

# **Selling the Budget**

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***GFOASC Annual Meeting  
October 15 and 16, 2007  
Myrtle Beach Convention Center***



# Outline of Presentations

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1. Determinants of Where the Government's Budget Money Goes
2. Typical Strategies Used by Agencies in Selling their "Products" and Avoiding Cuts
3. Effective Strategies in Growing (and Preserving) a Program's Budget:
  - Preparation
  - Selling the Budget: Effective Strategies
  - What Not to Do
  - Recap

# 1. Determinants of Where the Government's Budget Money Goes

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➤ *The Politics of the Budget Process*



# Factors Affecting Appropriations and Revenue Measures

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- a. Effectiveness of “Budget Triangle” – key legislators, program/agency operating program, constituent organizations (discussed later)
- b. Lawsuits and federal actions
- c. Network of constituents and advocates
- d. Size and power of alumnae group
- e. Lobbying effectiveness: funding, power, expertise of advocates – revenue **and** spending issues
- f. Extent that agency staff trusted
- g. “Real need” - supported by performance data
- h. General appeal of service area



# Examples of Revenue-Related Issues: Sin Tax #1 - Tobacco

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- Interest/Lobbying Groups:
    - Individual tobacco manufacturers (Philip Morris, Reynolds)
    - Tobacco wholesalers and retailers
    - SC Tobacco Growers Association
    - SC Farm Bureau
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- American Cancer Society
  - American Lung Association
  - SC Tobacco Collaborative - <http://www.smokefreesc.org/>
  - SC Association of Taxpayers - <http://www.scatsc.org/>



# Examples of Revenue-Related Issues: Sin Tax #2 - Alcohol

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- Interest/Lobbying Groups:
  - ABC Stores of SC
  - SC Beer Association
  - SC Liquor Wholesalers Association
  - SC Beverage Association
  - SC Tourism Council
  - SC Association of Convenience Stores

# Examples of Revenue-Related Issues

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- Sales Tax Exemption - Motor Vehicles
  - Interest/Lobbying Group: South Carolina Automobile Dealers Association - <http://www.scada.org/>
  
- Municipal or County Business License
  - Interest/Lobbying Group: Chambers of Commerce - <http://www.scchamber.net/>



# Examples of Inter-Agency Budget Issues

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- ❑ State Employees – SC State Employees Association
  - ❑ State Retirees – State Retirees Association of South Carolina
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## **Theme of Political Efforts:**

*“State employees (retirees) vote and pay taxes”*



# Understanding the “Spending Side” of the Budget: Iron Triangle Model

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- Textbook Iron Triangle Model: used by political scientists to describe the policy-making relationship between the legislature, the bureaucracy, and interest groups – reference usually to federal government

