







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Strategic Cutback Management
Law Enforcement Leadership for Lean Times

Jane Wiseman, October 2012

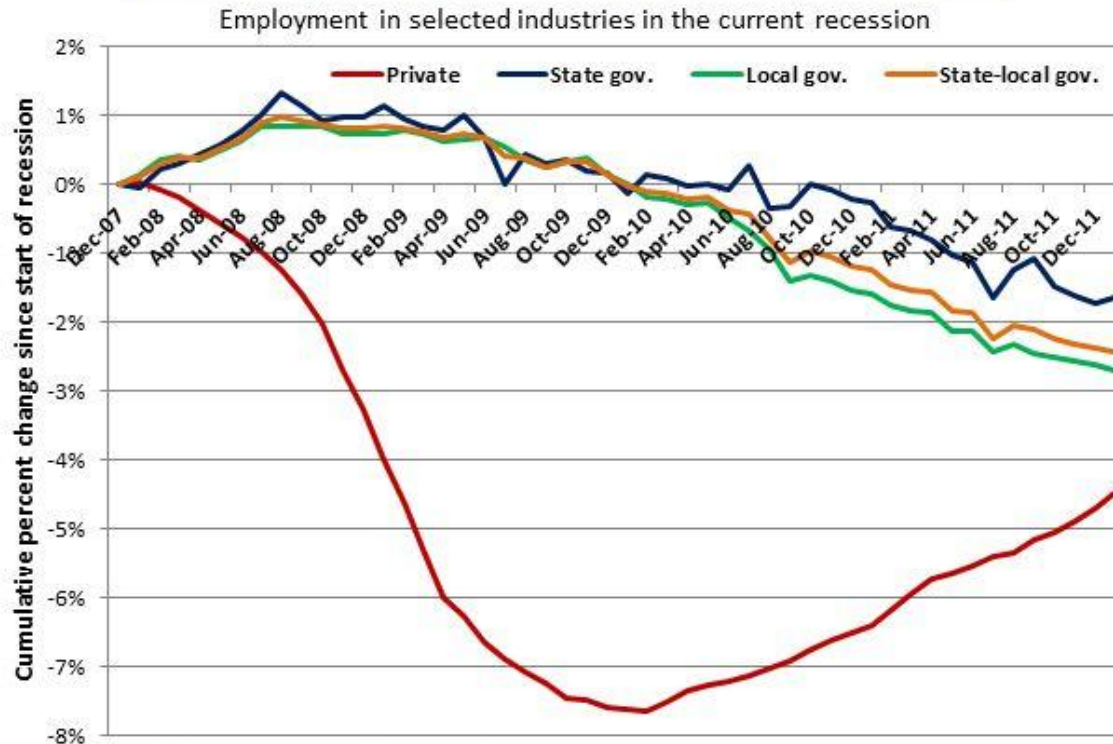
Agenda

-  Current environment
-  The case for Strategic Cutback Management
-  Recommended approaches
-  Selected examples

Current state and local fiscal outlook is weak

Persistent employment decline since start of recession

Figure 1: State and Local Government Employment is Declining, in Contrast to Modest Recent Growth in Private Sector Employment



Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

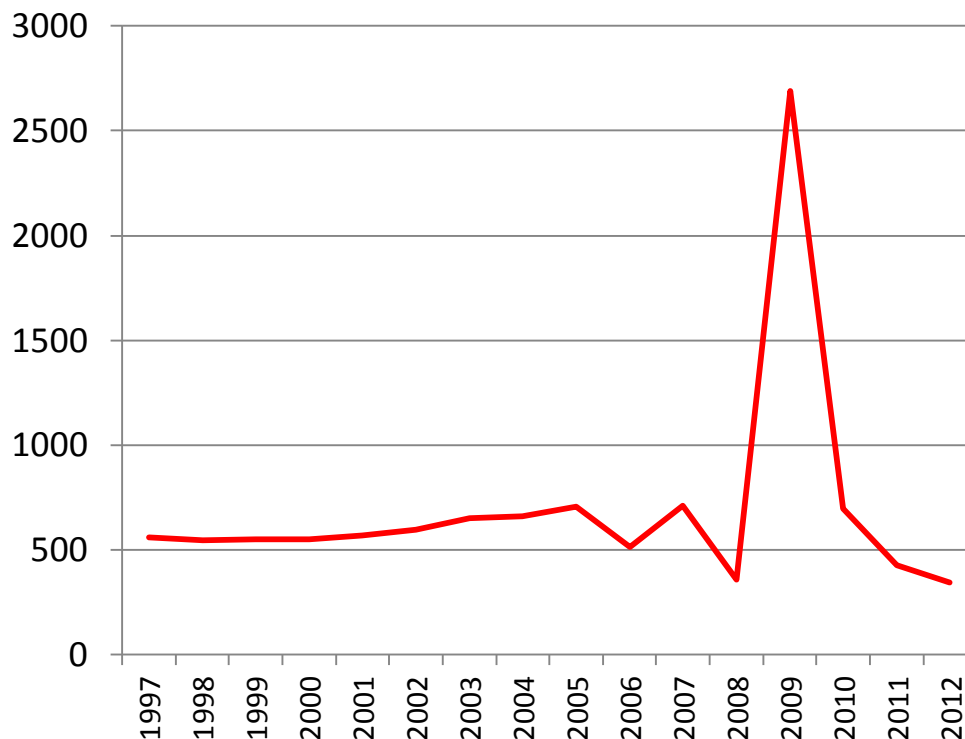
“Though most states have now reported growth in tax revenue collections for nearly two full years, such gains have not yet offset losses sustained during and after the recession. At the end of fiscal 2011, overall tax collections nationwide were still 3.5 percent below peak levels, with 36 states yet to climb out of revenue declines associated with the economic downturn.”

Source: Rockefeller Institute, January 2012

Federal \$ for S&L law enforcement are declining

With the loss of ARRA funds, the drop is more dramatic

Federal Justice Assistance for S&L Law Enforcement (\$000)

