

Learning When to Hold'em and When to Fold'em

ERS's Budget Hold'em Game Facilitates the Budget Development Process in Memphis

If your school district is facing a budget issue, it might surprise you to learn that the solution might very well lie in a game of cards. That certainly was the case earlier this year for the city schools of Memphis, Tennessee.

The game is called Budget Hold'em, and it was developed by Education Resource Strategies (ERS) of Watertown, Mass., in 2010, after what ERS director Regis Shields describes as "a regular, year-long resource mapping process" conducted on behalf of the Rochester, New York, school district. The previous year, each department in the district had been asked to cut 10% from its budget. While each duly complied, almost all also added new favorite projects or programs—with the result that, at the end of the process, the district had a net gain rather than a reduced proposed budget.

In 2010, Rochester again faced budget cuts and tough decisions. Shields wanted to find a way to as she puts it, "develop a common language and understanding across the entire group about the decisions that needed to be made." She also wanted the stakeholders to get out of their individual department silos, to work together to make decisions that represented the best strategic choices for the district and the kids.

Having grown up playing games, Shields thought it would be fun to create a card game that would facilitate the process. Her team set to work

creating two sets of cards—one representing Strategic Investments and the other Strategic Reallocations (in other words, cuts)—that would make the discussion both engaging and interactive. They also added wild cards, because "we knew we didn't have the whole universe covered," Shields says. "We wanted Rochester to be able to include things we hadn't thought of."

Budget Hold'em was first played at a meeting of the superintendent and his cabinet. Players were grouped in teams of two. Under the rules of the game, Strategic Investment and Strategic Reallocation cards had to be selected with a goal of balancing the budget. Each team in turn then shared its hand, so all the players could see where common decisions had been made—and what still needed discussion. "Everyone loved it," Shields declares. "They were really engaged in the process."

Showing Their Hand at the Aspen Institute

The Budget Hold'em game was introduced to a wider audience in January 2011, when ERS's executive director, Karen Hawley Miles, and director, Don Hovey, presented it to a conference for chief financial officers and chief academic officers from urban school districts across the nation, as part of the Aspen Institute's Urban Districts Network.

At that gathering, Hovey explained the underlying concept of the game: to shift the discussion from cuts to tradeoffs that refocus resources in the district's priority areas. "We wanted to change the way district leaders, school boards, unions, and others think about budget decisions," explains Hovey. "By engaging all budget stakeholders—administrative and academic—it's like having the whole brain involved, instead of different parts at different times."

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—Don Hovey, ERS director

Among the conference attendees was Pamela Anstey, chief financial officer of Memphis City Schools (MCS). "I thought the idea was quite clever," she recalls. "We've tried all different kinds of formats for the budget development process, and I liked that the game was structured and gave a basis for discussion."

Getting Memphis Into the Game

As the 23rd-largest public school district in America, MCS consists of 209 schools, grades pre-kindergarten through 12, and serves approximately 105,000 students. For three consecutive years, FY 2008-2009 through 2010-2011, the district had solved budget challenges totaling \$145.6 million and eliminated 1,202 positions. Nevertheless, for FY 2011-2012, the district was facing a \$100 million budget gap. This was comprised of a \$66 million gap in the General Fund (while maintaining the same service level as the previous year and including only mandated,

non-controllable increases), plus \$33 million in grant cliffs from ARRA, SFSE, and other grants that would not be renewed. As Anstey puts it, the question was, "How do we stabilize and improve our financial health so we can build on our progress and achieve the ambitious student goals articulated in our board's reform agenda?"

For Anstey, there were two choices: make cuts across the board based on a pre-determined percentage reduction or strategically reallocate resources to solve the district's financial challenges in a way that prepared it to meet the developmental and academic needs of the children.

Put that way, there was only one option: the latter. And Budget Hold'em seemed to her to be a viable way to achieve it. "I don't believe in slash and burn," Anstey declares. "I decided to give the game a try, since the previous processes we had in place didn't accomplish executive buy-in. In the end, our department would be left with the original—if not greater—gap without the authority to make the decisions."

Dealing with Preparing for the Event

The first thing Anstey had to do was describe Budget Hold'em to the MCS superintendent, Dr. Kriner Cash, and seek his endorsement of the idea. "Once I had the superintendent's buy-in, I knew that my colleagues would engage in and own the process. As a result, I believed everyone involved would have a better understanding of what we'd been going through over the past three years instead of just sitting back and watching the process," she says.

Fortunately, Dr. Cash agreed not only to the game, but also to a two-day offsite budget retreat, so that participants "wouldn't be distracted," as Anstey puts it. The date was

set for February 16–17, 2011. Anstey quickly set about preparing for the event.

