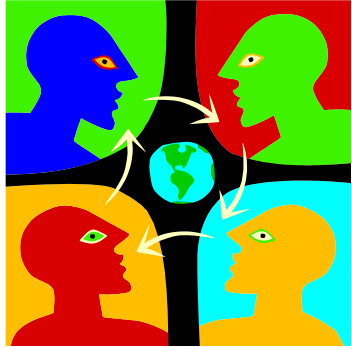


Resources, Budget and Finance
Advanced Topics
*Fundamentals and Foundations for Court
Leaders*

National Association For Court Management



Exercise 1 - Optional warm-up exercise

How many of you have been asked in the last year to:

- Raise additional revenue?
- Reduce your budget by some fixed amount or percentage?
- Close or cutback a program
- Implement performance based budgeting?
- Consider increased state funding?
- Improve your budget advocacy skills?

Topics

- Court Revenue Analysis
- Strategic Planning
- Performance and Outcome Measures
- Strategies for Responding to Funding Reductions
- Increased State Funding
- Better Budget Advocacy

Resources, Budget and Finance Fundamentals

Court Revenue Analysis

Learning Objectives

At the end of this session you should be able to:

- Identify the resources made available to your court
- Identify the sources of revenue for your court
- Identify nature of revenue sensitivity to economic conditions

Know your Resources

What types of resources are made available to your court to get its work done?

- Dollars
- Staff
- Information technology capabilities and functionality
- Equipment
- Facilities

Know your Resources

What types of resources are made available to your court to get its work done?

- Reorganization of existing business practices; re-engineering
- Networking
- Allies
- Non-governmental organizations (NGO's)

Sources of Court revenue

Typical sources of court revenue:

- General Fund revenue – state or local
- Filing fees
- Surcharges on fees
- Fines
- Assessments on fines

Sources of Court revenue

Typical sources of court revenue:

- User fees
- Reimbursements for services
- State mandate payments
- Federal subsidies/reimbursements
- Grants and donations
- Other - Miscellaneous

Revenue Sources - General Fund

Where does GENERAL FUND revenue come from?

- Personal Income Tax
- Dividends and Capital Gains Tax
- Corporate Income Tax
- Sales tax
- Real Property tax

Revenue Sources - General Fund

Where does GENERAL FUND revenue come from?

- Personal property tax
- “Sin” taxes - Tobacco/alcohol
- Motor fuel taxes
- Gaming revenues
- User Fees and associated surcharges
- Reimbursements

