

You Want to Do What?

Using Performance Measures to Budget;
Using the Budget to Measure Performance

Jeanette Bergeron
New Jersey Department of Health
Survey and Certification Program



Chris Christie
Governor

Kim Guadagno
Lt. Governor



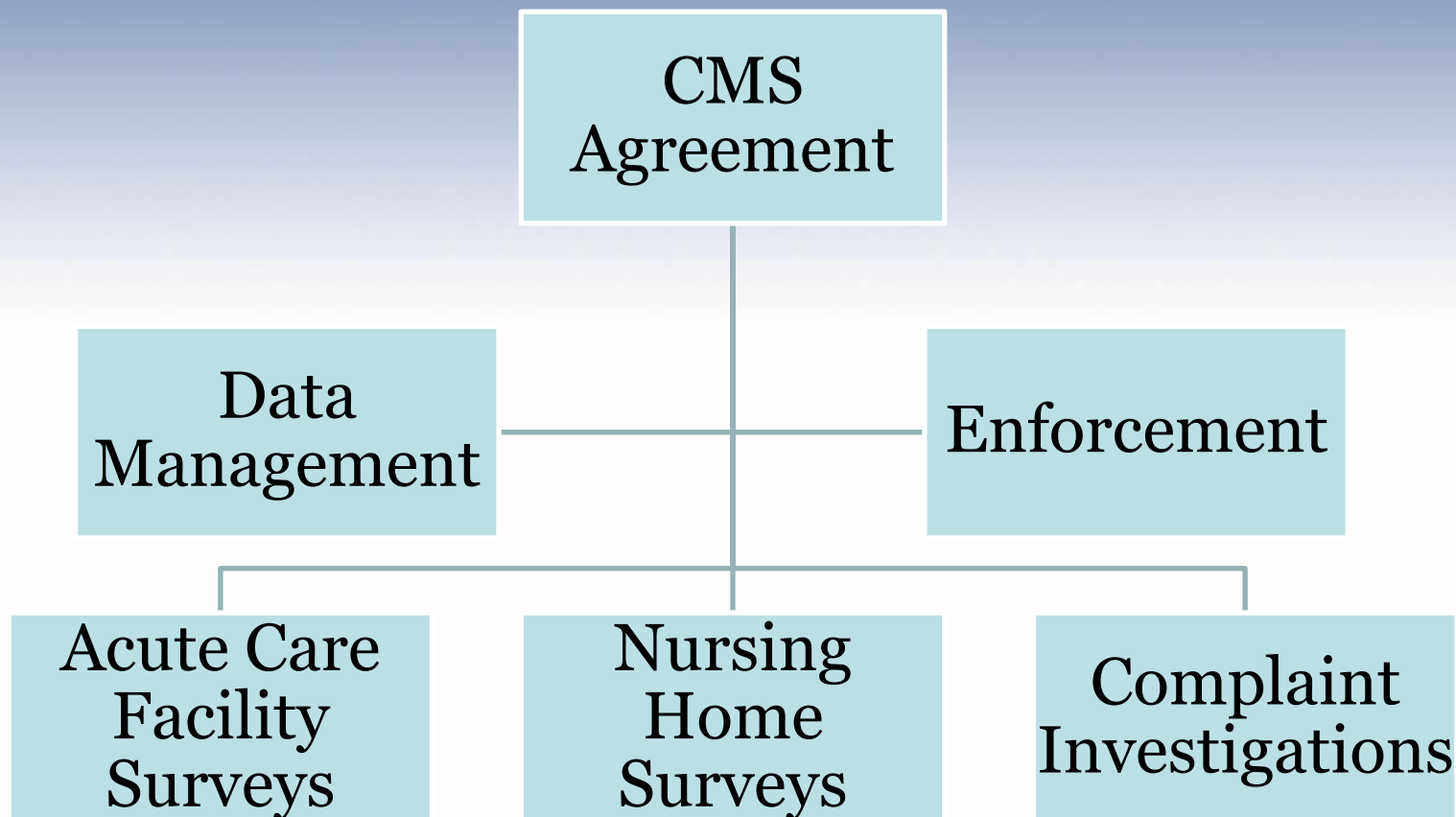
Mary E. O'Dowd, M.P.H.
Commissioner

Goals:

