



Priority Based Budgeting

Online Software and Services

Background: Priority Based Budgeting is a methodology created by Chris Fabian, and set of data-analytic tools created by Michael Seman and Chris Fabian. Chris Fabian founded the Center for Priority Based Budgeting (CPBB) in 2008, and co-founded Resource Exploration (ResourceX) with Michael Seman in 2015. ResourceX acquired the Center for Priority Based Budgeting in 2017.

First Appearance: Priority Based Budgeting was first recognized and written about in the International City/County Management Association's (ICMA) [Public Management Magazine, in June 2008](#). Since then PBB has been the subject of a [Government Finance Officer's Association \(GFOA\) White Paper](#) and several Government Finance Review (GFR) journal articles.

Establishment of Industry Best Practice: In 2012, in response to the Great Recession, the Association that represents city and county managers from across the US and Internationally (the International City/County Management Association), in partnership with the Alliance for Innovation (a research-based "think tank" who studies emerging innovations across all sectors of local government) identified Priority Based Budgeting as a Best Practice in local government – encouraging every local government to migrate towards the implementation of PBB. This was based on 3 criteria:

- **1.) Repeatable methodology** to follow – PBB has a step by step process that any organization can follow, and expect to achieve the same results as another implementer.
- **2.) Scalable process** – PBB doesn't just work for large organizations (like those who have implemented in Edmonton Alberta, Cincinnati Ohio, or Sacramento CA) or small organizations (like Victor Colorado, population 300 people), but any organization of any size, type, political complexity, or demographic.
- **3.) Measureable outcomes** – any community can look back on their work and actually measure what has changed as a direct result of implementation.

Since then, Priority Based Budgeting has become a recognized "best practice" by the leading professional associations who credential and educate local government practitioners:

- City/County Managers - the International City/County Management Association (ICMA)
- Government Finance Officers – the Government Finance Officer's Association (GFOA)
- Elected Officials – the National League of Cities (NLC)
- Innovation in Public Administration – the Alliance for Innovation

Priority Based Budgeting in Professional Literature – Journal Articles and White Papers Published:

- Public Management Magazine, ICMA, 2008
<http://webapps.icma.org/pm/9005/public/cover.cfm?author=chris%20fabian%2C%20scott%20collins%2C%20and%20jon%20johnson&title=getting%20your%20priorities%20straight>
- Government Finance Officer's Association, White Paper, <http://m.gfoa.org/anatomy-priority-driven-budget-process>
- Master's Thesis, Sheryl Mitchell, "An Exploratory Study of Priority Based Budgeting" 2014, https://books.google.com/books/about/An_Exploratory_Study_of_Priority_Based_B.html?id=UbGD0AEACAAJ



The Philosophy of Priority-Based Budgeting

The underlying philosophy of priority-based budgeting is about how a government entity should invest resources to meet its stated objectives. It helps us to better articulate why the services we offer exist, what price we pay for them, and, consequently, what value they offer citizens. The principles associated with this philosophy of priority-based budgeting are:

- **Prioritize Services.** Priority-based budgeting evaluates the relative importance of individual programs and services rather than entire departments. It is distinguished by prioritizing the services a government provides, one versus another.
- **Free Up Resources to Reallocate Towards the Future.** As your organization begins to see Priority Based Budgeting for what it is, a tool to free up resources and dramatically realign them towards the Results that will create a better future for your community, you'll notice that attention ultimately goes back to the policy-makers. And the question in front of them centers entirely on "what Results" matter most for the success of your society? What Result do we need to align our resources with, in order to bring about the future that we dream of? If PBB is a tool to churn up substantial amounts of resources to redirect towards the services you wish you could start ("if only we had the money"), or enhance the services that are so desperately needed; then towards what end goals are we going to point these abundant resources you've discovered?
- **Do the Important Things Well. Re-Allocate on the Rest.** Traditional budgeting often attempts to continue funding all the same programs it funded last year, albeit at a reduced level (e.g. across-the-board budget cuts). Priority-based budgeting identifies the services that offer the highest value and continues to provide funding for them, while reducing service levels, divesting, or potentially eliminating lower value services.
- **Question Past Patterns of Spending.** An incremental budget process doesn't seriously question the spending decisions made in years past. Priority-based budgeting puts all the money on the table to encourage more creative conversations about services.
- **Spend Within the Organization's Means.** Priority-based budgeting starts with the revenue available to the government, rather than last year's expenditures, as the basis for decision making.
- **Know the True Cost of Doing Business.** Focusing on the full costs of programs ensures that funding decisions are based on the true cost of providing a service.
- **Provide Transparency of Community Priorities.** When budget decisions are based on a well-defined set of community priorities, the government's aims are not left open to interpretation.
- **Provide Transparency of Service Impact.** In traditional budgets, it is often not entirely clear how funded services make a real difference in the lives of citizens. Under priority-based budgeting, the focus is on the results the service produces for achieving community priorities.
- **Demand Accountability for Results.** Traditional budgets focus on accountability for staying within spending limits. Beyond this, priority-based budgeting demands accountability for results that were the basis for a service's budget allocation.