# Politics and State/Local Budgets: The “Budget Triangle”

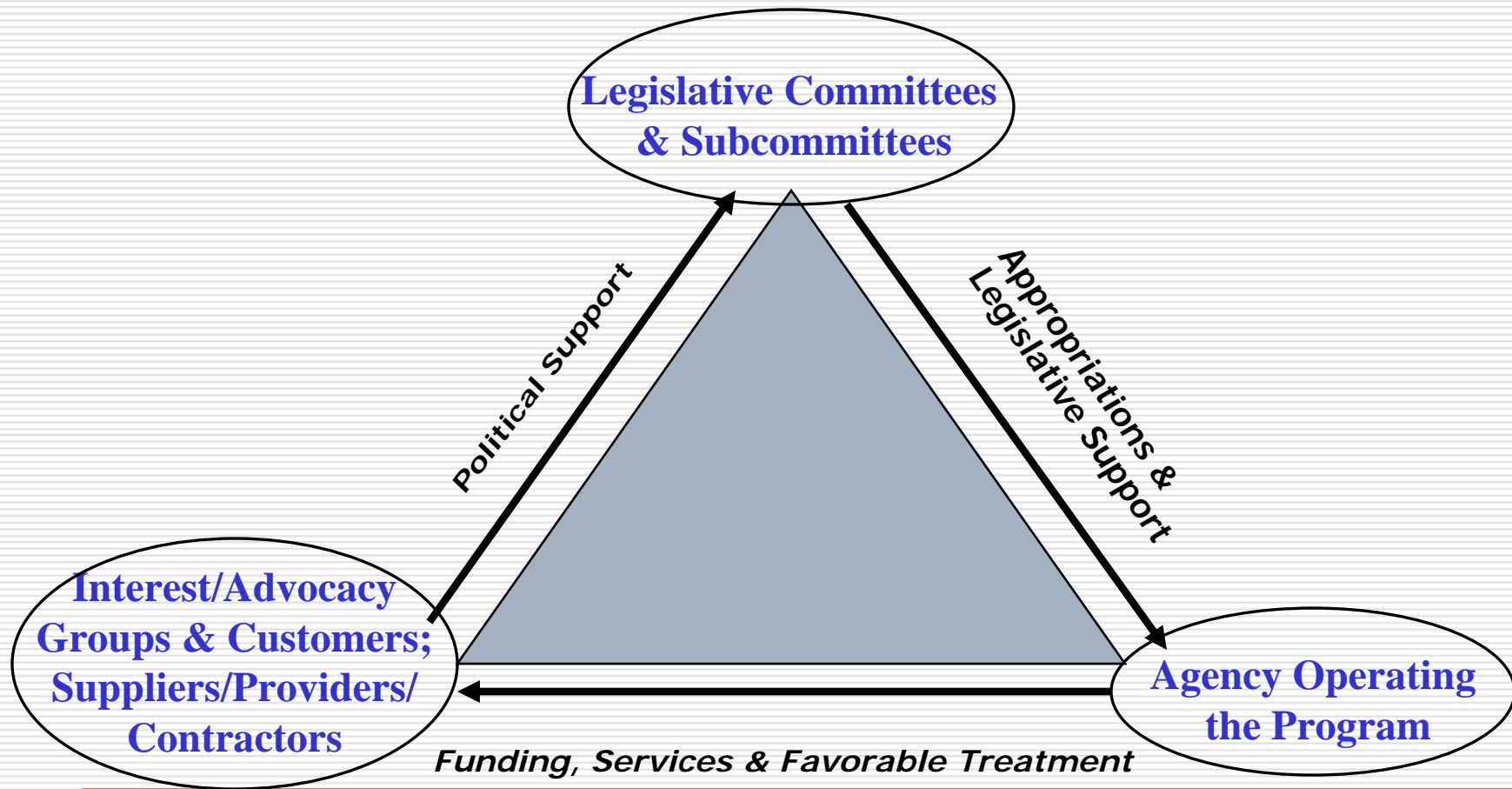
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- Describes the legislative budget process at the state or local level
- Three corners of budget triangle represent the principal actors in the budget process:
  - Legislative committees and subcommittees: substantive and appropriations committees
  - Agency operating the programs
  - Interest/Advocacy groups representing serviced recipients and direct service providers/contractors
- Effectiveness of interaction of the three actors - great impact on success of program funding and legislation favorable to program
- Budget triangle may operate for spending issues and taxation issues



# Politics and State/Local Budgets: The "Budget Triangle"

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# Interest/Advocacy Groups Supporting State Agency Services?

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- Commission for the Blind
- Vocational Rehabilitation
- Health and Human Services
- Natural Resources
- State Universities
- Corrections
- Disabilities and Special Needs

# Example: Services to People with Developmental Disabilities\*

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## Principal State Agencies:

- SC Department of Disabilities and Special Needs
- SC Protection and Advocacy for People with Disabilities, Inc. (P&A)
- SC Developmental Disabilities Council
- SC Vocational Rehabilitation Department

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\*DD – life-long disabilities; manifested before age of 22; example excludes strictly sight and hearing disabilities



# Example: Services to People with Developmental Disabilities

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- Constituent/Advocacy Groups – *each speaks for its own constituency/members*
  - The ARC of South Carolina - <http://www.arcsc.org/>
  - SC Autism Society
  - Voices for South Carolina Children
  - Family Connection of South Carolina - <http://www.familyconnectionsc.org/>
  - PRO-Parents
  - Local Service Providers Association
  - Whitten Center Parents Club



# Example: Services to People with Developmental Disabilities

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- Constituent/Advocacy Groups – *each speaks for its own constituency/members*
  - SC Spinal Cord Injury Association
  - Brain Injury Alliance of South Carolina
  - American Association on Intellectual and Developmental Disabilities, SC Chapter
  - South Carolina Partnership for Disability Organizations - Brain Injury Association of SC, SC Autism Society, SC Brain Injury Alliance, SC Spinal Cord Injury Association, and The Arc (mental retardation)

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**NOTE:** Each organization speaks for itself, yet all share a common purpose to support funding for services.