1. Explain why and how a program would change from traditional to zero-based budgeting and performance management
2. Provide real-world experience in overcoming obstacles



Background



The Change

Traditional

- **Adjust previous year's budget to reflect**
 - Additional or fewer tasks or number of facilities
 - Previous year's overall performance (under or over budget)
 - Back into overall budget dollars by decreasing labor across the board

Zero-Based

- **Build budget from zero**
 - Number of surveys multiplied by the national average surveyor hours per type of survey
 - Add a factor to cover supervision and administration (20 percent of surveyor time)
 - Back into overall budget by proposing to reduce specific tasks at start of budget year



The Change, cont'd

Traditional

- Evaluate overall budgeted workload against actual workload completion
- Explain variance at end of year

Zero-based

- Evaluate each budgeted task's workload against actual workload performance for quality as well as completion
- Explain variance each quarter and at end of year

Traditional Budget & Evaluation

Pros

- Fast and easy; requires little preparation
- No learning curve for staff new to budgeting
- Raises few questions because, “It’s always been done like this.”

Cons

- New budget staff learn nothing about programs
- Provides no feedback to program staff
- Provides nothing to explain variance from budget
- Perpetuates silos

Zero-based Budget & Evaluation

Pros

- Learn about program operations
- Develop measures on which to evaluate performance
- Pinpoint variances from budget; ask task managers for justification
- Documents trends

Cons

- Requires time-consuming research prior to developing budget
- Requires infrastructure: timesheet codes that reflect countable tasks
- Risk of sabotage by unwilling managers
- Providing additional information risks questions about program operations

Addressing Challenges

CHALLENGE:

- **Garnering support from existing authorities**
 - “If it ain’t broken, don’t fix it”
 - Personal ownership of traditional budget

STRATEGY:

- **Incremental changes each year**
 - Inability to pinpoint variances from budget is the “broken” part of the budget process
 - May need to wait until resistant staff retire or delegate

Addressing Challenges, cont'd

CHALLENGE:

- **Learning curve to explain variances from budget**
 - Lots to explain after the first year
 - Restrain knee-jerk blaming

STRATEGY:

- **Offer explanations or brainstorm with program or task managers**
 - Identify limitations of budget
 - Program managers and budgeters educate each other
 - Identify and define missing tasks

