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# **REDIRECTION IN GEORGIA** A New Type of Budget Reform

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The budgeting reform literature is replete with examples of reforms such as performance budgeting, program budgeting, and zero-base budgeting that have failed to achieve their stated goals. This article analyzes a new budgetary reform that has been introduced in the state of Georgia, which appears to be accomplishing what its proponents have pronounced. This reform is known as redirection. The article defines redirection, explains how it works, and shows that redirection has enabled budget actors to reset budgetary priorities and reduce agency acquisitiveness, at least in its first 2 years in operation.

This article analyzes the effects of a budgetary reform that has been introduced recently in the state of Georgia by Governor Zell Miller. The reform is known as redirection. Redirection is designed to serve two purposes: (a) to enable budget actors to reset budgetary priorities, particularly in areas of interest to the governor, and (b) to counter the agency strategy of acquisitiveness, which is the strategy of agencies to expand their budgets by requesting large increases. This research project is the first to attempt to study the unexplored area of redirection. It will reveal what redirection is, how it works, how it compares to previous reform efforts, and what effects redirection has had on budgeting in Georgia after 2 years in practice.

Since V. O. Key (1940) first posed the question, "On what basis shall it be decided to allocate x dollars to activity A instead of activity B?" (p. 1138) scholars and reformers have been struggling to develop a budgetary system in which allocation decisions are based not on previous allocation patterns but on a clear and systematic analysis of how resources can best be spent to meet government's highest priorities. Performance budgeting, program budgeting, and zero-based budgeting are the best known attempts to reassess the budget base each budget cycle, in an effort to reallocate resources from low-priority programs to more effective or higher priority programs rather than simply provide incremental increases to all projects. Although these reforms have left their mark on budget-ary practices, they have not produced many reallocations within the budget base. Redirection is the latest effort to achieve this goal.

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## DATA SOURCES

The data used for this article came from the *Governor's Budget Report*, fiscal years (FYs) 1992 to 1998, and the *FY 1998 Appropriations Act*. FYs 1992 to 1998 were examined because they were the years in which Governor Miller presented budgets to the legislature. The Department of Children and Youth Services and the Department of Human Resources are not included in the FY 1992 data, because at that time, the Department of Children and Youth Services was a part of the Department of Human Resources and their budgeting data was combined. It was not possible to separate them given the data available.

Information presented here was also derived from interviews with the director of the Office of Planning and Budget (OPB), budget analysts from OPB, the director of the Legislative Budget Office<sup>1</sup> (LBO), and the fiscal officers of the executive agencies. The interview format consisted of open-ended questions designed to produce nonstructured responses. Confidentiality was pledged to each of the interviewees. Budget officials from 29 of Georgia's 30 agencies (96.7%) agreed to be interviewed. Of the 19 OPB analysts charged with advising and reviewing the budgets for these agencies, 100% agreed to be interviewed. Interviews lasted between 25 and 90 minutes.

## **REDIRECTION IN GEORGIA**

#### Why Redirection Now?

During the 1980s, Georgia experienced what Allen Schick (1980) would classify as relaxed scarcity, "a situation in which governments have sufficient resources to continue existing programs and to undertake substantial new budget commitments" (p. 116). During this time period, Georgia revenues increased each year, from a low of 7.2 to a high of 12.7%. This high rate of revenue growth enabled the state to both expand existing programs and introduce new services without raising taxes (Lauth, 1994). Although revenue collections were not enough to satisfy all of the demands placed on the budget, revenue growth provided enough resources to meet adequately the initiatives of the governor and the legislature. There was little incentive to scrutinize existing programs entrenched in the budget base. Doing so was undesirable to policy makers because it would likely raise the level of political conflict connected with budget making. The recession of the early 1990s ended the period of relaxed scarcity in Georgia. As Georgia came out of the recession, economic forecasts predicted that revenue growth would fall to much lower levels than had been experienced during the 1980s. According to these economic forecasts, revenues were expected to increase by no more than 5.5% to 6.5% each year for the duration of the 1990s. Georgia began to encounter what Schick (1980) refers to as chronic scarcity. Under conditions of chronic scarcity, revenue collections provide enough funds for the continuation of existing programs but very little for growth and expansion.

Governor Miller realized that the expected growth in revenues would not be enough to fund his highest priorities; an increase in funding for education and a reduction of the sales tax on food items. If he wanted to advance these priorities, he would have to find the necessary resources elsewhere. Because he and the legislature were committed to not raising taxes; the money needed to fund the governor's priorities would have to be found in the budget base.

To extract resources from the budget base, the governor wanted to develop an effective way to get agencies to examine their budgets to find activities that are no longer a priority or useful and to downsize or eliminate them. The governor believed that many of the programs accumulated by agencies over the years either have run their course and accomplished their objectives, been ineffective, or are not vital to the core mission of the implementing agency. Governor Miller's goal is to redirect the money saved from the elimination of these obsolete programs to higher priority activities.

To adequately fund his priorities, the governor realized that he needed to do more than reallocate money from the budget base of agencies. He also had to diminish competing claims on the new money that was generated by revenue growth. Therefore, he needed to reduce the ability of agencies to act in an acquisitive manner.

Numerous studies have explored the impact of agency requests on budget growth (LeLoup & Moreland, 1978; Sharkansky, 1968; Thompson, 1987). These studies found that agency acquisitiveness tends to result in larger budget increases for agencies.

Agencies in Georgia use the acquisitive strategy frequently, often requesting increases in excess of 50% of their previous year's budget authority (Lauth, 1987). This strategy not only enables agencies to increase their budgets but also helps them deflect political conflict away from themselves and onto the governor and legislature. They request all they can justify, blame the governor and legislature if their requests are cut, and maintain political allies by continuing to fund established programs in their base.

