MULTNOMAH COUNTY

2003-2004 BUDGET PROCESS REVIEW

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A REPORT FOR BUDGET OFFICE

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FY04 Budget Process Review

Multnomah County's Budget Office conducts an annual review of the budget development process in an effort to continually improve procedures and operations. Surveys requesting feedback about their experience were sent to 81 county employees who participated in developing the 2003-2004 Budget. Participants were asked to rate the outcome and importance of various aspects of the budget process such as preparation, procedures, and county objectives. Participants were also asked to identify changes that would improve the budget process and to specify what they most appreciated about their experience. Finally, participants were asked to rate the efforts of both the Budget Office and their own departments.

Summary of Results

- Participants gave the highest importance ratings to the accuracy of financial information, reasonable timelines, and clear County policy direction.
- Participants were most satisfied with the instructions for the budget process, the way the budget was organized, and the accuracy of financial information.
- A GAP analysis reveled that, in most cases, the levels of satisfaction agreed with the levels of importance. The largest gaps between satisfaction and importance were found for reasonable timelines and clear policy direction. Participants were least satisfied with the quality of program performance data and multi-year finding strategies.
- Participants were satisfied with the shared efforts between the departments and the Budget Office during the budget process.
- Participants cited a need to improve the quality, timeliness, and completeness of budget documents.
- Participants gave relatively high overall satisfaction ratings to the budget process, the lowest ratings came from financial analysts and from participants working in Health and Human Service departments.
- Of the 25 measures assessing the budget process, the following were predictive of overall satisfaction scores:
  - The strongest predictors were satisfaction with the quality of departmental submittals and trusting the accuracy of the financial information. The lowest satisfaction ratings for department submittals came from financial analysts.
  - Other significant predictors were satisfaction with the completeness of documents, reasonable timelines, shared decision-making processes, and clear County policy direction.
  - Satisfaction with sharing information and communication with the Budget Office also predicted overall satisfaction.
- Forty-six percent of the participants reported that the FY04 Budget process was better than previous years and cited a variety of reasons; 14% said their experience was worse.
- Fifty-five percent of the participants offered suggestions to improve the budget process, the majority of these comments were related to reducing time constraints and increasing the efficiency of data management.
- Fifty-two percent of the participants reported that they most appreciated the efforts of the Budget Office in terms of communication, expertise, and willingness to provide support through a difficult year.

Survey Results

A total of 81 surveys were sent to Multnomah County employees who were identified as participants in developing the 2003-2004 Budget. A total of 31 surveys were completed, resulting in a 39% response rate[1]. The following table displays the demographic characteristics of the respondents. Compared to the total population of participants, general government employees and directors were under-represented (26% compared to 33% and 23% compared to 30% respectively). Budget Office employees are over-represented in this survey (16% compared to 6% of the total population). In addition, employees from the Budget Office made up more than one half of the respondents who identified their role as financial analyst, therefore financial analysts from other departments are under-represented (10% compared to 22%).
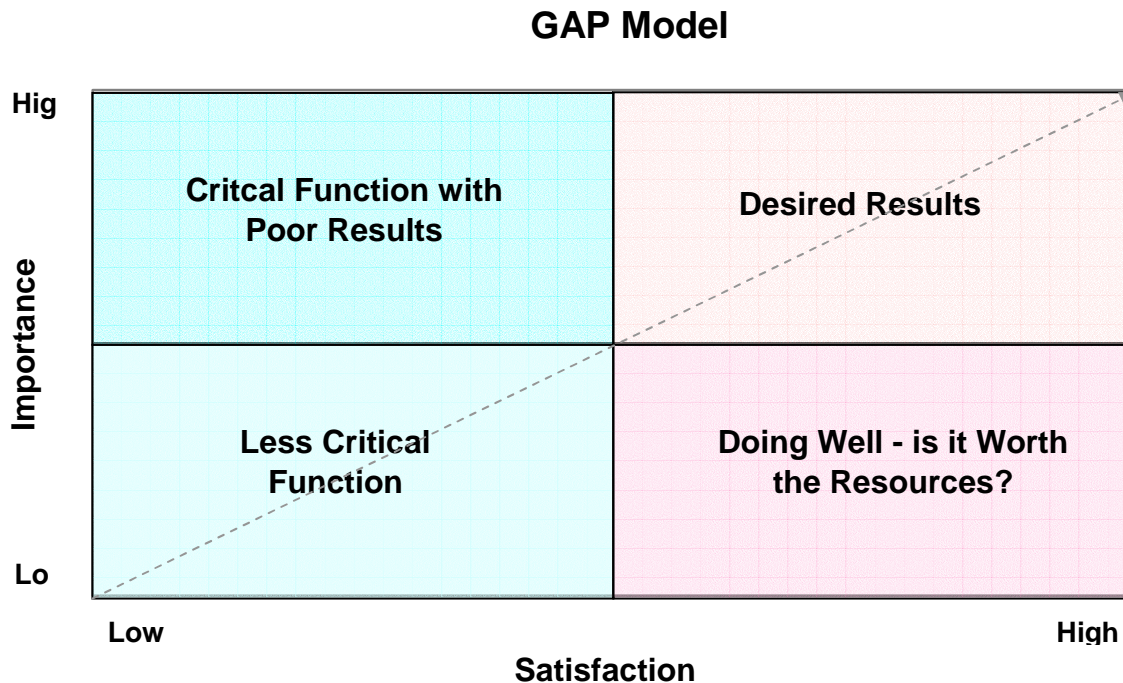
Table 1

