

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**

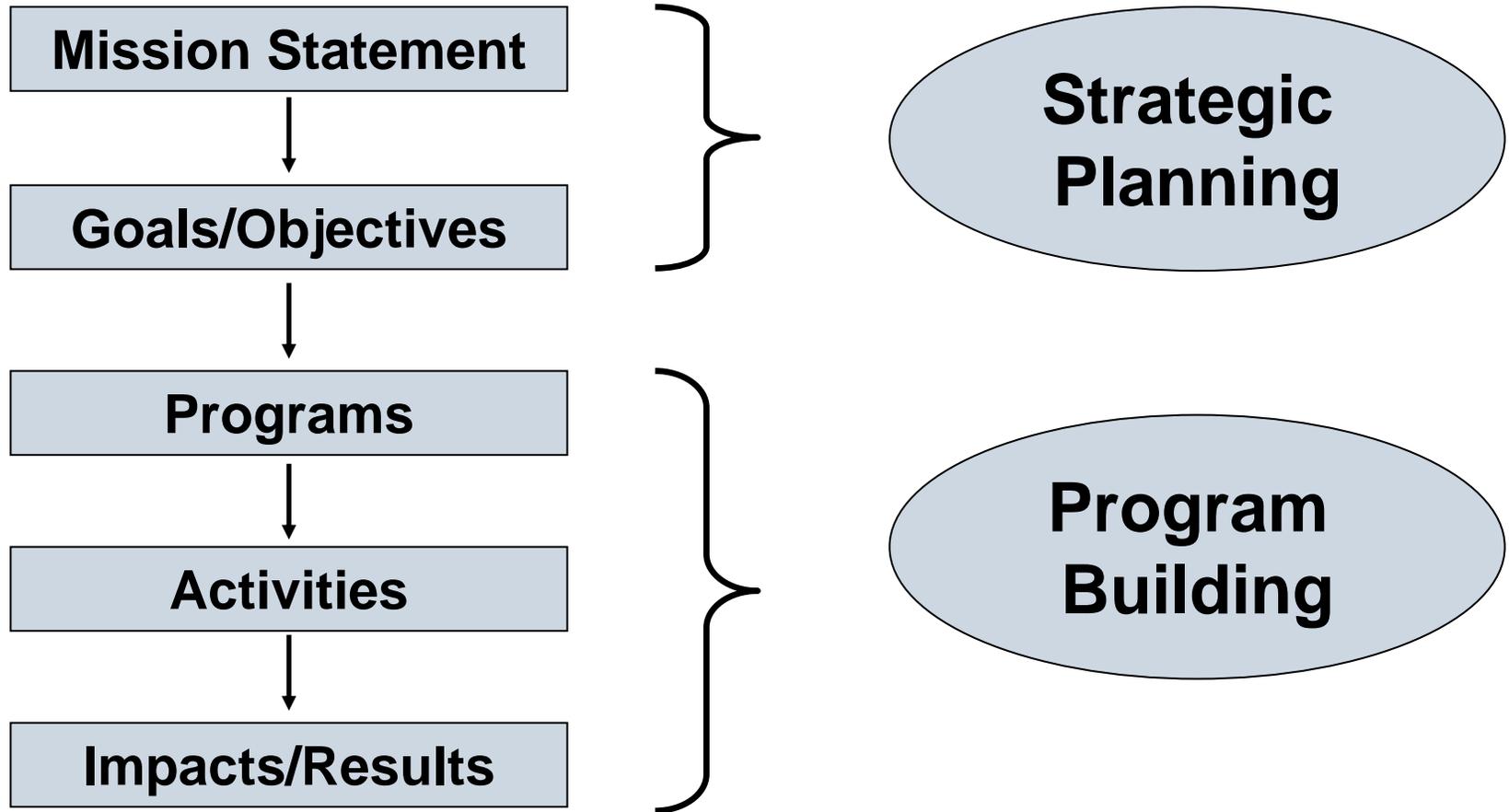
Program Budgeting

- **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**

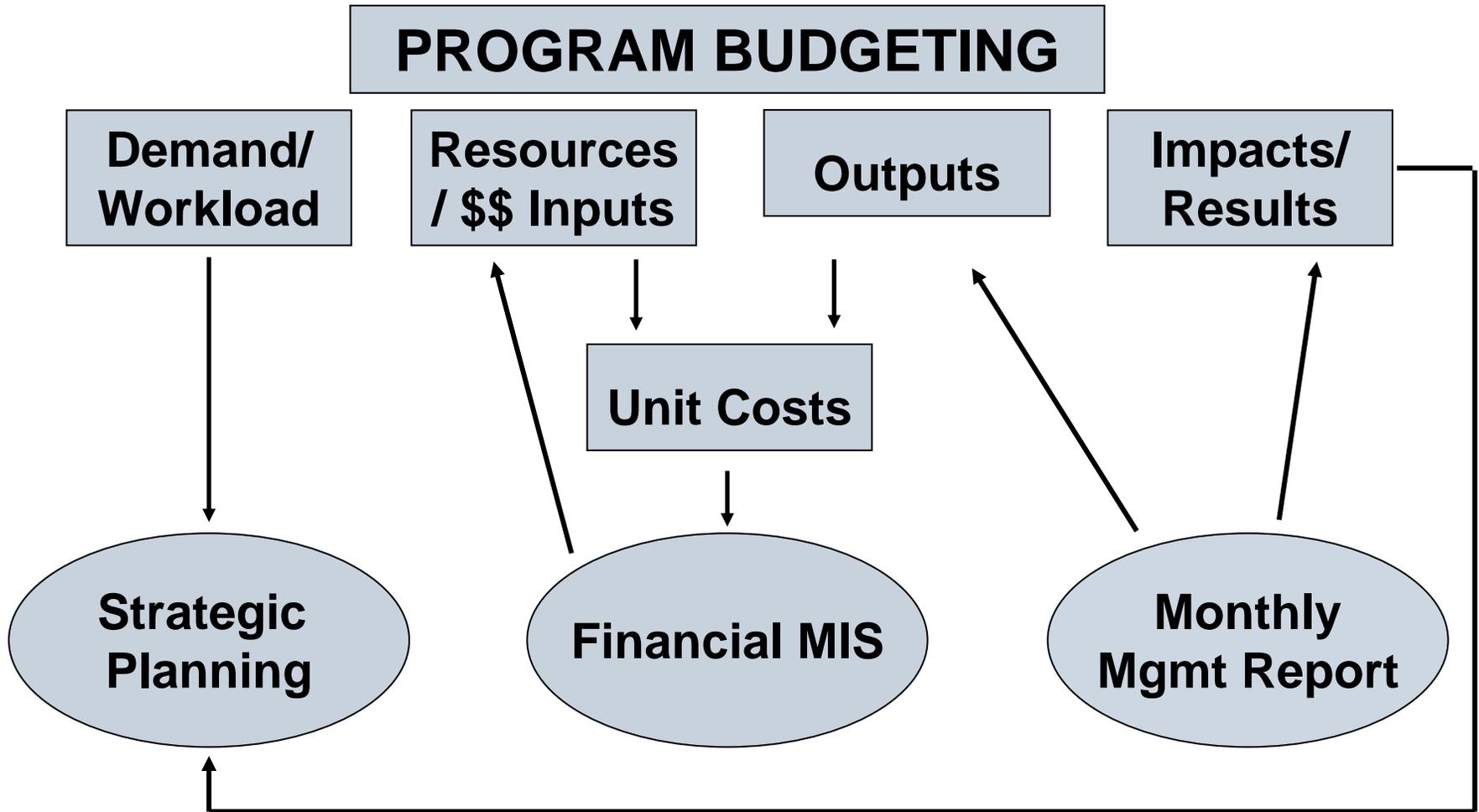