Addressing Challenges, cont'd

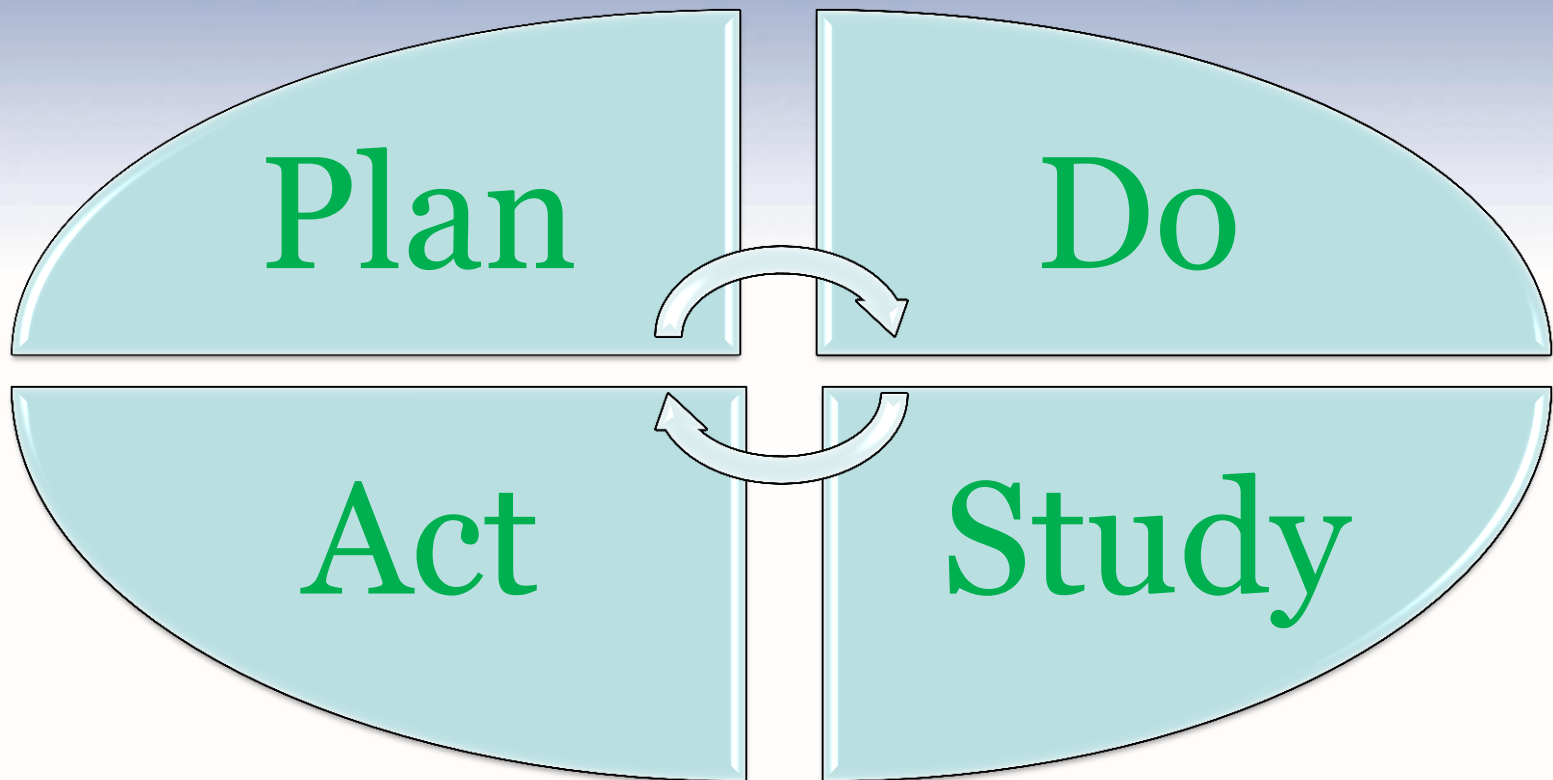
CHALLENGE:

- Institutionalizing the evaluation

STRATEGY:

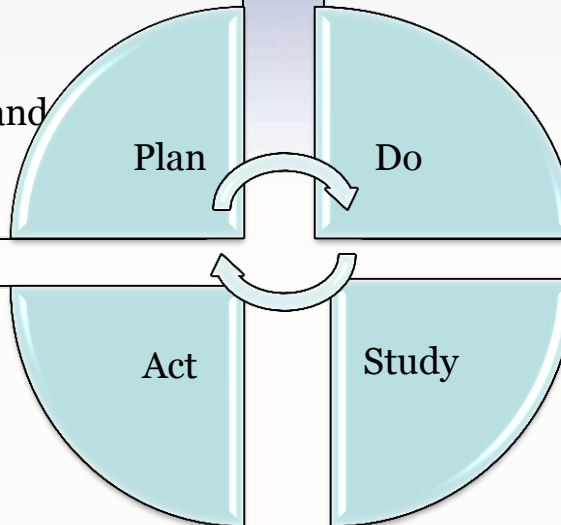
- Use external deadline as the reason and timing for the evaluation

Transition Model



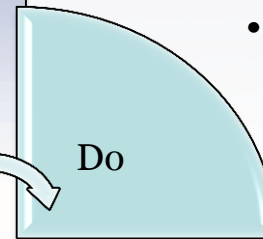
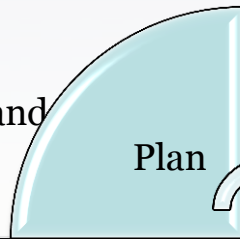
Transition Model

- Gather data: separate tasks; assign a timesheet code to each and get benchmarks
- Compare zero-based budget to previous year's performance
- Engage managers to explain difference between zero-based and previous year's budgets; reality check the benchmarks

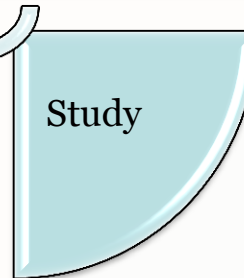
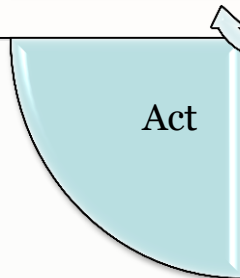


