



Data-Driven Budgeting

New Ways To Get Better Results

Summary

Good judgment and good data are integral for leaders to make good decisions. The Santa Cruz County Civil Grand Jury evaluated the County's current budget process for transparency, accountability, and results. The incremental process the County is currently using provides minimal program information. Moving to a data-driven performance-based budgeting process will enable the County to better communicate and the public to better understand how and why budgetary decisions are made.

Background

Historically, Santa Cruz County has used an incremental budgeting process, which utilizes previous budget amounts as a foundation for creating new budget amounts.^[1] However, since the 1990s, performance budgeting has been explored by many agencies in the attempt to better inform decision makers.^{[2] [3]}

A budget is a reflection of an organization's values and priorities. In an incremental or line item budget neither of those are clear. Line item budgeting can indicate actual spending history and express the new funding level, but it does not reflect the intersection of budget priorities, service levels, and results of the spending.^[4] For example, in 2017-2018 the County's District Attorney's training budget line item for ammunition was reduced by \$10,000 from the two previous years' average – with no publicly available discussion of why.^[5] This simple example demonstrates the limited information available in line item budgeting.

Data-driven budgeting, also known as performance budgeting or results oriented budgeting, is more than a mere accounting of resources; rather, it drives decisions predicated on outcomes resulting from the use of resources. Line item and performance budgets may look similar in their style of reporting revenues and expenditures. The difference is in the process. A performance budgeting process examines program goals and objectives, measures program results, and uses this information to modify resource allocations over time.^[6] According to the Government Finance Officers Association (GFOA), performance budgeting is an alternative to line item budgeting, which is no longer up to the challenge of today's flat or declining revenues.^[7]

Another process, evidence-based budgeting, ensures that a rigorous study is completed on program outcomes to determine the efficiency and efficacy of a program or service. While evidence-based budgeting is the ultimate goal, it is unattainable without first creating performance measures and collecting data completed through performance budgeting.

Examples of a performance budget process can be found in Marin County’s 2014-16 and 2016-2018 *Performance Measures* shown in Table 1 and [Appendix A](#).^[8]

Table 1: Budget segment of performance measures from a performance-based budget.^[9]

Performance Measures	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Target	2016-17 Target	2017-18 Target
Fire Suppression						
Percentage of wildfires contained at ten acres or less	N/A	N/A	N/A	N/A	90%	90%
Dispatch Response Time						
Reflex Time (seconds)	N/A	N/A	136	120	120	120
Percentage of reflex times at 2 minutes	N/A	N/A	N/A	N/A	90%	90%
Emergency Medical Services						
Number of Emergency Incidents ¹	4,691	4,690	4,409	4,500	4,500	4,500
Number of Emergency Medical Incidents ¹	N/A	2,987	2,794	2,472	2,800	2,800
Average total time with patient (on scene) - medical (minutes) ²	N/A	21	19	20	19	18
Average total time with patient (on scene) - trauma (minutes) ²	N/A	12	15	12	12	12

Story Behind Performance	
Fire Suppression	This benchmark is established under our contract with CAL-Fire. It should be noted that we have regularly exceeded this goal. Fires greater than 10 acres are exponentially more destructive and costly to fight.
Dispatch Response Time	Reflex Time, also known as "Turnout Time", is the time from notification by dispatch to the first emergency response unit going en route. Improving reflex times through facility planning, training and technology can improve overall incident outcomes. The current average is 2.16 minutes.
Emergency Medical Services	<p>1. The number of emergency incidents is an overall workload indicator. The severity and complexity of incidents can vary dramatically. Targets are based on recent data trends.</p> <p>2. Reduced time spent with patients while on scene of incidents can help expedite definitive care in cases such as stroke, heart attack or trauma, ultimately improving patient outcome. The industry standard is 20 and 10 minutes respectively. Rural conditions, multiple patient incidents and other factors can effect on scene times.</p>

In order to improve accountability and transparency, many state and local governments have shifted to a performance budgeting process to better communicate services offered, the price residents pay for those services, and the consequences and value that accrue to the community from those services.^{[10] [11] [12]}

Additionally, over the years, the State of California realigned certain health, mental health, and criminal justice programs to counties, increasing their funding streams, responsibilities, complexity of services, and reporting requirements.^{[13] [14] [15] [16]} Despite these significant program and performance requirements, Santa Cruz County has continued to utilize line item budgeting.