She and her staff began by creating detailed posters of all the major special revenue projects and grants—Title I, Teacher Effectiveness, Race to the Top, and School Improvements—plus detailed posters of all grants that were cliffing. Every poster showed detailed budget line items with specific dollar amounts and position counts. “The reason we did this was that I knew somebody would say, ‘We can just take that out of Title I or Race to the Top funds,’ but nobody would ever say what they’d give up,” Anstey says. “So every time someone did that, I wanted to be able to say, ‘OK, show me which line item you’re taking that from. Where’s the tradeoff?’”

Then, Anstey’s staff prepared a resource table with detailed budget books by function, showing every expense, all staffing, organization charts, and how each function justified its request for funding. Budget books were also compiled for each table.

Another thing Anstey’s staff did was get the district’s chief contracting officer to provide a complete list of every contract, what the terms were, how many years it spanned, and how many dollars it represented, so that any questions about altering the terms of a contract could readily be answered. A summary contract listing was also provided for each table.

Investment requests had been made during the initial budget process to add, expand, and enhance programs and equipment that the budget center managers felt were necessary for academic achievement—thus adding to the financial pressure.

At the same time that Anstey’s staff was compiling the financial information, Dr. John Barker, executive director of Research, Evaluation, Assessment, and Student Information (REASI), and his team were assembling evidence gathered from their evaluations of academic programs and initiatives. Dr. Barker’s team jumped at the chance to have their work directly discussed as part of the Budget Hold’em game.

Next, of course, came creating the cards themselves, in two different colors—one for investments and one for reductions. Although the budget gap wasn’t made up of investments, these were included because requests had been made during the initial budget process to add, expand, and enhance programs and equipment that budget center managers felt were necessary for academic achievement—thus adding to the financial pressure.

It was the reduction cards, however, that took the most work on the part of Anstey’s staff, who evaluated all non-mandated programs, alternative ways of providing service, and more. They then put this information on the cards in multiple variations, such as eliminating a whole program versus reducing staff only, and any other potential changes they could think of. Anstey also recommends having blank cards (what Shields described as the game’s “wild cards”) available for modification of the ideas presented or for entirely new ideas.

While the Rochester model was extremely specific to that particular district, ERS had adapted the game to be more generic for the Aspen Institute conference, by utilizing percentages rather than dollar amounts—another approach Anstey and her team recommend. “I liked the percentage idea, because, when you propose to cut something, people always ask, ‘How much is it worth?’ If it’s not worth millions, they don’t really want to talk

about it, but all the little amounts add up,” Anstey explains. “Percentages made it easier to work with, opened up good conversation, and brought more understanding to the topic.”

Participants Lay Their Cards on the Table

The first day of the budget retreat began with Dr. Cash insisting that all cell phones be turned off and total focus be given to the process. Anstey also made sure that there was plenty of healthy food in the room, in order to minimize excuses for participants’ missing any part of the discussion. Next, “A PowerPoint presentation of the district’s financial overview, with an explanation of why the gap had occurred really helped, because everyone wondered, ‘How can there be a \$66 million gap when you’re not giving us anything?’” she says. She then explained the game and had the participants—who included the superintendent, his top cabinet, and budget center managers—break out into predetermined cross-functional teams and begin their work of closing the gap.

As the game began, each of the four tables was given time to confer on their recommendations. Budget staff was available at every table to answer questions and interpret data. “You have to be prepared—the tables really got into the game,” Anstey says. “You have to be able to answer on the fly.”

Additionally, she had arranged Internet access, so that her staff could access the budget system to “answer questions and calculate percentages right then and there,” she explains. After an allotted amount of time, each table reported its results to the rest of the room. Anstey’s team had a set of master cards for tracking the overall results of the game.

The master cards for the first tables reported results were mounted on the wall with the table

number’s identification in the corner. If the second table’s recommendations matched the first, a “2” was added to the corner. If not, an additional master card was posted on the wall. The process continued until all four tables had presented their conclusions.

After all teams reported, the cards were grouped by Total Consensus, 75%, 50%, or 25%. Anstey’s staff had posted labels on the walls for Reduction, Pending, Tabled, and Rework (meaning additional work was required for resolution). If there was total consensus on an issue, it was placed under the Reduction label and marked a reduction instantly on the master card.

The cards that did not gain total consensus then became the basis for discussion, as the table or tables that didn’t support them were challenged to explain why. Over the course of the day, resolution was reached on all items except those labeled Rework, which were determined to require further research before a decision could be made.

By the end of that first day, Anstey reports, “Everyone left with a good feeling, as the savings percentage was impressive. Everyone said it was one of the most interactive sessions they’d ever been to. I had nothing but positive feedback, and a lot of them were happy because, instead of having tunnel vision and being grilled by a committee, they were able to hear what everybody said and got to participate and have input.”