Demographics					
Service Area	**N**	**%**	**Responsibility**	**N**	**%**
Public Safety	7	23%	Department or Division Dir.	7	23%
Health & Human Services	10	32%	Budget/ Finance Manager	6	19%
General Government	8	26%	Budget/Finance Analyst	7	23%
Other	6	19%	Other	11	35%
Total	**31**	**100%**	**Total**	**31**	**100%**

GAP Model

The budget process evaluation data collected from the surveys was analyzed using a GAP model procedure. The GAP model is a tool that is used to help identify priority concerns that need the most attention for improvement. The model can also be used to make decisions about shifting resources. This model is produced by mapping a series of metrics onto a graph using two related variables and evaluating them in relation with each other (i.e., satisfaction versus importance, seriousness of a problem versus ease of solution) to leverage the best plan of action. The model is illustrated in Figure 1. The left side of the model identifies areas that may need improvement; the top left quadrant is a higher priority than the bottom left. The right side of the model indicates high performance; the top right is optimum performance while the bottom right models performance levels that go beyond needs or expectations. Resources that are being spent on items that fall into the bottom right quadrant might be shifted to other areas needing improvement. In addition, the diagonal line illustrated in the GAP model displays the congruency between the two related variables. If the variables are equivalent, they will fall on or near the line. The relative position from the line (i.e., above or below) displays which variable was higher or lower; and the further away from the line, the greater the discrepancy between the two variables.

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[1] Of the 81 employees who were sent surveys, 2 were not available. The 39% response rate is calculated using 79 as the total population. The raw count of returned surveys was an increase over the FY03 Process Review (response rate was not calculated).

Figure 1

GAP Model

Importance

Hig

Critcal Function with Poor Results	**Desired Results**
Less Critical Function	**Doing Well - is it Worth the Resources?**

Lo

Low   High

Satisfaction

For the current evaluation, the mean levels of satisfaction and importance for various aspects of the budgetary process were used to determine which areas need improvement. Optimal performance can be said to have occurred when high satisfaction levels are congruent with the values or importance of the process. This is illustrated in the quadrant labeled "Desired Results." Areas of potential improvement would fall into the quadrant labeled "Critical Function with Poor Results" because there is low satisfaction for functions that are rated high in importance. Of less concern are functions that fall into the lower left quadrant labeled "Less Critical Function" because although there is low satisfaction, these functions are also less important. Finally, items that fall into the area labeled "Doing Well – is it Worth the Resources?" are those that need the least attention and resources to improve. Additionally, the GAP score (satisfaction score minus importance score) identifies areas that have the greatest incongruence. Both the placement of the GAP (illustrated in the model) and the size of the GAP (indicated by the score) are important indicators of performance.

Budget Preparation, Budget Process, and Multnomah County Objectives

Based on their experience developing the current budget, participants were asked to rate their satisfaction by responding to a series of statements that assessed the budget preparation, budget process, and Multnomah County objectives reflected in the budget. Participants also rated each statement for importance[2]. Table 1A in the Appendix displays all of the statements

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[2] The satisfaction and importance of budget preparation, process, and Multnomah County objectives were rated on 4-point scales with lower scores indicating less satisfaction or importance. The scales appearing on the survey were reverse coded to clarify the interpretation of the results.

as they appeared on the survey as well as the means for satisfaction, importance, and their overall GAP scores.

To determine the congruence between what budget the participants value and what they experienced, the mean levels of satisfaction were plotted against the mean importance ratings. As reviewed above, this method helps to identify areas of improvement that leverage the best overall results.

Budget Preparation

Figure 2 displays the GAP model for the series of statements related to the budget preparation. All seven statements assessing the aspects of budget preparation reflect desired levels of performance. While all statements fell into the desired performance realm, it is interesting to note that reasonable timelines were rated the highest in importance and received the lowest satisfaction ratings. Concerns about timelines were a dominant theme in the comments offered by participants (details of the comments are reviewed later in this report).

