

managing the 2012

BUDGET CUTS

IN HOUSE OFFICES



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Special Thanks

The Congressional Management Foundation (CMF) is grateful to its sponsors, **Credit Union National Association**, **CQ Roll Call** and **Lockheed Martin Information Technology**, who have supported this research and enabled CMF to provide this timely guidance to offices.



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Congressional Management Foundation
513 Capitol Court NE, Suite 300
Washington, DC 20002
202-546-0100
CongressFoundation.org

Table of Contents

| | |
|---|----|
| Introduction | 2 |
| Methodology | 2 |
| Overview of House Member Office Expenditure Patterns | 3 |
| Primary Strategies for Cutting the Budget | 6 |
| Primary Big Ticket Strategies | 6 |
| Primary Small Ticket Strategies | 7 |
| Broad List of Strategies Offices Are Considering for Cutting the Budget | 8 |
| Personnel Strategies | 8 |
| Constituent Communications Strategies | 9 |
| Telecommunications, IT and Office Equipment Strategies | 9 |
| Travel Budget Strategies | 9 |
| District Office Rent Strategies | 10 |
| Miscellaneous Strategies | 10 |
| Additional Strategies and Concerns | 11 |
| 1. Concerns with the Primary Personnel Strategies | 11 |
| 2. Cutting Expenses vs. Seeking Greater Office Efficiency and Effectiveness | 12 |
| 3. Excluding Rather Than Including Staff in the Budget-Cutting Process..... | 13 |
| 4. Insufficient Attention to Office Goals | 13 |
| 5. Guidance for Effectively Managing Staff Morale and Reducing Staff Turnover | 14 |
| Conclusion | 15 |
| Acknowledgments | 16 |
| About the Congressional Management Foundation..... | 17 |

Introduction

During the next two months, Members of the U.S. House of Representatives and their management staff will confront an unprecedented management challenge – cutting the office annual expenditures sharply in two successive years. In 2011, House offices were required to cut back their spending through a 5% decrease in their Members' Representational Allowance (MRA). Now they are facing another MRA cut of 6.4% under the Legislative Branch Appropriations Act for FY2012, as passed by the House of Representatives.

According to Congressional Management Foundation (CMF) research with House Chiefs of Staff, Office Managers and financial management shared employees, the general view is that the 2011 cuts were manageable. Offices were able to trim expenses without enduring significant pain or noticeable loss of overall effectiveness. However, the consensus is that the cumulative two-year cut of 11.4% will require the large majority of offices to make painful cuts that will be felt by virtually all staff.

Because the budget cuts are dramatic and because few House management staff (or Members) have much experience in managing organizations that have had to digest such sizeable cuts – approximately \$90,000 for 2012 alone – CMF produced this short manual to provide guidance to House managers on how to manage this difficult process. In this manual, CMF will provide:

- House Member office expenditure data to help offices assess their own spending practices;
- An overview of the primary strategies that offices are planning on using to cut their budgets;
- A broad list of strategies or ideas that offices should consider in deciding how to cut their budgets; and
- A discussion of some of the possible downsides to the primary budget-cutting strategies that offices may not be considering and some additional strategies offices should consider.

Methodology

Staff from more than 90 offices contributed to this research between September–October 2011. CMF conducted a focus group with House Chiefs of Staff and conducted individual interviews with House Chiefs of Staff, Office/Administrative Managers and shared employees who handle financial management for multiple offices. CMF conducted two online surveys, one for Office/Administrative Managers and another for shared employees. In addition, CMF reviewed a range of reports dealing with the process of managing cuts in government and the private sector. Finally, CMF had a draft report reviewed and fact-checked by a range of institutional staff to make sure our data and analysis was accurate.

Overview of House Member Office Expenditure Patterns

Offices that are determining how to best cut their budgets should review a range of data to help them identify areas for possible cuts. First, offices should prepare a detailed draft 2012 budget that reflects realistic budget projections but does not yet attempt to make the cuts that will be necessary for balancing your 2012 budget. For example, if your office expects to freeze all staff salaries in 2012 at the 2011 level, calculate these salary costs for the year. If you expect to not be able to do any mass mail for six months of the year, due to the 90-day black-out periods prior to the primary and general elections, calculate your franking budget accordingly. If the office has hardware and software needs that must be addressed, calculate those projected expenditures. This first draft budget will allow the office to determine the deficit they must confront to balance their 2012 budget.

The second data review offices should conduct is comparing your annual spending patterns with the general spending patterns of other House offices. To assist offices in this comparison, CMF has aggregated House office spending in 2010 (the most recent year available) in the charts on pages 4-5. Specifically, we have provided an analysis of office spending by budget categories (e.g., personnel costs, franked mail, travel) for offices in their first term (Figure 1), second term (Figure 2), and third or more term (Figure 3). By comparing your office's spending patterns with the spending norms of other offices with similar tenure, you can identify those categories for which your office's spending exceeds the norms and assess if the spending is justified.

For example, a five-term Member office that is spending considerably more money on franked mail than the veteran office norm might review its proactive mailing budget and ask questions such as:

- Are we spending too much money on snail mail and not devoting enough attention to email communications with constituents?
- Are we spending too much money on unnecessarily high-quality, high-cost printed materials?
- Are we spending this amount of money on franked mail because this is the amount spent when the Member first took office?