If the governor allowed agencies to continue to make requests for all they could justify, the supporters of these competing claims would make it politically difficult for him to meet his priorities. It was necessary for the governor to establish a system that not only would reallocate money from within the budget base but also would curtail agency driven expenditures by limiting agency acquisitiveness. Redirection was designed to do both of these things.

## **Redirection Defined**

Redirection consists of two elements. The first element attempts to reallocate funds in the budget base by requiring agencies to identify a minimum of 5% of their previous year's state appropriated adjusted base,<sup>2</sup> which they believe is of

low priority, ineffective, or obsolete. This 5% is referred to as redirected funds. Agencies then are given the opportunity to demonstrate how they could spend their 5% to better meet what they perceive to be their highest priorities. The funds that are identified must be available to other agencies.<sup>3</sup>

The governor uses the information generated by each agency to determine how the redirected funds are to be spent. The governor has three options available to him. First, he can choose to follow agency requests and redirect the money to higher priorities within each agency. Funds retained by agencies in this manner are referred to as additions or "add-backs." Second, he may decide to redirect the funds to higher priorities in other areas of government. This, of course, would result in a cut for each agency losing its redirection money. Third, he may choose not to redirect the money, insisting instead that it be spent on the activities it was appropriated for the previous FY. The governor's redirection recommendations are subject to change by the legislature. Agencies are not permitted to submit requests during the supplemental appropriation that would restore funds lost due to redirection.

This element of redirection allows the governor, legislature, and agencies each to have a voice in the decisions that are made. Agencies, which are responsible for certain missions assigned to them by elected officials, are given the opportunity to identify activities that are not essential to their core missions and explain how they can better spend the money. The governor then reviews the agency requests and either accepts or rejects them, based on his priorities. He submits his recommendations to the legislature, which reviews them and makes adjustments based on its priorities. At each level, tradeoffs are made between priorities. In addition, all of the changes are designed to be made at the margins; therefore, no dramatic changes will be proposed that threaten to raise the level of political conflict. Most government activities continue to be funded at their same levels, while money is found by the governor, legislature, and agencies to fund additional activities that are important to them.

The second aspect of redirection attempts to restrain agency-driven expenditures, by preventing agencies from requesting increases that amount to more than the projected revenue increase for the upcoming FY (6.5% for FY 1997; 4.5% for FY 1998). The increase is not adjusted for inflation. This cap on budget increases does not apply to requests for capital outlay projects. Requests for increases above the adjusted base are referred to as enhancements.

This element of the redirection reform is designed to force agencies to be more selective in the kinds of increases they ask for. It is hoped that agencies will now limit their requested increases to items that best enable them to achieve their most important objectives, rather than requesting anything that they can conceivably justify.

It should be noted that the governor in Georgia has several strong budgetary powers. First, the governor has the line-item veto power over appropriations. Governor Miller has threatened to use it against any agencies that do not comply in good faith with redirection. The legislature's ability to override such a veto is virtually nil, because the governor signs the budget bill into law after the legislative session has concluded. Second, the governor appoints the majority of the executive branch agency heads. Governor Miller has threatened to terminate any agency head who does not comply in good faith with redirection. Finally, the governor sets the revenue projections. Therefore, the legislature is limited in its ability to circumvent the governor's redirection requests because restoring cuts made by the governor would require the legislature to make cuts in other areas of the budget, often a politically difficult thing to do. These powers of the governor should help redirection to succeed in accomplishing its goals.

## **Differences With Previous Reform Efforts**

As stated earlier, performance budgeting, program budgeting, and zerobased budgeting failed to meet the expectations of their supporters. Redirection differs from these reform efforts in four important ways that may help it to achieve greater success. First, the information generated by previous reforms, particularly performance budgeting and program budgeting, often was ignored by important budgetary actors because they were not compelled to use it when making funding decisions (Grafton & Permaloff, 1983; Schick, 1971, 1972; Sudama, 1977). Instead of being incorporated into the decision-making process, the information produced by these reforms was simply provided alongside traditional budgeting information. Legislators usually preferred the traditional form of budgeting data to the information produced by the reforms. Because they were presented with both types of information and were under no legal or procedural obligation to use the reform data, they often chose to disregard the information generated by the reforms.

Contrary to performance budgeting and program budgeting, redirection was incorporated into the budget process in Georgia. Georgia's governor has the power to order agencies to follow his instructions when preparing their budget requests. Governor Miller used this power to force agencies to comply with the redirection requirements. The governor warned agencies that he would fire any appointed agency head who did not comply with redirection in good faith. He also threatened to have OPB submit redirection requests on behalf of any agencies that attempted to get around the reform. In addition, the legislature incorporated the governor's redirection requests into their tracking document, ensuring that they would consider and respond to each recommended redirection.

Second, important budgeting actors often did not support previous reforms because those reforms did not serve their political interests. Zero-base budgeting required agencies to submit minimum levels of funding for each of their programs, so that elected officials could decide how far programs could be cut back in order to shift money to higher priorities. However, cutting programs to their minimum level was politically difficult to do. Maintaining programs at at least their current levels often served the political interests of important budget makers (Lauth, 1978; Schick, 1978). As a result, these actors ignored the minimum

levels, which caused many agency officials to put forth little effort in formulating realistic minimum levels of funding (Lauth, 1978; Moore, 1980), a key element of zero-based budgeting. In addition, agencies operating under zero-base budgeting rules were expected to rank all of their activities in order of importance. After all of the decision packages had been ranked, budget makers determined how much funding each agency would receive. Activities ranked as being the most important were funded first. Activities ranked lower were funded only if the resources budgeted to the agency were sufficient to finance them. This system gave agencies discretion over allocation decisions at the expense of elected officials. Not wanting to give up this discretion, elected officials often ignored the agency rankings.