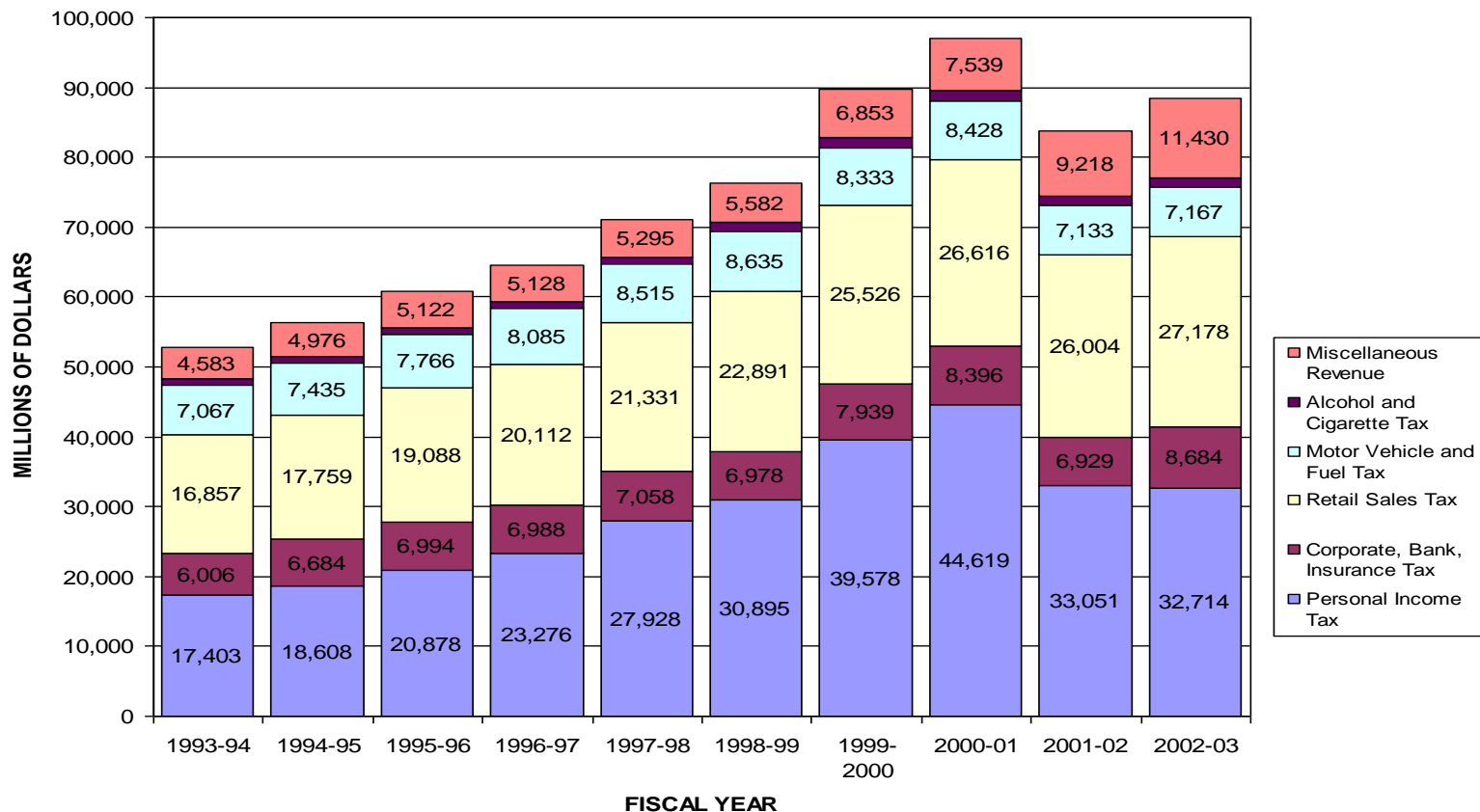
Revenue Sources - General Fund

[Example of revenue amounts and proportions]

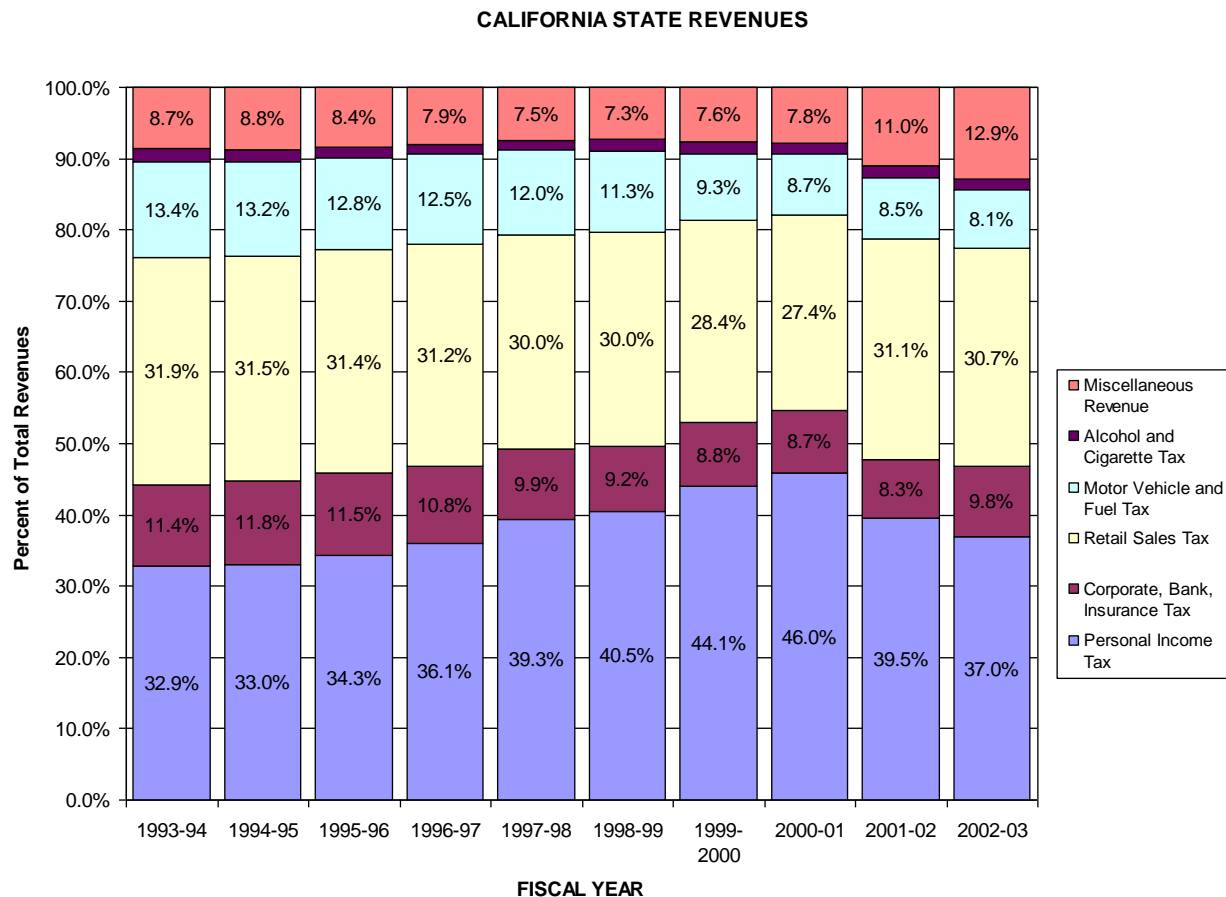
[Include one or two charts showing the level of revenue obtained from various sources, in gross amounts and percentages. Examples are provided on the next two slides.]

