



*State of California*

# PERFORMANCE MANAGEMENT COUNCIL

**Meeting Summary**  
**Performance Management Council**  
**Meeting 25**  
**Wednesday, March 20, 2013, 9 – 10:30 a.m.**  
**University of Southern California State Capital Center**  
**1800 I Street, Sacramento, CA**

## Welcome, Introduction, Updates

### ▪ **Intergovernmental Collaboration Award for PMC**

The Sacramento Chapter of the American Society of Public Administration (ASPA) has awarded PMC Co-Chairs Grace Koch and Louise Amegin the Intergovernmental Collaboration Award for their leadership and development of the PMC. The Award will be presented at ASPA's annual awards dinner on Wednesday, May 8<sup>th</sup>. For details on the banquet, please visit ASPA's website at [www.sacramento-aspa.info](http://www.sacramento-aspa.info).

## Department of Finance Update

### ***Matt Almy, Principal Program Budget Analyst, Department of Finance (DOF)***

Mr. Almy discussed DOF's pilot zero based budgeting project with CalTrans, which was a result of Executive Order B-13-11. The project was not just a "budget cut" exercise, but more about identifying efficient allocation of resources. A four-year plan was created with the goal to look at the entire department.

- The first phase looked at local assistance and planning within a short timeframe in order to meet their review in time for the January budget.
  - Summer: conducted site visits and line-by-line budget review
  - Mid to late October: developed recommendations and sent to Agency and the Governor's Office for their review and comment
  - End of November: prepared a BCPs for the January Budget
- They worked with CalTrans program staff as the subject matter experts and with Agency in the following review process:
  - Mandatory vs. discretionary statutes
    - State statutes are viewed as discretionary because they can be changed, but court orders cannot be changed and are therefore are viewed as mandatory.
    - Can be an opportunity to change or update statutes that may be outdated or from previous leadership.
    - Trailer bill language was used to eliminate old, duplicate programs and establish new programs and funding as needed.
  - Headquarters vs. districts
    - Identified any overlap and determined if centralization or delegation is better.
    - Duplication of effort was a key focus. Programs were consolidated and aligned the new programs around more current/relevant/updated statutes.
  - Cost benefit vs. cost effectiveness
    - Cost benefit = takes account of co-benefits involved with an approach
    - Cost effectiveness = takes account of the direct benefit received for the amount spent
  - State vs. local (focus of the Governor's Administration)

- Zero based budget program was an initial step for looking at policies more broadly.
- Department internal capacity was not much of an issue, but more of a management priority issue.
- Program staff initially resisted out of fear of cuts.
- Executive level staff had a greater interest in effectiveness, but implementing change at this level can be challenging, so having DOF support and in-depth review became a critical component and DOF became an important catalyst for change.
- Capacity building was achieved through an iterative approach of working with the data available and discussions, rather than formal training.
- DOF is looking to build on what works, rather than focus on formal training or finding a one-size-fits-all approach to performance evaluation and criteria.
- Understanding variables that influence metrics can be a complicating factor.

### **Presentation: Department of Public Health (CDPH) – Zero Based Budgeting (ZBB) Project**

#### ***Daniel Kim, Chief Deputy Director of Operations, CDPH***

Chief Deputy Kim discussed CDPH's efforts as one of the pilot departments selected by the DOF as a result of Executive Order B-13-11, which seeks to modify budget process to increase efficiency and focus on outcomes. Below are the key aspects of the presentation (the PowerPoint presentation may be available at a later date).

- CDPH initiated ZBB pilot project in September 2012 and completed the initial phase in December 2012 with the report drafted in March 2013. However, work on continuous quality improvement will continue on these projects and CDPH will identify other programs to include in this process.
- CDPH evaluated the pro's and con's of each of the three primary budgeting methods: Traditional (use prior year), Zero Based (start from scratch), and Performance Based (identified outcomes/results and then cost to achieve them).
- The decision was made to implement a "hybrid" approach that utilized components of all three methods. Three program areas that volunteered and were non-general fund were selected to participate in the project and demonstrate that this was not a "budget cutting" drill, but rather an effort to increase program effectiveness, efficiency, and outcomes:
  - Women, Infants, and Children Program (WIC)
  - BabyBig® - a proprietary treatment developed by CDPH to address Infant Botulism
  - Contract Processing
- CDPH established three teams with Chief Deputy Kim as the executive sponsor, each team having a team lead, and numerous team members to:
  - Solicit staff input, collect and analyze data, find ways to improve processes and better measure performance.
  - Conduct scenarios on various budget drills and have teams identify their required programs, priority projects, and any non-essential programs.
  - Identify findings and recommendations to improve program outcomes and reduce costs.
- Lessons Learned:
  - Don't make it an exercise in only "cutting budgets," but rather demonstrate the value of your programs and justify what should expand, be added, or even removed/stopped - emphasize "reallocation" (make it a win-win).
  - CDPH benefited by taking a hybrid approach that took the best elements of each budget method (i.e. using the baseline budget as a starting point like the traditional method, developing outcomes

- / goals like performance-based budgeting, and drilling down to how much it costs to perform a function like ZBB).
  - Understand the “value chain” concept (program requirements/activities and costs).
  - Don’t let the lack of details on your programs impact your ability to analyze and make solid assumptions. Use what have and build from there.
  - Make your work matter – don’t do a “superficial” effort – dive deep into your programs and maintain support. This may not be easy for programs to undertake these kinds of efforts.
- Next Steps:
    - Continue to support Continuous Quality Improvement efforts throughout CDPH, as well as work with the three pilot program areas.
    - Expand to other program areas.
    - Keep evaluating findings, data, and outcomes.

### **Questions/Comments**

- Executive and high-level management as champions for change are key.
- Less emphasis on compliance and a greater emphasis on outcomes will help build internal capacity for performance management. “Policy entrepreneurs” who can do more with less will help as well (see Agendas, Alternatives, and Public Policies by John Kingdon).
- Zero-based budgeting struggled previously due to fizzling executive commitment and delegating to lower-level staff without greater ownership. One change noted from earlier efforts are that the change is often coming from within now.
- Education and training needs to be institutionalized to help institutionalize the process.
- Reallocation of resources can create resistance from outside stakeholders.

**Next Meeting:** TBD - (*Tentatively [May 9 or 15?], 9:00 -10:30 @ USC-Capitol Center 1800 I Street*)

***Thank you for participating.***