Performance budgets provide information about the use of resources and the outcomes achieved. They begin with an accounting of all programs to establish baseline data for all County services and follow with measures of efficiency and effectiveness. Data equips policymakers to make strategic and responsible decisions with limited resources. They are, after all, directly accountable for those decisions. “Without data, it is budgeting by anecdote.”^[17] Along with accountability, effective use of performance data may result in innovation: finding new ways to get better results.

When performance is measured, performance improves. When performance is measured and reported back, the rate of improvement accelerates.^[18]

Scope

The Grand Jury investigated the County of Santa Cruz budgeting process and strategic planning initiative for transparency, accountability, and program results from the public’s perspective. The methodology included attendance at community forums, interviews of key officials, and document reviews including comparisons of like counties, State agencies, and associated organizations. The investigation included review of Vision Santa Cruz media coverage, the County’s budget documents, and the Comprehensive Annual Financial Report from the previous two fiscal years.

Investigation

The County Budget

The Santa Cruz County budget is a highly detailed document that reflects the precision of County accounting and anticipated spending.^[19] However, aside from a brief overview containing a few illustrations, it does not inform the reader as to the functional impact of the allocations. Furthermore, the budget fails to communicate what process, if any, departments use to establish their line item changes from year to year. There is also a lack of consistency across the County, with different departments using a variety of techniques for arriving at their proposed budget.^[20]

The current County budget is available online as an indexed and hyperlinked HTML document, as a single PDF document, and in a comparative interactive budget tool.^[21] However, in none of its forms does the current County budget provide details of the budgeting process, individual departmental goals, or performance measures. This line

item budget is not transparent. It does not enable policy makers to make immediate or long-term strategic decisions, and does not give the public access to information needed to provide informed feedback on priorities.

The County's Strategic Planning Process

In September 2017, the County Administrative Officer (CAO) recommended, and the Santa Cruz County Board of Supervisors approved, a strategic planning initiative.^[22] This effort includes:

- [civic engagement](#) visioning process to set broad goals
- performance measure management
- continuous service delivery process improvement^[23]
- establishment of a leadership academy^[24]

The [visioning](#) process, held in the Fall of 2017, included community forums that resulted in five key strategic plan elements: vision, mission, values, focus areas, and goals. The CAO has indicated that one outcome of a County Strategic Plan is the *possibility* of initiating a performance measurement effort in the future to support performance decision-making and inform the budget process.^[25]

The County's strategic planning process is now developing goals for the following six focus areas:

- Comprehensive health and safety
- Fair housing
- Reliable transportation
- Dynamic economy
- Sustainable environment
- County operational excellence

Performance budgeting is consistent with the County's goal of achieving operational excellence. Moreover, performance budgeting supports the mission of providing quality, results-driven services and being fiscally responsible, as well as the principles of accountability, innovation and transparency.

In fact, some Santa Cruz County departments are already practicing elements of the performance budgeting process and collecting data points that are reported to state, federal, and other funding agencies to determine results.^[26] For example, County criminal justice departments are required to use performance data to justify their state [realignment](#) funding.^[27] They are required to report data points monthly, such as the number of state offenders serving time in County facilities and the number of parolees being supervised by County probation. The State receives performance data from the counties to evaluate the effectiveness of community corrections efforts.^[28]

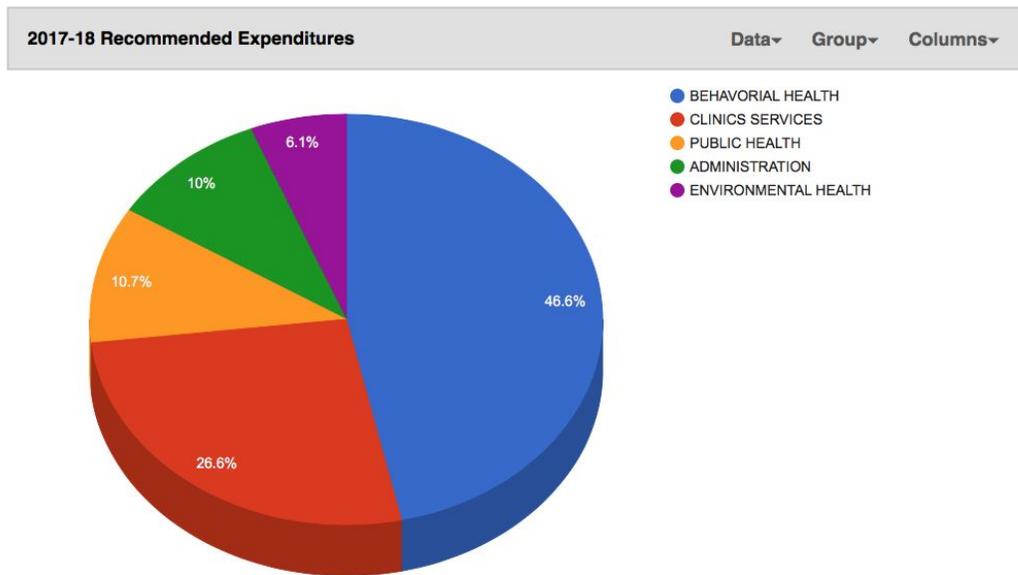
The Board of Supervisors is leading the way by conditioning performance measures as part of the contracting process, requiring contractors to meet and report results.^[29]