Transition Model

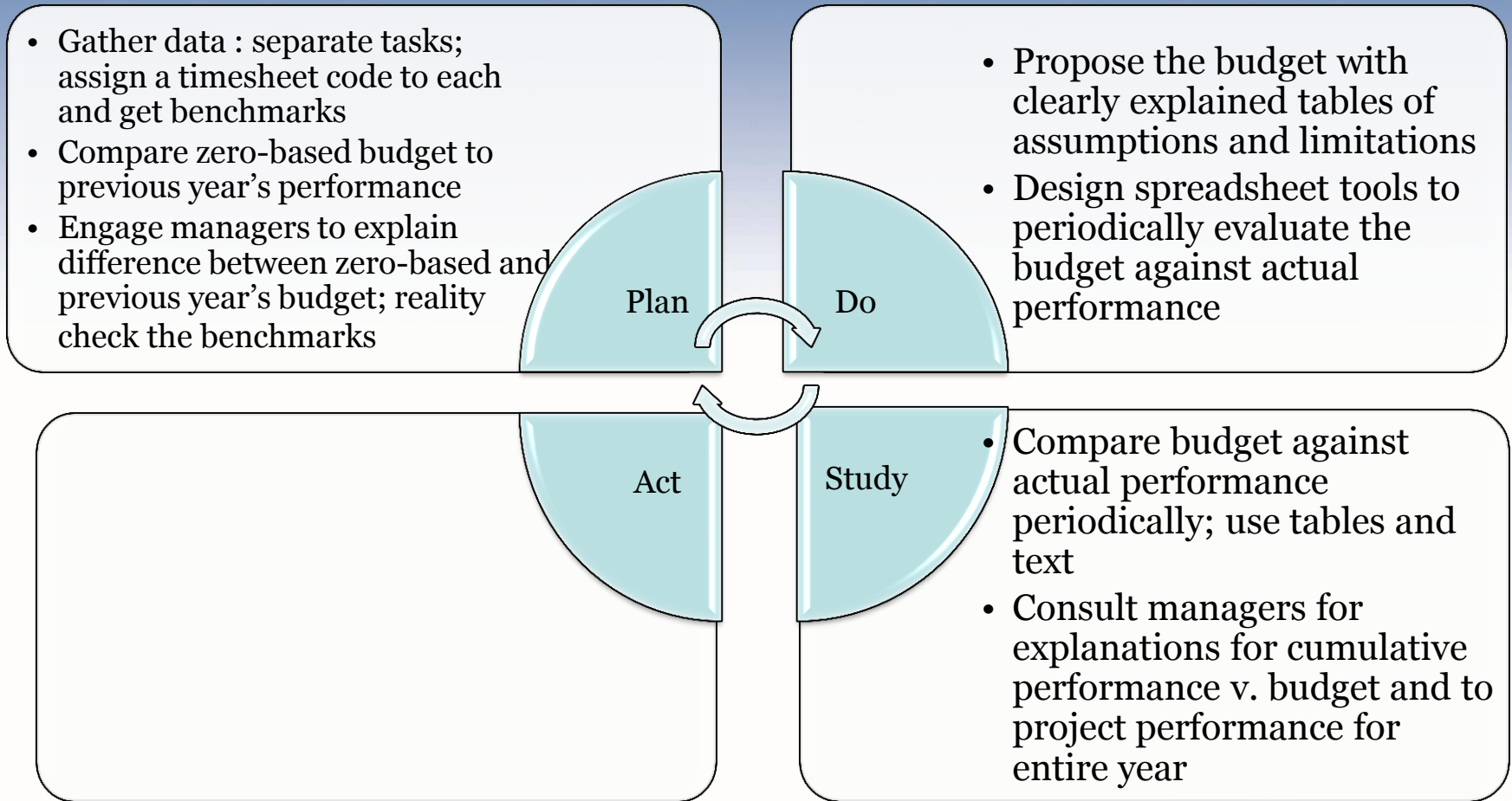
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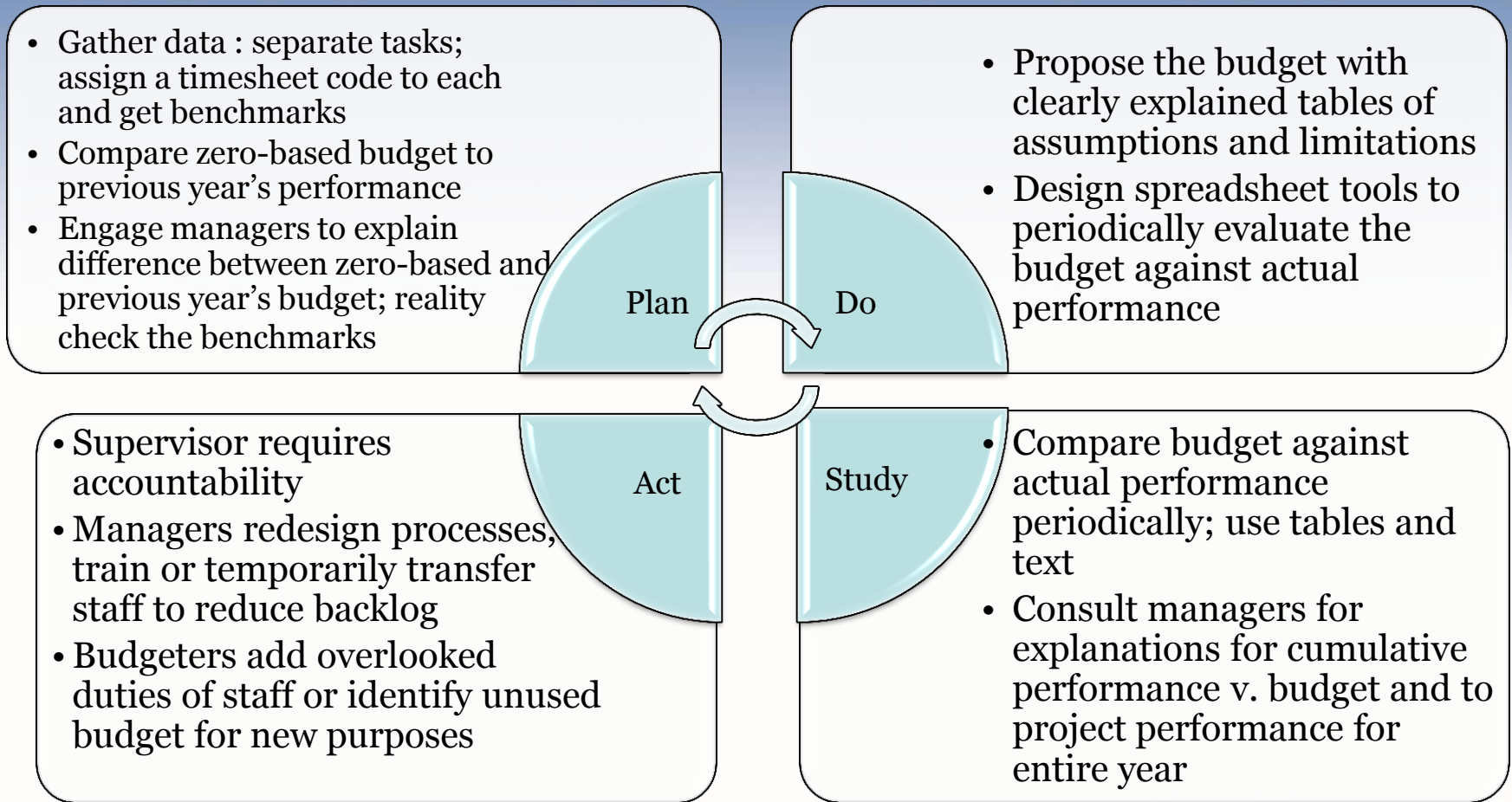
- Propose the budget with clearly explained tables of assumptions and limitations
- Design spreadsheet tools to periodically evaluate the budget against actual performance



Transition Model



Transition Model



Jeanette Bergeron

Executive Assistant

New Jersey Department of Health

Health Facilities Evaluation & Licensing

PO Box 367

Trenton, NJ 08625-0367

Jeanette.Bergeron@doh.state.nj.us

(609) 826-3749

