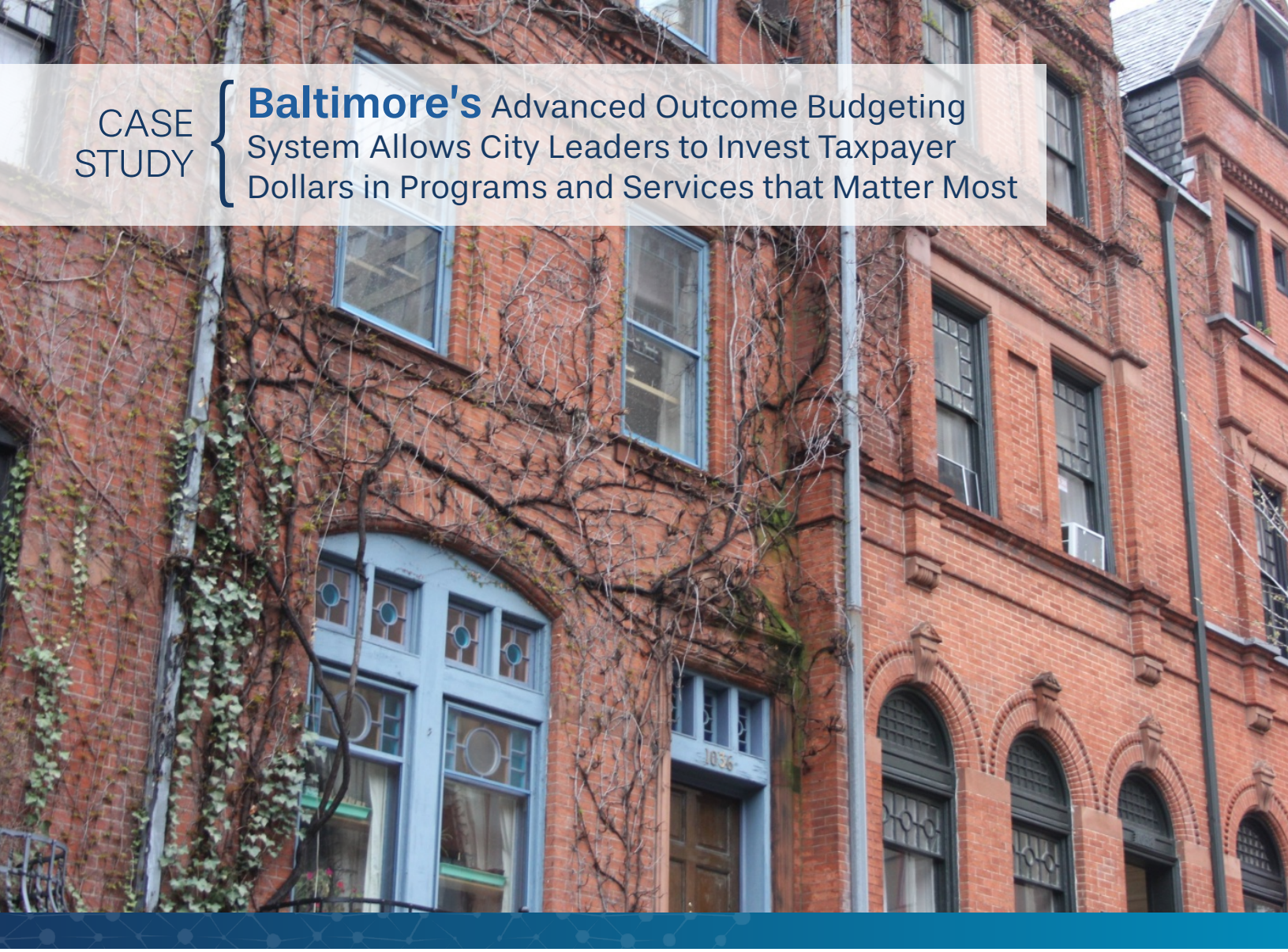


CASE STUDY

Baltimore's Advanced Outcome Budgeting System Allows City Leaders to Invest Taxpayer Dollars in Programs and Services that Matter Most

RESULTS FOR AMERICA

January 5, 2018

THE CHALLENGE: For generations, Baltimore's city budget—like that of most local governments—made it hard to determine which services and programs were moving the needle on outcomes that matter most to residents. Facing severe budget constraints, the City needed a better way to make funding decisions.