Performance budgeting also overlooked many of the important political realities that exist in government budgeting. It assumed that it is politically easy to come to agreement on program goals and that all budget actors seek to find the most efficient method of achieving those goals (Bibb, 1984; Howard, 1973; Mosher, 1969; Schick, 1966; Wildavsky, 1992). This, however, is not how public budgeting generally works. Legislators, for example, may be more interested in ensuring that money for a specific project be spent in their district than they are about how efficiently the money is spent. Because important political values and the impacts of those values on budget allocation decisions were overlooked by performance budgeting, much of the information produced by it was ignored (Alesch, 1968; Silverman, 1974).

Redirection does not confront many of the political difficulties discussed above because it avoids restrictive requirements that might work against the interests of important actors. Rather than compel agencies to calculate a minimum funding level for each of their activities, agencies are permitted to focus only on identifying those activities that they consider to be their lowest priorities. Instead of restricting the discretion of elected officials by forcing them to follow agency rankings that are based on agency priorities, elected officials are able to put forward their priorities by reviewing agency recommendations and altering them as they deem pertinent. Finally, rather than base allocation decisions on a narrow criteria such as efficiency, agencies are permitted to evaluate their programs based on whatever criteria is most appropriate. As a result, important political actors supported the redirection reform.

Actors whose support, whether gained through coercion or co-optation, is believed to be crucial to the success of budget reforms include chief executives (Howard, 1973; Lauth, 1992; Ramsey & Hackbart, 1979), legislators (Howard, 1973; Lauth, 1978, 1992; Silverman, 1974), agency heads (Harper, Kramer, & Rouse, 1969; Howard, 1973; Lauth, 1985), and budget office officials (Ramsey & Hackbart, 1979; Schick, 1971). The interviews with budget officers in Georgia revealed that these actors tended to support redirection. The director of OPB stated that both his office and the governor were strong supporters of the reform. This is not surprising, given that redirection was initiated by the governor and OPB. In addition, 25 of the 29 (86.2%) agency fiscal officers interviewed claimed that their agency heads were supportive of redirection. Once again, this is not surprising, given that most of the agency heads were appointed by the governor and threatened with termination if they did not support the reform. Finally, the director of LBO claimed that redirection does serve the political interests of the legislature because it enables the legislature to shift resources to areas that are high priorities to its members.

Third, the budget actors responsible for implementing previous reforms often did not understand them and lacked the training necessary to carry them out. If those responsible for executing the reform are not equipped to administer it, then the reform is unlikely to have its desired impact on budgeting practices. One serious problem experienced by program budgeting was that many of the officials assigned the task of implementing the reform were trained in more traditional budgeting methods and were unfamiliar with the analytical techniques so important to program budgeting (Alesch, 1968; Axelrod, 1988; Botner, 1970; Grafton & Permaloff, 1983). This, however, has not proven to be a problem for redirection. When questioned in this regard, none of the Georgia officials interviewed mentioned that they or anyone else charged with carrying out redirection were inadequately trained. This is likely the result of redirection not requiring any type of in-depth analysis of programs. The redirection philosophy assumes that agencies are in the best position to determine which of their programs are working effectively and which are no longer useful. Agencies are given the discretion to decide what types of analytical techniques, if any, they will use when evaluating their programs and activities. How they present their justifications for their requests is left up to them.

Fourth, previous reforms were overly comprehensive in their scope. They generally required that everything within the budget be examined or analyzed in some way during each budget cycle. Performance budgeting dictated that output measures be established for all government activities. Program budgeting required that alternatives for each program be evaluated and compared using policy analysis. Zero-base budgeting demanded that all government activities be divided into decision units and ranked according to their importance in achieving government objectives. The comprehensiveness of these reforms made them impractical, in that they buried officials under mountains of paperwork that was beyond the cognitive abilities of policy makers to absorb. Furthermore, much of the data produced by the reforms were ignored by policy makers because they dealt with programs that were politically untouchable and thus unlikely to be changed. As a result, a great deal of time was spent producing data that were never used.

Redirection does not suffer from this problem of being overly comprehensive. Redirection is a reform that focuses only on the margins. Most of the budget base is not considered because it is understood that the majority of the budget is difficult to change politically. It is believed, however, that there are

things at the 5% margin that can and should be changed. Redirection concentrates on these things.

Because it focuses only on the margins, redirection does not require that an in-depth analysis of all government activities be performed. As stated above, agencies are granted the flexibility to analyze what they want in any manner that they choose. This is permitted because it is assumed that agencies know best what to evaluate and how to evaluate it. As a result, agencies do not waste a lot of valuable time conducting analysis that they know will not be put to use.

#### **REDIRECTION'S IMPACT**

#### Effects on the Base, FY 1997

Redirection has been successful at reallocating funds both within and between agencies. Table 1 lists the agency redirections and additions accepted by the governor for submission into his FY 1997 budget recommendation to the general assembly. Total funds accepted for redirection, redirected funds remaining within their agency of origin (additions), and redirected funds shifted out of their agency of origin and reallocated to other agencies are provided as a percentage of the previous year's (FY 1996) budget authority. The FY 1996 budget authority is examined instead of the adjusted base because this is generally how cuts and increases are measured in the budgeting literature; and the agencies, governor, and legislature generally have different ideas about what the adjusted base is.

Table 1 reveals that \$627.4 million out of a budget of \$11.3 billion was accepted by the governor for redirection for FY 1997. This equals 5.9% of the FY 1996 budget authority. Table 1 also shows that agencies had an average of 5.7% of their FY 1996 budget authority accepted for redirection.<sup>4</sup> Of the money that was accepted by the governor for redirection, about \$400.7 million was redirected within agencies, an average of 3.41% of each agency's FY 1996 budget authority. These funds represent resources that agencies were able to shift within their bases from low to higher priorities. Money shifted in this manner is not considered a cut because it remains in the coffers of the agency from which it originated. This money constituted 64% of the redirection total and amounted to 3.8% of the FY 1996 budget authority.