These questions might lead this office to conclude that their extensive franked mail efforts made sense for the first two terms in Congress but no longer make sense. Alternatively, the office may conclude that the vast size of the district and lack of a clear media market makes it important for the Member to continue spending higher than average on franked mail to remain visible and accountable to his or her constituents. In other words, offices should not assume that if they are budgeting well above the average expenditure of other offices with similar experience in one or more categories that they should cut their budgets in these areas. As suggested in the example above, there are strategically valid reasons why some offices spend much more money on travel, staff salaries or franked mail, while other offices spend less.

FIGURE 1. 2010 EXPENDITURES BY OFFICES IN THEIR FIRST TERM

| Category | Minimum | Maximum | Average | % of MRA |
|-------------------------------------|----------------|----------------|----------------|-----------------|
| Franked Mail | \$1,962.96 | \$227,907.76 | \$101,764.01 | 6.71% |
| Personnel Compensation | \$711,199.53 | \$1,074,807.06 | \$911,573.01 | 60.12% |
| Travel | \$9,841.07 | \$124,741.93 | \$62,079.18 | 4.09% |
| Rent, Communication, Utilities | \$47,313.61 | \$173,770.20 | \$103,645.21 | 6.84% |
| Printing and Reproduction | \$985.14 | \$209,477.62 | \$103,084.91 | 6.80% |
| Other Services | \$25,681.94 | \$74,696.26 | \$48,182.75 | 3.18% |
| Supplies and Materials | \$5,337.06 | \$113,505.27 | \$26,905.78 | 1.77% |
| Equipment | \$410.10 | \$30,373.22 | \$8,630.29 | 0.57% |
| Subtotal of expenditures | | | \$1,365,865.13 | 90.08% |
| Unspent Funds | | | \$150,386.08 | 9.92% |
| Total Allocated Funds (Average MRA) | | | \$1,516,251.21 | 100.00% |

Note: This figure represents an analysis of the expenditures of 57 full-year first-term Members in 2010, as reported in the Statement of Disbursements of the House. Expenditures in the "Personnel Benefits" and "Transportation of Things" categories were so uncommon and negligible that those expenses were not included this analysis.

FIGURE 2. 2010 EXPENDITURES BY OFFICES IN THEIR SECOND TERM

| Category | Minimum | Maximum | Average | % of MRA |
|-------------------------------------|----------------|----------------|----------------|-----------------|
| Franked Mail | \$4,352.25 | \$191,903.27 | \$80,185.64 | 5.28% |
| Personnel Compensation | \$786,752.30 | \$1,200,477.76 | \$960,615.59 | 63.24% |
| Travel | \$8,936.11 | \$144,067.13 | \$55,797.69 | 3.67% |
| Rent, Communication, Utilities | \$49,213.32 | \$146,496.01 | \$100,269.80 | 6.60% |
| Printing and Reproduction | \$1,227.99 | \$194,813.53 | \$79,651.00 | 5.24% |
| Other Services | \$15,423.47 | \$89,720.43 | \$48,357.36 | 3.18% |
| Supplies and Materials | \$4,941.64 | \$74,433.07 | \$30,097.26 | 1.98% |
| Equipment | \$1,131.13 | \$27,795.36 | \$7,226.12 | 0.48% |
| Subtotal of expenditures | | | \$1,362,200.46 | 89.68% |
| Unspent Funds | | | \$156,741.82 | 10.32% |
| Total Allocated Funds (Average MRA) | | | \$1,518,942.29 | 100.00% |

Note: This figure represents an analysis of the expenditures of 56 full-year second-term Members in 2010, as reported in the Statement of Disbursements of the House. Expenditures in the "Personnel Benefits" and "Transportation of Things" categories were so uncommon and negligible that those expenses were not included this analysis.

