

# BUDGETING OVERVIEW

- What are the purposes of budgeting systems?
- What is program budgeting? What can it accomplish?
- What are the potential pitfalls of instituting such a system?
- What strategy was used to implement it at the MBTA?
- What happened? A cautionary tale about organizational change.

# Purposes of Budgeting

- **Control**
- **Efficiency**
- **Resource Allocation/Planning**
- **Team-Building**
- **Public Education and Accountability**

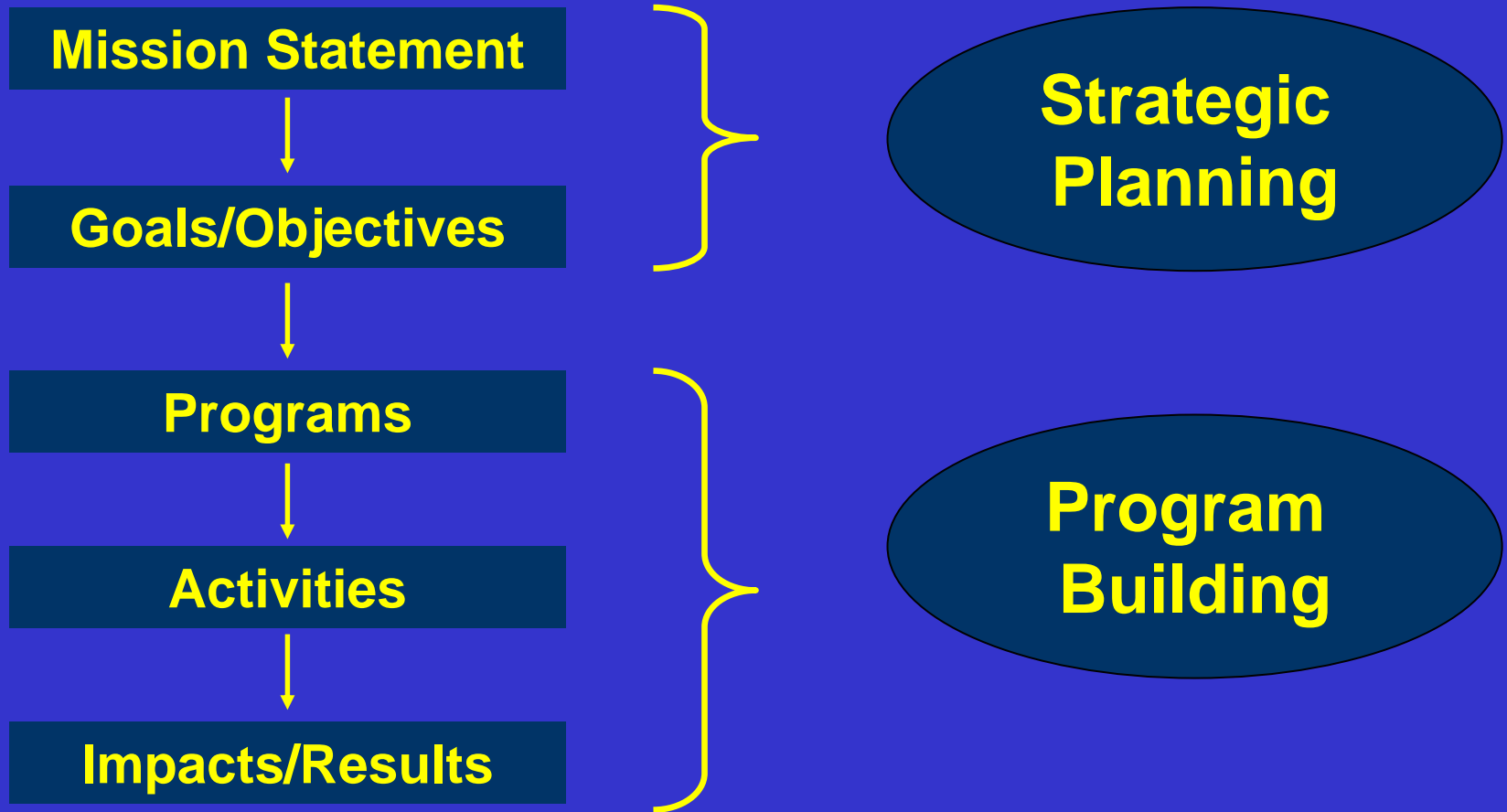
# Program Budgeting

- Program budgeting is a decision-making process that helps an organization consider how different budget options would affect its performance
- Program budgeting focuses on the **efficiency and resource allocation** functions of budgeting. It can contribute to **control and team-building** as well.