Sole Source Agreements – “no equivalent” justification: as of 2017, 112 local government organizations across twenty-seven states in the United States, and two provinces in Canada have sole-sourced the implementation of Priority Based Budgeting to the Center for Priority Based Budgeting and/or ResourceX. These agreements are for Priority Based Budgeting consulting services, software implementation and ongoing software license, support and maintenance services. ResourceX is the only vendor that offers a software solution for the recognized best practice of Priority Based Budgeting. Based upon their documented due-diligence, there is no equivalent.

Helpful examples of sole source justification from our clients:

- City of Boise, Idaho boisecityid.idm2.com/Citizens/FileOpen.aspx?Type=4&ID=11784
- Clark County, Washington [https://www.clark.wa.gov/sites/default/files/dept/files/contracts-grid/PriorityBasedBudgeting\(1\).pdf](https://www.clark.wa.gov/sites/default/files/dept/files/contracts-grid/PriorityBasedBudgeting(1).pdf)



Differentiation of Software Tools: Online Priority Based Budgeting software has been characterized as:

- Business Intelligence (BI) software
- Decision Support System (DSS) software
- Budgeting software

While there are other BI, DSS and budgeting software tools, as the City of Boise, Idaho publicly reported in their [due diligence report](#) this is the only software specific to the best practice of Priority Based Budgeting:

This is the only vendor that offers a software solution for priority based budgeting. Priority based budgeted is a recognized best practice by several organizations across the nation included the Government Finance Officers Association, and ICMA. Both of these organizations refer companies to the Center for Priority Based Budgeting for the software and implementation to execute this recommended best practice.

Key differentiators of the best practice of Priority Based Budgeting process include the following:

- **Integration of Programs/Services** – in PBB, the organization identifies its individual programs and services. In its unique database, ResourceX has identified over 90,000 individual government programs.
- **Pricing of Programs/Services** – the software integrates data from the organization's financial systems and human resources systems (or ERP) and allows for resource allocation of budget and actual data, to programs and projects.
- **Integration of Results and Result Definitions** – the software integrates the organization's PBB Results and Result Definitions. In its unique database, ResourceX has accumulated key Result areas from over 170 organizations, as well as the key performance metrics that help an organization define their Results.
- **Scoring Evaluation of Programs/Services** – the software facilitates a unique evaluation process whereby programs are numerically scored relative to the organization's Results, as well as key "Basic Program Attributes" (degree of mandate, size of population served, cost recovery, reliance upon the organization by its citizens, etc).
- **Ranking Algorithm** – the software applies a unique scoring and ranking algorithm that places programs in priority levels (four specific "quartile rankings"), based on the programs influence on societal objectives and basic program attributes.
- **Resource Alignment Diagnostic (RAD) Modeling** – the software facilitates exploration of the data based on unique analytics drawn from the scoring process, allowing the organization to understand and act upon insights such as: which programs are ideal for public/public partnership; which programs are ideal for public/private partnerships; which programs are charging a fee, where the fee is less than the true cost of providing the program; which programs are best served by another source; which programs are the organization's most influential to achieving Results, etc

