Over the past 10 years, many governments have turned to budgeting for outcomes (BFO) as a way of closing large budget deficits and creating sustainable budgets that position the government to deliver the services citizens demand and expect. The GFOA recently researched a number of organizations that have moved to a BFO process to identify just how much their processes varied, and ultimately to determine whether any variation had an impact on overall success.

BFO is generally considered a best practice, but it isn’t for every government — or, put differently, not every government is ready for BFO. Some BFO implementations have been very successful, ushering in a full transformation of organizational culture. And some governments have struggled with BFO and ultimately abandoned the effort. The focus of the GFOA’s recent research was to identify experiences and trends across a number of BFO implementations and then communicate these lessons learned to other organizations that are considering BFO.

THE BFO PROCESS

While every organization develops a slightly different approach, the following eight steps generally define the BFO process.

**Step 1: Determine the Price of Government.** The standard BFO process starts with a government defining how much money is available to spend. This “price of government” is commonly expressed as a percentage of community income.

**Step 2: Identify the High-Priority Areas.** The government identifies a relatively small number of high-level priorities that are important to the public. These priorities form the basis for organizing the budgeting process. Priorities are often expressed from the citizen perspective (e.g., “I want a government that provides...”).

**Step 3: Allocate Revenue to Priorities.** Revenues are allocated among the high-level priority areas by percentages or dollar amount, establishing how much will be spent on each priority.

**Step 4: Develop Requests for Results.** The government prepares budget instructions in the form of request for results (RFRs), which provide guidance to departments as to what results are expected within each priority area. Typically, RFRs are developed by “results teams” that are formed to identify the factors with the most bearing on the high-level strategies.

**Step 5: Prepare and Submit Proposals.** Rather than submitting proposed budgets, departments prepare and submit proposals that explain how their service or program would help...
to achieve the outcome and how it is consistent with the priorities and purchasing strategies identified by the results teams.

**Step 6: Rank the Proposals.** Proposals are ranked according to an assessment of how likely they are to help achieve one of the government’s priorities. Starting with the proposals ranked most highly, the government will “buy” proposals until all of the revenue allocated to that priority has been allocated. Rankings determine which proposals are recommended for funding, and this list becomes the recommended set of proposals that will be included in the budget.

**Step 7: Create a Proposed and Final Budget.** Decision makers use the proposal rankings to create the budget. They might change rankings before approving a final budget, or move some portion of revenues from one priority to another. Ultimately, the government will agree on a final budget that provides funding for some proposals and not for others. The budget often groups proposals by priority area rather than departmental line item.

**Step 8: Implement the Budget.** Finally, the government implements the approved budgeted proposals as programs. Proposal costs are matched up with line-item accounts for management and accounting purposes, and performance measures are used to monitor and evaluate performance. The BFO process is often part of a larger performance management effort that provides a way for the government to review performance results throughout the year.

**COMMON EXPERIENCES**

The GFOA’s research identified setting the correct expectations as a critical element in the BFO process. It is the crucial element in getting the most from stakeholders who are involved in the process. In this way, BFO is no different from any other large-scale project attempting to change an organization. The GFOA found the following experiences to be common when implementing BFO.

- The process will not closely resemble the eight steps listed above. Very few (if any) governments have followed the “textbook” BFO process. BFO practitioners found it important to “own” their process, which in many cases meant changing the approach to better suit the organization and its existing culture.
- Implementing BFO is a time-consuming process that can be challenging in the first year. Many organizations that reported “rushing” through the process limited the amount of discussion, and consequently, staff faced a challenge in not reverting back to the old way of making decisions. Organizations should not underestimate the amount of effort BFO requires, and they should plan accordingly.
- Most organizations make changes to the process once they get started. Almost all the governments the GFOA interviewed made changes in subsequent years based on the lessons they learned going through the process the first time. Many of the changes were aimed at making the process less time consuming and easier for staff to manage.

- The importance of strong leadership cannot be overstated. The end results of the BFO process (efficiency, transparency, innovation, etc.) are the direct result of leadership focus more than the BFO process itself.
- Cultures change slowly, and it often takes multiple iterations of the process to fully change something.
- There will be many small victories. Even if BFO doesn’t create large-scale change, the process is worthwhile if it leads to better discussions, better use of data, and more engaged stakeholders. Organizations report that some of the greatest gains with BFO come from simply being able to frame decisions and issues from a citizen perspective rather than a government perspective, making it much easier to do what’s right.

**KEYS TO SUCCESS**

The GFOA’s research did identify a number of factors that helped organizations succeed in both the initial iterations of BFO and in the long term.

- Once again, strong leadership is essential. The results of the BFO process are linked to the “messaging” and focus of BFO instructions. Governments that stressed innovation, collaboration, and efficiency, for example, were more likely to achieve it. Just implementing the BFO process is not enough to create results — it takes internal champions. And the further that BFO leaders and champions penetrate into the organization, the better the chance of the effort’s success. That
is, to the extent that BFO became the expected process, the more difficult it was for new leadership to experiment with alternative approaches.

- The BFO effort should be linked to larger performance management, monitoring, and evaluation efforts. Most of the governments the GFOA studied did not include performance measures in the initial BFO process, or did not emphasize them. Many governments indicated that this was something they wished to improve in the future. Those that did include performance measures found that doing so provided year-round accountability and a continual focus on results.

Some BFO implementations have been very successful, ushering in a full transformation of organizational culture. And some governments have struggled with BFO and ultimately abandoned the effort.

- Many governments commented on the value of having consultants help in developing the initial BFO process, or at least having a few trusted peer governments that can offer advice. Having access to someone who has been through the process can be invaluable when challenges arise. But at the same time, many governments said it is just as important to adapt the process to the organization and what it wants to accomplish rather than simply implementing the consultant’s process without question.

- Public participation — in the form of focus groups, online surveys, and public hearings — helps mitigate the opposition to the change. Also, as stated above, public participation helps governments create the expectations for the BFO process and encourages discussions that focus on community expectations and the citizen perspective.

**CONCLUSIONS**

Almost all of the BFO practitioners studied by the GFOA conveyed one of the following two messages. First, BFO by itself will not solve problems. It is a method that helps justify decisions, but it doesn’t make cuts any easier. Second, governments need to set clear expectations for the process and communicate those expectations to all stakeholders. Create a unique process that fits the culture of the organization and is consistent with the goals of the organization. Learning from the experience of other organizations, whether successful or less so, can be invaluable in helping develop expectations and, ultimately, communicating those expectations to stakeholders.  

**Notes**

1. The GFOA conducted web and phone surveys with staff members of organizations that identified themselves as having a BFO process. Data were collected between May 1, 2011, and April 1, 2012.

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