# Program Budgeting's Benefits

- **Compared to conventional incremental budgeting, program budgeting promises:**
  - **more reasoned decisions**
  - **probing of the organization's "base budget"**
  - **logical connections between budgeting and other key management processes**
  - **improved capacity to explain and defend budget choices**
  - **improved team-building**

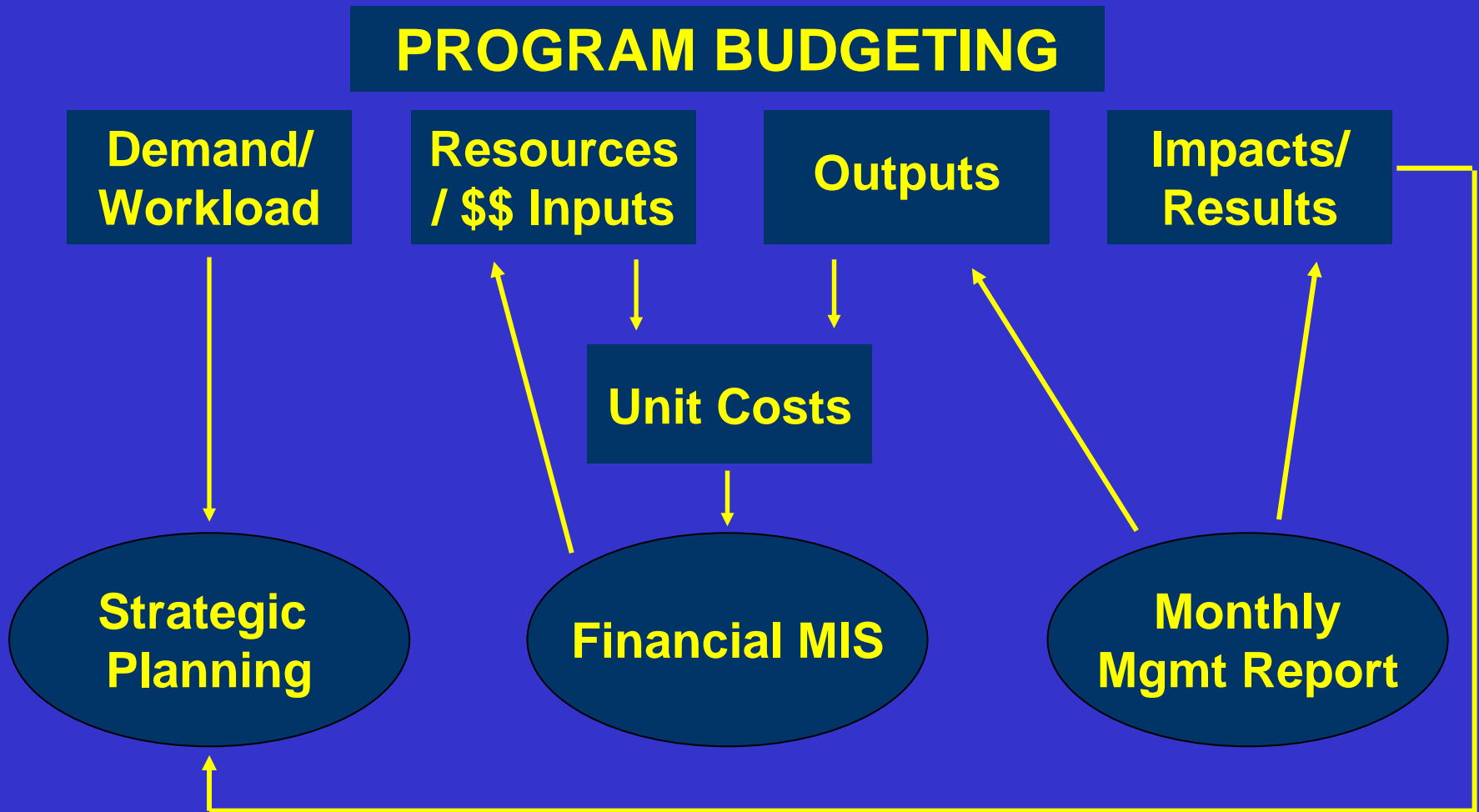
# Program Budgeting in Perspective



# Program Budgeting Data

- **“Demand” or “Workload”**
  - e.g. number of engine overhauls, staffing needs
- **“Inputs,” “Resources,” or “Expenditure Objects”**
  - e.g. personnel, materials, equipment
- **“Outputs” or “Products”**
  - e.g., passenger miles of service, buses preventively maintained
- **“Outcomes” or “Impacts”**
  - e.g., single-occupant vehicle trips averted