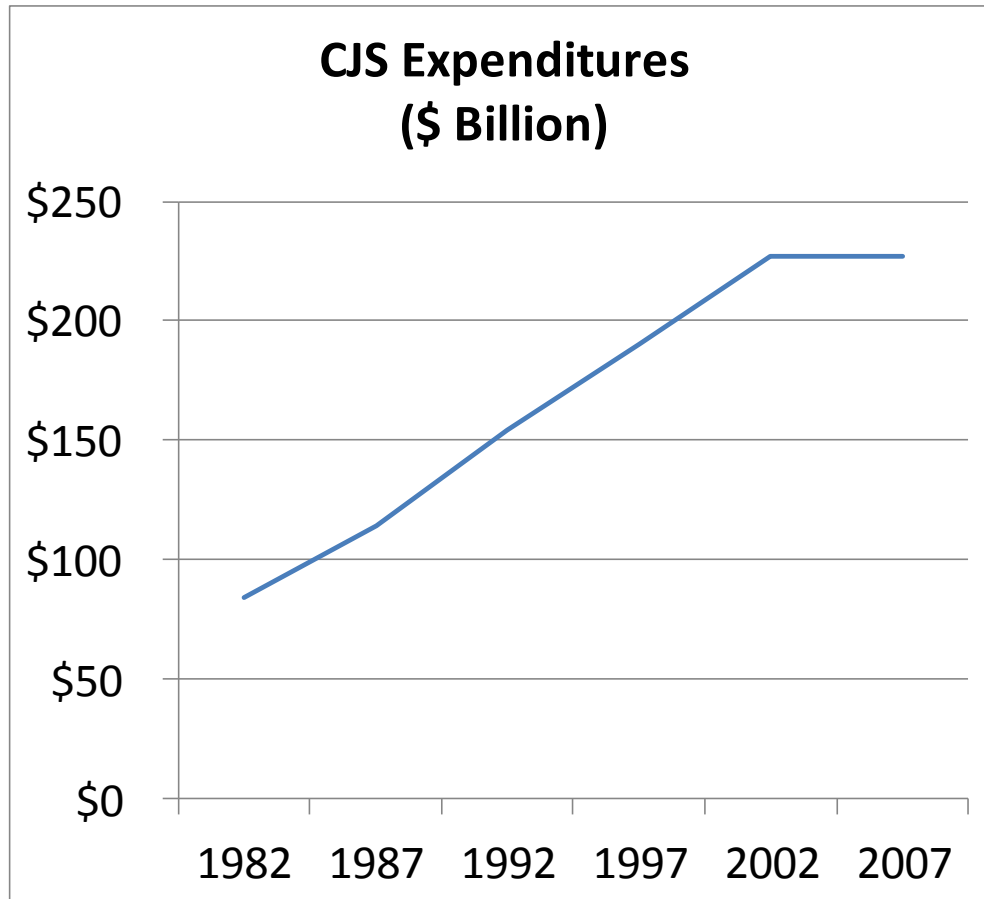


- FFY 2012 funding for justice grant programs is \$2.2 B, 20% below last year's level
- Current funding is about half the amount appropriated in the 1990s
- Grant programs are the only DOJ component decreased this year, all other components received increased funding
- DHS funding is down -- \$2.4 B is provided this year, down \$1B from last year

Source: NCJA summary of Appropriations law, Oracle analysis

After many years of growth, CJS market is now stagnant

Rapid growth of the 1980s and 1990s is long gone



- The \$227 Billion in CJ expenditures in 2007 is 3 times what it was in 1982. Two key drivers of growth
 - Federal spending grew 4 times
 - Corrections grew 3.5 times
- Yearly growth rates of 4-7% have slowed to stagnant or negative in recent years
- Remains a large segment, with 2.4 million employed in CJS agencies
 - 11% of all government employment
 - 2% of US employment is in CJS
 - Nearly as large as the IT sector
 - 1/3 size of the financial services sector

Source: Bureau of Justice Statistics, Bureau of Labor Statistics, Oracle analysis

Local finances present a fiscal challenge

Many departments are struggling


- Police departments are cutting budgets
 - 22% of cities have cut public safety budgets in the last year
 - 51% of police agencies reported a budget cut between 2009 and 2010, with the average cut 7%.
 - Of those who saw cuts in 2010, 59% predicted additional cuts for 2012.
 - 36% of police agencies reported budget cuts of 5% or more in the last two years
- Police departments have flat or declining staffing
 - 4,000-15,000 law enforcement layoffs have happened in the past two years
 - 28,000 officers were subject to furlough last year
 - 53% of counties have fewer staff in 2011 than in 2010

Source: National League of Cities, IACP, COPS, PERF, National Association of Counties

Some cities are in dire straits

Struggling cities seem more likely to be in extreme distress

- Stockton, CA declared bankruptcy and the PD lost 120 positions, and officers have taken 25-30% salary reductions. Homicide is now at an all time high.
- Reading, PA has had a 35% drop in the number of officers, first from local then from state budget cuts. The homicide rate has doubled in the last year.
- Patterson, NJ laid off 125 officers, or 25% of their force in 2011
- Detroit closes police stations to walk-in service after 4pm
- Flint, MI laid off 2/3 of its police force in the last three years
- Camden, NJ is closing its police department and transferring responsibility from the city to the county
- 80 police officers were laid off in Oakland, CA
- 43 officers were laid off in Sacramento, CA
- Indianapolis PD projects at \$10 million shortfall this fiscal year. Combined with the Marion County Sheriff, the total deficit is \$26 million for the year.

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The current environment...

- “fiscal abyss into which most municipalities are plunging.”

Anthony Bouza, *Police Leadership in America*, 1985.

- “the worst we’ve ever seen” ...putting states into a “perpetual fiscal crisis.”

Ray Scheppach, National Governors Association Executive Director, 2003, as quoted in Osborne and Hutchinson, *The Price of Government*, Basic Books, 2004.

Why can't we just “muddle along”?