[Example of slide showing revenues sources and amounts]

CALIFORNIA STATE REVENUES



[Example of slide showing revenues source proportions]



Revenue Sensitivities

- What is the historical trend of revenues?
- What economic conditions are revenue sources susceptible to?

Revenue Sensitivities

- What is the near term prognosis regarding revenue levels?
- What affects the rebound of revenue and how soon?
- Is this a short-term problem, or long term?
- Is there a link between state and local funding cycles and revenues?

[Example of slide addressing revenue sensitivity]

Findings of NGA/NASBO Survey

Economic conditions do not affect all tax sources equally:

- Sales tax 3.2% lower than projected
- Personal income tax 12.8% lower than projected
- Corporate income tax 21.5% lower than projected

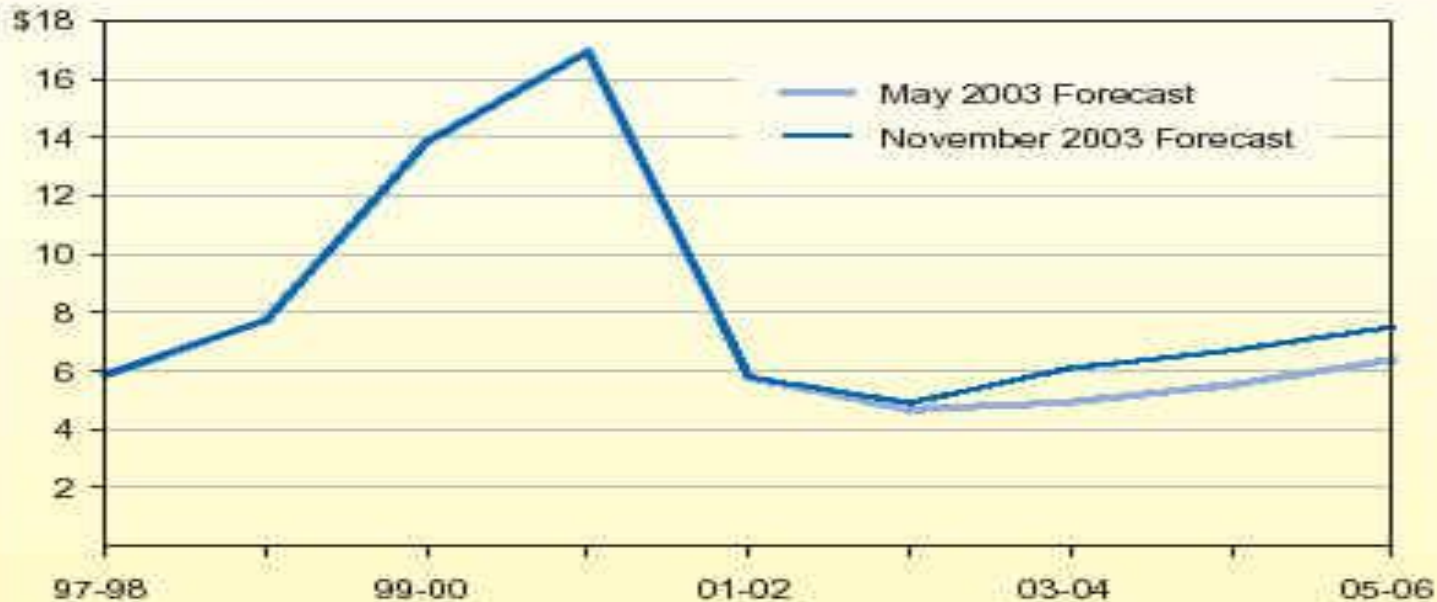
[Example of slide addressing revenue sensitivity]

