MAKING HARD CHOICES?
Don’t Ignore Emotion

BY SHAYNE KAVANAGH AND PAUL VALLAS
Local governments regularly find themselves faced with hard choices when it comes to the budget. Even today, during one of the longest economic expansions in U.S. history, many local governments find themselves facing slow (or no) revenue growth and rising cost pressures. At the same time, local government leaders rightfully aspire to do more than "keep the lights on" at city hall — they want to address pressing issues like violence in the community, student achievement, and deteriorating infrastructure. But where will the money come from to pay for these services and projects? Additional tax revenue isn't forthcoming for many governments, which means they will have to reduce costs in lower-priority areas of spending so they can shift budget resources to higher priorities.

Because the majority of a local government's costs are salaries and benefits for employees, reducing costs often raises the specter of job losses. Hence, there is a large and inescapable emotional aspect to these decisions that local government leaders must recognize and address. It can be approached with forethought and planning, thereby reducing the pain and increasing the chances that people will support the decision to shift resources from one use to another.

In the following pages we present three strategies for making the hard choices go easier.

**ESTABLISH PRINCIPLES TO GUIDE YOUR CHOICES**

Your principles will provide the answer to questions like “What kind of city/county/district do we want to run?” and “What kind of leaders do we want to be?” These are emotional questions that speak to passions and values.1 When your principles are explicitly stated, it is easier to recognize which emotions should take precedence when making a decision. Traverse City Area Public Schools (TCAPS), in Michigan, was facing declining enrollment, stagnant revenues, and aging facilities — and the district was determined to provide its students with a world-class education. TCAPS established the following three principles before considering its hard choices:

- **Education Priorities Should Drive the Budget.** In many districts, the budget process has a way of freezing in place decisions about curriculum and instruction that were made years ago, since each year’s budget is often largely based on historical precedent. Instead, TCAPS wanted to be the kind of district where the budget intentionally reflects the most current strategies for providing a world-class education to its learners.

- **We Can’t Be All Things to All People.** Many school districts, as democratic institutions, tend to try to please as many people as possible. However, becoming a district that delivers world-class education at an affordable cost demands focus.

- **Get High Academic Return on Investment.** The district aspired to make a practical connection between academic and financial decision making, and to get the most bang for its limited bucks.

A number of months later, after decision makers had acclimated to the principles, TCAPS was struggling with how to pay for its strategies to improve student learning. It had investigated some options to improve day-to-day efficiencies from transportation and janitorial services, but found that years of belt tightening had made these services about as lean as they could get. The most significant opportunity seemed to be in closing low-enrollment schools. There is perhaps no decision that is more emotional than closing school buildings. However, by recognizing its principles, TCAPS was able to build a lot of support for this decision. In fact, both the local chamber of commerce and teachers’ union supported the decision to close the schools, and more than 95 percent of the students at these schools chose to continue their education with TCAPS at another building.

Local government leaders should establish their own principles that speak to the kind of local government they want to be. TCAPS’ principles are a good example to start with, but local government leaders must put deep thought into the principles that are most needed for their circumstances. In particular, most, if not all, local governments could
benefit from the principle, “there is no substitute for long-term stability and predictability.” When it comes to addressing the complicated problems faced by local governments, predictability, stability, and continuity are invaluable. Progress cannot be made when there are constant disruptions and when local government leaders and staff don’t know what resources to expect from one year to the next— not to mention the anxiety created by uncertainty.

Long-term financial planning is critical to realizing this stability. The financial plan should be constructed to support the local government’s strategic goals. When the budget is linked to a long-term financial plan, it becomes easier to shift resources from one area to another because these shifts are not sudden shocks, but part of a long-term blueprint.

**PROVIDE EMPLOYEES WITH A SENSE OF SAFETY AND PRIDE**

It is difficult to reallocate resources in a substantial and meaningful way with no impact on jobs or compensation. If this isn’t handled well, it could result in reduced morale, productivity, or even legal action from disgruntled employees. Therefore, local leaders must remain mindful of how decisions will affect employees, recognize the emotional consequences, and seek to remediate ill effects and preserve or restore a sense of safety and pride.

One of the most effective tactics for diffusing the stress associated with job cuts is to rely on attrition. In some cases, natural attrition might be high enough to make acceptable progress in reducing costs. However, attrition doesn’t usually happen on a reliable schedule, making it difficult as a way to help fund a new strategic program or other activity. Here are a few strategies to help solve this problem:

- **Know the Trends.** There is usually at least some turnover every year, especially when a government has a large enough labor force. By examining data, a government can find minimum, maximum, and average turnover and plan accordingly.

- **Make Contingent Decisions.** Historical trends do not always repeat themselves, so governments can hedge their bets by making a decision to spend on a new program or service contingent on the anticipated attrition occurring.

- **Plan for the Long-Term.** A government is much more likely to realize a level of attrition close to what historical averages suggest over a number of years, rather than in the short term. A multi-year plan can help the district maintain focus on shifting resources over to higher priority activities.