Program Budgeting in Perspective



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

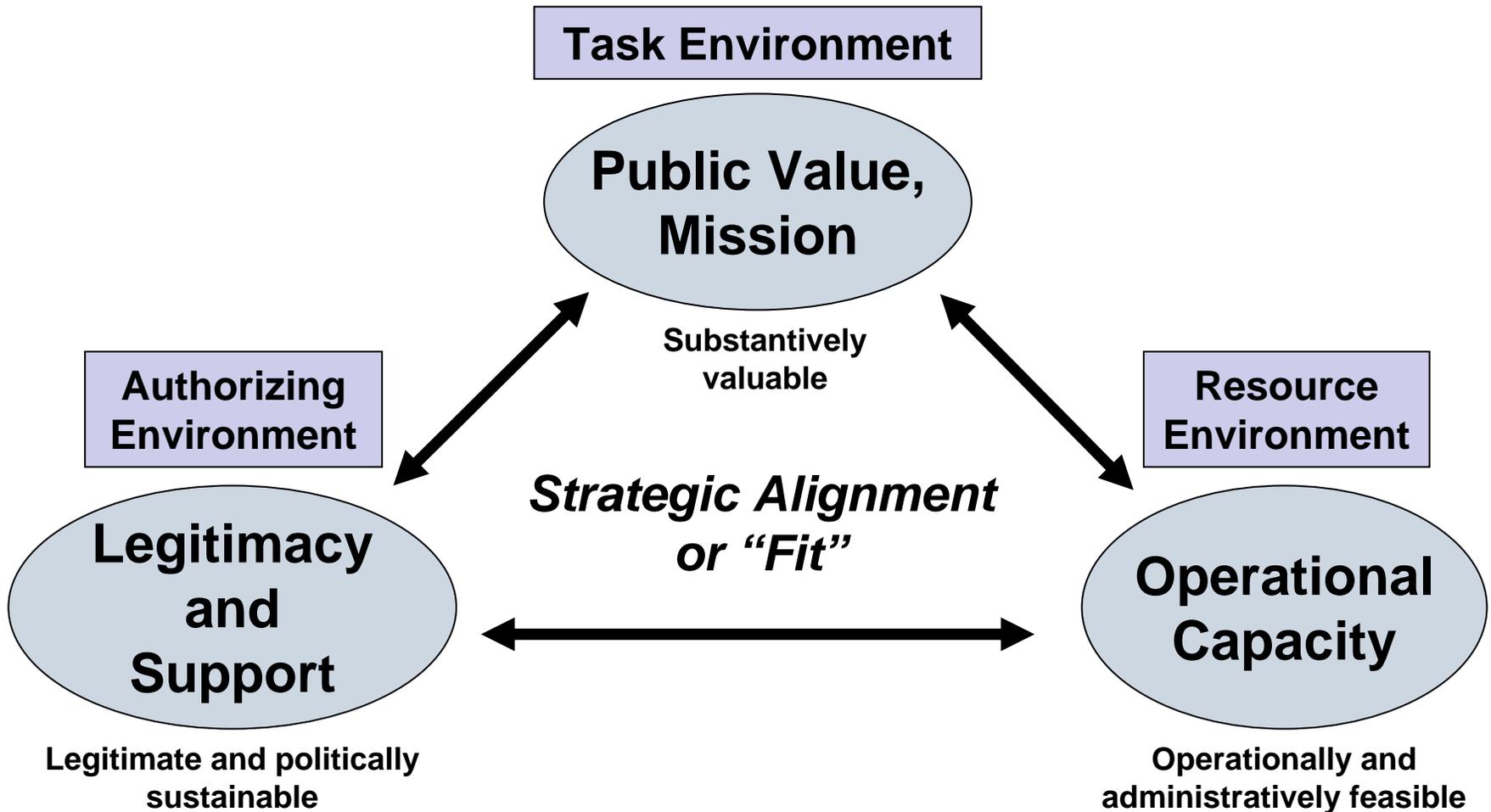
PROGRAM	ACTIVITY	RESOURCES			MEASURE	FY94 Actuals	FY95 Budget	FY95 Budget
		FY94 Actuals	FY95 Budget	FY95 Budget				
Albany	Passenger Service	Total \$ Total FTEs	Total \$ Total FTEs	Total \$ Total FTEs	Operating Cost Per Mile Number of Riders Average Fare Per Rider MDBF Service-ready Vehicles (\$ of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