THE APPROACH: The City of Baltimore developed an advanced outcome budgeting system in 2010 to focus resources on the most effective and promising services and programs to meet the City's priority needs, based on performance data and evidence of impact.

THE RESULTS: Baltimore's ground-breaking outcome budgeting system has led to innovative service delivery mechanisms and a cultural shift within local agencies. Greater use of data and evidence across the City of Baltimore has generated improved outcomes for residents in many of the top city priorities. Baltimore's budgeting system is now serving as the exemplar model for nine local governments across the country. These governments are learning from Baltimore how to implement program elements into their budgets.

INTRODUCTION

Since 2010, the City of Baltimore has used outcome budgeting to shed light on the impact of city investments and direct local taxpayer dollars towards results-driven and evidence-based solutions. This annual budget process, which is led by Andrew Kleine, former Baltimore Budget Director and former Results for America (RFA) Local Government Fellow, in partnership with his staff of budget analysts, the Mayor and her leadership team, and a broad range of local government agency staff and engaged residents, allows Baltimore City government to make the best use of its limited financial resources by aligning city priorities with effective and promising strategies.

THE CHALLENGE

In 2008, cities across the United States, including Baltimore, were facing difficult budget decisions due to the emerging Great Recession. City leaders quickly realized that they would not have enough resources to meet all of the City's needs with decreased tax revenue projections. However, they also recognized that during a recession, residents' needs for city services would likely increase, particularly in areas such as employment and public health. Previous annual budgets had relied on across-the-board increases or decreases in agency spending, which were arbitrary and often punished high-value programs and services that focused on areas such as youth violence prevention and afterschool programming while simultaneously protecting less effective programs. Then-Baltimore Mayor Shelia Dixon was frustrated by the budget process which focused on marginal annual adjustments rather than structural changes to the base budget. There was both a desire and a need to make the best use of the city resources available moving forward.

> *"With the right ownership from city leaders, there's tremendous power in this [budget] solution."*
>
> — ANDREW KLEINE
> Former Baltimore
> Budget Director

THE APPROACH

After learning from the experiences of Washington State's budget transformation to outcome budgeting in the early 2000s, former Baltimore Budget Director Kleine presented that budgeting approach to then-Baltimore Mayor Shelia Dixon. Together with mayoral staff and the City's Finance Director, they concluded that the most rational and defensible system for making hard budget choices would be to focus funding decisions on supporting the programs and services that were delivering, or had the potential to deliver, the best results for the highest priority resident outcomes. During one of the

What is Outcome Budgeting?[1]

Baltimore defines outcome budgeting as a budget process that aligns resources with results. Under this process, the budget is organized around the City's priority outcomes—the results that matter most to citizens—and funds are allocated for those services that will achieve the desired outcomes. Traditional budgeting is organized around city agencies and uses the previous year's spending as the starting point for any agency budget increase or decrease.

THE APPROACH (CONTINUED)

most challenging budget years in generations, fiscal year 2011, Baltimore embraced outcome budgeting and embedded performance data and evidence of impact into its budget process. The transition to an outcome-based budget was a fundamental shift away from an agency-centric process—used by most local governments across the country—to one that is focused on delivering results to the City's highest priority outcomes.

Since the shift, each year the City undertakes a multi-step process to create an accurate and clear vision for how city funds should be allocated to achieve the best results for the highest priority outcomes.

Baltimore's outcome budget process requires the following steps:

1. First, the mayor and her/his cabinet establish city priorities which are based on input from the citizen community survey, regular public outreach, and research on challenges facing residents. Baltimore's community survey, based on a representative sample of residents, identifies trends in behavior and attitudes regarding quality of life indicators and city services.