# Program Budgeting Linkages



# Potential Organizational Problems

- **Excessive expectations**
- **Over-centralization of decision-making**
- **Energy and skills spread too thin in effort to achieve comprehensiveness**
- **Proliferation of paperwork requirements**
- **Inadequate training and technical assistance for departments**
- **Premature efforts to link program budgeting to other management systems**



# Strategy for the MBTA - 1

- **Keep purposes focused, promised results modest, and system design streamlined.**
- **Develop the system collaboratively in close consultation with central management, the budget office, and department managers**
- **Design the system to empower departments to improve the quality of their decision making, while central management focuses on its more limited priority agenda.**

# Strategy for the MBTA - 2

- **Keep the agenda concentrated on priority issues where good budget decisions can make a difference.**
- **Keep the focus on substantive budget issues, not paperwork requirements.**
- **Provide effective training and technical assistance to departments.**
- **Go slowly in linking program budgeting to other management systems.**

# Bus Operations: FY96 Program Budget

**Mission: To provide safe, clean, and reliable transportation services for more than 350,000 riders per day**

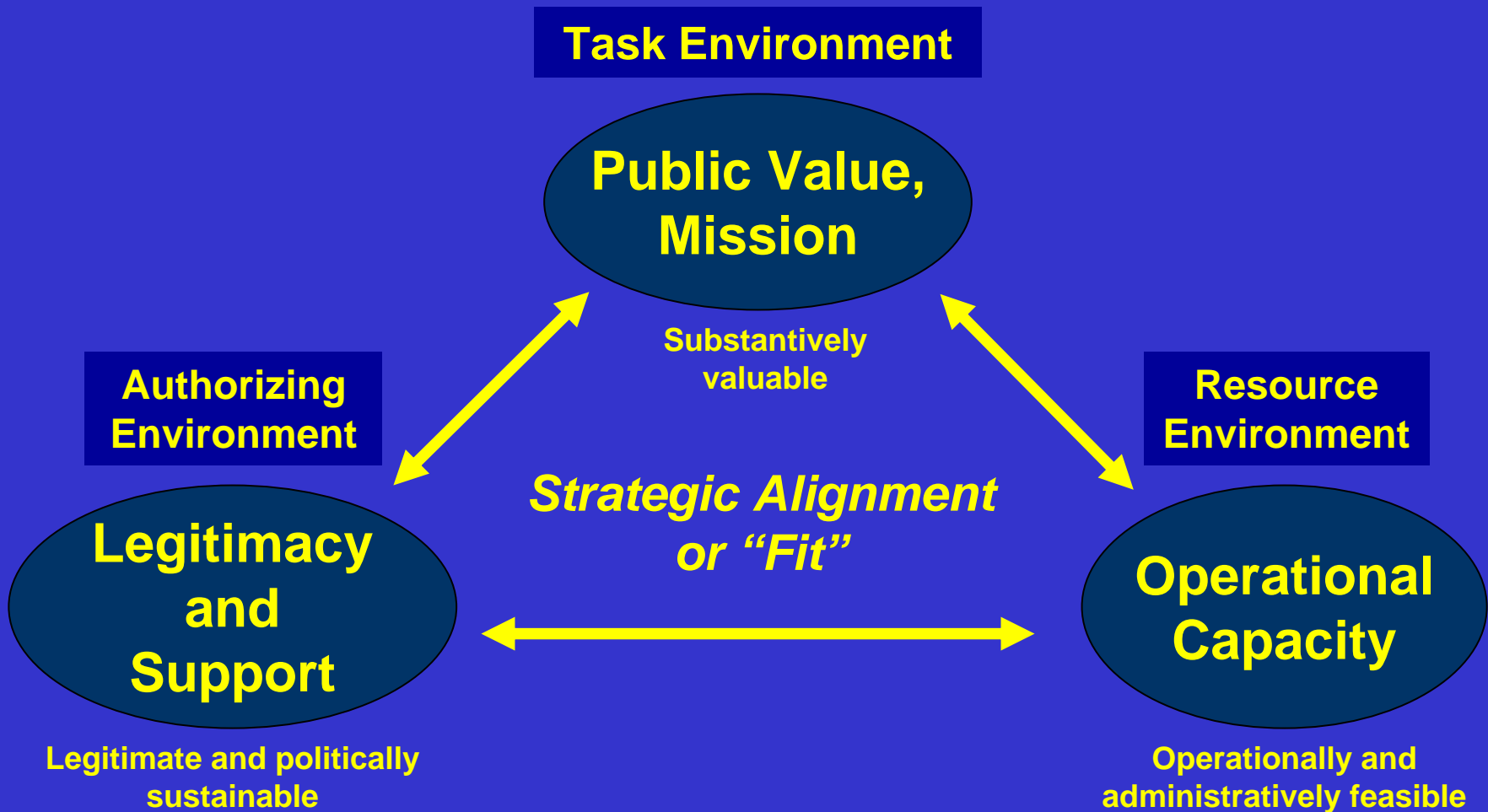
| PROGRAM | ACTIVITY          | RESOURCES    |             |             | MEASURE   | FY94 Actuals | FY95 Budget | FY95 Budget |
|---------|-------------------|--------------|-------------|-------------|---|--------------|-------------|-------------|
|         |                   | FY94 Actuals | FY95 Budget | FY95 Budget |   |              |             |             |
| Albany  | Passenger Service | Total \$     | Total \$    | Total \$    | Operating Cost Per Mile<br>Number of Riders<br>Average Fare Per Rider<br>MDBF<br>Service-ready Vehicles (\$ of Req.)<br>Percent of Scheduled Trips Run<br>Complaints per 100,000 Riders<br>Accidents per 100,000 Miles<br>Injuries per 100,000 Riders | 5863         |             |             |
|         |                   | Total FTEs   | Total FTEs  | Total FTEs  |   |              |             |             |