- Experts on public administration estimate that a budget cut of 7% in any one year, or 15% over 3 years is about the maximum an organization can sustain and continue to “muddle along” in achieving its mission.
- Any budget cut greater than 7% in one year requires strategic cutback management.
- When the State of Washington faced a 15% budget gap in 2002, the governor decided to try a drastic and different approach to budgeting. An editorial in the *Seattle Times* described the new approach:
 - “The usual, political way to handle a projected deficit is to take last year’s budget and cut. It is like taking last year’s family car and reducing its weight with a blowtorch and shears. But cutting \$2 billion from this vehicle does not make it a compact; it makes it a wreck. What is wanted is a budget designed from the ground up.” *Seattle Times*, November 17, 2002.

Source: Charles Levine, 1985, and *The Price of Government*, Osborne and Hutchinson, Basic Books, 2004.



How to fix the current situation...

**“A problem cannot be solved by the
thinking that created it.”**

Albert Einstein

What is Strategic Cutback Management?

- Strategic Cutback Management is a philosophy – a leadership approach that takes on the status quo of across the board cuts, and looks for entire activities that can be eliminated, setting priorities.
- Strategic cutback management sets priorities rather than allowing the organization to drift into mediocrity with the status quo, or “muddle along.”
- The critical questions asked in the right context with the right focus will result in categories of cutback.

What is Strategic Cutback Management?



The core of Strategic Cutback Management is:

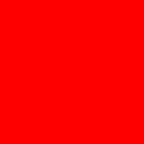
Asking the right questions at the right time with the right players

- Ask the big questions:
 - What things can we stop doing?
 - What things can others do? (city, state, county, private agency, volunteers, non-sworn staff, etc.)
 - What things can be done more effectively?
 - Where can lower cost labor be used?
 - Where can capital or technology substitute for labor?
- Ask each question for every activity in the Department
- Use a structured process, taking time and care to listen for new ideas

Strategic Cutback Management in a nutshell



- Leadership matters
- Avoid across the board cuts – they cause disproportionate harm
- Use the crisis to improve management and improve productivity
- Think long-term
- Don't just cut costs, look for revenue opportunities
- Invite innovation
- Look outside for help
- Targeted layoffs are more effective than hiring freezes

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Recommended approaches

- Recommended approaches for achieving Strategic Cutback Management include:
 - Business Process Reengineering (BPR)
 - Performance Measurement
 - Budgeting for Outcomes

Business Process Reengineering – What is it?

- Business Process Reengineering (BPR) can save time and money by improving efficiency.
- Business Process Reengineering (BPR) is defined “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed.”
- The concept became popular initially in business, but it can also achieve great results in government agencies. One consulting firm expressed it this way:
 - *In our work with government and public institutions around the world, we have seen incontrovertible evidence that dramatic improvements in performance and productivity can come about when governments make thoughtful, disciplined operational changes. Simply doing the same tasks in new ways, as it turns out, can be extremely powerful.*

Source: Hammer and Champy, 2003, McKinsey, 2009

Business Process Reengineering – Examples

- Albuquerque Police Department achieved a 67% reduction in its backlog of paper reports in its Data Entry Unit through business process reengineering using entirely staff-generated ideas.
- The Minneapolis Police Department is currently embarking on an effort to look at every aspect of the operation and ask, “if we were designing this from the ground up, how would we do it?”
- Milwaukee PD created the Differentiated Police Response (DPR) Unit which allows injured officers to handle over the phone a range of calls for service that can be handled without sending an officer to the scene. If necessary the DPR officer can re-route the call to dispatch and have an officer sent to the scene. Typically DPR handles noise complaints and other situations that can be handled with the officer providing the service via phone.
- Grand Rapids, MI had to cut 15% of its workforce but still maintained quality customer service through consolidated operations, streamlined processes, and reduced or eliminated wasted effort. Interdisciplinary teams developed the new ways of achieving their work.