Revenue Sources Change Dramatically

Figure 4

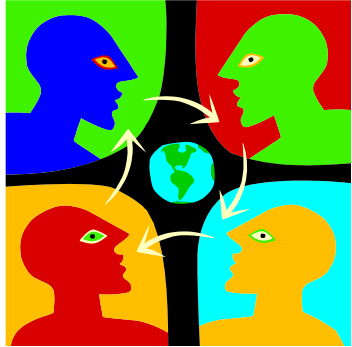
**Revenues From Capital Gains and Stock Options
Outlook Improves Modestly**

(In Billions)



Revenue Limitations

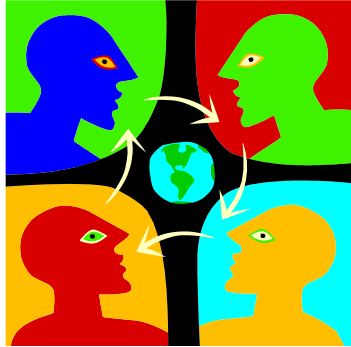
- Special Funds - dedicated use(s)
- Special purpose revenues
- Reimbursements; Over-recovery
- Mandates
- Differences in state funded, vs. locally funded, court systems



Revenue Analysis Exercise [OPTION A]

Revenue Sources and Vulnerability

- Identify all of the current revenue sources that fund the program, function, or service
- Assess the economic vulnerabilities of each of the funding sources.
- Where does the funding come from for each category of program expense?
- For each category of revenue funding the program, what are the vulnerabilities of the revenues source?
- If the program were to be cut, what would happen to the revenue associated with or funding the program?



Revenue Analysis Exercise [OPTION B]

Roundtable Discussion Topics

- What new sources of revenue has your state or court implemented in the last few years?
- What fluctuations in revenues have you experienced in the last few years?
- What is the level of assessments on criminal and traffic fines in your jurisdictions? Have there been changes in the level of assessments recently? Have there been changes in what agencies or programs receive funding from the assessments?
- What pitfalls would you advise other states or courts to be aware of regarding particular revenue sources?

Resources, Budget and Finance Fundamentals

Strategic Planning

Linking Spending to Priorities

*“Tell me where you spend your money
and I will tell you what your priorities
are.”*

Review of Fundamentals

- What is a strategic plan
- What are major steps in developing a strategic plan that are relevant to budgeting
 - stakeholder analysis and TOWS analysis
- Typical elements of a strategic plan
- Purpose of strategic plan and uses

Integrating the Strategic Plan Into the Budget Process

Link the strategic plan to resource acquisition and internal budget allocation

- Identify the priorities in the strategic plan
- Plan and build the budget request to support the priorities
- Respond to budget review questions in the context of the strategic plan

Integrating the Strategic Plan Into the Budget Process

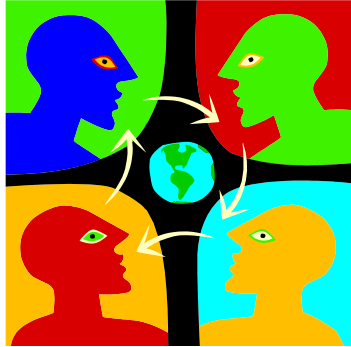
Monitoring Expenditures according to the strategic plan

- Develop spending plans which support the strategic plan goals
- Monitor actual spending patterns with respect to strategic plan priorities and goals

Updating the Strategic Plan

Steps in updating the strategic plan:

- Environmental Scanning for need to make changes
- Evaluation of accomplishment of strategic plan goals
- What would you do differently from the last time?