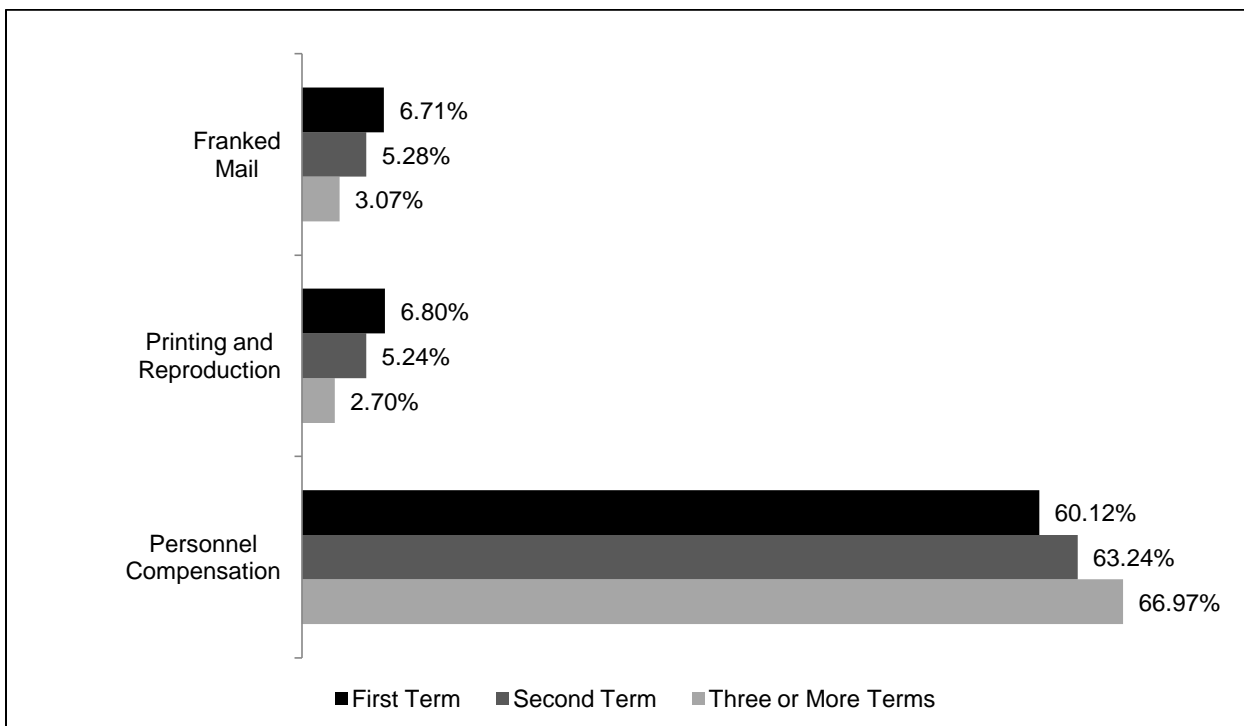
FIGURE 3. 2010 EXPENDITURES BY OFFICES IN THEIR THIRD OR MORE TERM

| Category | Minimum | Maximum | Average | % of MRA |
|-------------------------------------|--------------|----------------|----------------|----------|
| Franked Mail | \$645.56 | \$201,890.62 | \$46,804.94 | 3.07% |
| Personnel Compensation | \$575,427.52 | \$1,354,526.46 | \$1,020,652.67 | 66.97% |
| Travel | \$756.03 | \$234,368.69 | \$51,815.74 | 3.40% |
| Rent, Communication, Utilities | \$39,818.65 | \$293,303.56 | \$107,246.24 | 7.04% |
| Printing and Reproduction | \$286.68 | \$200,535.32 | \$41,137.28 | 2.70% |
| Other Services | \$4,450.00 | \$104,739.21 | \$50,451.26 | 3.31% |
| Supplies and Materials | \$6,013.41 | \$124,525.65 | \$33,921.51 | 2.23% |
| Equipment | \$378.12 | \$70,846.53 | \$8,024.78 | 0.53% |
| Subtotal of expenditures | | | \$1,360,054.42 | 89.24% |
| Unspent Funds | | | \$164,007.96 | 10.76% |
| Total Allocated Funds (Average MRA) | | | \$1,524,062.38 | 100.00% |

Note: This figure represents an analysis of the 2010 expenditures of 315 full-year Members serving in their third or more term, as reported in the Statement of Disbursements of the House. Expenditures in the "Personnel Benefits" and "Transportation of Things" categories were so uncommon and negligible that those expenses were not included this analysis.

A quick review of these spending patterns suggests some interesting trends. Member offices tend to spend a decreasing amount of their MRA on “Franked Mail” and “Printing and Reproduction” as they become more senior. Conversely, Member offices tend to spend an increasing amount of their MRA on “Personnel Compensation” as they gain seniority. These trends are highlighted in Figure 4. The other budget categories do not change significantly based upon Member tenure in Congress.

FIGURE 4. FRANKED MAIL, PRINTING & REPRODUCTION, AND PERSONNEL COMPENSATION EXPENDITURES BY TERM IN OFFICE (AS PERCENTAGE OF BUDGET)



Primary Strategies for Cutting the Budget

In delineating the most common budget-cutting strategies, CMF assumes that the strategies many offices are choosing probably make sense because so many offices are reaching similar conclusions about their preferred options for cutting the budget. However, we do not want to suggest that these popular choices are necessarily the best practices available to offices for cutting expenditures. Although these strategies make sense and can serve as very useful guidance to offices, they are not the only cuts offices should be considering. CMF research suggests that offices may be overlooking a few strategies that should be more seriously considered and possibly paying too little attention to some of the problems the most commonly selected strategies might create. On page 11, we outline these suggestions and concerns.

We have divided this section into “big ticket” and “small ticket” strategies. Big ticket strategies are the options offices are pursuing that they expect will save them significant money – \$10,000 to \$50,000. Small ticket strategies refer to specific activities offices are considering that will save less money – \$500 to \$10,000. Most offices are now planning on selecting a combination of some big ticket items that will cover the costs of two-thirds or more of their 2012 deficit and some small ticket items.

Primary Big Ticket Strategies

CMF research suggests that House offices are generally pursuing a handful of primary strategies for cutting their budgets. The general strategy that most offices seem to be pursuing is to create savings in personnel costs, the principal component of the MRA, as well as making cuts in the non-personnel or operations components of the MRA. No one that we spoke to was planning on making all the cuts from the personnel side of the budget alone.