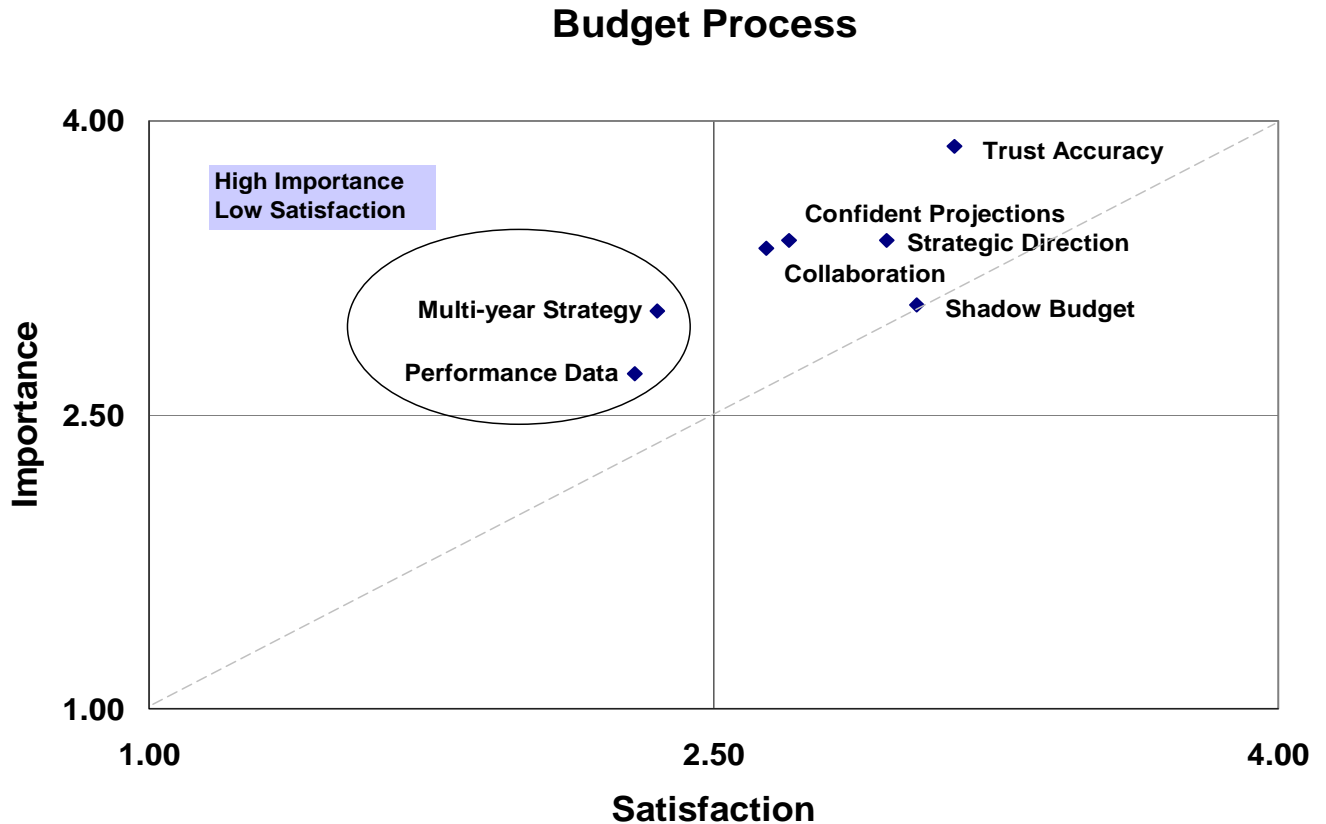**Figure 2**

Budget Preparation
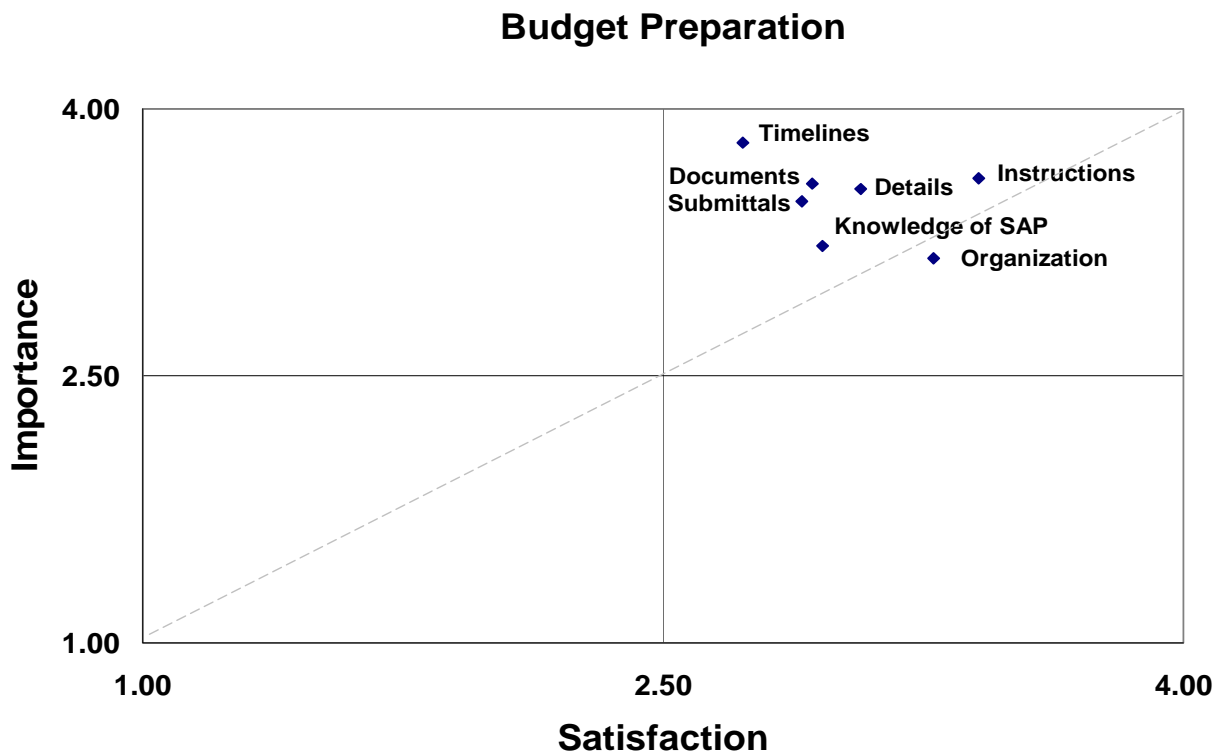
Budget Process

Figure 3 displays the GAP model for the series of statements related to the budget process. Five of the statements assessing the aspects of the budget process reflect desired performance levels. Trusting the accuracy of the financial information was rated the highest in both

satisfaction and importance. Multi-year funding strategies and the quality of program performance data emerge as areas needing improvement. The low satisfaction ratings for multi-year strategies may be in response to budget crises from the last year (i.e. mid-year re-budgeting). Although using quality performance data received the lowest satisfaction ratings, it was also rated the lowest in importance. This may reflect the exclusion of previous performance data from budgets. Unfortunately, none of the participants offered comments that would help interpret these outcomes.

Figure 3

Budget Process

Multnomah County and the Budget

Figure 4 displays the GAP model for the series of statements assessing how well Multnomah County objectives are reflected in the budget. The satisfaction and importance ratings for all four statements fell into the desired performance quadrant. The lowest satisfaction ratings were given to the budget as a clear reflection of policy direction and to stakeholder involvement in budget development. Policy direction was rated the highest in importance while stakeholder involvement was rated the lowest.

