

## MAXIMIZING REVENUE IN A BUDGET-REDUCING ENVIRONMENT

Karen Bridges\*, Barbara Joos\*\*, Jan Panell\*\*\*

### EXECUTIVE SUMMARY

#### BACKGROUND

Due to ever-decreasing funding allocations and dwindling revenue sources, counties are seeking to find new and better ways to effectively leverage funding. The Employment and Training Division of Sonoma County's Human Services Department, responsible for administering SonomaWORKS, and the One-Stop Career Center system under the federal Workforce Investment Act of 1998, has developed a successful approach to revenue enhancement. This approach involves a combination of understanding the technical aspects of budget processes, collaboration, and grant procurement. In the words of Employment and Training Director Jerry Dunn, "budget drives everything!" Although historically agencies have been split between program and fiscal functions, Sonoma County has developed a more integrated approach which has served them remarkably well.

#### RECOMMENDATIONS

Three BASSC interns from Contra Costa, San Mateo and Santa Clara counties studied the methods used by the Employment and Training Division in Sonoma County with the goal of discovering ways in which this approach could be successfully adapted in their respective counties. Three slightly different strategies for enhancing revenue were developed based on differences in county demographics and agency size, structure and policy.

#### Contra Costa County, Employment and Human Services Department

- Enhance the Division Managers' capacity to understand the budget process by developing a training module for managers that delineates Federal, State, and County funding dynamics as well as the technical aspects of the budget process.
- Explore the feasibility of implementing a system where "program people" understand the budget and "fiscal people" have a basic understanding of EHSD's programs and the population the department serves.
- Continue to identify opportunities to leverage funds.
- Broaden collaboration with community partners to include joint grant seeking opportunities.
- Continue to inform EHSD's staff about the budget process.

#### San Mateo County, Human Services Agency

- Draw upon the expertise of the Fiscal Services Department to design a series of training modules for newly appointed managers and/or supervisors. This training would facilitate an understanding of budget processes and how they impact all program areas within the Agency.
- Take advantage of existing collaborative relationships to expand the Agency's ability to leverage funding through grant writing.

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### **Santa Clara County Social Services Agency**

- Train supervisors in budget and legislative processes.
- Continue grant seeking efforts.
- Utilize a program-knowledgeable grant writer to increase the relevance of grant projects and to maximize grant procurements.
- Build on existing grant coordination efforts within the Agency by increasing collaboration between program areas and the Government Relations and Planning Department.

### **CONCLUSION**

Sonoma County Employment and Training Division's approach to leveraging funding in a budget-constrained environment can serve as a model of revenue enhancement for other counties. An understanding of the technical aspects of budgeting, collaboration with intra-agency and community partners, and successful grant-seeking methods can be used to offset diminished formula funding and to increase program revenues.

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### **INTRODUCTION**

The Employment and Training Division of Sonoma County's Human Services Department, responsible for administering SonomaWORKs, and the One-Stop Career Center system under the federal Workforce Investment Act of 1998, has developed a successful approach to revenue enhancement through a combination of understanding the technical aspects of budget processes, collaboration, and grant procurement.

### **MAXIMIZING REVENUE BY UNDERSTANDING THE BUDGET**

#### **The Budget Process Timeline**

A new budget is adopted for the state every year. The state fiscal year runs from July 1 through June 30. The current state fiscal year is July 1, 2002 through June 30, 2003. The Governor's budget is the result of a process that begins more than one year before it becomes law.

- Normally, on January 10, the Governor presents his budget to the Legislature. The budget is the proposed spending plan for the coming fiscal year. It contains revenue and expenditure estimates based on the best information available through late December.
- In February the Legislative Analyst's Office prepares an analysis of the budget bill. The analysis is the starting point for discussion in both the Assembly and the Senate with the Legislative Analyst acting as a financial advisor to the legislature.
- In January/February the budget goes to both the

Assembly and the Senate as identical budget bills.