The remainder of the money accepted by the governor for redirection, \$226.7 million, was redirected out of agencies. These funds made up 36% of the redirection total and amounted to 2.1% of the FY 1996 budget authority. This represents an average cut of 2.29% to the state's agencies. This is money that was redirected out of agencies to higher priorities in other agencies. Readers will note that negative numbers exist in Table 1, column 3, for a few agencies. These numbers signify cases in which the governor was persuaded to provide certain agencies with funds in excess of what he redirected away from them. As a result,

Agency	Total Funds to Redirect	Redirected Within Agency	Redirected Out of Agency
Administrative Services	2.61	2.97	-0.35
Agriculture	4.07	2.10	1.97
Banking and Finance	6.31	6.06	0.26
Children and Youth Services	4.79	4.57	0.22
Community Affairs	4.06	0.65	3.41
Corrections	6.73	2.04	4.68
Defense	5.06	0.00	5.06
Education	6.92	5.17	1.75
Forestry Commission	5.04	0.68	4.35
Georgia Bureau of Investigation	4.51	1.59	2.92
Office of the Governor	6.05	0.00	6.05
Human Resources	6.03	2.56	3.47
Industry, Trade, and Tourism	4.71	0.83	3.88
Insurance Commissioner	5.08	0.53	4.54
Labor	0.14	0.00	0.14
Law	2.26	2.26	0.00
Medical Assistance	8.49	4.64	3.85
Natural Resources	4.96	2.33	2.63
Public Safety	1.64	1.26	0.37
Public Service Commission	4.74	2.73	2.01
Student Finance Commission	1.02	1.02	0.00
Regents	3.42	2.43	0.99
Revenue	4.42	2.20	2.21
Secretary of State	3.72	1.52	2.19
Soil and Water Conservation Commission	6.60	4.40	2.20
Teachers' Retirement System	1.10	2.45	-1.35
Technical and Adult Education	4.24	4.24	0.00
Transportation	5.27	5.28	-0.01
Veterans Service	40.90	30.92	9.98
Workers Compensation Board	6.20	4.80	1.40
Average	5.70	3.41	2.29
Total (in million dollars)	627.4	400.7	226.7
Total dollars as percentage of fiscal year			
1996 budget authority	5.9	3.8	2.1

 TABLE 1:
 Governor's Fiscal Year 1997 Redirection Recommendations as a Percentage of Fiscal Year 1996 Budget Authority

these numbers reflect increases in agency budgets above their adjusted base due to redirection.

# Effects on the Base, FY 1998

Table 2 tells a slightly different story. Table 2 reveals that \$349 million out of a budget of \$11.8 billion was accepted by the governor for redirection for FY 1997, a decline of \$278.4 million (55.6%) from the previous FY. This total

equals 3.1% of the FY 1997 budget authority. Agencies had an average of 4.0% of their FY 1997 budget authority accepted for redirection. Of the funds that were accepted by the governor for redirection for FY 1998, approximately \$296.7 million was redirected within agencies, an average of 3.04% of each agency's FY 1997 budget authority. This money constituted 85% of the redirection total, a significant increase over the portion of redirection funds kept within its agency of origin in FY 1997. These funds amounted to 2.6% of the FY 1997 budget authority.

The resources accepted by the governor to be redirected out of agencies for FY 1998 totaled \$52.3 million. These funds made up only 15% of the redirection total and amounted to 0.5% of the FY 1997 budget authority. This represents an average cut of 0.96% to the state's agencies.

The differences between the FY 1997 and FY 1998 redirection totals reveal that the aggregate amount of redirected funds declined during redirection's second year. One major reason for this was that Medicaid payments for FY 1997 were much lower than projected. As a result, the state had more funds available to it for FY 1998 than had previously been anticipated. Therefore, the governor did not need to redirect as many agency resources in FY 1998 to adequately fund his highest priorities. This decline in the amount of agency funds redirected in FY 1998 could also indicate that many agencies have redirected most of their low-priority items out of their budgets, leaving them with no choice but to offer up higher priority items that the governor is reluctant to cut. The governor's unwillingness to redirect as many funds in FY 1998 as he had in FY 1997 indicates that he prefers much of the money to be spent on existing agency activities rather than on addition recommendations made by the agencies or on his priorities in other areas of government. This suggests that redirection may yield diminishing returns over time, as agencies run out of low-priority items to redirect.

Another difference between the first- and second-year redirections was that the percentage of redirected funds that were shifted outside of agencies dropped substantially. This also indicates that the governor felt that many of his highest priorities were being satisfactorily funded in FY 1998, and therefore, it was unnecessary to take as large a redirection away from the agencies' existing bases. This change could also signify that agencies were more successful at justifying their requests for addition in FY 1998. As a result, they were able to convince the governor that the redirection money would be better spent within their departments.

The numbers provided in Tables 1 and 2 demonstrate that redirection has been successful at shifting funds from the budget base to different priorities, whether they be within or outside of agencies. The total dollar amounts redirected were modest. However, redirection was never designed with the intention of implementing large reallocations. The creators of redirection recognized that doing so would likely be politically difficult, if not impossible. They did,

Agency	Total Funds to Redirect	Redirected Within Agency	Redirected Out of Agency
Administrative Services	2.72	1.96	0.75
Agriculture	3.27	0.81	2.47
Banking and Finance	4.97	4.22	0.74
Children and Youth Services	4.82	4.78	0.04
Community Affairs	7.01	6.95	0.06
Corrections	2.99	2.57	0.42
Defense	5.09	2.73	2.36
Education	1.54	1.38	0.16
Forestry Commission	4.94	3.01	1.93
Georgia Bureau of Investigation	0.83	1.85	-1.01
Office of the Governor	2.91	0.37	2.54
Human Resources	5.57	2.36	3.20
Industry, Trade, and Tourism	4.02	2.88	1.14
Insurance Commissioner	5.04	1.42	3.62
Labor	0.13	0.00	0.13
Law	0.80	1.26	-0.46
Medical Assistance	2.82	2.67	0.15
Natural Resources	3.83	2.90	0.93
Public Safety	4.29	3.71	0.57
Public Service Commission	4.96	2.82	2.14
Student Finance Commission	0.85	0.85	0.00
Regents	5.05	4.69	0.36
Revenue	3.41	6.73	-3.32
Secretary of State	4.41	3.10	1.31
Soil and Water Conservation Commission	6.32	6.19	0.12
Teachers' Retirement System	1.45	0.00	1.45
Technical and Adult Education	4.42	4.68	-0.27
Transportation	7.57	8.83	-1.26
Veterans Service	8.14	0.35	7.79
Workers Compensation Board	5.81	5.08	0.73
Average	4.00	3.04	0.96
Total (in million dollars)	349.0	296.7	52.3
Total dollars as percentage of fiscal year			
1996 budget authority	3.1	2.6	0.5