Figure 4

Multnomah County Objectives
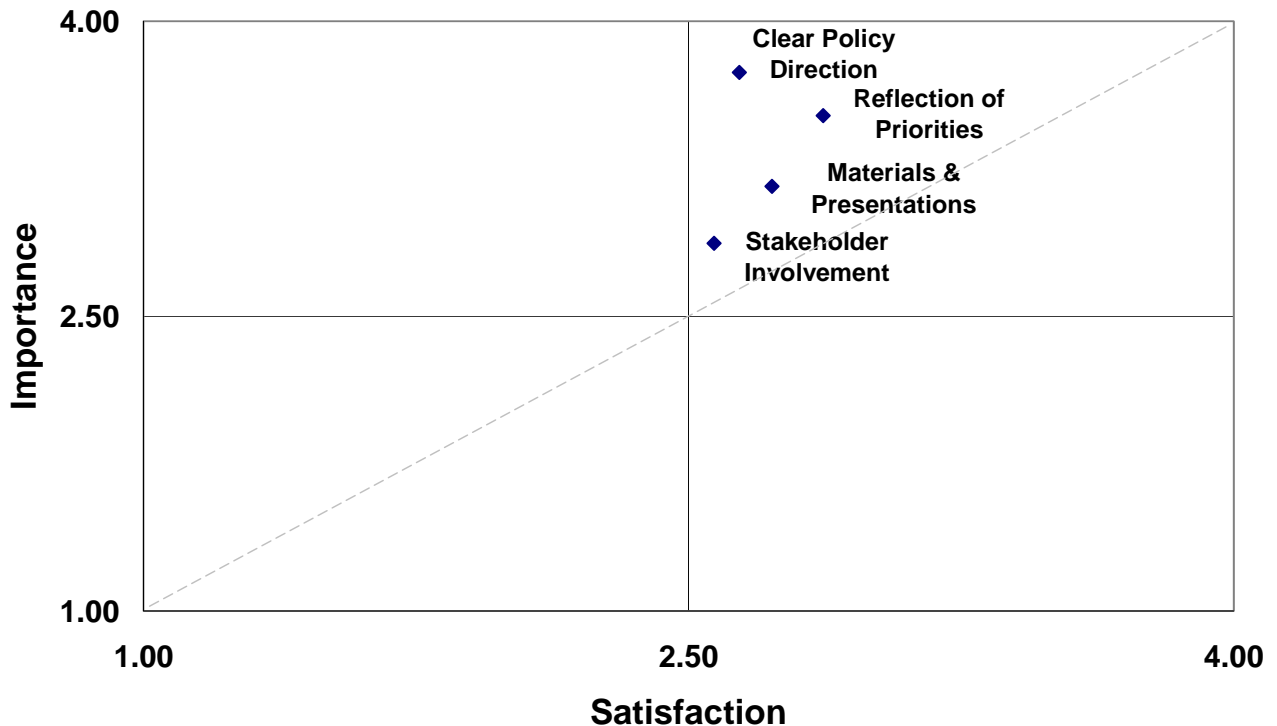
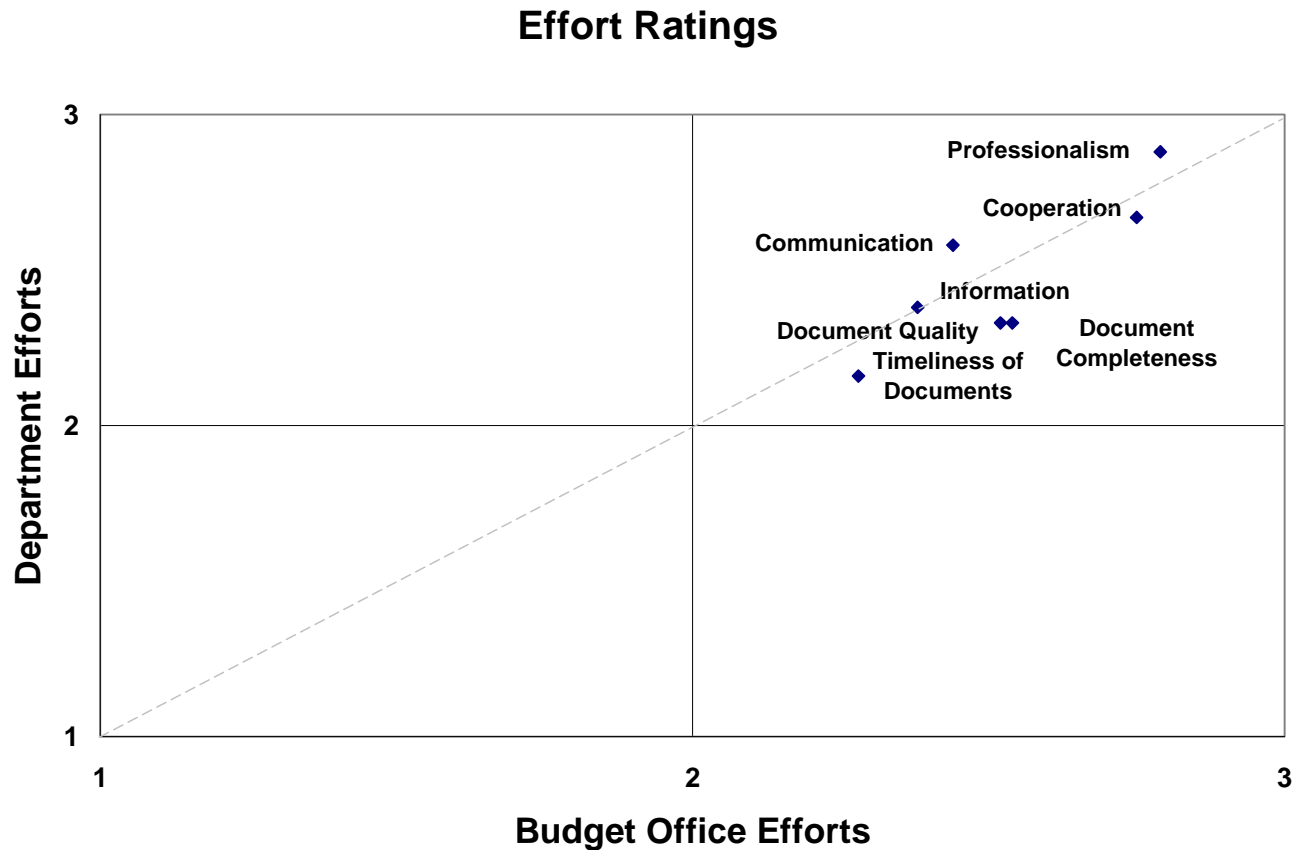**Budget Office and Departmental Efforts**

Survey participants were asked to respond to a series of statements that asked about the efforts of the Budget Office and the efforts of their own department using a 1-3 point scale (1 = needs improvement to 3 = excellent)[3]. The mean ratings for these statements are listed in the Appendix (Table 2A).

Figure 5 displays the results of the GAP model. For this analysis, the model is used to evaluate the perceived reciprocity between departments and the Budget Office, therefore mean scores in the top right quadrant indicate that both department and Budget Office efforts are rated high while mean scores in the bottom left quadrant indicate that both department and Budget Office efforts are rated low. Mean scores in the bottom right quadrant indicate that the majority of the

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[3] Surveys sent to participants who work for the Budget Office were reworded to reflect efforts extended to and received from the departments they worked with. The results were combined and are presented together. The 3-point effort scale appearing on the survey was reverse coded to simplify interpretation of results.

participants rated department efforts lower than the Budget Office and mean scores in the top left quadrant indicate that the majority of the participants rated the Budget Office's efforts lower than the departments'.