- In March/April the Assembly and Senate budget subcommittees hold public hearings.
- In May the budget bills are assigned to the budget committees of each house. The bills are broken down by subject and assigned to subcommittees. Each house discusses and votes on its version of the bill.
- In mid-May the Governor recommends changes to the proposed budget based on actual and projected income and expenditures. After completion of the hearings each subcommittee votes on the proposed changes and submits a report to the full committee. The full committee may accept the report or amend it. The revisions are incorporated into the budget bill and sent to the full membership of each house.
- In June any differences between the Assembly and Senate bills are resolved, resulting in a joint budget. The committee can only discuss items where there are differences. A conference report on the budget is submitted to both houses. The bill must be approved by two-thirds vote of each house before it can be sent to the Governor. The conference committee hearings are open to the public.
- The Legislature must have the budget bill to the Governor by June 15. The Governor has twelve working days to sign the bill. The Governor has authority to reduce or eliminate (blue-pencil) any item contained in the budget. The Legislature can override any blue-penciled items by a two-thirds vote.
- The budget goes into effect on July 1 or as soon as it is signed after July 1. (Please see

Appendix A.)

## The State Budget

The state budget addresses every branch and activity of government. The budget is built on precedent; it considers the last budget to formulate recommendations for the proposed budget. The budget is also affected by initiatives voted into law by the citizens of California, for example Proposition 4, 13, and 98, to name a few. In many ways the budget is the state's commitment to social justice. The programs funded and the level of funding presumably delineates the priorities of Californians and illustrates the quality of life we want to maintain.

### How does the state pay for these expenses?

The state receives federal funds to pay for federally established programs in which the state participates. The state's share of the program funding is collected from taxes, fees, fines, penalties and lottery proceeds from Californians. All of the revenue raised within the state goes into either the State's General Fund or one of the special funds.

The General Fund is the state's major funding source for education, health and welfare, and other social programs. The general fund covers 75% of the state's expenditures. The general fund is supplied by California's largest revenue sources such as personal and business income taxes, sales taxes and other smaller taxes and revenue streams.

The Special Fund is derived from taxes, licenses and fees that are designated by law for specific uses. Sources of the special fund include gasoline taxes, vehicle license fees and registration fees. These funds are often used to pay for transportation, highways and the public infrastructure as well

as to regulate business professions, and vocations.

Federal Funds support about a third of the state's revenue and come from the federal government to fund federally mandated programs such as welfare, Medicaid, special education and a number of other programs. The federal government supplies more than one-half of the total funds California spends on health and human services.

California spends most of its money in four areas:

- K-12 Education
- Higher Education
- Health and Welfare
- Corrections

### How the Budget Process Works

A large portion of state spending is directed by the many budget constraints that have been set by voters through the initiative process. Three initiatives that significantly affected the budget were:

- Proposition 13 was voted into law in 1978 and limits the ability of local governments to raise property taxes.
- Proposition 4 was passed by voters in 1979. Proposition 4 limits the tax proceeds that the state and local governments can appropriate in a fiscal year.
- Proposition 98 requires that a minimum percentage of the total state budget be spent on K-14 education.

After passage of the initiatives above, the state had to increase financial support to the counties.<sup>1</sup>

### Next Steps

The Governor is proposing an \$8.3 billion total tax revenue increase to fund realignment and to reduce

the general fund's budget shortfall, but what is realignment? Actually, the realignment referred to here is realignment II. In 1991 and 1992, realignment I restructured the state-county partnership by giving counties increased responsibilities and funding for a variety of health, mental health, and social service programs. Realignment I also provided an on-going revenue source for counties by establishing a new one-half cent sales tax and an increase in the motor vehicle license fee. Under Realignment II, the Governor proposes to use \$8.2 of the total \$8.3 billion tax increase to fund the realignment of various programs to local governments. The Governor proposes to increase the rate on three major taxes. The proposed revenue sources are:

- Sales Use Tax (SUT) - The proposal involves raising the SUT by one percentage point effective July 1, 2003, estimated to result in 4.6 billion in additional revenue.
- Personal Income Tax (PIT) - A new PIT rate would be established for high-income taxpayers for tax years beginning in 2003. There would be a 10% rate for married taxpayers filing jointly with annual taxable incomes between \$272,230 and \$544,460 and an 11% tax rate for joint filers with taxable annual incomes in excess of 544,460. Currently, the top PIT rate is 9.3%.
- Cigarette Excise Tax - Effective July 1, 2003 the cigarette excise tax is proposed to increase one dollar and ten cents per pack.