 TABLE 2:
 Governor's Fiscal Year 1998 Redirection Recommendations as a Percentage of Fiscal Year 1997 Budget Authority

however, believe that obsolete, inefficient, and low-priority activities did exist at the margins that could be eliminated.

## **Agency Perceptions Concerning the Base**

The aggregate budget data analyzed above provides an incomplete picture of redirection's impact on the budget base. Three important questions remain unanswered: (a) How did the legislature respond to the governor's redirection

requests? (b) How much of what was redirected would have been done anyway? and (c) Did redirection cause agencies to scrutinize their budget bases more than they had in the past? To answer these questions, agency fiscal officers, OPB analysts, and the director of LBO were asked to give their perceptions in regard to these key issues. Agency fiscal officers and OPB analysts were asked how the legislature responded to the governor's redirection recommendations. This question was asked to determine if the legislature failed to approve the redirection recommendations, then the redirection reform would not have resulted in reallocations of funds from within the budget base.

Twenty seven (93.1%) of the agency fiscal officers and 17 (89.5%) of the OPB analysts asserted that the legislature made only minor changes to the redirection recommendations proposed by the governor. Two (6.9%) agency officials and 1 (5.3%) OPB analyst replied that the legislature made large changes to the governor's redirection recommendations. The director of LBO stated that the legislature tended to support most of the governor's redirection changes.

According to the interviewees, the general assembly altered redirection levels to make them reflect legislative priorities. Some agencies suffered deeper redirection cuts due to legislative actions. Others received increases or decreases in the additions money recommended by the governor for them. Still others were given some of their redirection money back to them.

The responses to this question indicate that the legislature made few changes to the governor's redirection recommendations for the state's agencies. Changes that were made were done in support of legislative priorities. This shows that redirection allows the legislature the opportunity to make changes that are in the political interests of its members.

Another question posed to agency and OPB personnel was, how much of what was redirected by agencies would have been done anyway in the absence of redirection? This question was asked to see if the money that was being shifted due to redirection was actually changing what governmental units do. If it could be found that the money being shifted around was not changing spending behavior, then evidence would exist that demonstrated that redirection's reallocations were not in fact having an impact on the base budget.

Of the agency fiscal officers interviewed, 11 (37.9%) said that none of the money they redirected would have been done in the absence of the redirection reform. Another 7 (24.1%) claimed that very little—less than 20%—of what they redirected would have been done in the absence of redirection. Nine (31.0%) stated that 20% or more of what they redirected would have been done anyway. Of these, 5 claimed that more than 50% would have been done anyway, and 2 more asserted that almost all of it would have been done. Most of the fiscal officers were quick to point out that the changes that they would have made anyway were important modifications that needed to be carried out to help their agencies achieve their missions. In addition, 5 of those responding that more than 20% would have been done in the absence of the redirection reform stated

that redirection helped them to expedite the changes that they made. These fiscal officers noted that without redirection, their proposed changes would have taken a longer period of time to implement fully. One fiscal officer did complain that redirection was, for the most part, a waste of time for his agency. He explained that almost all of his agency's funding is earmarked by law, and the nature of what his agency does makes it difficult to shift money around to higher priorities.

Much like the agency fiscal officers, most of the OPB analysts stated that very little of the redirections that were made would have been done anyway. Twelve (63.2%) claimed that less than 20% of agency redirections would have been done in the absence of the reform. Of these analysts, 3 asserted that the agencies with whom they worked would have done none of their redirections had the reform not been implemented. Five (26.3%) OPB officials admitted that the agencies they dealt with probably would have done 20% or more of what they redirected. Of these, 2 said that their agencies would have done almost all of what they redirected anyway. The responses to this question suggest that most of what was redirected would not have been done had redirection not been implemented. This means that the aggregate numbers presented in the previous section represent real changes in the budget bases of agencies. However, a number of agencies were able to hide some of what they would have done anyway in their redirection requests. One reason for this is that some agencies, because of the nature of their funding source and work, may not have been well suited to implement the redirection reform. In other cases, agencies used redirection to help them accelerate changes that they felt needed to be made but likely would be made at some time in the future. It has also been suggested that many of the changes that would have been made anyway were legitimate requests intended to improve agency operations. Therefore, it appears that agencies, for the most part, offered up items they believed would result in an improved ability to carry out their missions.

A final question, designed to find out if agencies were making a serious effort to find items in their base that were no longer useful or necessary, asked interviewees if redirection had encouraged agencies to subject their budget bases to more scrutiny than they had in the past. Twenty-one (72.4%) of the agency fiscal officers and 17 (89.5%) of the OPB analysts asserted that their agencies were scrutinizing the budget base to a greater extent than they had during previous years. Seven (24.1%) of the agency budget officers and 2 (10.5%) of the OPB analysts stated that their agencies have not scrutinized the base more under redirection than they had previously. However, 7 (6 agency and 1 OPB) of these respondents claimed that their agencies had always scrutinized the base as much as possible in the past. As a result, there was no reason to scrutinize it any further under redirection. The responses to this question indicate that agencies are putting forth a good faith effort to find items from within the budget base that are no longer necessary, so that the resources devoted to them can be shifted to higher priorities.