The second day, however, proved a little more challenging, as the players dealt with investments—in other words, items requested during the initial budget process that added money back into the budget. It was here that the concept of tradeoffs really came into play. Whenever a participant wanted to add something to the budget, the

inevitable question came up: What are you willing to give up?

This is where the REASI team's research proved invaluable. For this part of the discussion, Anstey was inspired by a "go, no go" budget evaluation that had been used successfully by a colleague in Seattle, Washington, whom she met at the Aspen conference. The Seattle system ranked various instructional programs by objective, then totaled up the scores. Items with the highest scores were a "go," the lowest were a "no go."

Anstey adapted this concept for the Budget Hold'em game, incorporating an audience-response system known as clickers, which had been a useful tool during the Aspen conference. The teams first began reviewing all the programs and their impact. Then, using the clickers, participants voted on whether to keep or modify each one. "This ended up bringing about change because a lot of contracts were modified through this process, a lot of them were reworked," Anstey says. "With everyone in the same room, the contracting officer could have conversations she's probably been trying to have for years but no one was listening."

Afterward, the teams reviewed the grant cliffs. "I was sure a lot of the people there were not aware of what was 'cliffing' and planned on the funding, even though the grant was expiring," Anstey says. "I wanted everybody to know that they wouldn't just get the money back next year." The cards once again came into play to record the results of these discussions.

The percentage of savings diminished over the course of the day, which was distressing to the participants. Yet, all had a new appreciation for the budgeting process. "We left the second day with a minimal savings and not nearly as many good feelings as on the first day, but everyone was

more open to taking reductions they wouldn't have previously considered," Anstey reveals.

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**—Pamela Anstey, Chief Financial Officer
of Memphis City Schools**

The budget retreat ended with a wrap-up and recommendations. Once the items labeled Rework were researched further, the group reconvened for a final meeting, during which the superintendent ultimately made what Anstey terms "the tough decisions." These included some "pretty major" cuts, such as changing all secondary class sizes and overhauling benefits. Following the offsite, Superintendent Cash, the chief academic officer, and Anstey met individually with every board member to review the process and explain how these results were reached—which in turn simplified the ultimate budget approval by the MCS Board of Commissioners.

Additionally, some "great things came out of it," says Anstey of the Budget Hold'em experience. For example, the vocational education program will include "only programs that let a student walk out of the program with a certificate," according to Anstey—without having to pay for additional education to be certified in a particular area. And driver education in the Memphis schools is now self-supporting.

A Winning System

Was the experiment a success? "Yes," declares Anstey. "Ultimately, we ended up with a balanced

budget.” She adds that the process “made everybody get out of the box and rethink our models of service delivery.” She also found that the game made all participants feel ownership in the process, and the cards further made academic staff feel at home, since they often use cards in the classroom. To her, the key to the success of the process was that all functions participated and had equal voice in the discussions and decision making. Dr. Cash was so enthusiastic, he is already talking about repeating the game when the time for next year’s budget development rolls around.

While the game successfully handled the MCS situation, Anstey would recommend that academic staff become more involved in the preparation

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work, by reviewing their programs and requests for investments with a modified form of the “go, no go” approach used in Seattle. She further encourages close work with a district’s research and evaluation team, to make sure all available program evaluation results are ready for discussion during the game.

Preparing for the retreat was very time consuming, Anstey says—particularly coming, necessarily,

during the busy budget development season. “I think preparation is the key,” she says. “I really have to commend my director of budget services, Alicia Lindsey, and her staff for their dedication to this project and its success.”

Anstey also recommends using a space with four walls for hanging posters. “You need a lot of space if you have a lot of options,” she says. She applauds her budget director for having the foresight to take digital photographs of the master cards at the end of each day. That way, not only were all the results captured, but no one could come back afterward and say, “I never agreed to that.” “We could say, ‘Look at the picture,’” says Anstey.

ERS is continuing to refine the Budget Hold’em game, including creating an online version that can be used by multiple school districts. While Hovey points out that there is no “one size fits all” solution to budget issues and that every district must seek a solution that is specific to its own needs, what Budget Hold’Em does, he says, is “allow school districts to suspend their disbelief a little bit and have strategic discussions about what tradeoffs they need to make to fully invest in their priorities.”

Hovey sums it up this way: “The ability to have different kinds of discussions is worth the investment. It’s exciting to have the potential to look at tradeoffs in a new way and be more strategic, as opposed to the same old ‘cut 10% across the board.’ It’s definitely worth trying.”

Education Resource Strategies (ERS) is a non-profit organization dedicated to helping urban school systems organize talent, time and money to create great schools at scale. For more information see ERStrategies.org