Administration of the SUT and the cigarette excise tax will be relatively simple because they utilize the existing tax collection procedures. The PIT proposal, on the other hand, will be difficult to administer because it will result in a new tax rate schedule and require additional withholding schedules for certain taxpayers.

### **Why is realignment being used as a strategy?**

Realignment appears to be a way around Proposition 98. Should the state receive the proposed revenue directly, a certain level of that funding would have to go to K-14 education. Since the counties will receive the funds, it is believed that new revenue will not be required to fund Proposition 98's minimum funding guarantee.

### **Can local government count on realignment to fund mandated programs?**

If the three proposed revenue sources perform as expected realignment may work, but the revenue has been unstable in the past. Revenue is generated by the following taxes:

- The SUT has been a relatively stable tax.
- The PIT is susceptible to volatility due to fluctuating incomes.
- The cigarette excise taxes do not fluctuate much, but the tax base for this proposal has declined steadily due to increased cigarette prices, restrictions on smoking in public places, and health concerns.

Overall, it is estimated that the realignment portfolio will increase between five and one half to six percent annually, which is less than the costs of the programs being shifted to local governments. This will make it difficult for local governments to fund programs at the mandated levels.

### **Other proposed reductions for Social Services**

Proposed reductions in CalWORKs monthly grants by six percent will result in a general fund savings of about \$900 million. Eliminating annual cost of living adjustments in CalWORKs and SSI will result in a savings of \$660 million?

## How will realignment affect Social Services programs?

Programs are funded with a percentage of federal, state and county funds. Currently, the funding methodology for Federal programs is:

- Federal share is 50%,
- State's Maintenance of Effort (MOE) is 35%, and
- County's Maintenance of Effort (MOE) is 15%.

These ratios are not expected to change.

Prior to Realignment I, state-only programs were funded one hundred percent with state funds. After the implementation of Realignment I, the Counties had to pay 25% maintenance of effort for state-only programs. The current funding methodology for State-Only programs is as follows:

- The federal government does not have a share in state-only programs,
- The state has an MOE of 75%, and
- The County has an MOE of 25%.

Under the proposed realignment II, the County's share for state-only programs will increase to one hundred percent for most of the state-only programs.<sup>3</sup>

## County Government

Sonoma County maximizes resources by looking at the programs as a whole and is not driven to address each funding source independently. The county is moving toward an integrated system where "program people" understand the budget and "fiscal people" understand program. It is particularly critical that managers have a comprehensive understanding of the budget in order to forecast spending, make program reductions and operate their programs effectively.

Counties must maintain local funding in order to draw down funds from the state and federal governments. Once the money has been obtained, the key to maximizing revenue is judicious spending of the funds received.

In order to be able to leverage funds, one must understand program funding for each program and the population for which it is intended.

Looking at funding, for the Employment and Training Division of Sonoma County Human Services Department, we note that there are two pots of money that the county receives, CalWORKs and Workforce Investment Act (WIA) funding. CalWORKs is the state's largest cash aid program designed to provide temporary assistance to meet the basic needs of low-income families and children. The program promotes self-sufficiency by establishing work requirements. CalWORKs program expenditures include: assistance payments, staff and administrative costs, childcare, adult education, vocational training, employment training, and supportive services.

For WIA funding, the federal government uses formula allocations to determine how much each state receives. When formula grants are received by the state, the Governor sets aside the discretionary funds, and then uses formula allocations to determine how much each local area will receive. The Governor uses the discretionary funds to provide outreach activities for people who have been laid off, special projects, capacity building and other projects. WIA funding is separated into three categories:

- Adult services - The Governor can take 15% of this funding source off the top for discretionary spending for adult and youth services. In the past the discretionary funds have been used for

training programs for people interested in nursing or teaching, special projects, and capacity building.

