| <b>November</b>         | <ul style="list-style-type: none"><li>• <b>Second draft offers due</b></li><li>• <b>Continued dialogue and negotiation</b></li><li>• <b>Second rankings</b></li><li>• <b>Leadership Team consults with Cabinet Secretaries on second rankings</b></li></ul>                              |
| <b>December</b>         | <ul style="list-style-type: none"><li>• <b>Final dialogue and negotiations with Sellers</b></li><li>• <b>Results Teams submit final rankings, rationale and recommendations</b></li><li>• <b>Final budget decisions, budget materials preparation, and feedback to Sellers</b></li></ul> |
| <b>January/February</b> | <ul style="list-style-type: none"><li>• <b>Finalize budget materials; send to printer</b></li></ul>  |
| <b>March 29</b>         | <ul style="list-style-type: none"><li>• <b>Regular Session convenes</b></li></ul>  |



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# Questions and Discussion