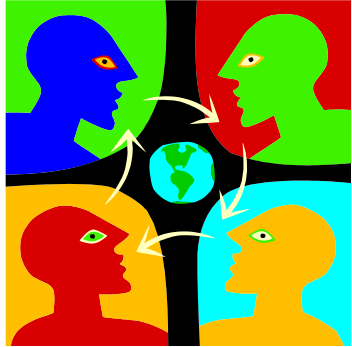


Resources, Budget and Finance
Advanced Topics
*Fundamentals and Foundations for Court
Leaders*

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
- Consider increased state funding?
- Improve your budget advocacy skills?

Topics

- Court Revenue Analysis
- Strategies for Responding to Funding Reductions
- Increased State Funding
- Better Budget Advocacy

Learning Objectives

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

- List common sources of court revenues
- Identify nature of revenue sensitivity to economic conditions
- Describe alternative approaches to budget reductions
- Explain impacts of shift to greater state funding
- Better advocate for your budget

Resources, Budget and Finance Fundamentals

Court Revenue Analysis

Revenue Sources

Where does GENERAL FUND revenue come from?

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

Resources Sources

Where does GENERAL FUND revenue come from? (continued)

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

Revenue Sensitivities

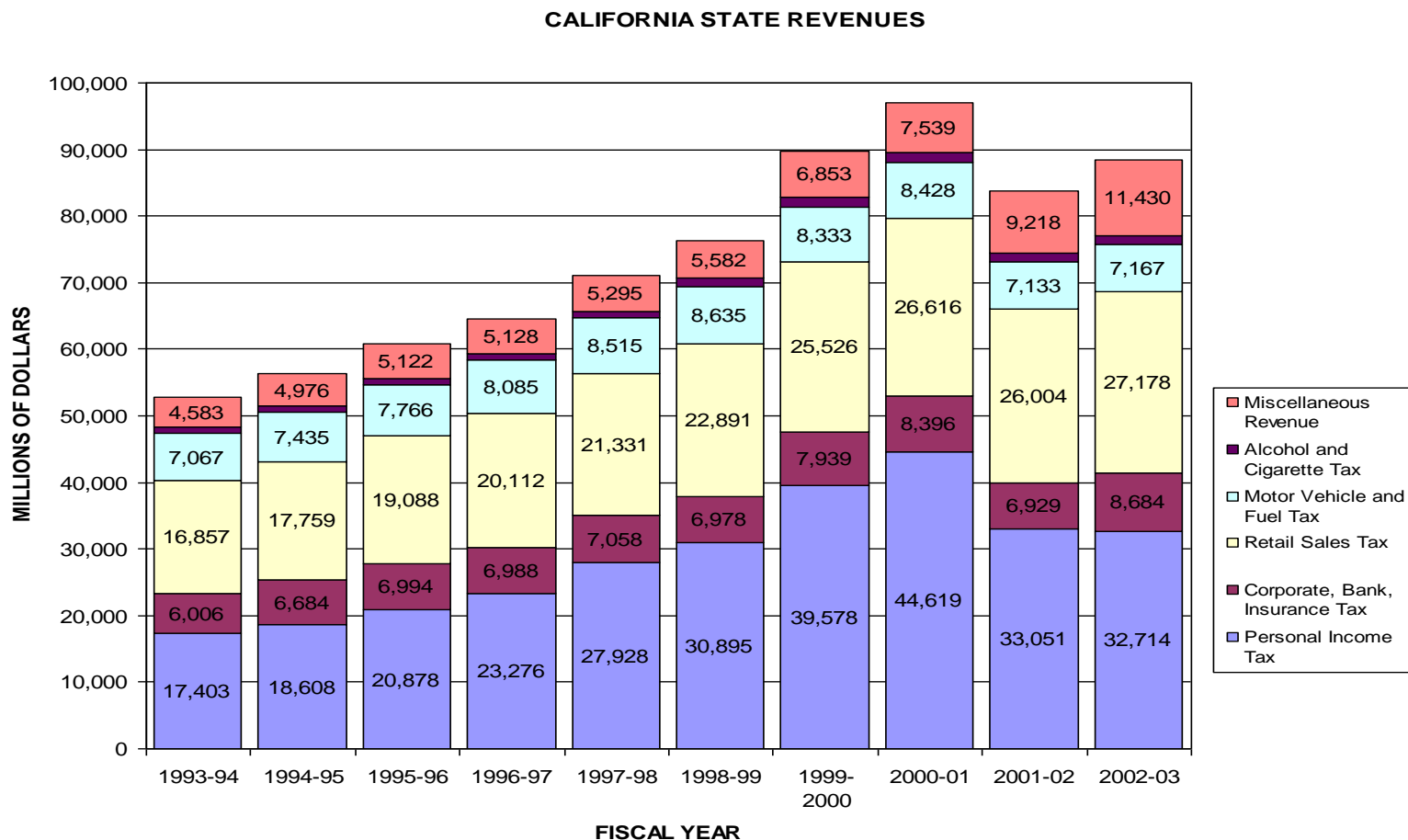
- What is the historical trend of revenues?
- What economic conditions are revenue sources susceptible to?