Personnel Cuts. The large majority of offices CMF contacted said they were doing everything they could to avoid having to lay off any staff or force staff to accept any reductions in salary or hours. Managers generally view these actions as unfair and painful to staff and harmful to office morale. In essence, the primary objective of many offices in cutting their budgets seems to be protecting their current staff from harm and trying to treat everyone fairly and equitably. As several people we interviewed said, offices view terminating staff as “an option of last resort.” The far more palatable strategy that most offices were pursuing for reducing personnel costs was reducing the size of the staff through “**attrition**,” or not replacing a departing staff person. This strategy was generally viewed as far less harmful than laying off staff and better for overall office morale. (*Estimated savings: \$30,000 – \$45,000, per unfilled slot*)

Another popular strategy we found was **freezing staff pay and eliminating bonus payments** in 2012. While freezing salaries at the 2011 salary level does not save money, eliminating funds for bonus payments will save substantial money. According to the 2009 House Compensation Study (the most recent data available), the average bonus given to personal office employees in 2008 was \$3,521. Some Chiefs of Staff and shared employees pointed out that they typically set aside a significant pool of money for year-end bonuses. While many offices were planning on paying out some end-of-the-year bonuses to staff at the end of 2011, few offices felt that they could afford to set aside any bonus funds in their 2012 budgets. (*Estimated savings: \$25,000 – \$60,000*)

A less popular personnel strategy, but one that is being actively discussed by a quarter or more of the offices contacted, is encouraging staff to take a **leave of absence** for some period of time in 2012. Some of these offices are planning on taking advantage of the 2012 elections and letting it be known that interested staff can take leave without pay to work on their office’s campaign or another campaign. Some are planning on encouraging interested staff to take leaves of absence for non-campaign interests as well (e.g., spending more time with children, travel). A minority of offices are

also planning on informing their full-time staff that the office would be receptive to letting some staff **work on a part-time basis** – options that may be attractive for staff with young children, enrolled in graduate school or law school, or planning a wedding. *(Estimated savings: \$20,000 – \$60,000)*

Office Operations Cuts. The large majority of offices reported they were planning on **cutting back on direct mail to constituents and increasing electronic communications**. The direct mail budget is sizeable in many offices. Many offices appear to be in the process of revamping their outreach communications plans to rely far more on email and less on “snail mail” to maintain visibility in the district. As one Chief of Staff mused, “In my office, we are now asking the question, ‘Does it make sense to send any postal mail to anyone in the district who is under the age of 55?’” A shared employee also emphasized that “mail is far and away the most expensive communications medium we use.” He said that offices can contact 50,000 constituents by phone inviting them to attend a telephone town hall meeting and conduct this live event for \$3,000 to \$5,000 per meeting. In contrast, if an office wants to send a newsletter to 50,000 households, it will cost the office a minimum of \$20,000. *(Estimated savings: \$20,000 – \$60,000)*

Most of the managers CMF contacted said that they did not expect to have **unspent, “returned” or surplus funds** in 2012 as many had in all previous years in Congress. Even offices that have regularly not spent \$100,000 or more from their MRA were reporting that they do not expect to have much, if any, unspent savings at the end of 2012. *(Estimated savings: \$10,000 – \$100,000)*

Another popular strategy under consideration by most offices is **reducing purchases of computer hardware and upgrades as well reducing purchases and upgrades of software**. Offices recognize that operating with older computer hardware and software could reduce office productivity. They also understand that delaying upgrades and replacements carries with it an inherent risk – that some equipment may simply crash, requiring immediate replacement in 2012, even though replacement costs were not budgeted. Nonetheless, many offices feel they must accept these risks as the alternatives are more painful and potentially damaging to office effectiveness. *(Estimated savings: \$10,000 – \$50,000)*

The final big ticket strategy that was commonly discussed in the course of CMF research was **reducing staff travel expenses**. Offices are discussing three different but related strategies for reducing these costs: (1) Eliminate staff travel altogether in 2012; (2) Reduce the number of trips staff take annually; and (3) Reduce the cost of air travel by requiring that all staff airfares are purchased using low-cost advance purchase tickets rather than allowing staff to travel on government fare tickets. *(Estimated savings: \$2,500 – \$15,000)*

Primary Small Ticket Strategies

While House offices are not pursuing small ticket personnel strategies, a majority of Member offices are considering small ticket cuts in office operations.

Telecommunications fees. Almost all of the offices CMF contacted were planning on carefully assessing their telecommunications plans and bills to try to ferret out and eliminate two primary inefficiencies. First, offices are determining if they are paying monthly charges for inactive phone lines and mobile devices. Offices sometimes neglect to terminate the contracts when the Member upgrades his or her mobile or a staff person departs. Second, offices are more carefully reviewing their long-distance and mobile device usage plans to determine if they have the most cost-effective plans in place. Through such a review, one Chief of Staff learned that his office has been paying an unnecessarily high long-distance fee for weekly staff conference calls. He expects his office will save several thousand dollars per year by lowering these conference call fees.

Subscriptions. Similar to assessing telecommunications plans, offices are carefully reviewing the full range of the online and hard copy subscriptions that they pay for annually. One shared employee suggested that each office conduct the following review: “Make sure you research each subscription you receive and figure out who is using each subscription and how often they read the subscription. You may be surprised to find more than one expensive publication that nobody reads and a number of publications that are only periodically used.”

Server maintenance. Recently, the House introduced a House cloud service that offers an attractive alternative to paying private vendors to maintain office servers. The House estimates that switching from a private vendor to HIR will save House offices \$2000-\$6,000 per year in server maintenance and repair costs. To do so, offices must also pay a one-time data migration fee to its current CMS vendor of approximately \$1,000-1,500. However, once an office has completed its migration, there are no additional costs for server maintenance. (Note: This service also saves the office additional money because they no longer have to purchase a new server every four years or so. HIR estimates the average server replacement cost to be \$10,000 with a four-year lifecycle.)