Business Process Reengineering – Suggestions

BPR is best undertaken by a team diverse enough to generate a variety of ideas. This may mean including different levels, different agencies, or even complete outsiders who have a stake in the quality of the process. The questions to ask in a BPR project are as follows:

- What are we doing?
 - Define the process, not the department (e.g. payments, not Accounting)
- How do we do it?
 - Process maps
 - Actual time and elapsed time
- Why are we doing it that way?
 - “Because we always have” is NOT the best answer
- How could we do it differently, if we were building the process from scratch today?
 - Outsiders can help with being creative
 - Benchmark against the best in class, from any industry

Business Process Reengineering – Tips for success

- **Create a diverse team.** Invite in a variety of organizational perspectives and levels of seniority. Decrease the status quo factor and create new relationships where possible.
- **Senior leadership matters.** A senior member of the department should lead or actively participate – this sends a strong signal. Just make sure he or she does not dominate.
- **Get the best data you can.** Proxy data is better than no data. And everyone should have the same data.
- **Stay on task and focused.** Don't let someone drag the team "into the weeds." Use outside facilitation if needed to document deadlines, meeting agendas and follow up notes.
- **Bring the union into the process.** Involve collective bargaining early and often.
- **Invite outside opinions.** Include on the team or as advisors private industry, think tanks, academics, and citizen interest groups – they can help "think outside the box."
- **Get legislative buy-in if needed.** If your changes will require statutory change, seek input sooner rather than later.

Business Process Reengineering – 3 ideas

- **Eliminate layers of hierarchy if possible.** This can save money and improve accountability and morale.
- **Use technology where it can save time or money.** It can make sense to substitute technology for people and paper in processes that are repetitive or routine. Some examples:
 - Migrate from expensive mainframe applications to web based services – Chicago PD saved \$4 million by migrating its name check to web services.
 - Streamline phone service. Charlotte, NC eliminated 60 positions via voice mail, pagers, and cell phones.
 - Post newsletters, press releases, vacancy announcements, or internal announcements electronically rather than sending in the mail. San Francisco PD has recently done this with great success.
 - Require job applicants to complete electronic job application forms
 - Take incident reports for routine events via phone or Internet
 - Use electronic funds transfer instead of checkwriting
- **Build on strengths, outsource non-essential functions.** Focus on what you do best and what you absolutely must do. What can you centralize (to the city or state) or regionalize (with other nearby agencies)? Consider recruiting, hiring and training, payroll and timekeeping or procurement. Some examples:
 - Many cities in Broward County contract with Sheriff's Department for policing services. This saves money at the local level and provides \$183 million a year in revenue for the Sheriff.
 - Indianapolis and other cities have used competitive bidding among public and private sector entities for a variety of government services and find savings in the first year of 20-30%.
 - GAO estimates federal government contracting out of services saves 30%.

Source: Osborne and Hutchinson, 2004.

Performance Measurement – What is it?

- Performance measurement is a management tool to help get better results by measuring activity and setting targets for desired results.
- What gets measured gets done -- Performance measurement is a way to draw management attention to priority activities of an organization.
- Performance measurement is relevant to cutback management as a way to get more value out of existing resources, and as a way to identify activities that are not meeting standards and may be candidates for elimination.
- The *process* for introducing new performance measures can make or break the success of the effort.
 - Take care to build buy-in and confidence in the new ideas and new measures.
 - Avoid, “Oh, you wanted me to count that?”

Source: Dilulio, Garvey, and Kettl, Brookings Institution, 1993.

Performance measures should be SMART

- **Specific** – Performance measures need to be precise and clear, otherwise it is hard to understand exactly what they are. For example – “decrease crime” is unspecific. A more specific performance goal is “decrease violent crime by 3%”
- **Measurable** – Performance measures and targets need to be thing that can be measured. Employee sick days can be measured, overtime expenditures can be measured, and number of burglaries can be measured. Vague or general terms “morale” and “crime” are harder to measure. Find something that can be measured -- morale can be measured via employee satisfaction surveys or sick days.
- **Attainable** – Setting performance targets that are unrealistic will only deflate morale when they are missed. Attainable goals are inspiring.
- **Relevant** – Performance measures must connect to core elements of agency mission or they are not useful.
- **Time-based** – Performance measures and performance targets need deadlines. For example, “decrease violent crime by 3% within one year” is time-based.