Figure 5

Effort Ratings

Participants gave high effort ratings to both their own departments and to the Budget Office indicating reciprocity. Professionalism and communication received the highest ratings followed by communication and information sharing. The Budget Office received higher effort ratings than the departments on the three statements that assessed documentation efforts (quality, completeness, and timeliness). These results suggest that future changes that improve the documentation process (i.e., simplifying methods of obtaining information needed to complete documents on time) could be the best leverage point in terms of systematic improvement.

<u>**Overall Ratings**</u>

Participants were asked to provide an overall rating of the FY04 budgeting process from beginning to end using a 1 to 10 satisfaction scale (1 = not satisfied to 10 = exceptionally satisfied). Figure 6 shows the mean results by service area and role in budget development.

Figure 6

Overall from begining to end, please rate how satisfied you are with the FY04 budgeting process on a scale from 1 ("not satisfied") to 10 ("exceptionally satisfied")
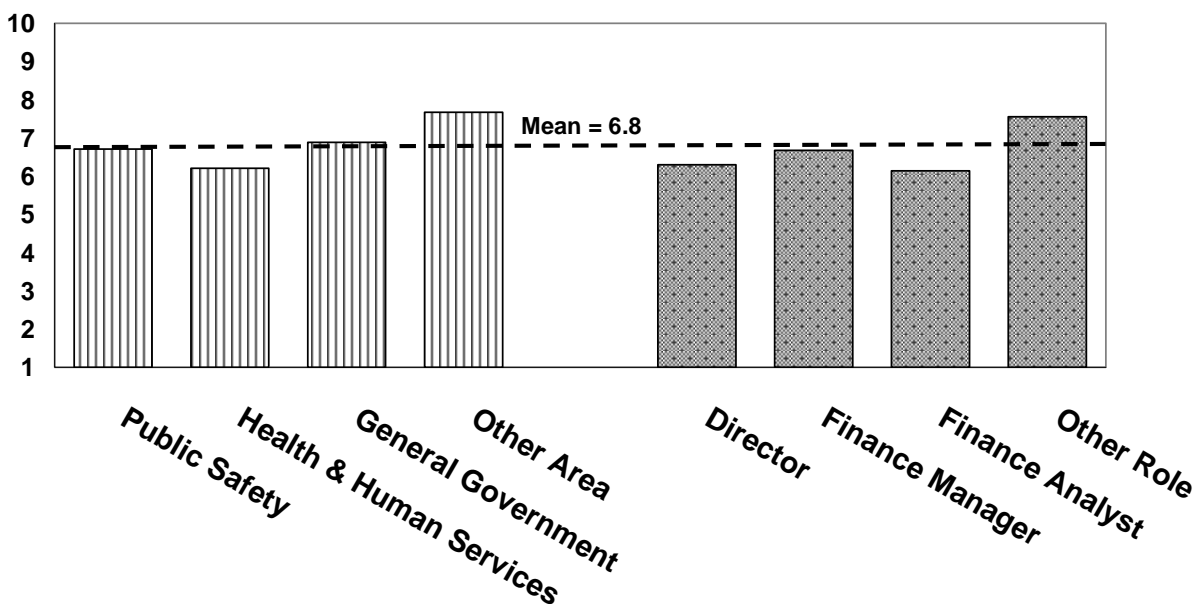
The overall mean rating for all participants was relatively high, 6.8 out of 10. The overall mean ratings were above 6 for all service areas and roles in the budget process.
The lowest overall ratings came from financial analysts and participants who work in the Health and Human Services area. The highest ratings came from participants who identified themselves as working in other service areas and in other roles in the budget development process.

<u>**Predictors of Overall Satisfaction**</u>

A series of regression analyses were modeled to determine which of the preparation, process, objective, or effort satisfaction ratings were most critical to the overall satisfaction rating. This

analysis identifies the aspects of the budget development process that have the strongest influence on the participants' satisfaction with their overall experience[4].

Of the 18 satisfaction and 7 effort measures that assessed the budget development process, 10 were found to be significantly related to overall satisfaction. The key satisfaction issues were: well organized and informative budget documents, high quality department submittals, reasonable timelines, accuracy of financial information, shared decision-making processes, and clear policy direction. Of these, the strongest drivers of overall satisfaction were satisfaction with quality of department submittals and trusting the accuracy of financial information[5]. The key effort measures were: the completeness of documents received from the Budget Office, the level of communication from the Budget Office, the completeness of the documents submitted to the Budget Office, and the amount of information the department shared with the Budget Office. Of these, the strongest driver of overall satisfaction was the completeness of the documents received from the Budget Office[6].