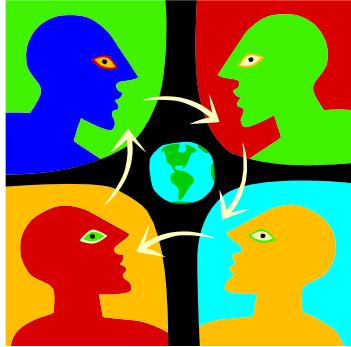


Strategic Planning Exercise [OPTION A]

Role, Vision, and Strategic Plan

Make a list the goals and expected outcomes of the program, function, or service.

- Is the program consistent with the roles and purposes of the judiciary?
- Is the program consistent with the Court's mission, values, and goals?
- Is the program consistent with the strategic plan?



Strategic Planning Exercise [OPTION B]

Roundtable Discussion Topics

- How many courts have strategic plans?
- How did the existence of a strategic plan help in:
 - Building a budget?
 - Defending the budget request?
 - Monitoring of budget expenditures?

Resources, Budget and Finance Fundamentals

Performance and Outcome Measures

Linking Activities to Performance

***“What you count affects how people
behave.”***

Review of Fundamentals

- Performance measures and outcome measures - what are they and what can they do
- Input, Output, and Outcome measures
- Trial Court Performance Standards
- CourTools
- Data collection supporting measures

Development of Outcome and Performance Measures

Create relevant and feasible measures:

- Consistent with Court's mission and vision
- Base on goals and objectives in strategic plan
- Intuitive and understandable
- Relevant to the program or service
- Simple

Development of Outcome and Performance Measures

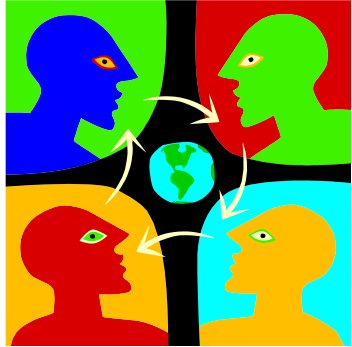
Data collection in support of performance measures:

- Sources of data
- Accuracy of data entry
- Consistency of data entry
- Ease of calculating measures from raw data
- Presentation of measures

Incorporating Performance Measures Into The Budget Process

Use of performance and outcome measures for:

- Cost benefit analysis
- Assessment of program effectiveness
- Resource allocation based on workload
- Bench-marking court operations
- Demonstrating responsible use of public funds

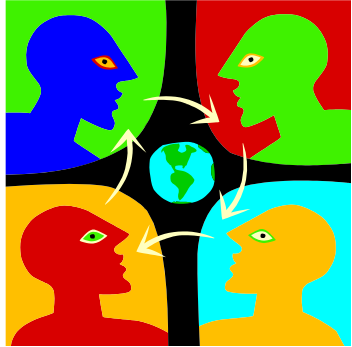


Performance Measures Exercise [OPTION A]

Performance and Outcome Measures

Identify several relevant performance measures and outcome measures for the program, function, or service

- How do they relate to the role of the judiciary and the court's mission and values?
- How do they measure the impact of the program?
- How do they measure the effectiveness of the program from a cost perspective?
- How do they demonstrate the responsible use of funds?



Performance Measures Exercise [OPTION B]

Roundtable Discussion Topics

- How many courts have performance or outcome measures?
- How did the existence of performance or outcome measures help in:
 - Building a budget;
 - Defending the budget request, and
 - Monitoring of budget expenditures?

Resources, Budget and Finance Fundamentals

*Strategies for Responding to Budget
Reductions*

Strategies for Responding to Budget Reductions

Two Approaches to Responding to Budget Cuts:

- Increase Revenues to offset spending cut
- Reduce Expenditures

Strategies for Responding to Budget Reductions

Increase Revenue – Short Term/One Time:

- Redirect resources
- Redirect expenses
- Use reserve funds
- Borrow

Strategies for Responding to Budget Reductions

Increase Revenue – Long Term:

- Enhanced Revenue Collection
- New Revenue Sources
- Leverage Resources
- Rally Support with Funding Body

Strategies for Responding to Budget Reductions

Three categories of responses

- "Nick and Cut"
- "Rearranging the Deck Chairs"
- "Rational Deconstruction"

"Nick and Cut"

Short Term or One Time Responses

What strategies are available that are short term in nature and impact?