## 2. Typical Strategies Used by Agencies in Selling their “Products” and Avoiding Cuts

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➤ *Effective and Not So Effective Strategies*



# Common (not necessarily recommended) Budget Justification Strategies

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**Selling the program's product:** strategies to preserve base and obtain new funding

1. It's part of the base; funds needed to continue current services/avoid reductions
2. Backlog/waiting list
3. Spending to save in the long run – prevention focus
4. What they do affects me
5. It makes a profit/ pays for itself
6. Voices of clientele in appealing for funding or veiled threat to “unleash” clientele
7. Cut the most popular program: Washington Monument Syndrome



# Common (not necessarily recommended) Budget Justification Strategies

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8. Heavy workload; program quality threatened with new clientele
9. It's so small – drop in the bucket
10. The crisis - health or safety threatened
11. Trust me - expert advice
12. State/federal/accreditation standards: mandate
13. Below state/regional average
14. Threat of closing program; disadvantaged people affected
15. Equip or staff new building or staff new equipment already purchased



# Common (not necessarily recommended) Budget Justification Strategies

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16. Inflation eroding base budget – unable to maintain current service levels
17. Already bare bone – no more reductions possible
18. Affects economy; economic development enhanced
19. Morale of workers threatened
20. Required action by a lawsuit
21. Legal requirements of state/federal governments
22. Shrinking funding from state/federal governments
23. Will lose federal money without state/local funding
24. Customers/clients will have to pay more



# 3. Effective Strategies in Growing (and Preserving) a Program's Budget

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- *Preparation*
- *Selling the Budget: Effective Strategies*
- *What not to do*
- *Recap*



# Preparation by Agencies in Building a Case for Programs

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- Development of long-range strategic plan; annual update to plan
  - Built with extensive input of all stakeholders – customers, advocates, employees, and others with strong interest in program (*see next slide*)
  - Must serve as *consistent* basis for all budget requests
  - Must tie into strategic plan of higher level of government

**Example:**

<http://www.gatech.edu/president/strategic-plan.html>



# Preparation by Agencies in Building a Case for Programs

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- ❑ Development of close relations with advocacy and clientele groups
- ❑ Listening to needs expressed by customer/ stakeholder organizations
  - Agency advisory groups
  - Public meetings and surveys to solicit input on service expansion and improvements desired
  - Sincere effort required, with commitment to follow up on suggestions
- ❑ Open sharing of program data by government agency with organizations
- ❑ Agency education of advocacy organizations in service delivery and political action

# Preparation by Agencies in Building a Case for Programs

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- Balancing of diverse interests among groups in:
  - Priority setting, allocating resources, preparing budget requests
  - Balancing of conflicting interests among groups in allocating resources & preparing budget requests
  - Addressing conflict about program services and funding issues “within the family;” avoidance, if possible, of conflicts aired outside of family
- At appropriate time, agency request for political action, without the appearance of co-opting organizations – *advocates lead in political action, not agency staff – advocates must be prepared for this*

# Preparation by Agencies in Building a Case for Programs

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- Development of effective written budget & program planning materials to state “case:”
  - Linkage of budget request to strategic plan of program/agency
  - Reference in materials to specific program objectives - based on outcome measures
  - Professional (in-house) presentation of materials, without looking too “slick” (expensive)
  - Development of various documents based on expected audiences:
    - Formal budget request document required by chief executive or governing body
    - Executive summary for key policy makers – one page if possible
    - Detailed backup materials for staff

# Preparation by Agencies in Building a Case for Programs

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- ❑ Consistent information provided to legislators about program
  - ❑ Most effective approach for stakeholder groups to provide information themselves
  - ❑ Planned visits to legislators' offices, with succinct written materials to leave with them
  - ❑ Legislators' and executive staff visits to program sites and direct contact with clientele
  - ❑ Consistent thanks to legislators and community leaders who have supported programs; give awards, where appropriate
  - ❑ Naming buildings after living politicians??
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- ❑ **Recap:** development of well-informed constituency that is aware of the advocacy role, funding issues, & methods of providing political impact on the budget and other legislative matters affecting program (*risk inherent in this*)



# Effective Strategies in Selling the Agency's Budget

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- Highlight what your agency has done – and plans to do – to generate savings:
  - Travel and equipment restrictions – not major impact, but good public perception
  - Continuous improvement efforts
  - Elimination of unneeded positions
  - Changes in ways of “doing business” – consolidation of functions, contracting out, etc.
  - Backroom operational efficiencies – identify dollars saved if possible
  - Energy conservation measures