# Bus Operations: FY96 Program Budget (cont'd)

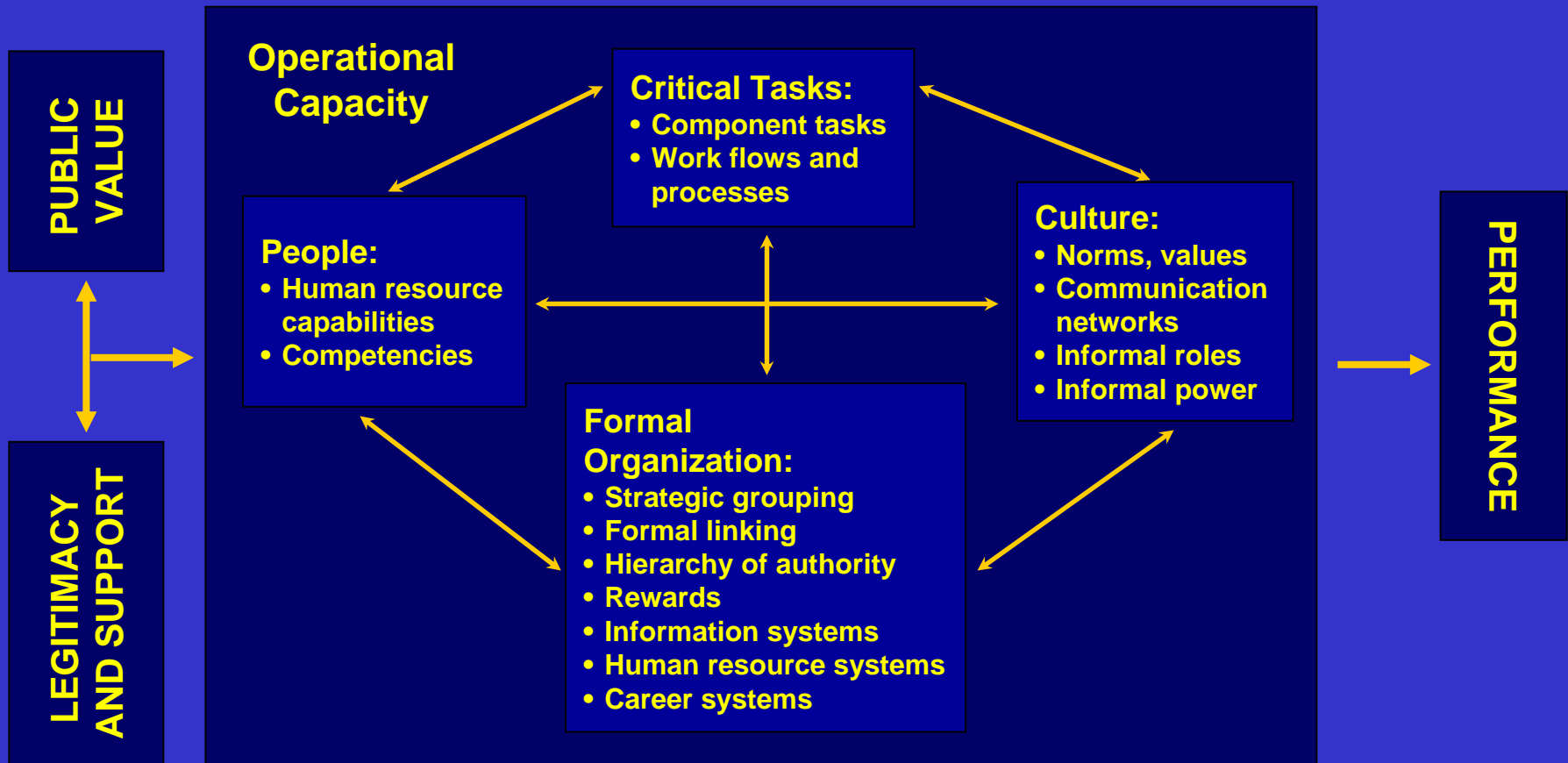
## CABOT FACILITY: SOUTHSIDE DISTRICT

| PROGRAM                            | ACTIVITY  | RESOURCES  |  |  | MEASURE  | FY94<br>Actuals | FY95<br>Budget | FY95<br>Budget |
|------------------------------------|---|--|--|--|--|-----------------|----------------|----------------|
|                                    |   | FY94<br>Actuals  | FY95 Budget  | FY95 Budget  |  |                 |                |                |
| <b>SERVICE</b>                     | Passenger Service   | <b>Total \$</b><br><br><b>Total FTEs</b><br>Operators<br><br>Line<br>Supervisors<br><br>Management | <b>Total \$</b><br><br><b>Total FTEs</b><br>Operators<br><br>Line<br>Supervisors<br><br>Management | <b>Total \$</b><br><br><b>Total FTEs</b><br>Operators<br><br>Line<br>Supervisors<br><br>Management | Revenue-Vehicle Mileage<br>Number of Riders<br>Fares Collected<br>Number of Scheduled Trips<br>Number of Scheduled Trips Run<br>Number of Added Trips Run<br>Complaints<br>Vehicle Injuries<br>Passenger Injuries  |                 |                |                |