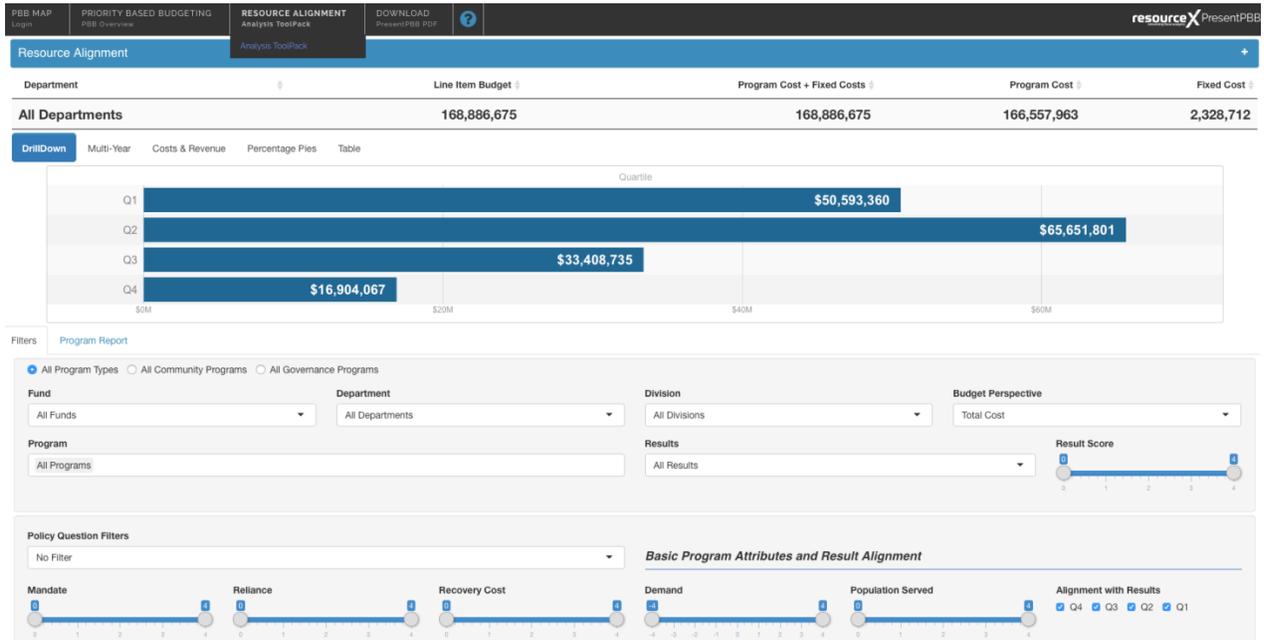


Figure 1: the City of South Bend, Indiana’s Resource Alignment Diagnostic (RAD) model, showing total resource allocation by quartile, across the City

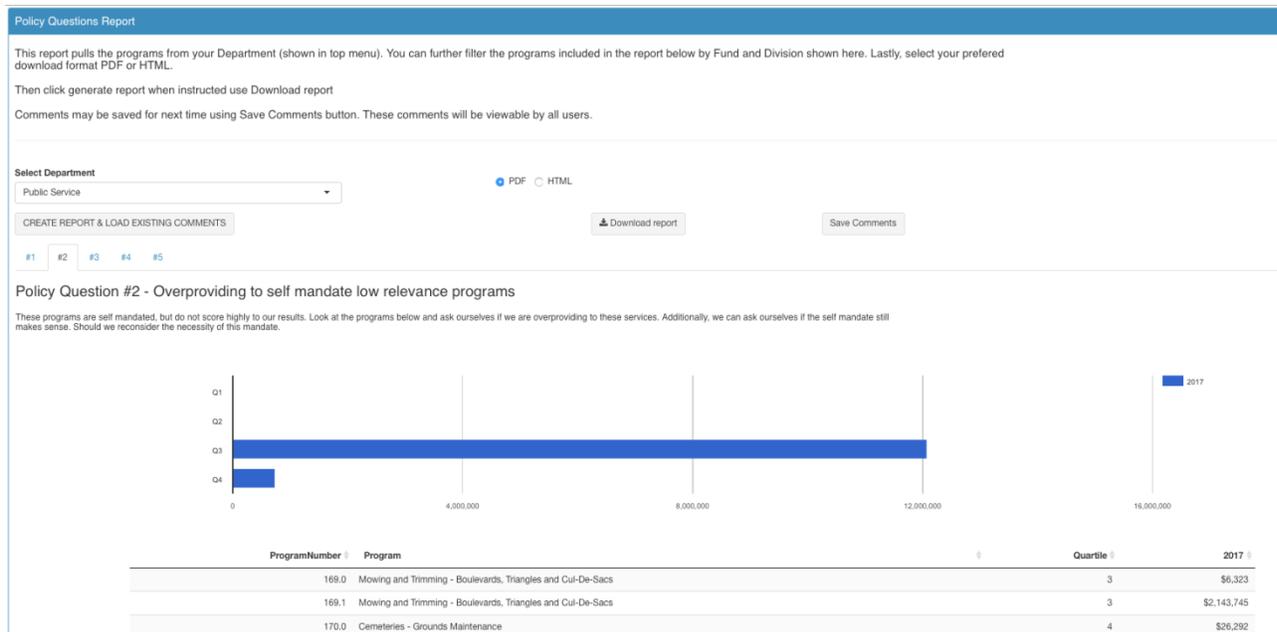


Figure 2: the City of Toledo, Ohio’s Policy Question report, within the Department Dashboard, pointing the Department of Public Services to resource reallocation opportunities where the City’s self-imposed policies may be outdated, as they are requiring the department to provide programs of low influence on the City’s Results. This is one of the “5 Policy Questions”