- Displaced Worker - The Governor can keep 25% for discretionary funds that are used for “rapid response” and additional assistance. Counties can access these funds through a competitive grant process. The remaining funds are distributed to counties to provide mandated services. Twenty percent can be transferred between adult and displaced workers funds.
- Youth funding can only be used to fund youth services.

Sonoma County pursues discretionary funds aggressively. For some grants, the county tries to maintain their staffing levels and use special grants obtained from this discretionary funding as a supplement to existing programs instead of increasing staff. Other grants have been received for special projects that require dedicated staff.

In Sonoma County, the director of Employment and Training is responsible for both welfare and WIA Programs. This means that the director can leverage the separate funds to achieve greater effectiveness for both programs.

### **Leveraging Funds**

Sonoma County maximizes funding by utilizing multiple funding streams to optimize their ability to leverage additional funds. The key factors in leveraging funds effectively are to:

- Identify the services each funding stream can purchase,
- Identify the clients the funding streams have in common, and
- Identify which funding streams can be carried forward into future fiscal years.

Sonoma County’s philosophy regarding leveraging funds is “Everything is workforce development.” This philosophy is a good foundation from which to plan the leveraging of funds. It is important to remember that program spending is not in conflict with any laws provided information given to the state auditors clearly shows how money was expended for each program.

TANF Incentive funds can be utilized in any manner that can be reasonably calculated to accomplish the goals of the TANF program. Therefore, these funds can be leveraged with WIA funds for adults, youth and in some cases, displaced workers. TANF funds can also be used with WIA youth funding, since WIA’s youth activities also prevent out-of-wedlock pregnancy. The rationale is that if you prevent out-of-wedlock pregnancy you will prevent the teen’s dependency on CalWORKs in the future. In the past, unspent TANF incentive funds were carried forward to the next fiscal year. However, TANF incentive funds will no longer be available beyond June 30, 2003.

The CalWORKs program provides temporary assistance to needy families, including adults and children. The program also has an employment services component that promotes self-sufficiency for youth and adults. CalWORKs funds cannot be carried forward to the next fiscal year. However, these funds can be leveraged with WIA funds for adults and youths. The Welfare to Work (WtW) Program provides employment services to adults. Many WtW activities can be paid for with CalWORKs funds, except services for non-custodial parents. This provides the flexibility to maximize CalWORKs funds and utilize WtW funding which can be carried forward to the next fiscal year.

The Food Stamp Program serves low-income adults,

youth, and children and has an employment component for single adults.

In general, the programs noted above all serve low-income families and upon closer inspection have overlapping eligibility factors for this population.

It is important to expend money that cannot be carried into the next year first. This practice will allow the county to carry the maximum allowable funds forward, thereby increasing its chance of expending all allocated revenue.

Next year, TANF incentive funds will be eliminated. The remaining TANF incentive funds should be fully expended this year, thereby enabling the division to conserve funds that can be carried over to the 2003-2004 fiscal year. In addition to understanding how to leverage funding, it is also important to optimize the way county staff record their work activities on the time studies.

### **Time Studies**

Completing time studies accurately is critical in funding mandated programs and maximizing county funds. The Eligibility Workers draw down federal and state funds associated with their positions by time studying to these programs. All costs necessary to conduct the business of the welfare department, including support staff, contribute to the costs of the Eligibility Workers and other direct service staff.

### **Budget Reduction**

Managing budget reduction is complicated because all costs are interlocking. If the county cuts Eligibility Worker positions, the county cannot draw down funds from the federal and state governments

associated with the eliminated positions. Similarly, if the county cuts the support staff positions, the Eligibility Worker positions will draw down less money because the costs associated with the positions have been eliminated.

### **Implications for Contra Costa County**

One of the functions of budgeting should be to influence the culture of the organization because of its effect on the decision making process and its reflection of the mission of the organization. Often better decisions are made when the decision makers embrace a perspective that is broader than the interest of their own areas of responsibility. When decisions are made on behalf of the organization rather than on behalf of individual interest, a stronger organization emerges.