# Example – Agency Savings

## Sample List of Efficiencies and Customer Service Improvements Implemented by Georgia Tech:

- ❑ Payroll – mandated use of direct deposit or debit card, with electronic pay stub available via Techworks
- ❑ Human Resources – self service for payroll and HR changes available for employees via Techworks and outsourcing of flexible spending administration
- ❑ Bursar’s Office – electronic checks available to students for tuition and fee payments and invoice statements available on web
- ❑ Budget Office – web-based budget preparation and amendment application available to campus, with all reports available electronically
- ❑ Accounts Payable – Electronic funds reimbursements to employees for business expenses, thus saving the printing and distribution of checks.
- ❑ Registrar – electronic student transcripts, including imaging of transcripts from students’ previous schools
- ❑ Sponsored Programs – computer based sponsored programs system to manage activities from the initiation of proposals to project closeout
- ❑ Auxiliary self-service on-line forms – housing registration, housing maintenance requests, parking, meal plans, bookstore textbook ordering, and health services appointment scheduling.



# Example – Agency Savings

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## **Selected Energy Conservation and other Utilities Savings Measures Implemented by Georgia Tech**

- A) Upgrade lighting systems, eliminating conventional incandescent lamps in favor of more efficient fluorescent lamps with electronic ballasts.
- B) Upgrade automated lighting on/off controls in areas which are not occupied constantly.
- C) Utilize high efficiency electric motors.
- D) Convert the Campus Master Electric system to the most favorable electric rate – Adoption of School Load Management (SLM) Rate.
- E) Purchase the maximum amount of Real Time Priced electricity.
- F) Institute night/weekend/demand temperature set-back programming for buildings with automatic controls.
- G) Identify all City of Atlanta and GT water meters and resolve billing errors.
- H) Install water wells at chiller plants to reduce purchased water and associated sewer use charges.
- I) Review and purchase natural gas on the futures market, instituting aggressive hedging when possible to reduce volatile price swings.
- J) Upgrade metering systems, campus-wide, to find and trend actual energy and utility consumption.



# Effective Strategies in Selling the Agency's Budget

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- ❑ Establish a sense of urgency – identify consequences of not funding request
- ❑ Seize the moment – where current circumstances demand budget action
- ❑ Tout excellence of agency – emphasis that new dollars will be well-spent (Note – can backfire with attitude: “Agency already has enough money.”)
- ❑ Link request to strategic plan of: government as a whole and/or agency
- ❑ Link all requests to specific performance measures focused on results – *how the clients/customers will be better off if funding is approved*
- ❑ Be prepared to present phase-in plan for new positions or programs and future year costs

# Example – Agency Excellence Touted

Selected Georgia Tech National Rankings		
Ranking Category	BOR Priorities	Source
<ul style="list-style-type: none"> <li>• Top 10 public universities</li> <li>• Top 5 engineering program</li> <li>• Top 10 rating for all engineering disciplines</li> </ul>	Academic Excellence Economic Development	U.S. News and World Report, <u>America's Best Colleges, 2007</u>
<ul style="list-style-type: none"> <li>• Top 5 in average SAT score among public universities</li> </ul>	Academic Excellence	U.S. News and World Report, <u>America's Best Colleges, 2007</u>
<ul style="list-style-type: none"> <li>• Top producer of minority engineers</li> </ul>	Academic Excellence Institutional Access	<u>Diverse: Issues in Higher Education</u> , July 2006
<ul style="list-style-type: none"> <li>• Top 5 engineering graduate schools for Hispanic students (ranked #3)</li> </ul>	Academic Excellence Institutional Access	<u>Hispanic Business</u> , October 2006
<ul style="list-style-type: none"> <li>• Top producer of female engineers</li> </ul>	Academic Excellence Institutional Access	Engineering & Technology Degrees, 2005 — Engineering Workforce Commission, © 2005–2006 American Association of Engineering Societies
<ul style="list-style-type: none"> <li>• Top 2 in engineering research</li> </ul>	Academic Excellence Economic Development	National Science Foundation, FY 2005 Detailed Statistic Tables on Academic R&D
<ul style="list-style-type: none"> <li>• Top 5 in nanomedicine research</li> </ul>	Academic Excellence Economic Development	National Institutes of Health
<ul style="list-style-type: none"> <li>• Top 5 in biotech startups</li> </ul>	Academic Excellence Economic Development	Mind to Market: A Global Analysis of University Biotechnology Transfer and Commercialization September 2006 Milken Institute



# Example: Linkage of Request to Plans

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Per the Strategic Plan: “We will succeed with outstanding faculty, staff, students, and alumni who push the frontiers of knowledge and technology, harnessing both for the benefit of Georgia, the nation, and the world.” Continued recruitment of excellent quality students, faculty, and staff and the resulting high rankings depend on excellent management, but also on continued budgetary support of the pursuit of excellence.