The responses to the above questions indicate that redirection is having its intended effect on the budget base. Funds are being reallocated from within the budget base, with the approval of the legislature. Most of what was reallocated would not have been done in the absence of the redirection reform. Finally, agencies have been encouraged to analyze their budget bases to find items that do not serve important priorities or are not effective.

#### **Effects on Aggregate Agency Requests**

Redirection appears to have had an impact on agency request behavior and the ability of agencies to expand their budgets. Table 3, column 3 reveals that between FY 1993 and FY 1996<sup>5</sup> the mean agency budget request was for 165.4% of its previous FY budget authority. In other words, agencies requested an average increase of 65.4% for their budgets during these years. In contrast, the mean agency budget request in FY 1997 was for 114.1% of its FY 1996 budget authority, an average requested increase of 14.1%.<sup>6</sup> t tests reveal that the difference between the mean requests for FY 1996 and FY 1997 is significant at the .01 level, whereas there is no significant difference between the mean requests of previous years. The difference between the mean request for the period FY 1993 to 1996 and FY 1997 is also significant at the .05 level. This indicates that redirection successfully prevented agencies from making relatively large requests for FY 1997.

The mean agency request in FY 1998 was for 122.7% of its FY 1997 budget authority, an increase of 8.6% above the FY 1997 mean request. This increase was the result of agencies asking for larger expansions for capital improvements than they requested the previous FY. This indicates that agencies may be attempting to get around the restrictions on their ability to be acquisitive by asking for large increases for capital improvements (which are not restricted by any cap). However, the mean request for FY 1998 remained significantly lower than mean agency requests for the pre-redirection years, FY 1993 to FY 1996. In addition, Table 3 reveals that the change between the FY 1997 and FY 1998 mean requests were not statistically significant, indicating that agency efforts to request larger increases in their capital budgets did not significantly improve their ability to behave acquisitively. As a result, it appears that redirection has limited the ability of agencies to act in an acquisitive manner.

Another indication that the redirection procedures have limited the ability of agencies to act in an acquisitive manner can be found in Table 3, column 4. Column 4 (GSTS—governor's short-term support) shows the governor's recommendation as a percentage of the agency requests. This is a measure of the governor's support for agency requests. The mean for FY 1993 to FY 1996 was 80.7, signifying that on average, the governor recommended that agencies be funded at a level equal to 80.7% of agency budget requests during those FYs. In comparison, for FY 1997, the governor recommended that agencies be funded at 88.4% of their request levels. The difference between the mean GSTS levels for

Fiscal Year	Ν	Acqui	GSTS	GSE	BE	
1992	28	132.50	74.85	93.06	88.28	
1993	30	163.41	81.75*	104.21***	106.02***	
1994	30	145.24	84.69	110.02	111.01	
1995	30	200.47	77.60	108.44	111.58	
1996	30	152.55	78.57	108.67	112.06	
1997	30	114.09**	88.39**	98.92***	101.87***	
1998	30	122.72	87.07	99.16	98.79	
1993-1996 average		165.42****	80.65****	107.84****	110.17****	

TABLE 3: Mean Percentage Change By Stages in the Budget Process of Major Agencies

NOTE: Acqui = agency request as a percentage of previous year's budget authority; GSTS = governor's recommendation as a percentage of agency request; GSE = governor's recommendation as a percentage of previous year's budget authority; BE = legislative appropriation as a percentage of previous year's budget authority.

\*Significantly different from the previous year at the 0.05 level. \*\*Significantly different from the previous year at the 0.01 level. \*\*\*Significantly different from the previous year at the 0.001 level. \*\*\*Significantly different from both 1997 and 1998 at the 0.05 level.

FY 1996 and FY 1997 was significant at the .01 level, whereas there was no significant difference between the mean GSTS levels of prior years. Table 3, also reveals that the GSTS level for FY 1998 (87.1%) was not significantly different from the FY 1997 level, signifying that the governor's support of agency requests remained high for both redirection years.

These findings indicate that the governor's recommendations are closer to agency requests under redirection. It is likely that they are closer because agency requests have been restrained by redirection. Agencies' acquisitiveness have been restricted, thus agencies must limit their requests to their most important activities and items. It is, therefore, possible for the governor to take the requests more seriously.

Redirection appears to have had its most dramatic impact on the ability of agencies to expand their budgets. Table 3, column 5 (GSE—governor's support for expansion) shows the governor's recommendation as a percentage of the previous year's budget authority. This is a measure of the willingness of the governor to increase agency appropriations above their previous year's level. The mean GSE for FY 1993 to FY 1996 is 107.84, signifying that the governor recommended that agency budgets be increased above their previous FY's level, by an average of 7.84%. In contrast, the governor recommended on average a decrease of 1.08% for agencies for FY 1997 and 0.84% for FY 1998, despite the fact that state revenues overall had increased by moderate amounts for both years. The table reveals a significant difference at the .001 level between the GSE means for FY 1996 and FY 1997, whereas there is no significant difference between the mean GSE levels of previous FYs. Furthermore, there is no significant difference between the means for FY 1997 and FY 1998. This is a clear indication that redirection has caused the governor to become less supportive of agency budget expansion. This is shown further by Table 4.

Table 4 provides the percentage difference between the governor's recommendation and the previous year's budget authority. It shows that under redirection, the governor has been more likely to recommend reductions in agency funding. The governor recommended reductions in 19 agencies for FY 1997 and 16 agencies for FY 1998, whereas he recommended only 16 agency reductions for all of the previous 4 years. This may indicate that the governor felt that the priorities of many agencies were met adequately by redirection add-backs; therefore, increasing agency budgets was unnecessary. Note also that for both of the redirection years, the governor requested increases for the Department of Education, the Board of Regents, and the Student Finance Commission, each of which carry out programs considered to be the highest priorities of the governor. This indicates that redirection helps the governor to meet his budget priorities.