Pre-pay for subscriptions and office supplies. Many offices that expect to have surplus funds at the end of 2011 are choosing to use these funds to pay for 2012 office supplies and subscriptions. These practices can likely save offices thousands of dollars in 2012 funds.

Broad List of Strategies Offices Are Considering for Cutting the Budget

House offices are considering dozens of options for cutting the expected \$90,000 reductions from their 2012 budgets. Many worthy strategies that offices are considering are not covered in the primary strategies discussed earlier. This is because some of the interesting and novel ideas did not occur to most House offices or managers. Also, some very good ideas may not be popular with House Members or staff and are dismissed by offices prematurely. In an effort to provide House offices with as many options as possible, CMF is providing a list of all the cost-cutting ideas or tips gathered from staff during our research that we believe warrant consideration.

Personnel Strategies

1. Reduce staff size through attrition. (Reassign departed staff duties to the remaining staff.)
2. Eliminate bonuses.
3. Freeze pay at the 2011 levels.
4. Provide staff some merit-based bonus pay in 2012 instead of salary increases.
5. Encourage staff to reduce their work schedule or become part-time rather than full-time staff.
6. Plan on allowing some interested staff to take a “leave without pay absence” to work on the office’s campaign, or another campaign, on either a full-time or part-time basis.
7. Encourage interested staff to take leave without pay to pursue other personal interests (e.g., spend more time with children, travel).
8. Spend more time and energy effectively recruiting congressional fellows as a means of filling office needs at no cost.
9. Use interns more effectively to assist with office operations.

10. When filling staff vacancies, make sure that the new staff person is hired at a lower salary, even if it means hiring staff with less experience and qualifications. View virtually all staff turnover as an opportunity to lower personnel costs.
11. Cut the salaries of the highest paid staff in the office.

Constituent Communications Strategies

12. Shift as much direct or proactive constituent communications as possible from snail mail to email.
13. Reduce the annual cost of outreach communications by replacing printed proactive mail pieces with telephone town hall meetings.
14. Reduce the cost of town hall meetings by either reducing the number of town hall meetings or by doing more in-person town halls vs. telephone town halls.
15. Print a large mailer with 2011 funds (when you have more funds available) and send it out in 2012 with 2012 postage funds, splitting the cost of the mailer over two budget years. (Can cut the cost of the overall mailer in half.)

Telecommunications, IT and Office Equipment Strategies

16. Carefully assess telecommunications plans and bills to try to eliminate inefficiencies such as unused phone lines, unused mobile devices and usage plans that do not cost effectively meet the office's needs.
17. Reduce purchases of computer hardware and upgrades as well as software or CMS purchases and upgrades.
18. Switch maintenance of the office's server from a private vendor to HIR's free House cloud service.
19. Hire a staff person with strong IT skills and have this person take on the added responsibility of maintaining and repairing the office's hardware and equipment, thereby eliminating the need for a vendor "fix and repair" contract. Alternatively, hire a shared IT employee to conduct this maintenance and repair work.
20. Rely more on your TSR (Technical Service Representative) to support your office's software and BlackBerry needs rather than relying on a vendor to provide these services.
21. Schedule a meeting with your TSR to discuss cost-saving options on hardware, maintenance, telecommunications, etc. and determine which approach best serves the needs of your office.
22. Assess maintenance plans on office equipment (e.g., copier, fax machines, printers) to determine if the plans are cost-effective and meet your office's needs (e.g., the equipment is new and unlikely to need maintenance, or old and the cost of maintenance exceeds the cost of purchasing the equipment new).
23. When traveling out-of-the-country, Members and staff need to adjust their phone plans from domestic usage to international use for the days in which they are traveling. If not, the phone usage charge for a domestic phone being used internationally is exceedingly expensive.

Travel Budget Strategies

24. Eliminate or reduce DC staff travel to the district and/or district staff travel to DC.
25. Make sure that virtually all staff travel on the lowest fare, advance purchase tickets rather than purchasing government fare tickets.

26. Reduce the cost of Member travel by shopping for less expensive flights. Options for reducing Member flight tickets include: Purchase advanced purchase tickets on days where it is highly likely that the House schedule will not change; book flights to and from BWI and Dulles vs. Reagan; fly into a less expensive airport in the state that may be further away from the Member's home.
27. Lower mileage reimbursements for staff and Member travel in the district.
28. Do not have DC staff travel and work in the district during the 2012 August recess.
29. When DC staff travel to the district and vice versa, have the staff stay with staff from the other office, or friends or relatives rather than paying for lodging.
30. When district staff come to DC for work, have them stay in Virginia hotels to take advantage of less expensive hotel rates and commute to Capitol Hill via Metro rather than staying on the Hill.
31. Reduce the cost of office-wide retreats/planning sessions. Three options were suggested: (1) If within driving distance of DC, rent vans and have DO staff drive to the annual staff planning session vs. booking train or plane tickets; (2) Conduct annual office retreat via video conference to eliminate the need for staff travel; and (3) Eliminate the retreat/planning session for 2012.

District Office Rent Strategies

32. Seek to relocate one or more district offices to a municipal building and eliminate or reduce rental charges from the office budget.
33. Review district office rents and make sure the rental fees are in line with the marketplace. If the rent is markedly higher than the marketplace norms, renegotiate the rent or terminate the lease and find less expensive office space.
34. Close a district office and have the district staff telecommute.