   The most recent Baltimore City government priorities listed in the fiscal year 2018 budget include:

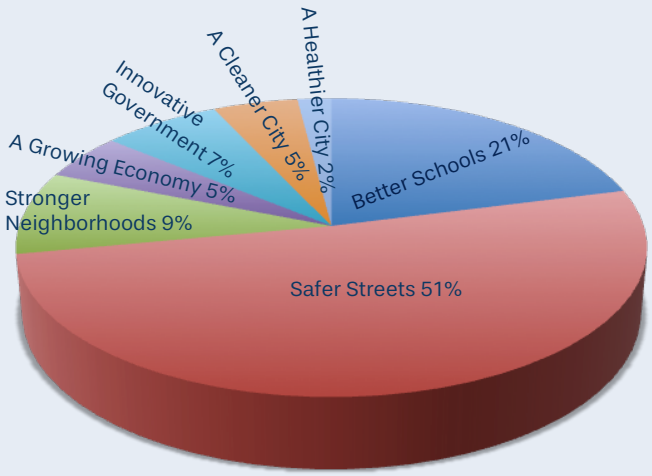
   - Thriving Youth and Families
   - Safe Neighborhoods
   - Healthy Communities
   - Vibrant Economy
   - Sustainable Infrastructure
   - High Performing Government

2. Next, during the fall of that year, the mayor and leadership team determine total spending amounts for each of the outcome categories for the upcoming fiscal year. To facilitate difficult conversations about how to allocate finite resources, the Baltimore budget team implemented a simple game using Monopoly™ board game money to help city leadership determine financial priorities. By beginning with the question, "How would you allocate funding in a perfect world?," city leadership is able to identify how their goals differ from actual financial allocations. As a result, this approach has allowed Baltimore to highlight the differences between actual and desired spending, and shift some funding from public safety to other priority outcomes.

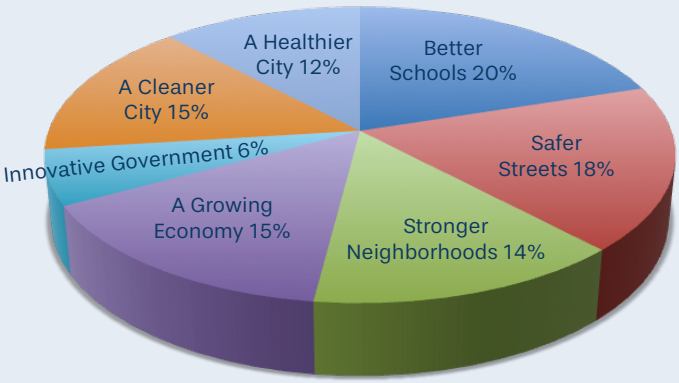
> *"I want our city to be an international leader when it comes to innovation and developing best practices in the delivery of services to our residents."*
>
> — CATHERINE PUGH
> Mayor of Baltimore

OUTCOME ALLOCATIONS

Fiscal Year 2016 Actuals vs. Senior Staff Preference Developed During Monopoly™ Money Exercise



FY2016 Budget



Senior Staff Preference

SOURCE: BALTIMORE BUREAU OF THE BUDGET AND MANAGEMENT RESEARCH

THE APPROACH (CONTINUED)

3. Once each outcome priority has been assigned a total spending amount, in September of that year the City forms annual Results Teams to develop guidance documents, known as Requests for Results, which outline key indicators and effective strategies to achieve desired results and help shape budget proposals for each priority outcome. Results Teams are interdisciplinary teams composed of roughly eight members who apply to participate and include a cross-section of City department staff, a mayoral representative, budget and performance staff, and two citizen members. Results Teams issue guidance for all proposals in October of that year.