Table 3, column 6 (BE—budget expansion) shows the legislative appropriation as a percentage of the previous year's budget authority. This is a measure of the willingness of the legislature to increase agency appropriations above their previous year's level. The mean BE for FY 1993 to FY 1996 is 110.17, signifying that the legislature appropriated increases for agencies above their previous FY's level, by an average of 10.17%. In comparison, the legislature appropriated on average an increase of only 1.87% for agencies for FY 1997 and a decrease of 1.21% for FY 1998. Table 3 shows a significant difference at the .001 level between the BE means for FY 1996 and FY 1997, whereas there is no significant difference between the mean BE levels of previous FYs. In addition, no significant difference exists between the mean BE levels for FYs 1997 and 1998. This is an indication that redirection has led the legislature to be less willing to allow agencies to acquire large increases in their budgets. Table 5 supports this finding.

Table 5 provides the percentage difference between the legislative appropriation and the previous year's budget authority. It shows that the legislature was willing to reduce 15 agency budgets for each of the redirection years, while it was only willing to reduce agency budgets 13 times during the previous 4 years. In addition, adding further evidence that redirection aids the governor in furthering his priorities, Table 5 reveals that the legislature granted increases to the Department of Education, the Board of Regents, and the Student Finance Commission, for both FY 1997 and FY 1998. These increases averaged 14.7% in FY 1997 and 7.2% in FY 1998, much higher than the mean percentage change for all of the state's agencies.

### CONCLUSION

The results of this analysis show that the redirection reform appears to be having an impact on budgeting in Georgia. Under redirection, modest amounts of money from the budget base are being shifted to different priorities both

	Fiscal Year							
Agency	1992	1993	1994	1995	1996	1997	1998	
Administrative Services	-20.69	6.33	5.27	-1.34	4.57	-0.99	-3.51	
Agriculture	-4.41	3.42	0.45	3.94	0.97	-1.28	8.35	
Banking and Finance	3.32	3.20	5.57	2.03	3.29	-0.92	0.85	
Children and Youth Services	NA	0.63	6.30	3.92	39.46	5.06	19.43	
Community Affairs	-23.12	-0.65	31.60	18.97	-5.28	-26.72	-34.15	
Corrections	7.41	11.22	7.11	9.63	5.12	-3.74	0.83	
Defense	-24.71	-20.33	2.91	12.36	1.05	-11.05	-0.55	
Education	2.21	4.95	5.25	6.12	5.50	6.81	3.05	
Forestry Commission	-4.61	1.90	1.19	2.05	2.33	-3.83	-1.77	
GBI	-5.24	3.21	0.81	5.58	8.36	-2.26	0.42	
Office of the Governor	-3.78	8.38	3.97	1.32	10.30	-7.66	-5.10	
Human Resources	NA	2.96	3.53	5.47	6.08	-2.49	-2.64	
Industry, Trade, and Tourism	-10.32	5.22	10.81	13.43	43.08	-20.47	-5.14	
Insurance Commissioner	-6.29	29.42	-4.01	0.29	2.52	-4.46	2.01	
Labor	-6.12	2.85	-2.18	7.39	4.36	9.26	4.38	
Law	-5.05	8.34	4.55	5.09	10.66	0.30	1.06	
Medical Assistance	1.46	-1.95	12.56	6.89	3.96	-3.13	0.59	
Natural Resources	-9.71	-3.49	6.81	17.30	10.47	2.17	-4.79	
Public Safety	-3.65	6.01	2.02	4.01	3.08	-2.82	-1.08	
Public Service Commission	-6.00	24.92	-1.19	-4.42	2.59	-3.36	-2.70	
Student Finance Commission	-0.57	17.31	161.84	89.79	32.60	30.95	8.62	
Board of Regents	-0.34	7.04	9.45	9.46	14.50	0.46	0.85	
Revenue	-5.20	5.29	-3.56	9.71	7.91	-5.88	0.11	
Secretary of State	1.97	5.94	2.36	9.60	6.51	-2.17	-1.55	
Soil and Water Conservation								
Commission	-9.10	-10.28	9.01	3.14	12.83	-0.91	0.60	
Teachers' Retirement System	-59.18	-2.53	-1.30	3.29	3.82	1.35	-2.18	
Technical and Adult Education	-4.88	-0.04	14.42	0.38	17.48	7.34	-1.00	
Transportation	-0.84	-3.00	3.50	3.07	1.19	18.79	-0.11	
Veterans Service	-1.60	1.59	0.45	3.90	0.05	-11.37	-9.87	
Workers Compensation Board	4.79	8.48	1.11	0.72	0.66	0.54	-0.19	
Average	-7.39	4.00	9.70	8.17	8.42	-1.08	-0.84	
N	28	30	30	30	30	30	30	

 TABLE 4:
 Percentage Difference Between the Governor's Recommendation and the Previous Year's Budget Authority

within and outside of agencies, agencies have been limited in their ability to act in an acquisitive manner and expand and maintain their budgets, both the governor and legislature have been less willing to expand agency budgets as a whole, and the governor has been able to fund his highest priorities.