| <b>PREPARE FOR SERVICE</b>         | Cleaning<br>Fueling   | <b>Total FTEs</b><br>Fuelers:<br>Foremen:  | <b>Total FTEs</b><br>Fuelers:<br>Foremen:  | <b>Total FTEs</b><br>Fuelers:<br>Foremen:  | Number of Vehicles Washed<br>Number of Vehicles Fueled   |                 |                |                |
| <b>PREVENTIVE MAINTENANCE</b>      | Mileage-based<br>Inspections<br>Seasonal Vehicle<br>Maintenance   | <b>Total FTEs</b><br>Mechanics:<br>Foremen   | <b>Total FTEs</b><br>Mechanics:<br>Foremen   | <b>Total FTEs</b><br>Mechanics:<br>Foremen   | Number of Inspections<br>Number of Vehicles Completed<br>Number of Vehicles Completed  |                 |                |                |
| <b>CORRECTIVE MAINTENANCE</b>      | Modification<br>Campaigns<br>Air Supply Systems<br>Brake Systems<br>Engine<br>Transmission<br>Electrical/Lighting<br>Fuel System<br>Steering/ Suspension<br>Wheels/Tires<br>Wheelchair Lifts<br>Vandalism<br>Accidents<br>Other Reasons | <b>Total FTEs</b><br>Mechanics:<br>Foremen:<br><br><b>Total FTEs</b><br>Management:                | <b>Total FTEs</b><br>Mechanics:<br>Foremen:  | <b>Total FTEs</b><br>Mechanics:<br>Foremen:  | Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair<br>Number of Diagnosis/Repair |                 |                |                |
| Total Vehicles<br>in this Facility |   | <b>TOTAL</b>   |  |  |  |                 |                |                |