4. City agencies then have until early December of that year to use the guidance documents provided by the Results Teams and spending parameters set by the mayor to draft and submit their proposals to the Results Team for which services will help achieve a given priority outcome. Proposals for any outcome can come from any department. They can also be jointly developed by multiple departments, or one department can propose to take over services from another. All proposals are submitted to the Results Team for the relevant priority outcome for review and input.

5. The Results Teams meet with each agency to discuss their proposals, request additional information, and ultimately, rank all requests for a given priority outcome by the end of March. After solidifying the rankings, each Results Team drafts a memo and meets with the mayor to recommend services and funding for each priority outcome.

6. Next, the Baltimore Bureau of the Budget and Management Research compiles all recommendations and presents a balanced budget to the mayor and leadership team who then make final decisions in February about the mayor's proposed budget to City Council.

7. Finally, throughout April, May, and June, the Board of Estimates and then City Council holds hearings on the proposed budget and votes to approve or modify.

TIPS FOR REPLICATION

- **Get Ready for a Fundamental Shift:** Outcome budgeting shifts the attention from agencies to outcomes and results. One big benefit of this approach is how it opens up the black box of the base budget and allows government to prioritize spending based on desired outcomes. Shedding light on spending and impact is at the heart of a well-managed government. Yet, most governments budget and manage by agency and may bristle at a new approach.
- **Leaders Need to "Own It":** Mayoral buy-in and participation is crucial, but to achieve the full potential of outcome budgeting, the mayor and her/his leadership team needs to **own** the process and make all major budget decisions through this framework in order for it to become the new normal.
- **Create an Environment for Collaboration:** Previously, it was uncommon for Baltimore agency fiscal and program staff to work together to develop budget proposals or ways to improve operations. Outcome budgeting creates opportunities for conversation and collaboration both within and across departments in order to propose a new, more effective way of delivering services.
- **Seek Strategies to Prevent Burnout:** There is an inherent level of burnout with a collaborative-heavy, multi-step, annual outcome budget process. One way to alleviate burnout and sustain longevity is to shift to a biennial budget process. Also, to keep city leadership engaged, consider linking budgeting to the strategic plan and performance measurement, introduce innovation funds to spur new ideas from within agencies, and use the concept of lean government[2] to improve business processes that tie back to budget and performance.
- **Communication is Key:** Agency leadership may hesitate to tie funding to performance for fear of losing funding. Reduce hesitation by communicating how agencies can keep or increase funding if they show that their services are a high-priority and have an improvement plan backed by evidence.
- **Provide Opportunities for New Leaders to Emerge:** The Results Team structure has identified promising young professionals who have acquired extensive agency knowledge, made connections, and enhanced collaboration through their involvement with the budget process. Currently, over 150 applications are received each year for Results Team members and the City now uses this process to recognize new talent.

BALTIMORE'S OUTCOME BUDGET PROCESS[3]

OLD WAY	NEW WAY
Starting Point: Last Year's Spending	**Starting Point:** Next Year's Goals
Funding Targets: By Agency	**Funding Targets:** By Priority Outcome
Agency Submission: How Allocation will be Spent	**Agency Submission:** Proposal to Achieve Results
Debate: What to Cut	**Debate:** What to Keep

SOURCE: BALTIMORE BUREAU OF THE BUDGET AND MANAGEMENT RESEARCH

THE RESULTS[4]

Outcome budgeting has enabled Baltimore to enhance effective and high-priority services during difficult budget years including: maternal and child health, afterschool programs, and the Emerging Technology Center business incubator. Rather than cut these high-need services, Baltimore has focused on the results they want to achieve. For example, through its continued investments in home visiting services for at-risk expectant mothers, Baltimore has experienced a significant drop in infant mortality, from 13.5 to 8.4 deaths of children less than one year of age per 1,000 live births between 2009 to 2015. In its efforts to increase the tree canopy in Baltimore, the city has invested additional funds and services in proactive pruning. As a result, the percentage of trees that remain healthy after two years of planting has increased from 72% in fiscal year 2013 to 94% in fiscal year 2016.