A series of ANOVA analyses were modeled to determine if there were any mean differences between County service departments and roles in the budget process for the above predictors of satisfaction. The only significant difference between groups was in satisfaction ratings for the quality of department budget submittals. Budget analysts gave significantly lower satisfaction ratings to this statement compared to either directors or to those who described their budget development role as "other[7]."

Participant Comments about the Budget Development Process

Suggestions for Improvement

Participants were asked to identify important changes that they felt would improve the budget process. Fifty-five percent of the participants offered comments (17 of the 31 total survey respondents), some participants commented on multiple themes. The most common theme was related to timelines (9 out of the 17 who offered comments). Participants commented that reasonable timelines are crucial for a variety of reasons such as allowing budget analysts enough time to understand a department's issues or to allow time to ensure collaboration so that budget cuts are decided on in an equitable manner (specifically adequate program representation and some mechanism for redress before final decision-making). Consistent with other results of this evaluation, reasonable timelines were rated as the most important aspect of budget preparation (Mean = 3.8) and received the lowest satisfaction ratings (Mean = 2.7). In

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[4] The low number of surveys limited the power of the regression analysis; therefore the data were analyzed using a series of regression equations containing three to four independent variables. Budget preparation, process, and effort variables were divided into groups: those related to documents and all other variables.

[5] R^2 = .59, $F_{(2, 19)}$ = 13.8, $p < .05$; β = .601 for department submittals and β = .373 for trusting the accuracy of financial information.

[6] R^2 = .71, $F_{(2, 22)}$ = 54.6, $p < .05$; β = .844 for completeness of documents received from the Budget Office. Only responses from participants outside of the budget office were included in the analyses that examined the relationships between effort statements and overall satisfaction.

[7] $F_{(3, 25)}$ = 5.4, $p < .05$; the mean satisfaction score was 2.3 for financial analysts compared to 3.3 fro directors and 3.2 for others.

addition, reasonable timelines was a significant predictor of overall satisfaction with the budget process. Satisfaction that the budget process supports collaboration and shared decision making was also a strong predictor of overall satisfaction, some comments suggested that time constraints limited stakeholder involvement.

The second most common theme represented in the improvement comments was related to data management issues (8 out of the 17 who offered comments). Participants commented about the need for using auxiliary software in addition to SAP for various reasons (i.e. ability to extract details or to track changes while waiting for updated information). This practice creates time lags in information sharing that impact timelines. More specific responses suggested changes in the way personnel costs are budgeted. It is possible that data management issues had a negative impact on documentation since some of the lowest satisfaction scores were related to document timeliness, completeness, and quality. The results of the regression analysis also support that participants who reported being satisfied with document organization or document completeness were also more likely to be satisfied with the overall budget process.

Another theme that agreed with the results of the regression analyses was the need for clear policy direction from policy makers. About 25% of the participants who offered comments (4 of 17) cited a lack of clear policy as a barrier to budgetary decision making.

Some participants commented that there is a need for continuous improvement in the budget process as a system rather than a departmental focus, to accomplish this there is a need to evaluate the outcomes annually. Finally, a number of participants commented that this was a particularly stressful year due to mid-year cuts.

It is interesting to note that while the comments offered additional insight into some of the results of the GAP and regression analyses, there were no comments about program performance data or the budget as a reflection of multi-year service and funding strategy. These emerged as issues with relatively high importance and low satisfaction ratings. It is possible that program performance measures are still under-developed and are therefore not a top priority in relation to other issues. Multi-year service and funding strategies may be too difficult to conceive in light of mid-year changes.

What Participants Most Appreciated

Participants were also asked to identify what they most appreciated about the budget process. Seventy-one percent of the participants (22 of the 31 survey respondents) offered comments. The majority of these participants most appreciated the efforts of the Budget Office in terms of communication, expertise, and willingness to provide support throughout a difficult year (16 of 22). This is reflected in the relatively high satisfaction scores the participants gave the Budget Office for their efforts. Others reported that they most appreciated learning about the diverse services provided by Multnomah County, meeting other financial professionals, and being able to participate in challenging process.

Budget Process FY04 Compared to Previous Years

Participants were asked to rate the FY04 budget process in terms of their experience with typical budgeting processes of the past (worse, no different, or better) and to explain why. Table 2 displays the frequencies of the ratings.

Table 2

Budget Process FY04 Compared to Previous Years		
	Number of Responses	**Percentage**
Worse	4	14%
No Different	11	40%
Better	13	46%
Total	**28**	**100%**

Participants who reported that this year was better cited a number of reasons such as being more experienced with the process, having more time to be engaged in the process, improved system-wide approach, better communication, early policy resolution and a clearer depiction of actual restraints. Participants who reported a worse experience cited reasons that were related to budgetary restraints which necessitated cuts and numerous iterations (i.e. re-budgeting, going back to managers a number of times, multiple adjustments, mid-year process) and the lack of certainty of state revenues.