Note: Most staff we contacted said that office are not spending much time thinking about closing a district office, reducing the size of district offices, consolidating offices, or moving district offices to take advantage of lower rents right now because they are locked into two-year contracts that can only be modified at the end of the 112th Congress. However, if parties agree, the standard House lease agreement allows either party to terminate the lease with advance notice and without cause. We recommend that offices review their district office leases in this regard and consult with the CAO's Administrative Counsel.

Miscellaneous Strategies

35. Budget with the goal of spending virtually the entire MRA and not returning any surplus funds in 2012.
36. Carefully review and assess all office subscriptions and don't renew those subscriptions that are not regularly used or do not provide clear value to the office.
37. Where possible, pre-pay for 2012 services with 2011 funds (e.g., stocking up on toner, paper, office supplies, purchasing subscriptions)
38. Seek to lower the cost of office supplies by purchasing in bulk from commercial stores vs. the House Stationary Store.
39. Centralize the purchase of office supplies rather than allowing individual staff to purchase the supplies they want. (Saves money by allowing the office to buy in bulk and prevents staff from ordering more supplies than needed and ordering more expensive supplies than needed.)

40. Increase management oversight and control over all office expenditures. (In some offices, there may be a financial management person who is preparing the budget and vouchers, but nobody who is taking responsibility for regularly approving and tracking all expenditures (including payroll) to ensure the office is spending within its means.)
41. Send a letter to all your vendors explaining that the office cannot afford any fee increases in 2012 and seeking their commitment to not increase their fees. (Note: Under House rules and laws related to the ban on gifts to congressional offices, House offices may not accept any discount or benefit that is not available to the vendors' non-congressional customers.)
42. Change UPS contract from overnight delivery to 2-day service.
43. Eliminate the purchase of the congressional calendars that some offices send annually to constituents.
44. Eliminate bottled water from the offices. Instead, use less expensive means of providing staff and constituents drinkable water (e.g., tap filters).
45. Eliminate the purchase of expensive, multi-colored business cards.
46. Review the expenditures for food and beverages for constituents.

Additional Strategies and Concerns

The common cutback strategies that offices are focusing their attentions on generally make sense. However, CMF has concerns that offices may not have considered the potential problems the selected strategies could create. In this section of the report, we discuss five specific concerns that we have with primary strategies offices are considering and outline some general strategies offices may want to consider.

1. Concerns with the Primary Personnel Strategies

As discussed earlier, the majority of offices are relying on attrition, eliminating bonuses and across-the-board salary freezes as a principal means of cutting their budgets. The attraction to these strategies is clear. Attrition eliminates the difficult choice of deciding which staff person (or two) to lay-off. Eliminating bonus pay for 2012 is also relatively easy, equitable and postpones staff hardship as most 2012 bonus pay would not be distributed for another 14 months. Salary freezes cap the spending on the largest budget category and prevent salary creep. Another benefit of these strategies is that they put everyone on staff in the same boat, dealing with the same pain, and could generate a staff mentality that "we will all get through this crisis together."

However, choosing these strategies also run a significant risk that should be considered: managers might be creating a work environment that motivates staff departures, especially the departures of their most valuable staff.

More specifically, by relying on attrition for personnel savings, managers are essentially giving up control over who leaves the office and allowing these personnel choices to be made for them. Furthermore, by asking the entire staff to accept less attractive working conditions (no salary increases, no bonus pay, and, in many offices, additional duties) managers are creating a work environment of declining job satisfaction which promotes the departures of the office's most valuable staff. After all, it is the office "star performers" that have the most mobility – even in a slow economy. They are the staff who are most confident that they can find better paying jobs and are the most likely to be contacted by other organizations in search of talent.

An alternative personnel strategy offices should consider is paying selected staff salary increases, bonuses or both in 2012 to maintain, or increase, the job satisfaction of the most valued staff. If this means laying off two staff rather than one, shifting a full-time worker to part-time, or making further cuts in other spending categories (such as direct mail), it may be well worth the cost.

In short, offices need to decide if their personnel goal for this painful process is to try to protect all the current staff from the pain of termination or increase the likelihood of retaining the office's most valuable staff. There is no right or wrong answer to this question. Both approaches assume risks to the well-being and stability of the office. Every office will have to weigh the risks, try to anticipate how its staff will respond to these different scenarios, and choose the course that best serves the Member and his or her constituents. The key point to emphasize is that offices do not have to freeze salaries, eliminate bonus pay or treat the staff as equitably as possible, as many managers seem to believe. Other options are available and managers need to determine the best course and not simply follow the path of least resistance.

2. Cutting Expenses vs. Seeking Greater Office Efficiency and Effectiveness

When forced to trim spending, there is always an inclination to view the task as seeking to find ways of cutting expenses rather than searching for ways of creating greater operational efficiency and effectiveness. Cutting expenses is a fairly straight-forward process of looking at your budget and deciding what you can trim. Creating greater operational efficiency and effectiveness is a much more time-consuming and difficult task. It requires reviewing the entire office operation and asking some fundamental questions:

1. What activities are we now performing that may no longer be critical to the office's effectiveness or our constituents' needs and can be eliminated?
2. What activities are we now performing that we may be spending too much time on and which we should spend less time and energy on?
3. What activities or office systems can we redesign that will allow the office to work more efficiently?