Revenue Sources

[Prepare chart(s) portraying the actual general fund revenue amounts by source for several fiscal years for a state or local jurisdiction represented among the participants, the objective being to show the fluctuations of each revenue source over time.]

[Example provided on the next slide.]

[Example of slide showing revenues sources and amounts]



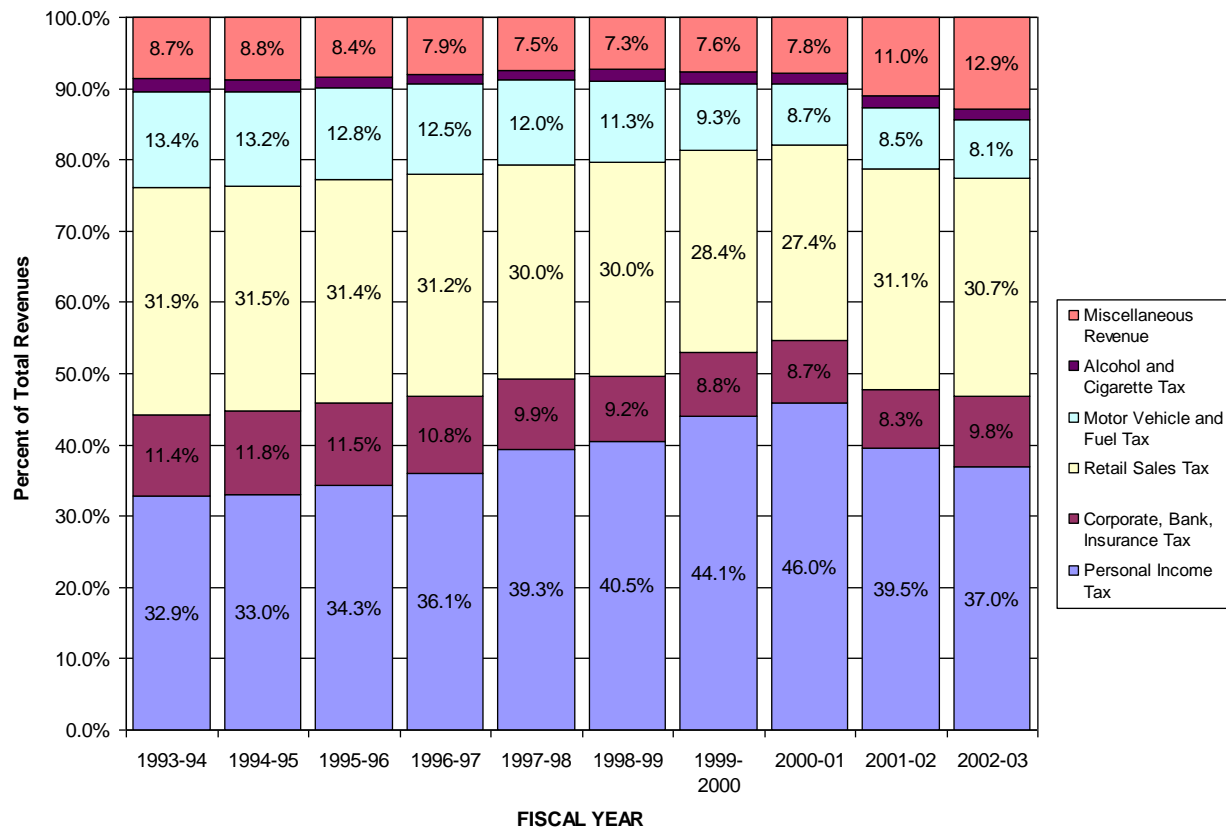
Revenue Sources