Division Managers' role in the budgeting process should be increased. Since managers oversee operations, they know what the expected program output targets are for their program areas, the required personnel level to maintain services and the program demands, based on caseload statistics. Sharpening the Managers' capacity to understand the budget will permit the organization to incorporate the managers' expertise regarding daily operations during budget deliberations. This can be accomplished by providing training that delineates the budget process, how to leverage funds, time-studying to enhance funding; how to make budget reductions and maximize available funding in the process; and finally, how to make decisions that benefit the organization.

Sonoma County Employment and Training Division has successfully enhanced its managers' capacity to understand the budget process. Sonoma County encourages managers to use their budget expertise,

in addition to collaboration and grant writing, to maximize the public resources used to respond to the needs of the community.

### **MAXIMIZING REVENUE IN A BUDGET-REDUCING ENVIRONMENT THROUGH COLLABORATION**

A key component of the successful revenue enhancement process used by Sonoma County's Employment and Training Division is collaboration. Merriam Webster defines collaboration as meaning "to work jointly with others...; to cooperate with an agency...with which one is not immediately connected; to labor together." A division of the Human Services Department, the Employment and Training Division provides administrative oversight to the Workforce Investment Board (WIB); participates in a four-county collaborative; partners with community-based agencies; and collaborates within its own Department and with other County departments. Division staff places a high priority on developing and maintaining relationships and partnerships with other entities that can assist the Division in its mission of workforce development.

#### **Workforce Investment Board**

The 1998 federal Workforce Investment Act (WIA) superseded the Job Training Partnership Act (JTPA) as a comprehensive workforce development initiative promoting employment, job retention and skills improvement for participants. WIA authorizes services for youth, dislocated workers, and low-income adults through statewide and local organizations.

A State Workforce Investment Board (WIB) was appointed by the Governor, and is responsible for establishing program policy and designing a statewide workforce development plan. On a local

level, individual WIBs administer WIA in each of fifty California Local Workforce Investment Areas (LWIAs), which are determined by geographic location, population and commonality of labor markets (please see Appendix B). Sonoma County is designated as one of these areas, with a WIB made up of required partners and representatives from labor, education, community-based organizations, economic development agencies and business.

Twenty-three business partners sit on this 45 member Board, with every non-business seat matched by a business seat. Sonoma County Human Services Department staff serves on the WIB, making the Agency part of a large collaborative whose mission is "to provide vision, direction and coordination of a system that enables Sonoma County to have the most effective workforce attainable."<sup>4</sup> The WIB, an action-oriented partnership, provides a forum for discussion of issues that impact the workforce, and makes recommendations on those issues. It allows businesses the opportunity to explore their workforce concerns and develop solutions in a collaborative environment. The Employment Training Division takes direction from the WIB.

One example of successful collaboration between the Sonoma County Employment and Training Division and a WIB business partner, Kaiser Permanente, is the Nurse Workforce Initiative. Grant funding was secured through the North Bay Employment Connection (NBEC) to be used in training workers in the healthcare field. Kaiser Permanente, along with other local hospitals such as Sutter Hospital and Santa Rosa Memorial Hospital, supplied the required match for the grant in-kind by providing nurses to serve as clinical preceptors for participants upon completion of the nursing program.

The Sonoma County Youth Education & Employment Services (YE2S) Council is a subcommittee of the WIB and focuses on workforce issues for all youth between the ages of 14 and 21. Its mission is “to develop a comprehensive system of services for all Sonoma County youth that integrates academics, career preparation and youth development strategies through collaboration with youth, employers, educators, service providers and the community.”<sup>5</sup> Employment and Training staff members provide staff support to the Youth Council. Representation on the Youth Council includes education, business and community-based organizations. The Youth Council makes recommendations on the awarding of contracts and grants to service providers and provides oversight of funded youth programs. Currently serving approximately 400 Sonoma County youth, recent funding losses mean a significant cut in the number of youth who will receive services in the coming year.