# The Strategic Triangle

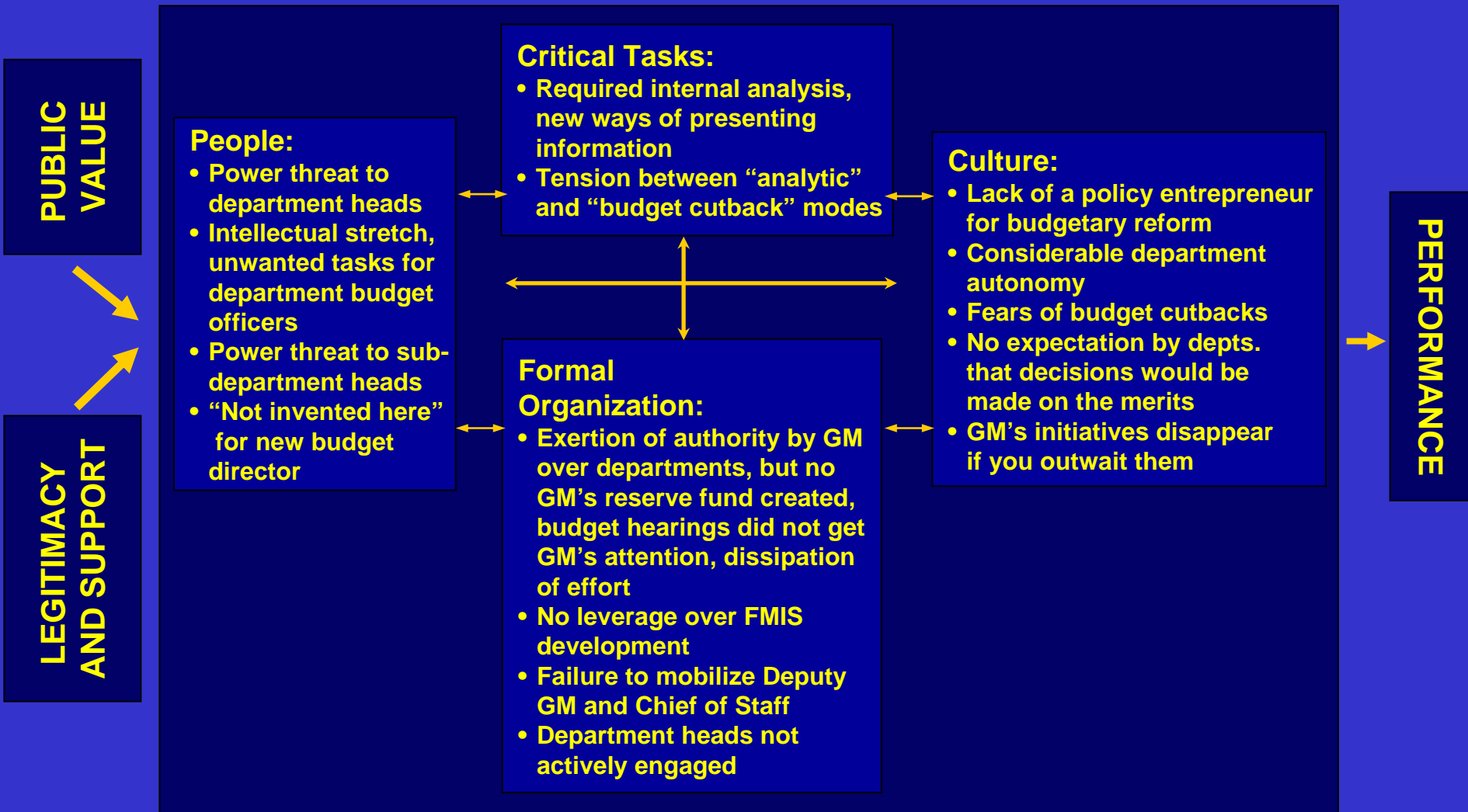


# The Organizational Congruence Model



Source: Michael Tushman and Charles O'Reilly, *Winning Through Innovation* (Cambridge, MA Harvard Business School Publishing, 1998)

# Program Budgeting at the MBTA



# Strategic Tensions in MBTA Program Budgeting Initiative

No support from Secretary/Chairman, but strong pressure for budget cuts.

No interest or support sought from or given by MBTA Advisory Board.

**Public Value,  
Mission**

Conflict of “budget cutbacks” vs. “preservation of service and jobs” had priority over analysis of needs and investments.

**Legitimacy  
and  
Support**

Despite GM’s initiation of the project, the MBTA lacked internal commitment and ability to do program budgeting.

**Operational  
Capacity**