Performance measurement -- examples

- **CompStat at the NYPD.** One of the most well-known examples of performance measurement in public safety is NYPD's CompStat effort. According to Commissioner Bratton, "Goals become a means not only of measuring success but of replacing unproductive or counterproductive behaviors with effective, goal-oriented activity."
- **Maryland StateStat.** A state juvenile detention facility was closed because it was operating at far less than capacity. The total savings was \$1.5 million. Of that amount, \$600,000 was used to fund community based programs to serve the youth at a lower cost and in a more therapeutically helpful way.
- **Baltimore CityStat.** The Baltimore Police Department reduced overtime and absenteeism by 40% while decreasing violent crime by 29%.
- **City of Somerville, MA.** SomerStat saved \$10 million over three years by using data analysis to identify problems and prioritize responses.

Source: National Institute of Justice, 1999, Pew Center for the States, 2009. *The Price of Government*, 2004, Pioneer Institute of Public Policy

Budgeting for Outcomes – What is it?

- Focus on the “keeps” not the “cuts.”
- Set budget based on desired outcomes, rather than status quo
- *“The first step is to turn the budget process on its head, so that it starts with the results we demand and the price we are willing to pay rather than the programs we have and the costs they incur. The second is to build the budget by deciding to buy only those programs that deliver the results we want and leave the rest behind. Then we must cut government down to its most effective size and shape, through strategic reviews, consolidation, and rightsizing; use competition to squeeze more value out of every tax dollar; make every program, organization, and employee accountable for results; use technology to empower customers and save money; and reform how government works on the inside (its management systems and bureaucratic rules) to improve its performance on the outside.”*

Source: *The Price of Government*, Osborne and Hutchinson, 2004.

Budgeting for Outcomes -- Example

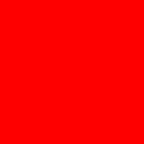
- In Washington State during the 2002-2003 budget cycle, then-Governor Gary Locke needed to trim the budget by \$2 billion, which would have required 15% across the board cuts. He said.
 - “Closing the \$2 billion gap we face in the next biennium would require an across the board cut of 15 percent – if that’s all we did. And that is not what we are going to do. I don’t want to thin the soup. I want state government to do a great job in fulfilling its highest priorities.”
- The results were impressive:
 - “Few Washingtonians will find much to like about the brutal state spending plan Governor Gary Locke recommended Tuesday. But as ugly as the result was, there’s a lot to like about the way Locke and his staff arrived at it, using a new process that forced hard choices about the core priorities of state government. “ *Tacoma News Tribune*.
- And the public approved – 64% agreed that “Whether or not I agree with all of the governor’s budget recommendations, I respect his leadership and vision to solve the current problem and get the state’s economy back on track.”

Source: *The Price of Government*, Osborne and Hutchinson, 2004.

Budgeting for Outcomes – How to do it

- **Set goals.** Start with defining the goals that are most important to your department (or your entire city or state).
 - Keep a narrow focus – no more than 10 goals, but aim for 5
 - Focus on outcomes, not outputs or activities
 - Be realistic and set achievable, inspiring goals “stretch goals”
 - Reach outside typical stakeholder groups
- **Rank the goals.** Rank goals based on highest to lowest priority based on quantitative factors, such as authorizing environment input and stakeholder input (e.g. citizen surveys, “town hall” meetings, focus groups)
- **Do the homework.** Look for evidence-based practices for each goal, in both the public and private sectors.
- **Allocate budget dollars to the top goals.** A budget is made by “buying” the top priority items and moving down the priority list until all available funding is spent. “Buying” may be from other governments, or from private contractors. In law enforcement, ancillary services such as cleaning, vehicle repair, IT may be appropriate for this type of outsourcing.