Outcome budgeting has also helped identify low-performing programs without an improvement plan such as a program designed to mentor children of prisoners and a program to help neighborhoods with development projects that were well-intentioned but ineffective.

Shining a light on these issues empowers the City to provide additional support and funding, where warranted, or cut unnecessary spending.

Focusing on results creates opportunities for innovation and efficiency. For example, city agencies are invited to propose the takeover of another agency's service to the appropriate Results Team, if they can make the case that they can deliver that service more effectively and efficiently. For example, the Housing Department now administers burglar alarm registration that was once managed by the Police Department. The year after taking over the service, revenue nearly doubled from $330,000 to $620,000. In addition, the Baltimore Office of Human Services took over and consolidated under-performing child care centers. By leveraging Head Start, they provided summer learning for 1,100 additional youth.

As a result of outcome budgeting, Baltimore has accomplished numerous efficiencies and improvements including:

- An innovative collaboration between the Baltimore Fire and Health departments assigns nurses to frequent 911 callers to address root causes, which has reduced their calls by 50%.

THE RESULTS (CONTINUED)

- Shifting the rat control service from a small office in the Baltimore Health Department to Baltimore's Public Works, street and alley cleaning crews in fiscal year 2011 reduced costs by 42% while increasing rat baiting from 37,000 in fiscal year 2010 to 94,000 in fiscal year 2013. Rat baiting has since reduced dramatically to 27,000 in fiscal year 2016, as the number of identified burrows on public property and service requests have declined.
- The Baltimore Department of General Services increased preventive building maintenance from 6% of its work to 46% in two years, in part by outfitting a van to more efficiently manage government facilities in the outer reaches of the City.
- The Baltimore Office of Civil Rights achieved a 40% increase in negotiated settlement of discrimination complaints by improving employee training and shedding non-core functions that interfered with achieving the Office's mission.

Outcome budgeting enables the City to prioritize spending and ensure it is working towards delivering results on the City's highest priority outcomes. City Council members increasingly ask about outcomes rather than budget information, signaling a cultural shift towards using data and evidence in decision-making. As a testament to the value of Baltimore's budgeting system, it has been sustained across three Mayors—Mayor Sheila Dixon, Mayor Stephanie Rawlings-Blake and now Mayor Catherine Pugh. Over time, enhancements have also been made, better linking outcome budgeting to CitiStat and developing an OutcomeStat process to more fully align budgeting, performance management, and strategic planning across the government.

Baltimore is a leader in investing city resources in services and programs that deliver outcomes for residents. Since outcome budgeting began, Baltimore has improved outcomes in most priority areas:

- Infant mortality rates dropped 38% between 2009 and 2015;
- Property crime decreased 2.2% between 2011 and 2016;
- The employment rate for 16-64 year olds increased 11.6% from 2010 and 2015;
- The number of jobs in Baltimore increased 6.2% between 2010 and 2016;
- 23% more people are reportedly walking and 40% more people are reportedly biking between 2009 and 2015;
- Watershed bacteria levels are down 70% between 2011 and 2016; and
- Usage of recreational facilities increased 89% between 2011 and 2016.

In an ongoing effort to mimic Baltimore's budgeting success, cities and counties across the country are learning from Baltimore staff how to create outcome budgeting in their government including Atlanta, Dallas, Houston Madison, Montgomery County (MD), Los Angeles, Philadelphia, Seattle, and Tulsa. Through the increased use of data and evidence in the budgeting process, these local governments are expected to experience greater success in service delivery and program outcomes, ultimately improving the well-being of their residents.

ABOUT RESULTS FOR AMERICA'S **LOCAL GOVERNMENT FELLOWSHIP** PROGRAM

Results for America's Local Government Fellows program was founded in September 2014 to provide an advanced group of local government leaders in diverse and influential cities and counties across the country the knowledge and support to implement strategies that consistently use data and evidence to drive policy and budget decisions on major policy challenges.