Bus Operations: FY96 Program Budget (cont'd)

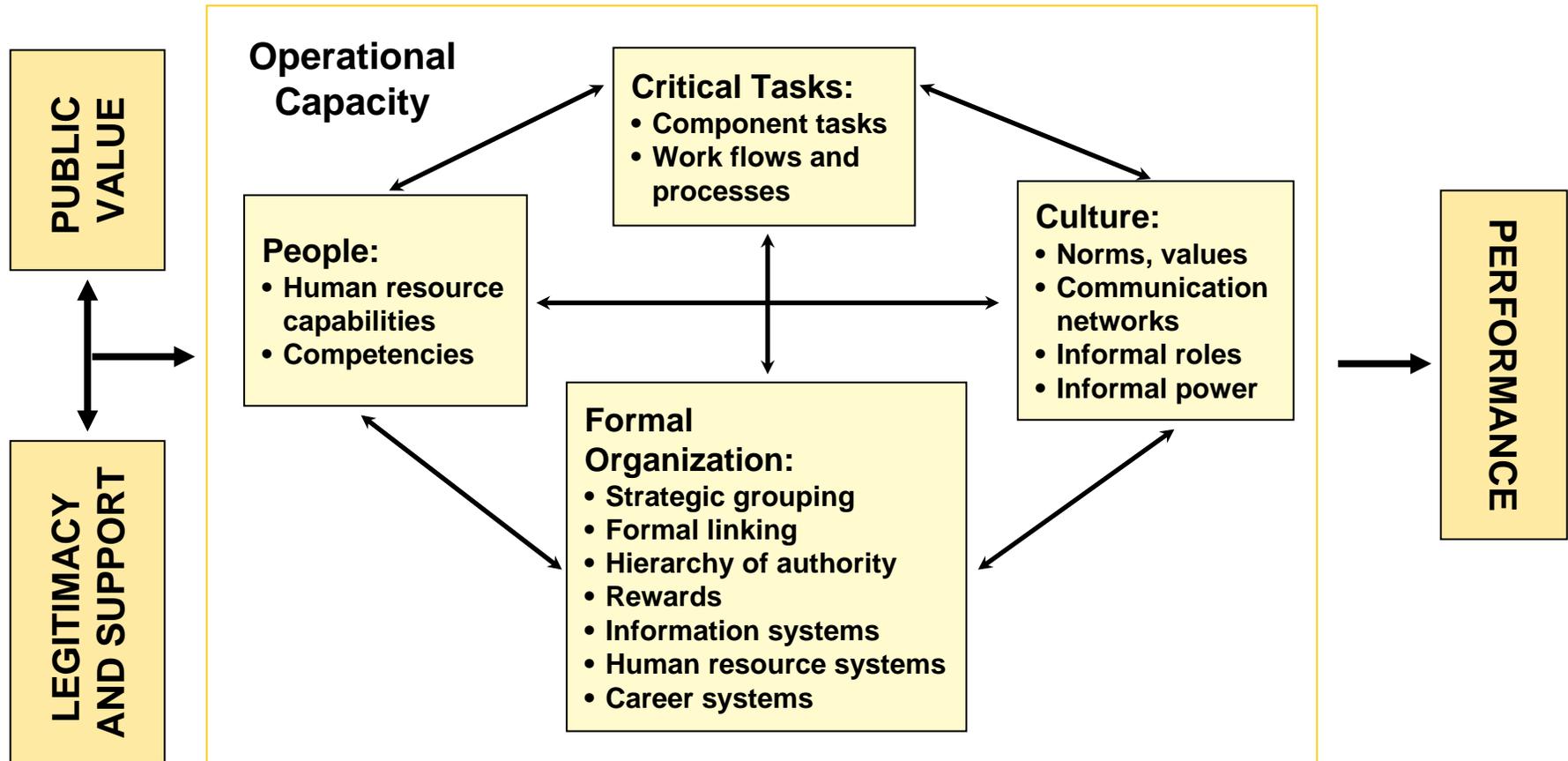
CABOT FACILITY: SOUTHSIDE DISTRICT

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