### **North Bay Employment Connection (NBEC)**

In January, 1998 the State of California, through the State Job Training Coordinating Council and the One-Stop Career Center Task Force, announced that funding would be made available to local/regional partnerships through a Solicitation for Proposal (SFP) process. The Director of the Solano County Private Industry Council (PIC) invited PIC directors from Sonoma, Napa and Marin counties and the Employment Development Department (EDD) Regional Manager to meet to explore the possibility of forming a partnership. The following month, the four county PIC Directors and the EDD Regional Manager met. As a result, the NBEC was formed and a grant writer was hired to develop a grant proposal. The County of Napa was selected to be the NBEC fiscal agent and administrative entity. Letters were sent to workforce devel-

opment agencies inviting them to be active partners and soliciting endorsements for the project.

A \$1 million grant proposal was submitted to the One-Stop Career Center System Task Force which recommended partial funding of \$700,000. In July, 1998 the Governor’s Office announced that NBEC would be one of the grant recipients.

NBEC’s focus is on “linking business to people and people to business.” The beliefs of the NBEC as stated in the Operating Principles are that:

- The collaborative should be flexible in order to adapt to fast-paced changes in the economic landscape,
- The collaborative should be accountable for high quality and performance, including good return on investment,
- The system should encourage each partner to do what they do best, and
- All partners should have equal authority and responsibility for joint efforts.<sup>6</sup>

Representatives from the four counties continue to meet to share potential additional funding opportunities, to share best practices and to function as a regional economic planning and analysis team.

By working collaboratively with neighboring counties, Sonoma County was able to receive grant funding that it could not have accessed alone. Some funders today prefer and even specify that applicants are to be part of a collaborative partnership. At least half of the grants for which the Employment and Training Division are currently being funded were applied for through the NBEC, such as the Caregivers’ Training Initiative grant, the Nurse Workforce Initiative grant, and the H-1B grant.

## **Collaboration with Community Partners**

Sonoma County Employment and Training has an excellent track record of collaboration with community partners. Although they have a thriving one-stop center, their mandatory CalWORKs job search component is contracted out to community-based organizations. (CalWORKs participants who are unable to find employment through the job-seeking program at their local community-based organization may be referred to the One-Stop for additional services.) This enables CalWORKs participants to receive employment services in their own neighborhoods.

In addition, Employment and Training grant writing staff members assist their partners by providing grant writing service and expertise, by reviewing and, in one instance even writing a grant, and by referring Requests for Proposals (RFPs) to partners who may be eligible to apply for grants that are not available to the County. In return, community partners also refer RFPs to Employment and Training for which the County may qualify to apply.

Another example of a successful community/agency partnership experience is the donation of \$80,000 to Employment and Training by Medtronics, a local high-tech employer. Rather than obtaining out-placement employment services after the company experienced large layoffs, Medtronics chose to make a donation to Employment and Training. The money was used to provide core service level workshops for a period of one year. Not only was this a cost-effective way for an employer to assist its laid off workers, it helped to provide Job Link services to the rest of the community. The donation was also used as a match for a Dislocated Worker project budget plan which brought in additional funds.

At a recent Board of Supervisor's meeting, a budget was presented by Employment and Training management which represented a 70% decrease in revenues and service provision for youth. This hefty reduction greatly impacts the Department, and the community organizations that contract with the Department, in their ability to continue to provide services to this target group. Several community partners spoke at the Board meeting. Although they expressed sadness at the loss of funding, they commented positively about their relationship with the Employment and Training Division. Because of the trust that has been built between the Department and its partners there was no blame or criticism, but only disappointment at the loss of much-needed services and questioning about the long range results of the reductions. It was also obvious that the Board of Supervisors values the youth programs and appreciates the difficulty for Employment and Training staff in downsizing a program about which they feel strongly. Several of the Supervisors spoke on behalf of retaining some of the services for youth with any discretionary funding that may be available once the budget is finalized. Only a department with a good working relationship – or partnership – with its Board could have received the type of support that was demonstrated.