- Minimal impact on programs, services, and service levels
- Expectation of return to 'normal' funding levels before impact on services is irreversible

"Nick and Cut"

Short Term or One Time Responses

Examples of Typical First Cuts:

- Across the board percentage cuts
- Reduce training and travel
- Cut management analysis capability
- Reduce hours or close on some days

"Nick and Cut"

Short Term or One Time Responses

Examples of Personnel Related Cuts:

- Hiring Freeze
- Reduce Work Hours
- Wage Freeze or Reduction
- Reduction in overtime usage
- Reduction in on-call staff coverage
- Furlough
- Layoffs

"Nick and Cut"

Short Term or One Time Responses

Examples of Personnel Related Cuts:

- Renegotiate labor contracts
- Reduce Benefits – “take backs”
- Postpone salary increases or raises
- Reduce employer contribution toward benefit costs
- Freeze vacation or comp time payouts

"Nick and Cut"

Short Term or One Time Responses

Examples of Non-personnel Cuts:

- Supplies – stop or postpone purchasing
- Equipment – stop or postpone improvements, upgrades or purchasing
- Services - reduce service levels or defer services

“Rearranging the Deck Chairs”

Changing the Way Courts Do Business

What strategies are available that make more effective use of resources given to the court?

- Concept is to:
 - Do the right thing, and
 - Do it in a more effective manner
- Expectation of ‘permanent’ savings

“Rearranging the Deck Chairs”

Changing the Way Courts Do Business

Strategies:

- Performance management and evaluation
- Redesigning court work flows
- Changing business practices
- Greater use of IT
- Close high cost facilities
- Business process outsourcing

"Rational Deconstruction"

Long Term, Fundamental Responses

What strategies are available that are long term in nature and impact?

- Concept is rational reduction or rational deconstruction
- Expectation is permanent reduction of costs

"Rational Deconstruction"

Long Term, Fundamental Responses

Strategies:

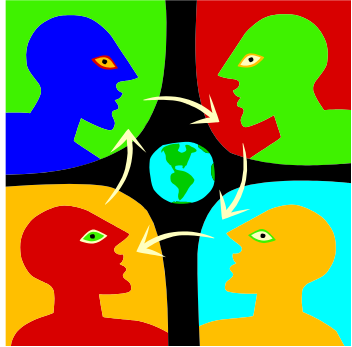
- Strategic planning
- Eliminate a practice – “Seize the Time”
- Eliminate or reduce services
- Eliminate programs

"Rational Deconstruction"

Long Term, Fundamental Responses

What is basis for making these decisions?

- Identify role of court and core functions
- Is the court required to do this in the first place?
- Is the court required to do it in this way?
- Can another agency do this?
- What level of service is required, if any?

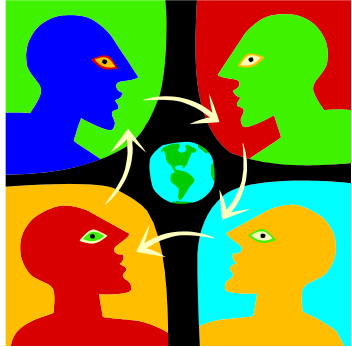


Budget Reduction Exercise [OPTION A]

Responding to Budget Reductions

Identify possible alternative responses to the proposed budget reduction:

- Revenue options - existing revenues or new revenues
- Operational changes that would allow the program to continue to meet its objectives, but at a lower cost
- Rational Deconstruction – what could the court stop doing, or do differently



Budget Reduction Exercise [OPTION B]

Roundtable Discussion Topics

- What types of budget reductions have courts faced?
- What types of short-term fixes have courts used?
- What examples are there of court's changing procedures and business practices?
- What examples are there of reassessment of what court's did or elimination of programs?

Resources, Budget and Finance Fundamentals

A Shift to Greater State Funding

Greater State Funding Drivers

Why Are States Considering Greater State Funding?

- Bad Economic Times
- Initiatives Limiting Tax Rates or Expenditure Growth
- Local Government Pressure from Restricted Local Revenues

Greater State Funding Concurrent Changes

What Else is Happening?