Attrition is not a panacea, however. It might not free up the amount of resources needed or do it soon enough, and layoffs will be required. A more insidious problem is that although an attrition strategy might provide a sense of financial safety to employees, it does little to address the loss in pride that
some might feel when they see resources being shifted away from the programs and activities they have dedicated their lives to. This can elicit resistance just as powerful as when financial safety is threatened.

The “SCARF” model of emotional needs can help you think about the feelings that staff member might be experiencing, and to develop strategies for helping people work through them. According to the SCARF model, people must perceive the following conditions in order to go along with a change: status, certainty, autonomy, relatedness, and fairness. These states are discussed below.

**Status:** Does the person feel important, recognized, or needed by others? For example, if communications about shifting resources away from an old program have painted the program as a failure that the government needs to leave behind, then the people associated with it will experience a loss of status. If communications honor the past, perhaps framing it as a necessary step on the path of continuous improvement, then status can be preserved.

**Certainty:** Does the person feel confident that they know what’s ahead, and that they can predict the future with reasonable certainty? The local government budget calendar doesn’t typically leave a lot of time between when a difficult budget decision is made and when it is implemented, which creates a lot of uncertainty around the details. By adopting a longer-term time horizon and leaving more lead time between decision and implementation, the government leaves more time to for people to ask questions, for leaders to research and communicate good answers, and for people to come to terms with the decision before it is carried out.

**Autonomy:** Does the person feel like they have control of their life, their work, and their destiny? Local leaders can look for ways to give those who are negatively affected a sense of personal control. For example, one superintendent wanted to move away from the practice of co-teaching special education students because it wasn’t cost-effective. A number of special education teachers supported the move, but a number did not. The superintendent therefore allowed special education teachers to voluntarily opt out of co-teaching. Some did so immediately, and others later followed after they acclimated to the idea.

**Relatedness:** Does the person feel like they belong? Do they feel a sense of relatedness? Do they trust the group to look after them? Attrition strategies, or at least finding new positions for displaced employees, can help them feel like the government cares about them as people. Also, simple expressions of empathy can be quite helpful.

**Fairness:** Does the person feel that they are being treated fairly? Do they feel that the “rules of the game” give them a fair chance? The prevalence of seniority rules in layoff decisions and of across-the-board budget cuts as a response to fiscal stress demonstrates the importance of fairness in cost-reduction decisions. Seniority rules offer clarity — those with the least tenure are the first to go. Across-the-board cuts distribute the pain of cost reductions evenly. Although these methods do provide a sense of fairness, they are not the best way for governments to reach their goals. The longest-serving staff

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**The Court Rules in Favor of Procedural Justice**

One striking finding that supports the importance of procedural justice comes from civil trials, which found that losers who perceive procedural justice are almost as happy as winners who don’t have that perception. In other words, a winner who thought the procedure was arbitrary or capricious will not be very satisfied with the outcome. (After all, what would such an experience say about our justice system?) A loser who thought the process was fair and who thought they had the opportunity to state their case would obviously prefer to have won, but respects the outcome.

members are not necessarily the most effective. Reducing the budget of all programs evenly takes resources away from where they are most needed. So, how can governments make decisions that are both strategic and perceived as fair? This topic is taken up in our next section.

**STRIVE FOR “PROCEDURAL JUSTICE”**

A body of research known as “procedural justice” shows that people are often willing to accept and even support decisions that aren’t in their self-interest, if they perceive that the process used to reach that decision was fair, operated by rules that were consistently applied to all participants, and truly considered their views. For example, when managers believe that a strategic plan was put together using a fair process, they are more supportive, even if the plan doesn’t fulfill all of their wishes.4 But what about higher-stakes decisions like layoffs? Even here, perceptions of procedural justice matter a great deal. For example, research with casualties of layoffs showed that 66 percent of those who felt they’d been unjustly treated were considering legal action against their former employers, compared with just 16 percent of those who felt they were treated fairly.5

A procedurally just decision-making system has the following features.10

- Decisions are based on accurate information.
- Transparent and consistent decision-making criteria are applied to everyone.
- All affected stakeholders get the opportunity for input.
- Mistakes are recognized and corrected.

A local government has many opportunities to use these features. Let’s start with making decisions based on accurate information. A fundamental step is to build a fact base. The finance staff in Lake County School District, in Florida, built a database of benchmarking information and per-student costs to help guide where LCSD would look for cost savings. However, a process of “joint fact-finding” might be necessary when faced with difficult budgeting decisions.11 Although people will feel better about a decision when it is based on accurate information, there may be differing opinions on what information is accurate and what is not. For example, there may be different views on which programs are cost-effective and which aren’t. Joint fact-finding is a process by which stakeholders with diverging interests work together to research the facts surrounding a decision before a decision is made.