Data Reporting Options

A budget document is more meaningful to the general public when it correlates spending priorities to the public value of services. The County's comparative interactive budget tool (illustrated below), while publicly accessible, does not include performance measures or provide a broader performance [data dashboard](#) tool that County departments can leverage. In this day and age of media and technology savvy public, the use of a data dashboard would provide a communication tool that presents computed performance indicators to the user, enabling policy makers, departments and the public alike to observe performance measurement progress.

Illustration of Santa Cruz County's Interactive Budget Tool^[30]

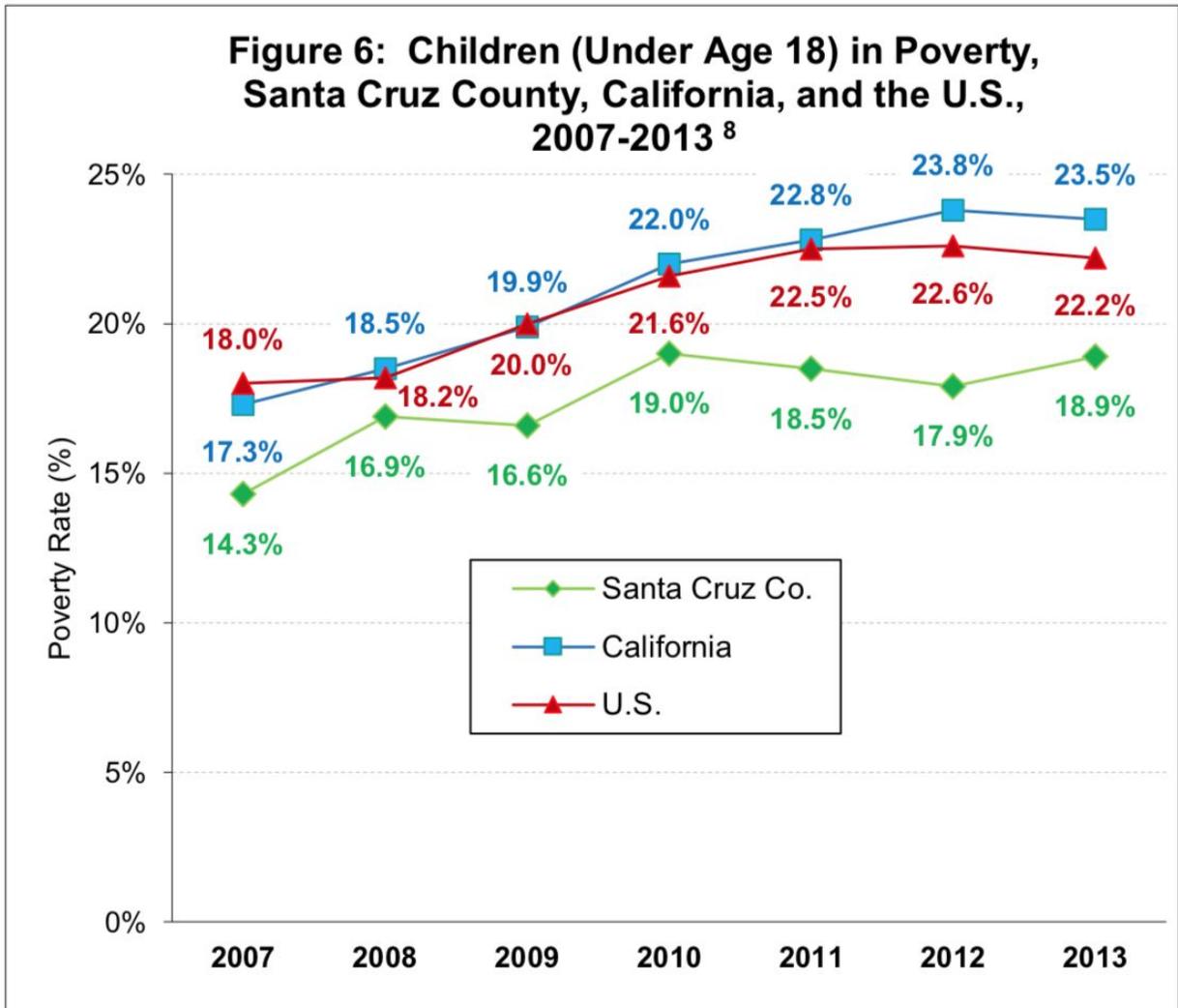
× Budget Department : HEALTH SERVICES AGENCY