- Court restructuring, coordination, consolidation, or unification
- Performance Based Budgeting and Strategic Planning Requirements
- Initiatives – “Three Strikes,” Determinate Sentencing, Problem Solving Courts

Greater State Funding Expectations and Reality

Anticipated Benefits

- Higher Levels of Court Funding
- Greater Equity of Funding Across Courts
- Greater Stability of Funding Levels
- Standardization of Programs and Services
- Economies of Scale
- Improved Practices

Greater State Funding Expectations and Reality

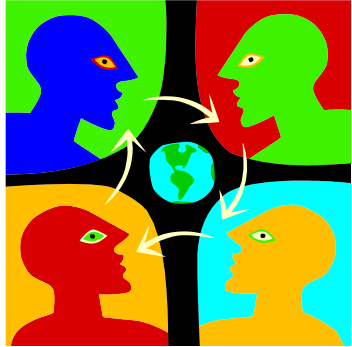
Concerns

- Winners and Losers
- Centralization – Loss of Local Control
- Change in Status of Court Employees
- More ‘Red Tape’
- Inability to Respond to Local Priorities
- Weakened Collaboration with Local Agencies
- Stifle Innovation

Greater State Funding Expectations and Reality

Underlying Issues

- Adequacy – How Much is Enough?
- Equity – Equal Access to Justice
- Stability and Predictability
- Accountability for Court Expenditures
- What are Core Judicial Functions?
- Budgeting Mechanisms and Governance



Shifting to Greater State Funding Exercise

Roundtable Discussion Topics

- What increases in state funding have courts experienced?
- What caused the shift to occur?
- What were the expectations about the shift?
- What were the realities associated with the shift?
- What were the unexpected impacts and consequences?

Resources, Budget and Finance Fundamentals

Better Budget Advocacy

Better Budget Advocacy

The Context

- Know Your Audience
- Know Your 'Competitors'
- Know the Fiscal Condition
- Know Collaboration and Partnership Opportunities
- Know Your Ability to Make Your Case

Better Budget Advocacy Strategies

Internal Capabilities

- Know Your Mission, Vision, Values, Goals, and Objectives
- Think and Act Strategically
- Constantly Examine Existing Practices
- Pursue Collaboration and Partnership Opportunities
- Identify and Measure Meaningful Outcomes
- Maintain a High Quality Data System

Better Budget Advocacy Strategies

Internal Capabilities

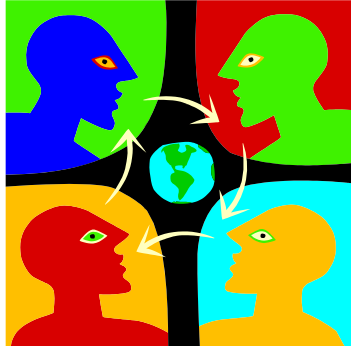
Get Your Court's Story Told

- Role of the court – what does the court do?
- Identify impact of a reduction in funding on:
 - Public safety
 - Public services
- Demonstrate cost effectiveness
- Demonstrate accountability

Better Budget Advocacy Strategies

External Capabilities

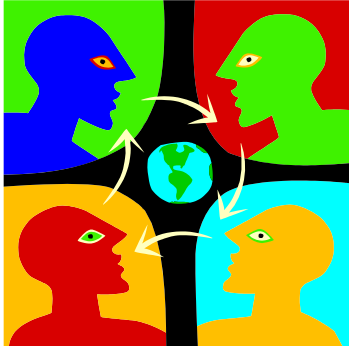
- Get to Know Funders and Regularly Meet with Them
- Build Personal Relationships
- Submit Realistic Requests
- Provide Valid Supporting Documentation
- Establish and maintain credibility



Improved Budget Advocacy Exercise

Roundtable Discussion Topics

- What have you done that improved your success in budget advocacy?
- What mistakes have you and your court made?
- What have you done to improve your internal budget capacity?
- What have you done to improve external relations?

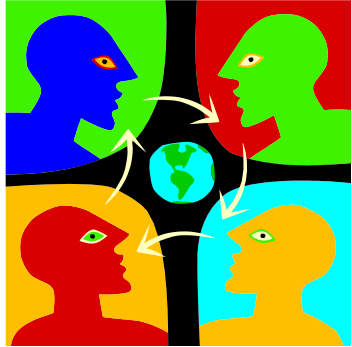


Wrap-up Exercise

Preparing and Defending Your Program

How would your group respond to the proposed budget reduction?

- Highlights of approach taken and analysis made
- Best arguments to sustain program and funding
- Discussion and feedback from the larger group



Discussion and Feedback

Based on what you have heard:

- What is one thing you will do differently when you get to work tomorrow?
- What is one thing you need to learn how to do, or do better?
- What is one relationship you need to build, or repair?

Concluding Remarks

- [Revenue analysis]
- [Strategic Planning]
- [Performance and Outcome measures]
- [Responding to Funding Reductions]
- [Shifting to Greater State Funding]
- [Better Budget Advocacy]