

# Budgeting for the Fiscal Cliff

In recent years, state and local governments have benefitted from large infusions of federal grant money, but many of those programs will end in the next year or two. This funding conclusion, along with declining tax revenues and inflation, and states and municipalities face a significant drop in available grants — a fiscal cliff.

Despite the ominous name, the fiscal cliff doesn't have to be a free fall to disaster. At a recent <u>GovLoop</u> online training session, three experts with government experience shared their strategies for coping with tighter budgets.

## **BUDGET STRATEGICALLY**

To overcome the fiscal cliff, agencies will need to set budgets that align with their mission priorities. "Cities have to face this hard reality that they can't keep spending in the way they had been. They have to make important trade-offs," said Abhi Nemani of Euna Solutions. "The idea of strategic budgeting really boils down to how do local governments manage trade-offs in this fiscal environment?""

One approach is to take a long-term view of agency and constituent priorities, rather than budgeting ad hoc or simply increasing or decreasing funding across the board, said Nick Mastronardi of Polco. "Strategic budgeting helps you navigate these constraints to deliver the best bang for the buck of your scarce tax dollars. But it's also making sure that how you allocate those budgets over those years aligns with the priorities for your organizations and your constituents."

Strategic budgeting also requires explicitly linking agency programs and budgets. "In our organization, we have done strategic budgeting for numerous years by organizing our budget on a programmatic level," said Amanda Hudson of the Texas Department of State Health Services. "To me, that's an important part of strategic budgeting: showing that picture of what you're trying to do."

# **SPEAKERS**

### **Amanda Hudson**

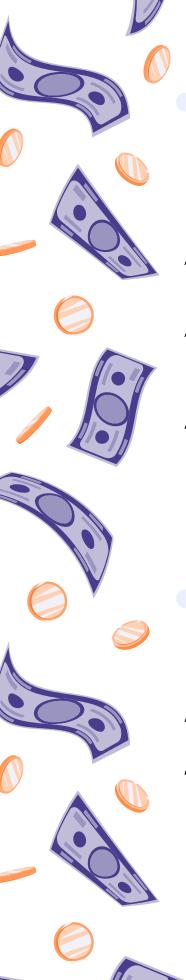
Budget Director, Texas
Department of State
Health Services

#### Nick Mastronardi

Founder and Chief Executive Officer, Polco

#### Abhi Nemani

Senior Vice President of Product Strategy, Euna Solutions



## **INCLUDE AND INFORM**

Cutting popular programs can bring a backlash from constituents, especially if agencies don't provide an adequate explanation. Involving the public in the budgetary process can go a long way toward building trust and support.

Governments that do a good job with citizen engagement "bring in the voice of their residents, put that together with their leadership to identify and prioritize strategic plans, and then bring that to their budgeting process," said Mastronardi. "That's where strategic budgeting starts." Even simple tools such as surveys and social media can help involve constituents in these choices.

Governments must also be clear about the benefit of expenditures, advised Hudson. "You've got to be able to show the public what you're going to do with this budget. That's the reason you're doing a strategic plan or a strategic budget, and that's why you're engaging the public," she said.

To keep the cycle going, agencies must track and show relevant results.

"Transparency means putting something on a map so [taxpayers] can see what investments are happening next to [their] home," Nemani said. "It means looking at changes over time so you can see, 'Did I invest in the things that matter?'"

Additionally, be honest about what's possible. "Whatever you're planning to do, do something you actually can achieve," Hudson said. "Don't say you're going to catch the moon if you really can only throw a rocket up there, because then they're not going to trust you."

## TRUST AND TRANSPARENCY

When they have confidence in their government, "taxpayers are willing to put that extra money into that budget, and they'll be more [open] to tax changes," Hudson added.

The key to maintaining trust through times of fiscal restraint is honesty, Nemani said. "[It's] transparency, but meaningful transparency," he said. "To get through this crisis right now, we can't just act like it's not happening. We have to be open about it."

"If you actually engage residents, build a strategic plan and demonstrate progress on it, then people see their voice was heard, progress was made, trust is restored," Mastronardi said. "And guess what's going to happen? People are going to be more excited, more willing to increase their tax revenues, because they're seeing the outcome, the fruits of their labor, the fruits of their dollars, and it kicks off this virtuous circle."

→ For more insights, watch the full event on demand.