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**Testimony before Joint Senate Appropriations Committee
& Senate Policy Committee
SB 1341 – Performance Based Budgeting**

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Performance-based budgeting at local government level
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Good afternoon Senator Browne, Senator Argall, Senator Mensch, and other members of the Joint Committee. My name is Uri Monson, and I currently serve as the Chief Financial Officer of the School District of Philadelphia. From 2012 to February 2016, I served as the Chief Financial Officer of Montgomery County, where we utilized elements of several budget tools, including zero-based budgeting, program-based budgeting, and performance-based budgeting to rebuild the County Budget.

The 2012 Adopted County Budget, the budget our team inherited in January of 2012, was an opaque, 13 page document with two columns on each page – the 2011 adopted budget numbers for each Department and revenue source, and the 2012 figures for each corresponding revenue and expenditure category. The budget had no relationship to what the County was actually spending, did not address the activities being funded by this budget, and provided no explanation as to why various categories were experiencing year-over-year changes. Expenditures were revenue-driven; which is to say that the County Commissioners determined a millage rate and corresponding expected revenues for the year, and then increased or decreased budgeted expenditures by a certain percentage in order to make the figures balance on paper.

The new Board of County Commissioners which took office in January of 2012, tasked the Chief Operating Officer and the Finance Office with rebuilding the County Budget, with a few key directives: the budget should be transparent to the public; expenditures should be based on the actual resources required to accomplish the task of government rather than prior year projections; and, the budget should capture the actual cost of delivering services to the citizens of Montgomery County.

Over the course of nine months, we employed features of key budget tools to accomplish this goal. Our foundational approach began with a true zero-based mentality. We worked with each Department and participating Independently Elected Office to identify the core missions of the

office, how the current activities of the office compared to their core mission, and what were the key resources required to accomplish their mission.

As we used this information to identify the resources required to accomplish the activities of government, we took pieces of program-based budgeting, ensuring that all costs associated with service delivery were attributed to those activities. Salary and benefit costs, material costs, rent, equipment, and other ancillary costs were all attributed to the activities being performed, in a consistent manner across the budget. This allowed the County to identify the true cost of delivering a service, and be able to analyze and compare the efficiency of the County's ability to deliver that service.

The final piece of the budget tools utilized relate to performance-based budgeting. The key tenet of performance-based budgeting is changing one's mindset: rather than focusing on what government is spending, the focus is on what government is purchasing. Building off of the mission focused zero-based budget approach, the County was able to link the resources budgeted to the activities being performed. The Office of Aging and Adult Services spent over \$20.1 million, in order to "purchase" over 275,000 home delivered meals; nearly 266,000 visits to senior centers; over 4,000 long term care assessments; and, conduct nearly 400 reports of abuse or neglect. Similar performance data was linked to every Department and Office in the County.

The importance of linking dollars spent to performance cannot be understated. This approach allows taxpayers to relate the expenditures of government to the services being delivered. Policy makers can make informed decisions about how to best meet the needs of their citizens, with a clear understanding of the costs of expanding or contracting services. Analysts can accurately determine the most effective and efficient means for government to provide services.

Throughout this process, the County identified underperforming areas, and funds that were not being spent. Activities which did not meet the mission of the government were eliminated. Accounting for the costs of government was attributed accurately and consistently across all areas of the government. Some areas required additional investment to ensure the mission was being met; other parts of the budget were reduced to reflect the core mission of County government, or in some cases duplicative efforts could be eliminated. In the end, the County had a more accurate budget, better designed to meet the needs of the County, with total expenditure levels that were \$14 million below the previous year. The continued use of these tools resulted in millions more in savings through 2016.

The 2013 Budget document (and every subsequent Budget adopted by the County Commissioners) runs over fifty pages. It explains the process by which Departments evaluated their activities and potential new investments, and ties those spending decisions to specific performance goals. Citizens can clearly see not just how much was budgeted in a previous year, but how much was actually spent, what those expenditures purchased, and how the new budget builds on the actual experience of the previous year. In short, it is a transparent document which fully informs the citizenry of the activities of its government.

September 20, 2016

Page 3

I would like to conclude by highlighting that fundamentally, zero-based budgeting, program-based budgeting and performance-based budgeting are not magic ways for cutting budgets; they are tools which can provide information to policy makers. These systems worked in Montgomery County because the Commissioners took the data and recommendations that emerged from all of this work, and made difficult choices about spending priorities which challenged long-held, but unsubstantiated practices. Tools are inanimate objects or concepts – their success or failure is dependent on those who wield them.

I am happy to answer any questions you may have.