[Prepare chart(s) portraying proportion of general fund revenue source amounts for a state or local jurisdiction represented among the participants, the objective being to show the fluctuations of each revenue source over time.]

[Example provided on the next slide.]

[Example of slide showing revenues source proportions]

CALIFORNIA STATE REVENUES



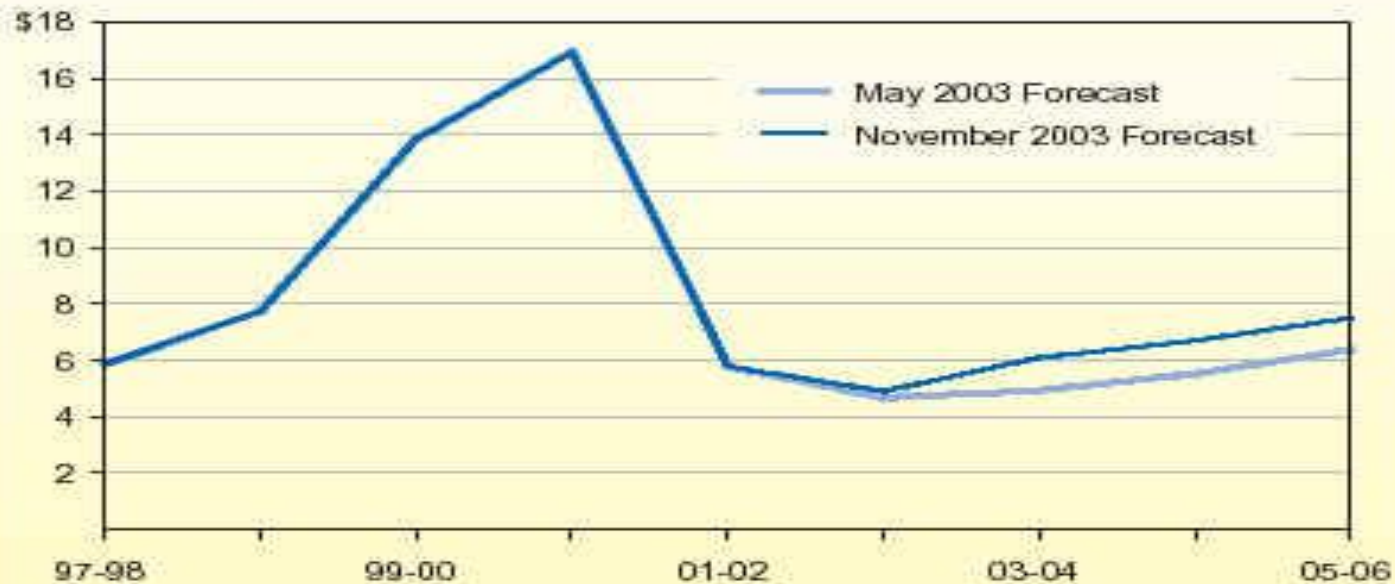
[Example of slide addressing revenue sensitivity]