The Strategic Triangle

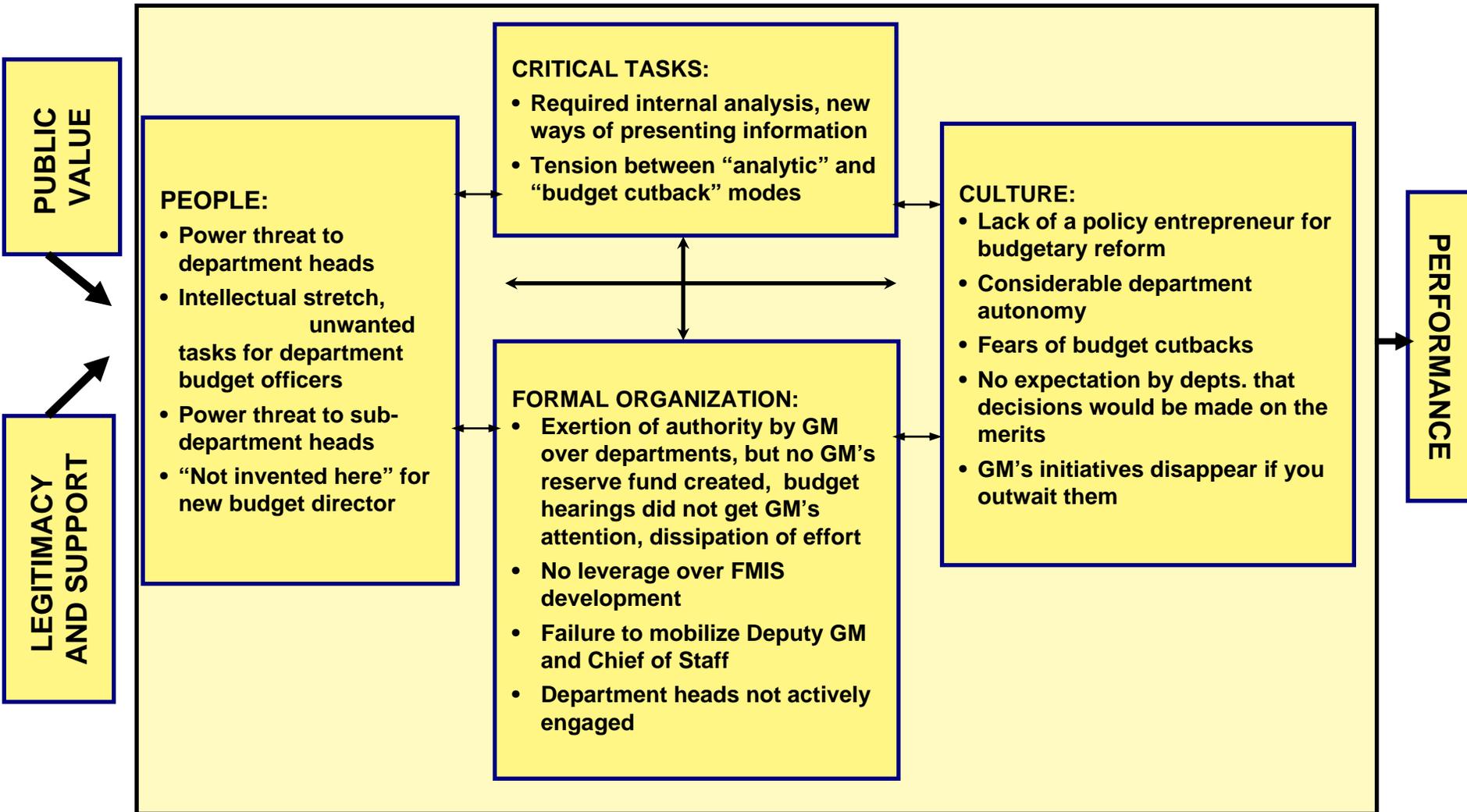


The Organizational Congruence Model



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