The amount of funds redirected from FY 1997 to FY 1998 did decline. This decline could indicate that it is becoming difficult to continually find resources to shift from within the budget base without cutting into priorities important to the governor, legislature, and agencies. If this is so, then it is likely that

	Fiscal Years							
Agency	1992	1993	1994	1995	1996	1997	1998	
Administrative Services	-29.32	6.70	9.77	-2.72	14.33	2.21	-2.33	
Agriculture	-13.72	5.30	3.46	5.39	3.83	-7.73	-1.29	
Banking and Finance	0.21	5.34	13.91	3.78	7.23	0.87	2.20	
Children and Youth Services	NA	9.06	7.11	5.97	41.37	8.37	22.41	
Community Affairs	-23.12	6.53	45.84	41.62	16.86	18.30	-30.84	
Corrections	-4.53	13.12	10.97	11.16	8.04	-0.72	4.01	
Defense	-29.62	-20.31	-6.79	14.13	14.84	-9.88	3.12	
Education	-0.92	8.46	6.11	9.80	9.95	11.24	7.66	
Forestry Commission	-12.46	0.28	2.52	3.83	4.73	-2.89	-2.55	
GBI	-10.30	3.76	1.66	10.43	12.08	0.58	3.42	
Office of the Governor	10.15	7.45	8.82	6.00	13.38	-2.37	-4.34	
Human Resources	NA	4.08	5.63	7.38	8.37	-0.61	-0.71	
Industry, Trade, and Tourism	-15.69	3.38	4.37	15.54	33.96	-19.46	-3.67	
Insurance Commissioner	-13.40	20.62	-2.68	2.70	7.56	-3.50	3.91	
Labor	-8.54	2.10	-2.61	6.80	4.46	9.40	-46.50	
Law	-11.32	5.79	3.25	11.48	18.69	2.23	4.81	
Medical Assistance	19.48	13.06	14.55	8.13	4.28	-2.75	0.96	
Natural Resources	-20.69	-3.10	11.25	20.30	13.55	5.71	-2.86	
Public Safety	-9.27	5.94	2.52	7.02	8.03	-0.05	-1.69	
Public Service Commission	-15.02	25.20	-0.64	-0.76	4.48	-3.09	-0.06	
Student Finance Commission	-6.41	14.43	141.53	86.80	32.65	28.22	8.69	
Board of Regents	-9.10	8.89	10.92	12.22	12.25	4.78	5.32	
Revenue	-13.87	18.54	-2.17	11.09	10.32	-3.87	0.70	
Secretary of State	-5.73	5.74	3.51	12.33	9.03	-0.21	1.11	
Soil and Water Conservation								
Commission	-13.79	-1.50	9.86	4.13	13.31	-2.75	0.49	
Teachers' Retirement System	-59.18	-2.53	-1.30	3.29	3.82	1.35	-1.45	
Technical and Adult Education	-11.64	3.71	14.93	18.09	23.27	13.09	-0.51	
Transportation	-15.84	-0.79	3.54	3.04	1.29	18.86	-0.07	
Veterans Service	-6.04	1.44	6.54	4.39	2.89	-11.40	-8.22	
Workers Compensation Board	1.46	9.80	3.89	3.94	3.07	2.38	2.02	
Average	-12.01	5.75	10.66	11.21	12.90	1.87	-1.21	
N	28	30	30	30	30	30	30	

 
 TABLE 5: Percentage Difference Between the Legislative Appropriation and the Previous Year's Budget Authority

redirection will yield diminishing returns over time, as agencies eliminate most of their low priorities and are forced to offer up items important to the governor and legislature. Naturally, this will result in fewer items being accepted for redirection as time goes by. This, however, does not eliminate the use of forcing agencies to identify 5% for redirection. Doing so alerts elected officials to the lowest priorities of agencies and gives them information that can help them to make tradeoffs between programs. It also encourages agencies to continually reevaluate the things they are doing. It can be seen that budget change under redirection takes place on an incremental level. Reallocations occur at the margins. What makes redirection different from pure incrementalism is that it does not take all of the budget base as a given each year and then add a fair-share increase to each agency. Under redirection, parts of the base are systematically examined to determine if they continue to be worthy of funding. This examination provides elected officials with the information they need to make important tradeoffs between programs and priorities. As a result, the major impact of redirection is not in the amount of money reallocated but in the change in behavior from viewing everything in the base as a given to examining the base in order to identify and possibly eliminate low priorities and in reducing agency acquisitiveness.

Before ending, it should be noted that although the findings of this research suggest that redirection is accomplishing its intended goals, it must be kept in mind that the strong budgeting powers of the governor in Georgia may be an important factor in its success. Therefore, attempts to implement redirection in other jurisdictions, in which the chief executive is less powerful, may yield less satisfactory results. Unfortunately, redirection had not been put into use in other jurisdictions as of the time of this study. Future research should examine redirection-like processes as they become adopted in other jurisdictions.

#### NOTES

1. The director's title is Legislative Budget Analyst.

2. The Office of Planning and Budget (OPB) define the adjusted base as the previous fiscal year's (FY's) "Annual Operating Budget (AOB), less non-recurring expenditures, plus annualizers for pay raises and improvements" (OPB, 1996, p. 2). Only state funds are used to calculate the base; federal funds are not included.

3. For example, if two units (Unit A and Unit B) of Agency X were sharing equally the maintenance costs of a building in which they were both located, Agency X would not be permitted to give Unit B a greater share of the office space in the building and then redirect a portion of Unit A's maintenance costs to Unit B. This would be an invalid redirection because the maintenance costs for the building are fixed and cannot be transferred to another agency unless the building is either closed down or abandoned by Agency X. In addition, federal funds may not be redirected.

4. Note that the redirection for Veterans Services constituted 40.9% of its previous year's budget authority, significantly larger than would be expected. This is the result of the agency privatizing one of its nursing homes. The operation of the nursing home absorbed a large portion of the agency's budget, and therefore, its privatization could not be fit into a 5% block. Note, however, that the majority of the funds redirected was retained by Veterans Services. This money was needed to pay the private firm now operating the nursing home. Note also that several agencies had more than 5% redirected. This is largely the result of using the FY 1996 budget authority in the table rather than the adjusted base employed by agencies to calculate their 5%. This makes the numbers appear inflated. Some agencies, however, did redirect more than 5%.

5. FY 1992 is not included in the calculation of the mean because of the effects of the recession on that year's budget.

6. Note that this is higher than the 6.5% limit imposed by redirection. The higher number is the result of there being no cap on requests for capital expenditures.

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