# Example: Linkage of Request to Plans

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Georgia Tech's Strategic Plan and the core requests for Fiscal 2008 match well with the list of goals listed in the BOR's budget guidelines, especially the following:

- (a) build program capacity,
- (b) increase academic excellence, and
- (d) promote economic development.

# Example: Linkage to Performance Measures

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As a result of growing enrollments and budget limitations, Georgia Tech's student to faculty ratio has risen from 18.0 to 1 in the fall of 1996 to the current estimated 22.1 to 1 in the fall of 2006. To the student this increase means fewer class sections offered, larger classes, and less one-on-one time with faculty. ... As shown below, this request to fund an additional 130 faculty, will reduce the ratio by 1.2 to 20.0 to 1, from the actual Fall 2005 of ratio of 21.2.

# Effective Strategies in Selling the Agency's Budget

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- ❑ Use comparisons to peer governments/ organizations if these are helpful to case
- ❑ Identify specific consequences if the request is not funded; identify any alternatives to full funding
- ❑ Present data on history of funding – use deflator to show real dollars (comparison to other agencies?)
- ❑ Presentation techniques –
  - Vary format for different audiences
  - One-page executive summary
  - Use of graphics – instead of detailed tables of data
  - Use bullets – avoid long narratives
  - Backup details for budget staff review

# Example – Comparison to Peers

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In the area of institutional support, Georgia Tech compares very favorably to its peers. Per the latest U.S. Department of Education IPEDS data, Georgia Tech's institutional support expenditures per FTE student were \$1,706 in 2006, compared to our peers' \$2,126 average.

# Example – Funding History/ Buying Power

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Over the past ten years the state Resident Instruction/General Operations funding per student (headcount) has increased from \$9,642 to \$11,796, or 22%. However, during that same period pay raises and other inflationary increases have meant that the real funding per student has declined substantially. During the ten year period, the Higher Education Price Index (HEPI) has increased at a rate more than double the state funding increases – 47%.





# Effective Strategies in Selling the Agency's Budget

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- Address other funding sources:
  - Impact of request on external funding
  - Generation of additional revenue with new funding provided?
  - Alternatives to budget cuts - fees or other revenues to offset general fund dollars?
  
- Address impact on economic development

# Example – External Funding and Economic Development

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An important benefit from adding faculty is the sponsored funding that will be generated and the resulting impact on the Georgia economy. For faculty hired in engineering, science, and computing programs, it is expected that, within a several of years of their hiring, they will generate ... total annual research awards in the range of \$12.0 to \$15.0 million. These funds are brought into the State from federal and industry sponsors and are used to support students, researchers, staff, and purchased equipment and services. The economic benefits are further felt as research efforts generate products that may result in spin-off companies.



# Effective Strategies in Selling the Agency's Budget

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- Always tell the truth:
  - Needs and service data – present accurate and timely data beneficial to your case
  - Cost projections
  - Impact of cuts
  - What reductions would really be taken if cuts imposed

# Strategies to Avoid

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- ❑ Requesting money strictly for inflation (may be exceptions like utilities, fringes)
- ❑ Requesting funding for administrative support staff
- ❑ Bluffing – if you cut this much, we will be forced to ...
- ❑ Inconsistency – budget story changes
- ❑ Unleashing “the troops” (only as a last resort)
  - Barrage of form letters
  - Large groups invited to public meetings

# Recap: Requirements for Success in Building Budget Base

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- ❑ Consistency and persistence in presenting budget needs
- ❑ Ethics and credibility: always tell the truth
- ❑ Reliance on strategic plan as basis for all budget requests
- ❑ Knowledgeable advocates/customers
- ❑ Positive working relationship between agency and advocacy groups
- ❑ Building strong support from legislators – not just during “budget season”

*<When these requirements are met, support will follow.>*



# “Dollars and Plans – Hand in Hand”