Source: *The Price of Government*, Osborne and Hutchinson, 2004.

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Current approaches for budget management

- Examples are presented by category:
 - **Personnel**
 - **Process**
 - **Technology**
 - **Vehicle**

Thanks for generous contributions to this section



Current approaches -- Personnel

- **Proactively manage overtime.**
 - Minneapolis PD cut \$2.5 million out of their OT budget in one year with proactive management and oversight.
 - Milwaukee PD came in on budget for OT last year for the first time in 10 years. OT had previously been “spent like water.” Each manager was assigned a budget and was held accountable to that budget. The largest reductions were in investigations.
- **Supplement staff with volunteers if possible.**
 - The San Diego County Sheriff has 900 volunteers who contributed 1million hours of volunteer service last year. They do home checks for people on vacation and make home wellness check visits. Their oldest volunteer is 89 years old.
- **Review employee health care costs.**
 - Increase contributions, seek retiree participation in Medicare.
- **Disband costly specialized units.**
 - Boston and San Diego have disbanded mounted units.
- **Rethink staffing and supervision ratios.**
 - MA State Police estimated savings from reducing the number of management positions is \$1 to \$7 million per year. .

Personnel strategies – seductive but not strategic!

- Delay hiring
- Cut back on training
- Early retirement
- Furlough days and fewer paid days off

Caution: these approaches offer only temporary relief and may lower morale.

Current approaches - Process change

- Regionalize all or selected functions
 - Kennebunk, ME area consolidation of 911 call center
- Consolidate operations
 - Westbrook, ME
- Outsource non-essential services
 - Public sector or private sector agencies can help
- Engage in joint purchasing with other agencies
 - MA regional law enforcement councils use their purchasing power to lower costs
- Co-locate with another agency
 - Coconino County Sheriff and Flagstaff PD built one joint facility instead of 2 new ones

Current approaches - Process change


- **Increase collaboration with private security**
 - Chicago PD created a portal which security officials at private buildings can use to share floorplans, emergency exits, evacuation routes and any hazardous materials in the facility.
- **Increase collaboration with your business community**
 - Albuquerque PD established a partnership with its local retailers as a force multiplier and has now branched out to partner with the hospitality, financial and construction industries. In six years of collaboration a total of joint cases have been prosecuted, many of which would not have been possible without the “eyes and ears” of private sector partners.
- **Stop doing non-essential work, or do it differently**
 - Many departments no longer send a car to respond to calls that are not urgent and may ask citizens to report the crime via phone or web.
- **Discontinue use of unnecessary equipment or facilities**
 - Albuquerque PD saved \$100K by closing one of its warehouses. Using proper evidence handling procedures, they were able to dispose of 100,000 items in inventory.
- **Charge fees or seek dedicated revenue from a public safety tax**
 - Departments can charge fees for proving reports to the public or to media outlets
 - MA imposed a fee on those under parole supervision and received significant revenue
 - Albuquerque PD received \$1.8 million in fees from vehicles seized pursuant to DUI arrests

Current approaches -- technology

- **Review new technology options for force multipliers.**
 - Red light cameras, surveillance cameras
 - Self-service citizen reporting of low-level crimes
 - Citizen self-service portal for compliments or complaints on an officer
 - Text-a-tip program (Boston PD)
 - Use of social media (Philadelphia, Boston)
- **Link existing data in new ways.**
 - Boston PD is linking GPS data on probationers with shots-fired location data
 - Chicago PD created a single source of data and analysis tools, CLEAR and experienced a 22% reduction in violent crime and a 27% decrease in homicides in the years after implementation. Officers can solve crimes more quickly, and can solve crimes that were unsolvable before.
- **Review vendor service agreements for possible economies.**
 - Review the # of licenses paid for and used, sometimes there's an opportunity for savings.
 - Try to negotiate a reduced cost when contracts come up for renewal
- **Review outdated technologies and consider retirement.**
 - NYPD pays half a million dollars a year in typewriters maintenance contracts.

