

Budget Cuts: “Proportional Sharing” Is Ineffective, Says Resource Allocation Expert Pat Lynch

Long Beach, CA – May 24, 2011 – Government agencies, including police departments and fire departments, are scrambling to balance their budgets, which in most cases means making hard choices about [resource allocation](#). One strategy that some public sector leaders are using is called “proportional sharing,” which means all departments and agencies must cut their budgets by the same percentage amount.

Sounds fair, doesn't it?

One Long Beach, CA City Council member was quoted recently as saying, “I do believe in proportional sharing in terms of budget cuts, and it is a meaningful approach to managing quality of life in this city.”

She couldn't be more wrong about ways to control [government spending](#).

“In fact, [proportional sharing](#) is NOT fair, and it is an *ineffective* resource allocation strategy. It's time to put to rest the myth that proportional sharing is fair and effective, and to demand that public sector leaders make the tough decisions they were elected or hired to make. We simply don't have the luxury to do otherwise,” said Pat Lynch, Ph.D., President of Business Alignment Strategies, Inc., (www.BusinessAlignmentStrategies.com), which helps clients optimize their business results by aligning people, programs, and processes with organizational goals.

Here are three reasons why government [budget cuts](#) based on proportional sharing are ineffective, according to Lynch, who has consulted with the Los Angeles Fire Department and many other government agencies:

1. It doesn't consider the appropriateness of the budget before the cuts were made. That is, some departments or agencies may have been over-funded, others may have been under-funded, and some may have been funded appropriately. Now the errors are more pronounced.
2. It treats all services as equally important, i.e., there is no attempt to prioritize them. In reality, there are services that are *critical* to government agencies' ability to achieve their missions, those that are *very important*, those that are *important*, and those that don't have anything to do with the mission.
3. It gives the public a false sense of security that their leaders, such as mayors, city managers and council members, are taking a close look at what is being done and why, so they can make informed and effective resource allocation decisions. In reality, proportional sharing doesn't do anything of the sort. By requiring across-the-board cuts, decision-makers simply are supporting the status quo, but at a lower level. This way they don't have to justify any changes, which voters may not like.

Why do city, county and state leaders favor proportional sharing when addressing resource allocation? Lynch says that two possibilities come to mind: (1) they truly don't know how ineffective and unfair this strategy is, or (2) they realize that it enables them to shirk their duty of making tough decisions while appearing to be taking actions that are in the best interest of the citizens involved.

What should decision-makers be doing instead of relying on proportional sharing? Here are Lynch's suggestions:

1. Take the opportunity presented by the challenging economic environment to question how they are allocating resources, why they are doing so, how those allocations are supporting the agency's mission, and whether there are more effective ways to use the resources.
2. Prioritize the services provided by determining the impact they have on the agency's mission.

These are the priorities she uses with her clients:

Critical services: those which, if not provided, would prevent the organization from achieving its mission. There are relatively few truly critical services.

Very important services: those which, if not provided, would enable the organization to achieve its mission but with a serious negative impact.

Important services: those which, if not provided, would enable the organization to achieve its mission but with a diminished level of performance (e.g., quality of service).

3. Assess the risks by considering alternatives to the status quo.
4. Decide what the resource allocation should be among these three categories. For example, it's unrealistic to devote 100% of the resources to services deemed critical.
5. Ensure the decision-making process is transparent and fair. Stakeholders will accept decisions, even those they don't like or agree with, if they believe the decision-making process was fair.

About Pat Lynch, Ph.D.

Pat Lynch, Ph.D., President of Business Alignment Strategies, Inc., is an expert in resource allocation and works with clients in the public and private sectors. For more information, go to www.BusinessAlignmentStrategies.com. Sign up for a complimentary subscription to Pat's monthly newsletter, [Alignment Solutions](#).

She has worked with a variety of public agencies on the state, county, and city levels including: California State University, Long Beach, Los Angeles County Department of Public Works, Orange County Transportation Authority, Los Angeles Fire Department and Long Beach Unified School District.

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