With the support and guidance of Results for America, the Local Government Fellows lead their governments toward advanced stages of data-driven and evidence-based policymaking in order to address major policy challenges in their communities. The **16 cities** and counties represented in the Fellowship collectively represent more than **28 million** people and **$148 billion** in local government spending.

Due to involvement with the Results for America Local Government Fellowship, Baltimore is currently collaborating with researchers to evaluate program effectiveness in a number of high priority policy areas including youth homelessness, recycling, and employment. The results from these evaluations will build evidence for service delivery strategies, future budget proposals for priority outcomes, and help the City better understand their impact on the lives of residents.

RFA engages its Local Government Fellows in:

- Defining short- and long-term policy goals;
- Developing research partnerships with academics;
- Sharing best practices and demonstration projects;
- Problem solving among peers;
- Receiving individual feedback and coaching; and
- Participating in a national network and peer cohort.

ACKNOWLEDGEMENTS

Results for America would like to thank Baltimore Mayor Catherine Pugh for investing in the use of data and evidence to improve government services, as well as The Baltimore Bureau of Budget and Management Research Team for their assistance in developing this case study:

- Andrew Kleine, former Budget Director
- Bob Cenname, Budget Director
- Jessica Clarke, Budget Management Analyst
- Jonathan Morancy, Senior Program Assessment Analyst
- Kirsten C. Silveira, Government Innovation Analyst
- Matt Rappaport, Budget Management Analyst
- Mira Green, Senior Budget Management Analyst
- Philip Gear, Budget Management Analyst
- Tony Scott, Budget Management Analyst

ADDITIONAL RESOURCES

- See Baltimore budget details at https://bbmr.baltimorecity.gov/budget-publications
- Results for America and The Bridgespan Group's report, "Geek Cities: How Smarter Use of Data and Evidence Can Improve Lives" (November 2013)
- Listen to Andrew Kleine talk about outcome budgeting in this Gov Innovator podcast: http://govinnovator.com/andrew-kleine/ (April 23, 2012)
- Baltimore's switch to outcome budgeting was inspired by, "The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis" by David Osborne and Peter Hutchinson
- Learn more about Results for America's **Local Government Fellowship** at http://results4america.org

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1. "Outcome Budgeting." Bureau of the Budget and Management Research, May 1, 2016. http://bbmr.baltimorecity.gov/outcome-budgeting.
2. US EPA, OA. "Lean Government." Overviews and Factsheets. US EPA, May 3, 2016. https://www.epa.gov/lean/lean-government. Lean Government helps improve the speed and quality of processes by eliminating wastes such as document errors, unnecessary process steps, and waiting time. Lean Government initiatives help: identify and eliminate waste in programmatic and operational processes, improve efficiency and effectiveness, improve the quality, transparency, and speed of their processes.
3. Andrew Kleine, City of Baltimore OutcomeStat, Microsoft PowerPoint, Maryland, Baltimore.
4. Source information for all statistics in the "Results" section can be found in Baltimore's Fiscal Year 2017 Summary of the Adopted Budget (Pages 145-end) and Fiscal Year 2018 Agency Detail Volume 1 (page 183) and Volume II (page 473).

PHOTOS

Cover Photo: Hank Mitchell—baltophoto.org.
Page 2: Office of the Maryland Governor.
Page 5: Hank Mitchell—baltophoto.org.
Page 7: Hank Mitchell—baltophoto.org.

ABOUT THE INVEST IN WHAT WORKS POLICY SERIES

This report is part of Results for America's Invest in What Works Policy Series, which provides ideas and supporting research to policymakers to drive public funds toward evidence-based, results-driven solutions. Results for America is committed to improving outcomes for young people, their families, and communities by shifting public resources toward programs and practices that use evidence and data to improve quality and get better results.

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Invest in What Works Policy Series

This case study has been produced with the generous support of the Laura and John Arnold Foundation. The case study is an independent work product of Results for America, and the views expressed are those of the authors and do not necessarily represent those of the funder.