In making significant spending cuts two years in a row, House offices face not only the challenge of how to cut the budget but also how to create a manageable workload with fewer staff and fewer office resources to produce the work. By not exploring these three questions, offices run the risk of making unnecessarily painful cuts when more creative options may be available, so long as offices are willing to put in the time to search for them. They also run the risk of tolerating an overly demanding work environment that leads to staff frustration and unwanted staff departures.

Few offices CMF contacted talked about: assessing office activities and functions; eliminating office activities or projects; or assessing office systems and management practices as a means of cutting expenditures and increasing office efficiency. The operating management assumption seems to be, "We have to figure out how we can continue doing everything we are doing now, but with fewer staff and fewer resources." This is, likely, an unworkable assumption. Offices need to be realistic and recognize smaller budgets will likely require cutting back the workload as well. They may also come to find that sometimes "less is more," especially if that means clarifying what are the most important office activities and focusing more office resources on doing these critical activities better.

In congressional offices it is difficult to eliminate office activities. There are lots of stakeholders that are heavily invested in virtually all the office's activities and even the office's work processes – the Member, the staff and, of course, a wide variety of constituents. These commitments to long-standing annual district conferences appreciated by some vocal constituents, labor-intensive briefing books required by the Member, office work processes the Chief of Staff designed years ago that he does not want to see changed, etc. all make it difficult for the office to have serious discussions about which

activities are essential and effective and which may be obsolete or in need of upgrades. Chiefs of Staff and District Directors should use the budget-cutting process as an opportunity to create forums for having these critical office efficiency and effectiveness discussions.

Consequently, CMF urges offices to convene a few staff meetings where the questions listed above are analyzed and discussed. Before convening such a meeting, the Chief of Staff may send out an email listing these questions and asking staff to think about them, jot down their thoughts and ideas, and come prepared to present them at the meeting. This discussion will likely generate some innovative and promising cost-saving and time-saving suggestions that cannot be found on the list of 46 strategies outlined earlier.

3. Excluding Rather Than Including Staff in the Budget-Cutting Process

Most of the offices CMF consulted treated the “process” of cutting the budget as a sensitive matter that needed to be dealt with discretely behind closed doors. There was concern that because the cuts directly affected the entire staff, their salaries, duties, working conditions, etc. that the staff would have difficulty objectively discussing the matter. Conflicting interests might make it difficult for staff to openly discuss where to cut the budget. Such discussions might create conflicts or accentuate divisions in the office and these potential problems could far outweigh any benefits that would be derived from seeking broader staff input on these decisions.

However, failing to seek staff input and suggestions creates a myriad of problems that need to be considered. It excludes from the process the staff who are closest to the operations, and who may have clear ideas on how to save money or how to make systems or practices more efficient. Most importantly, it runs the risk of creating divisions and mistrust between the managers and the staff. Staff could be offended that they were not asked to participate in the discussions on how to best cut the budget and conclude that management did not value their input. Such a perception would make staff less willing to support the decisions ultimately made. It is easier to be openly critical of a plan you had no role in creating than a plan in which you had input. In short, if a primary goal of the budget-cutting process is to minimize staff turnover during 2012, then excluding staff from the process undercuts this goal.

CMF would, therefore, recommend that offices involve the staff in this process by making sure their ideas and needs are represented in the decision-making process. Convene meetings and conference calls, or allow staff to submit their ideas in writing, on how to address the three questions discussed in the previous section regarding the office’s efficiency and effectiveness. We suspect that, if presented with the challenge of figuring out how to cut the budget in a manner that best serves the Member and the district, most staff will place the needs of the office ahead of their self-interest. Keep in mind, however, that seeking the input of staff in the budget-cutting process does not mean that all staff should be part of the final decision-making, which could become unmanageable or ineffective with too many people involved.

4. Insufficient Attention to Office Goals

The driver for this decision-making process should be the office’s strategic goals. The spending cuts that are ultimately agreed upon must support and not weaken the office’s abilities to accomplish its goals. The principal goals for this process should not be, “making sure no staff are terminated,” or “that the staff recognize that all the staff were treated equitably,” or “ensuring that the Member is not upset by the budget cuts.” If, for example, increasing Member visibility in the district in preparation for redistricting is a key office goal, then the office cannot approve a budget-cutting strategy that reduces constituent outreach, even if that means not touching a large portion of the budget. If passing legislation and remaining highly visible on two principal issues requires keeping two talented and

experienced LA's on staff for the next year, then freezing all staff salaries and eliminating bonus pay to all staff may not be compatible with this goal.

In CMF's research, only a few of the management staff interviewed or surveyed discussed office goals or suggested by their comments that office goals or priorities were driving their budget-cutting process. If strategic goals are not driving the budget-cutting thought process, offices will be inclined to select the simplest spending cuts – the cuts that most painlessly balance the budget – and not the cuts that best serve the Member and the office's strategic needs.

Obviously, for strategic office goals to drive this process, offices must have clear goals in writing that are well-understood and are actively being pursued by the staff. If such goals exist, managers need to make clear that they are central to budget-cutting discussions. If such goals do not exist, the office needs to convene a concise planning process to clarify the office goals for 2012 and then use these goals to guide the office in making final decisions on how to cut the 2012 budget.