Conclusion

The overall results of the FY04 Budget Process Review indicate that in general, participants reported having a positive experience despite a difficult year of budget cuts and revenue uncertainty. Departments reported reciprocal efforts between their own departments and the Budget Office, satisfaction and importance scores were relatively congruent, overall satisfaction scores were above 6 on a 10-point scale, and only a handful of the participants reported that the process was worse than previous years.

The evaluation revealed a number of important drivers of overall satisfaction; the strongest were related to the quality (department submittals) and accuracy of financial information and the overall quality of budget documents. This finding was supported by the results of the GAP analyses that examined efforts between departments and the Budget Office and between the Budget Office and the departments they served. Other drivers were reasonable timelines, shared decision making processes, and clear County policy direction. All of these issues were reflected in the comments offered by participants who made suggestions for improving future budget processes. Although multi-year funding strategies and the quality of program performance data received high importance and low satisfaction ratings, these issues do not appear to be the most salient to participants. Therefore, the best areas for improvement may be those that are focused on improving information accuracy and sharing; increasing timelines; improving the quality, timeliness, and completeness of documents; ensuring a collaborative process for stakeholders; and clarifying County policy directions.

<u>Suggestions for Future Process Reviews</u>

Future budget process reviews will help the Budget Office continually improve the overall budget process. The following suggestions will help improve the quality of the evaluation itself.

- Increasing the response rate will help ensure adequate input and will allow more sophisticated analyses.
- Changing the scales from 4- and 3- point to a 5-point scale to increase variability and reduce positive biases (standardized scores can be used for multi-year comparisons).
- Continuing to use the same survey statements is important to make yearly comparisons. The fact that all statements were rated relatively high in importance indicates that all statements are relevant. However, the statement about using a shadow system should be reworded to reflect satisfaction with the shadow system. The statements assessing multi-year strategies and quality of program performance data may also need to be reworded to reflect current practices and circumstances.
- More specific items can be added to the survey to assess certain critical processes.
- In addition, specific concerns may be addressed by forming focus groups.

Appendix

Table 1A

Statements	Satisfaction		Importance		GAP
Budget Preparation	*Mean	SD	**Mean	SD	S - I
The instructions for the budget process were helpful.	3.41	0.57	3.61	0.50	-0.20
Organizing the budget by programs within departments/divisions helps in understanding how resources are linked to policy/program objectives.	3.28	0.80	3.16	0.97	0.12
I'm satisfied with the level of budget detail to which I have access.	3.07	0.58	3.55	0.68	-0.48
I have the knowledge I need to budget in SAP.	2.96	0.65	3.23	1.09	-0.27
The budget documents are well organized and informative.	2.93	0.38	3.58	0.50	-0.65
Department budget submittals were of high quality.	2.90	0.67	3.48	0.81	-0.58
Budget timelines are reasonable.	2.73	0.64	3.81	0.40	-1.08
Budget Process					
I trust the accuracy of the financial information contained in the budget document and support materials.	3.14	0.52	3.87	0.34	-0.73
I use a shadow/supplemental budget system in addition to SAP to build our budget.	3.04	0.73	3.06	1.00	-0.02
I understand the strategic direction driving resource allocation decisions.	2.96	0.58	3.39	0.80	-0.43
I have confidence in department and grant revenue projections.	2.70	0.61	3.39	0.84	-0.69
The process supports collaboration and shared decision making.	2.64	0.68	3.35	0.61	-0.71
The budget reflects a multi-year service and funding strategy.	2.35	0.69	3.03	0.84	-0.68
I use quality program performance data in the budget process.	2.29	0.78	2.71	1.01	-0.42
Multnomah County Objectives					
The priorities of the County as an organization are clearly reflected in the County's Budget.	2.87	0.51	3.52	0.68	-0.65
Supporting materials and presentations adequately support the Board's decision-making needs.	2.73	0.60	3.16	0.97	-0.43
The County's policy direction was clear.	2.64	0.68	3.74	0.63	-1.10
Citizens, Contractors, and other stakeholders were meaningfully involved in the development of the County's FY04 Budget.	2.57	0.69	2.87	0.76	-0.30

*1 = strongly disagree to 4 = strongly agree ** 1 = not important to 4 = very important

Table 2A

Effort Statements	Budget Office		Departments		GAP
	*Mean	SD	Mean	SD	B – D
The level of professionalism (you received from/you extended to) the budget office.	2.79	0.42	2.82	0.39	-0.03
The level of cooperation (you received from/you extended to) the budget office.	2.68	0.48	2.57	0.57	0.11
The completeness of the documents (you received from/you submitted to) the budget office	2.50	0.58	2.14	0.76	0.36
The level of communication (you received from/you extended to) the budget office.	2.45	0.57	2.46	0.64	-0.01
The quality of the documents (you received from/you submitted to) the budget office.	2.43	0.63	2.18	0.72	0.25
The amount of information (you received from/you shared with) the budget office.	2.36	0.62	2.25	0.65	0.11
The timeliness of the documents (you received from/you submitted to) the budget office.	2.17	0.66	2.00	0.76	0.17

* 1 = needs improvement to 3 = excellent