Current approaches – Vehicles

- **Extend vehicle life with proactive maintenance.**
 - Develop an automatic tickler for routine service.
 - Track hours in use as well as miles driven.
 - San Diego PD runs regular cost reports on each vehicle and vehicle type. They can reassign a high mileage vehicle from one substation to another if needed. Also, doing 95% of the maintenance work in house saves money on repairs.
- **Reduce service costs with outsourcing.**
 - Chicago PD fleet is managed by a city-wide fleet manager. Implementation saved \$1 million on auto parts and \$600,000 in warranty reimbursements. As a result of efficiencies there are now only 150 vehicles a day out of service instead of 200-250 before.
- **Switch to smaller or more fuel-efficient vehicles.**
- **Drive less.** Several departments are finding innovative ways to drive less:
 - Boston PD asks officers to walk 15 minutes of every hour they are on patrol.
 - In Las Cruces, NM, officers turn off cars at calls unless emergency equipment is on.
 - The Wyoming State Police have asked officers to not idle the cars while at the office
 - PA State Police encourages carpooling to meetings and using videoconferencing. They suggest taking unnecessary items out of the trunk, and strictly enforce tire pressure monitoring.
- **Require employee reimbursement for personal use of vehicles.**
- **Require employees to use agency fueling stations.**

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Additional questions?

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APPENDIX – THE QUESTIONS

For each activity in your organization, ask the following questions to evaluate whether the cost of that activity can be reduced or eliminated

Examine organizational mission

- What are the organizational musts or mandates, as defined by statute, funding guidelines, executive order, etc.?
- What are non-mandated organizational functions?
- What activities does the organization do very well?
- What activities does the organization do with less effectiveness?
- Which traditional organizational functions have not recently been examined for degree of fit with mission?

Examine marginal investments

- What programs have the highest unit costs?
- What programs serve a small or isolated clientele?
- What programs provide services available from other public or private organizations?
- What programs have consistently fallen below their goals or expectations?
- What programs, if cut back, would have long-term pressures and greater future costs?

Source: National Institute of Justice, 1979

For each activity in your organization, ask the following questions to evaluate whether the cost of that activity can be reduced or eliminated

Improve personnel management

- Have employee inputs been solicited for reduction strategies?
- Do incentives exist to encourage employee participation?
- Have managers openly discussed resource constraints with union leadership?
- Have unions indicated willingness to work with managers in achieving economies?
- Have productivity programs with sufficient incentives been tried or explored?
- Have organizational changes such as consolidation, centralization, decentralization, facilities closing, schedule changes, been considered or attempted?
- Once made, are personnel decisions quickly carried out?
- Are some personnel over-qualified or under-qualified for the tasks they perform?
- Are some tasks overly simple for the personnel to whom they are assigned?
- Can position reclassification reduce the cost of selected tasks?
- What administrative duties can be transferred to junior personnel?
- What administrative duties can be transferred to civilian personnel?
- What services can be provided by part-time or consultant resources?
- What services can be delivered by volunteers?
- What additional workload can be placed on existing slack resources?

Source: National Institute of Justice, 1979

For each activity in your organization, ask the following questions to evaluate whether the cost of that activity can be reduced or eliminated

Install rational-choice mechanisms

- What management tools have been developed to assist managers and policy makers in making rational choices among competing demands?
- Are performance measures available to assess effectiveness?
- What program evaluation techniques have been used?

Examine equipment and technology

- Can vehicles or other equipment be downsized?
- What processes can be automated?
- How can existing computer systems be used more efficiently?
- What communications technology can be used to streamline processes or save man-hours?
- Are there items that can be leased rather than purchased?
- Can any service agreements for equipment or technology be renegotiated at more favorable rates?

Source: National Institute of Justice, 1979

For each activity in your organization, ask the following questions to evaluate whether the cost of that activity can be reduced or eliminated

Improve external relationships

- Has the manager communicated problems to key external stakeholders?
- Has the manager solicited assistance from stakeholders?
- Has the manager kept the political body informed?
- Has the manager kept the public informed?

Source: National Institute of Justice, 1979

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