* Other includes all segments less than 1% of the total. Negative segments are not shown.

By Budget Division	2017-18 Recommended	2016-17 Adopted	Variance from 2016-17 Adopted
ADMINISTRATION	\$14,578,347 10%	\$18,907,095 13%	\$4,328,748 ↓ 22.9%
CLINICS SERVICES	\$38,767,341 27%	\$35,797,377 24%	\$2,969,964 ↑ 8.3%
PUBLIC HEALTH	\$15,638,144 11%	\$15,339,123 10%	\$299,021 ↑ 1.9%
BEHAVIORAL HEALTH	\$67,802,957 47%	\$68,232,766 46%	\$429,809 ↓ 0.6%
ENVIRONMENTAL HEALTH	\$8,859,877 6%	\$9,446,331 6%	\$586,454 ↓ 6.2%
Total	\$145,646,666 100%	\$147,722,692 100%	\$2,076,026 ↓ 1.4%

An example of performance data that could be included in a data dashboard is in the 2015 Santa Cruz County Health Report (shown below), published by the Santa Cruz County Health Services Agency, which provides data regarding children in poverty across many years.^[31]



Another example is the data dashboard used by the County's Human Services Department to report on its call center performance data. Additionally the Department already uses performance budgeting and continuous process improvements. In some instances they also utilize evidence-based budgeting.^[32]

The County has not standardized performance measures across all departments nor provided analytic tools for departments to develop data-driven reports.^[33]

Initiating performance management, utilizing online tools, and moving to performance budgeting over the next two fiscal years as part of the strategic planning process is both reasonable and critical for policy makers to make more reliable decisions across all departments.

All of these changes will present challenges and hard work, not unlike the positive efforts already begun by the County through its strategic vision process. Committing to these changes will support the County's goals of operational excellence, accountability, and transparency. This results-oriented process will strengthen our community through more effective use of resources, while enabling the public to better understand the budgetary decisions our County is making.

Findings

- F1.** The County of Santa Cruz incremental budgeting document does not illustrate changes in the County's understanding of the needs of its population.
- F2.** The County of Santa Cruz incremental budgeting process fails to integrate data from all departments to enable policy makers to make strategic and responsive decisions for the community.
- F3.** The County of Santa Cruz incremental budgeting process lacks sufficient data to inform residents about projected efficiency or effectiveness of spending in the County.
- F4.** Few County departments collect and utilize performance data to develop budgets, resulting in the loss of historical program performance insights and an inability to participate in performance budgeting.
- F5.** The County has not established standardized analytic online tools for departments to develop data-driven reports, which results in the County's inability to compare and contrast with internal and external agencies.

Recommendations

- R1.** The Board of Supervisors should direct the County Administration Officer to implement performance budgeting over the next two-year budget cycle. (F1-F4)
- R2.** The County Administration Officer should pilot a performance data template in the next budgeting process using those departments that already report data to the State of California, federal government, and/or granting agencies. (F1-F4)
- R3.** The County Administration Officer should enhance the comparative interactive budget tool over the next budgeting cycle to include existing performance data to inform policy makers, departments, and most importantly, County residents, of program and service results. (F2-F5)
- R4.** The Board of Supervisors should publish a community report of performance results addressing strategic goals by department. (F1-F5)

Commendation

- C1.** The Board of Supervisors and the County Administrative Officer initiated, for the first time in Santa Cruz County history, a strategic planning process and performance improvement effort.

Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Board of Supervisors	F1 – F5	R1, R4	90 Days September 5, 2018

Requested Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Administrative Officer	F1 – F5	R2, R3	90 Days September 5, 2018

Definitions

- **CAO:** County Administrative Officer
- **Civic engagement:** residents are given an opportunity to express their priorities through public or online forums
- **Data dashboard:** communication tool that visually tracks and analyzes key performance indicators.
- **GFOA:** Government Finance Officers Association
- **Realignment:** state shifts responsibility for program or service to counties with defined funding
- **Visioning:** type of strategic plan developed through a civic engagement process

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Site Visits

Vision Santa Cruz Public Workshops:

- Live Oak, CA, November 28, 2017
- Davenport, CA, November 30, 2017.

Selected Websites

Board of State Community Corrections: www.bscc.ca.gov

California Contracts: <https://caleprocure.ca.gov/>

California Department of Corrections and Rehabilitation:
<https://www.cdcr.ca.gov/realignment/>

California Legislative Information website: <http://leginfo.legislature.ca.gov/>

California Public Salaries: <http://publicpay.ca.gov>

California State Association of Counties: www.counties.org

California Tax Data www.Californiataxdata.com

Little Hoover Commission - State of California: www.lhc.ca.gov

Santa Cruz County Budget Search Page's "Drill Down" FAC:
http://Countyofsantacruzbudget.public.simplersystems.net/info#_Toc471891598

Santa Cruz County Comprehensive Annual Financial Report 2017
http://www.co.santa-cruz.ca.us/Portals/0/County/auditor/cafr17/CAFR_2017.pdf

Santa Cruz County Solicitations (Contracts):
<http://www.co.santa-cruz.ca.us/Departments/GeneralServices/Purchasing/Solicitations.aspx>

The Texas Politics Project – The science of 'muddling through'
http://texaspolitics.utexas.edu/archive/html/bur/features/0303_02/muddling.html

Washington State Institute for Public Policy: www.wsipp.wa.gov

Whitehouse Social Innovation Fund:
www.whitehouse.gov/administration/eop/sicp/initiatives/social-innovation-fund

Whitehouse Taxpayer Receipt:
www.whitehouse.gov/blog/2011/04/15/your-taxpayer-receipt

Appendix A

Performance Measures

Performance Measures

Performance Plans are the cornerstone of the County's Managing for Results (MFR) program. The plans identify and communicate the department's most important goals and objectives over the next two fiscal years. Performance plans are a strategic management tool that can inform decision making, improve communication, and enhance operations.

Each plan includes goals, initiatives, objectives, and performance measures.

Department Goal: Each department selects five goals (seven for larger departments) that inform its initiatives and objectives. Department goals are broad policy statements that outline a department's priorities over the next two to five years.

Key Initiatives: Initiatives are the actions or activities a department plans to implement to achieve its goals and objectives over the next fiscal year or two.

Program: Program is the department team, program or service area responsible for meeting the objective or gathering the data for the measures.

Program Objectives: Objectives are statements of specific and measurable outcomes that support a department's goal and provide direction to its programs.

Performance Measures: Performance Measures involve different types of data and can inform decision-making, including strategic (mission and goals), operational (specific initiatives and activities), and financial (resources). Performance measures help to assess the quality of programs and progress towards department objectives. The County uses three types of measures:

- **Workload: Output** - How much or how many units produced?
- **Efficiency:** Relates program outputs to resources consumed - How Efficient?
- **Effectiveness: Outcomes** - How well did we do?

A Target/Estimate is a short-term (year-on-year) objective where the expectation is that it can be met given appropriate programmatic effort and resource allocation - meeting a target/estimate (success) or making meaningful progress toward it (good performance).

Key Measures (👉): In addition to the traditional performance measures, departments also identifying three to five key measures (👉) that communicate information that is most important to county residents, departments, and the County to achieve specific countywide goals.

The following pages consist of department performance plans for FY 2014-15 and 2015-16, including goals, initiatives, objectives, performance measures. Additional information about programs, performance, and outcomes is also included in the Story Behind Performance area. The performance measures are organized by the County's five service areas: (I) Health and Human Services, (II) Public Safety, (III) Administration and Finance, (IV) Community Development Agency and Department of Public Works, and (V) Community Services. Department names are included in the header and footer throughout this section.

👉 Indicates a Key Measure