Revenue Sources Change Dramatically

Figure 4

Revenues From Capital Gains and Stock Options Outlook Improves Modestly

(In Billions)



Revenue Sensitivities

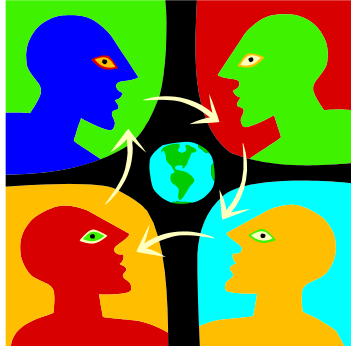
- What is the near term prognosis regarding revenue levels?
- What affects the rebound of revenue and how soon?
- Is this a short-term problem, or long term?
- Is there a link between state and local funding cycles and revenues?

[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



Revenue Analysis Exercise

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

*Strategies for Responding to Proposed
Budget Reductions*

Strategies for Responding to Proposed Budget Reductions

Possible responses to anticipated lower revenues or appropriations :

- Increase Revenues to offset spending cut
- Reduce Expenditures

Increase Revenues

Short Term/One Time:

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

Increase Revenues

Long Term:

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

Reduce Expenditures

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 "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
- Wage Freeze or Reduction
- Reduction in benefits – “take backs”
- Furlough
- Layoffs

"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
- 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:

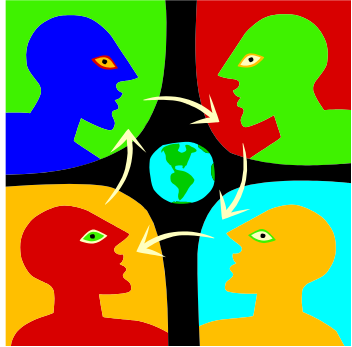
- Strategic planning
- Eliminate a practice – “Seize the Time”
- Eliminate or reduce services
- Eliminate programs

"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

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 also happening?

- Court Restructuring
- Performance Based Budgeting and Strategic Planning Requirements
- Initiatives Changing Laws

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

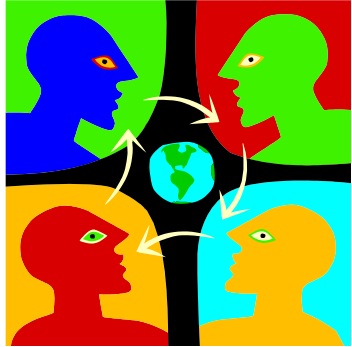
Concerns

- 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
- Equity – Equal Resources
- 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

- 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

Better Budget Advocacy

Strategies – External

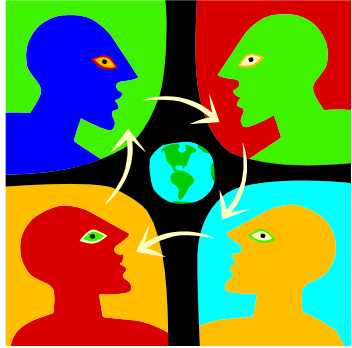
Get Your Court's Story Told

- What does the court do?
- Impact of reductions on the public
- Demonstrate cost effectiveness
- Demonstrate accountability

Better Budget Advocacy

Strategies - External

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



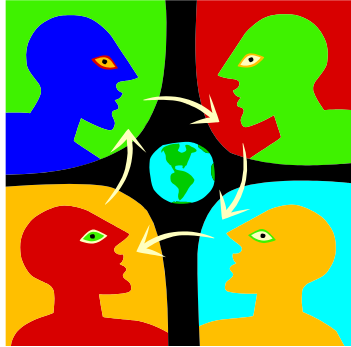
Improved Budget Advocacy Exercise

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?

Concluding Remarks

- [Revenue analysis]
- [Responding to Funding Reductions]
- [Shifting to Greater State Funding]
- [Better Budget Advocacy]



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?