5. Guidance for Effectively Managing Staff Morale and Reducing Staff Turnover

CMF's last concern is that House managers are so focused on making the cuts – finding the \$90,000 dollars – that they may be giving insufficient thought to how they will manage the reshaped office that their spending cuts will create. Managing this changed office will require addressing a range of new and formidable challenges:

- Staff may be disgruntled about having to endure no salary increase or bonus pay and still being expected to take on additional work demands.
- Staff and managers may be forced to work harder to handle the same workload with fewer staff.
- Managers may also need to recognize that some staff may be debating if they want to stay in the job or look elsewhere, and that indecision may be reflected in the quality of their work.
- Managers may need to find ways of rewarding staff and making them feel appreciated and valued without the tools of salary increases or bonuses at their disposal.
- While managers should do everything they can to avoid staff turnover during the year, they also need to be prepared to deal with the team-building challenges that will arise if they are confronted with unanticipated and unwanted staff departures.
- Even though the staff and the office generally may require more attention from the Chief of Staff and the District Director, these key management staff may feel they do not have the time to address staff adjustment problems because of the added demands created by an election year.

These challenges will require Chiefs of Staff and District Directors to remain attentive to the needs of staff and not focus primarily on the big picture, at least for the first several months of the year. Recognize that as the managers, you need to open the lines of communications, set the right tone and deliver messages that motivate staff and make the demands and sacrifices they are making seem worthwhile. What you need to avoid at all costs is allowing or inadvertently pushing staff frustrations underground. You can't address problems you don't know exist and you don't want to lose talented staff because you were unaware of their frustrations and had no opportunity to address their concerns. When you hear about staff problems or concerns, address them promptly, but also understand staff may need some time and ongoing management support before they fully recommit to the office and the new challenges in their work environment.

Finally, make sure the Member fully understands the problems and challenges facing the staff and is "on message" when dealing with them (especially in the first quarter of the year). Try to prevent the

boss from contributing to staff frustration and help him or her recognize that the office may take a little while to adjust to the changes and uncertainties before it is working optimally. Most importantly, remind the boss that Member praise and appreciation and being made to feel part of the trusted inner circle is valued highly by most Hill staff, sometimes more than salary increases or bonus pay.

Conclusion

Deciding how to cut another 6.4% out of Member office budgets in 2012 on top of a 5% budget cut in 2011 will be a difficult and painful task for most House offices. Reflected within many of these decisions are high stakes gambles that offices will have to weigh carefully. The stability and well-being of your office may be what is at stake. Make sure the cuts you choose are selected because they will best serve the Member and the office's strategic interests and are not selected because they will balance the budget as quickly and painlessly as possible. Through this short manual, CMF has attempted to provide some useful data and guidance to Member offices that we hope will help these offices make wise choices. Good luck.

If you have questions or comments about this report, or additional cost-saving or time-saving strategies that offices should be considering, please contact the Congressional Management Foundation at CMF@CongressFoundation.org or 202-546-0100. If a number of additional new, innovative ideas are sent our way, CMF will send out an email supplement to this report that lists these strategies. Finally, if you have detailed questions, such as better understanding new House IT services, House guidance for terminating staff, House rules for how offices may use interns, or how to determine if your office has purchased the right plan for its mobile device usage, contact the appropriate House entity and seek their guidance.

Acknowledgments

The Congressional Management Foundation (CMF) gratefully acknowledges the contributions of our sponsors, **Credit Union National Association**, **CQ Roll Call** and **Lockheed Martin Information Technology**, who understood the need for providing this timely and valuable guidance to House offices. Thank you for your support.

CMF also thanks the numerous House staffers who participated in this research. In particular, we wish to thank the following for their guidance and contributions to this project:

- Patrick Baugh
- Mary Beth Carozza, Rep. Steve Stivers
- Ed Cassidy, Speaker of the House John Boehner
- Jeff Dobrozsi, Rep. Charles Boustany
- Michelle Donches
- Tina Hanonu, Office of the Chief Administrative Officer
- Teddie Hathaway
- Charlie Keller, Rep. Sandy Adams
- Myat Khaing, Rep. Jim McDermott
- Dean Lester
- Nora Matus, Rep. Lynn Woolsey
- Mark Perkins
- Armstrong Robinson, Rep. Geoff Davis
- John Ross
- Jeffrey Shapiro, Rep. Adrian Smith
- Janice Siegel, Rep. Jerry Nadler/ Professional Administrative Managers Staff Association
- The Honorable Dan Strodel, Chief Administrative Officer
- Amelia Wang, Rep. Judy Chu

CMF also extends its appreciation to our staff who worked on this project: Collin Burden, Danika Morlet, Quantesa Roberts and Karen Shanton assisted with the expenditures research and proofreading; Raketia Williams Green organized the staff briefing; and Nicole Folk Cooper and Bradford Fitch contributed to the report and managed the project. We especially thank Jessica Gibson for her work in coordinating and conducting the research.

Finally, this project would not have been possible without CMF's former Executive Director Rick Shapiro, the primary author of this report. Rick brought more than 25 years of experience to this project, conducting research and writing an outstanding report, as well as developing and presenting the staff briefing. CMF is deeply appreciative of his extraordinary commitment to helping Members and staff.

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Founded in 1977, the Congressional Management Foundation (CMF) is a 501(c)(3) nonpartisan nonprofit dedicated to helping Congress and its Members meet the evolving needs and expectations of an engaged and informed 21st century citizenry. Our work focuses on improving congressional operations and enhancing citizen engagement through research, publications, training and management services.

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