We’ve already seen one example of transparent and consistent decision-making criteria in TCAPS’ principles. Other districts have taken a similar approach. Wylie Independent School District, in Texas, had to decide which career and technical education courses it could offer within its budget. Wylie first decided that its criteria would be to “to get the most bang for the buck,” leading the district to discontinue courses that either had a high cost per student or where students did not earn a professional certification at the conclusion of the course. In another example, Rochester City School District (RCSD), in New York, needed to narrow down its academic goals, with the implication that its limited resources would be focused on a smaller number of activities. RCSD adopted two decision-making criteria:

- “Treat every child as if they were one of our own.” In other words, RCSD should seek to make the biggest possible impact on the lives of students.
- “Focus and finish.” This principle encouraged focusing on a small set of goals that are achievable, where solid research says that it can be done and it is within the power of RCSD to start pursuing immediately.

The participants in RCSD’s decision-making process used the criteria of “treat every child like our own” to eliminate goals for “work-life balance for teachers and administrators” and “teacher job satisfaction” because these goals didn’t directly address the needs of students. “Focus and finish” prompted the participants to drop a proposed goal of reducing teacher attrition because there was no evidence that solidly linked attrition rates and student learning. RCSD applied
the criteria to more than 20 ideas for goals in order to prioritize just a handful.

The next feature of procedural justice is that “all affected stakeholders are given the opportunity for input.” This does not necessarily mean that stakeholders must participate in making a collective decision. We saw earlier that procedural justice has a powerful effect on the satisfaction of winners and losers in court cases — yet neither the plaintiff nor defendant has any role in deciding the case. There are many substantive inputs that stakeholders can provide, short of collective decision making. They can have the opportunity to articulate their interests and positions. They could provide input on what they think the options under consideration should be and how those options should be evaluated (e.g., help define the decision-making criteria). In all of these cases, the leadership should do their best to understand the stakeholders’ perspective, including by verbally paraphrasing the stakeholders’ views. This helps ensure that the leadership has an authentic understanding of their views and demonstrates as much to the stakeholder. When a decision is made, district leadership should explain why the decision was made, including acknowledging any drawbacks or weaknesses of the decision, especially in light of other options that stakeholders might have suggested.

While procedural justice doesn’t require collective decision making, it doesn’t eschew it, either. In fact, research shows that when parties bargain to reach a final decision, it can increase commitment to the decision. However, compromise is not always a good thing. If compromise has the effect of diluting a strategy to the point where it becomes ineffective, then the leadership will lose credibility when the government fails to reach its goals. Hence, leaders will need to judge where bargaining and compromise could help create follow through on a difficult decision versus where it could compromise the quality of the outcomes the government seeks.

The final element of procedural justice is that mistakes are recognized and corrected. This starts with leadership acknowledging the risks that the decision will not work out as hoped. This demonstrates to stakeholders with opposing views that leadership took into account the drawbacks and weaknesses of the option they decided to go with. Next, the government should have a means of evaluating how a decision is working out and correcting mistakes. A good example of this is pilot projects, where a new strategy is tried out on a smaller scale first. In cases where a pilot is not possible, leadership should clearly outline and conduct a formalized approach to monitor the implementation of a decision and take actions to smooth out the hitches.

In addition to the disparate tactics for procedural justice described above, governments can also take a systematic approach to establishing procedural justice by developing, maintaining, and updating a long-term financial plan. The plan should be developed and updated via a partnership between financial leaders in the government and executives who lead citizen-facing services.
The plan must have very clear, well-defined goals that focus on outcomes that are important to the community. It must also include a governance structure to facilitate the flow of accurate information, to ensure complete transparency, and to allow for input from departments outside of finance.

A governance structure is a way to give stakeholders voice and insight into the direction that the government is moving, so that decisions do not feel like surprises. A governance structure does not entail a loss of autonomy or accountability by managers; it merely provides for effective two-way communication and allows opinions and recommendations to be heard and formalized. The stakeholders feel that they have a vehicle for providing input into decision making. It also becomes a vehicle for the government to mobilize support.

The centerpiece of a governance structure is typically a steering committee, which consists of representatives of the departments within the government. There might also be subcommittees to handle specific concerns. For example, there might be a labor-management committee that keeps employees apprised of the direction of the budget and that provides the opportunity for input.

CONCLUSION

Reducing costs in order to shift resources from one use to another can be an emotionally straining and potentially even devastating experience — but it doesn’t have to be. By recognizing the emotional costs and then by taking steps to preserve a sense of safety and pride, local governments can more smoothly move their resources to where they are needed to do the most good for citizens.

Notes
4. Description of the SCARF model and questions adapted from: Dave Gray, Liminal Thinking: Create the Change You Want by Changing the Way You Think (Two Waves Books, 2016).
5. Levenson.
6. Co-teaching is a practice in special education where students are taught by two teachers simultaneously — one who specializes in the subject of the class and one who specializes in special education techniques.
7. Example taken from Levenson.
11. Levenson.
12. This phenomena was described in Heath and Heath. They base their statements on research described in: Paul C. Nutt, “Search During Decision-Making,” European Journal of Operational Research, 2005.
13. Levenson.

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