## **Inter-County and Inter-Agency Collaboration**

As an integral part of their collaborative approach, the Employment and Training Division also works in partnership with other divisions within the Human Services Department and with other County agencies. Division staff members have an interdependent relationship with fiscal staff, which is especially evident when planning budgets for potential grants. Employment and Training staff use budget formats that are "friendly" to their fiscal accountants and keep the lines of communication

open. On the other hand, accounting staff does a meticulous job of documenting and justifying use of grant monies, which reflects well on the Employment and Training Division when seeking additional grant funding. One accountant has experience in both JTPA and CalWORKs so has an understanding of Employment and Training's objectives and goals. This relationship is of the "you scratch my back and I'll scratch yours" variety, and seems to be a win/win situation for everyone involved.

An example of collaboration with another County agency is the partnership between Employment and Training and the Economic Development Board (EDB), where Employment and Training underwrites a portion of EDB staffing costs. In turn, EDB staff do research which is provided to the WIB.

Within their own Department, Employment and Training, during a time when the economy was healthier and the Division was "flush" with funds, assisted the MediCal program with monies that made it possible to retain MediCal staff at risk of layoff. This was not only viewed as collaborative, but also demonstrated an ability to see the needs of the Agency as a whole.

### **Implications for San Mateo County**

San Mateo County's Fiscal and Accounting staff is extremely knowledgeable about and has an excellent understanding of the budget process. In addition, the Research and Planning Department has a great deal of expertise in grant writing and an excellent record of grant procurement. My internship in Sonoma County gave me a new understanding and appreciation of these departments in my own county and of their contributions to the economic health of the Agency. Based on this experi-

ence, I would like to make the following recommendations:

- Because San Mateo County's Planning and Development Department writes the bulk of grants for the Agency, we may not be taking full advantage of the many collaborative relationships that have been developed over time by individual managers with other departments, agencies and community organizations. This is an issue that could be examined by Planning and Development as an effort toward improving the grant writing ability of the Agency as a whole.
- Another issue that could be explored by San Mateo County's Staff Development Department is that of possible training around Federal, State and County budgeting processes for newly-appointed managers and even for supervisors. Our Fiscal Services Department could play an important role in providing the curriculum and/or conducting the actual training. A good understanding of how the budgeting process works is vital regardless of the program or area that is being managed, and could be of valuable assistance in both short term and long range planning and decision making.

### **Summary**

Sonoma County Employment and Training Division has collaborated successfully within the WIB, with a variety of community partners, as well as within its own Department in order to maximize revenues to be used in providing employment services to the community. Collaboration, combined with grant writing and an understanding of the Federal, State and local budget process has proven to be a successful revenue maximizing plan.

## MAXIMIZING REVENUE IN A BUDGET REDUCING ENVIRONMENT THROUGH GRANT WRITING

### Why Grants Matter

Grant writing stands at the intersection of collaboration and budget. Revenues can best be maximized when grant seeking is informed by knowledge of budget at the Federal, State, and local levels; knowledge of corresponding political dynamics; and the maintenance of strong collaborative partnerships.

Historically the province of non-profit organizations, grants have become popular in the public domain over the past 5 to 10 years as a means of augmenting the unstable and shrinking funding base provided by formula funding.

The impact of program costs on the County General Fund due to differences in Federal, State and county sharing percentages (as mandated in program funding formulas – please see Appendix C), Maintenance of Effort, time study ratios, and relative overhead costs can be offset by obtaining additional program revenue through grants. This is clearly demonstrated in Sonoma County.

In Sonoma County, Special Grants are used to address second tier Intensive, and third tier Training Services in the One-Stop program, and can lighten the expense load on formula funds (used to finance first tier Core Services) by drawing down some of the overhead expenses associated with the program.

Sonoma County has achieved a 90% success rate with special grant applications, bringing in \$4.5 million over the past two to three years. Special Grants, employer grants, and WIA account for

12.2% or \$2,336,207 of the Employment and Training Division's funding for 2002-2003. Currently, Sonoma County's Employment and Training Division administers 10 Special Grants, with applications pending for two more. In terms of WIA and CalWORKs funding allocations alone, Special Grants comprised 5.2% in 2000-01, 31.2% in 2001-02, a whopping 53.8% in 2002-03, and a projected 33.8% in 2003-04.

### Grant Seeking

Clearly, grant seeking has paid off for Sonoma County, but how do they go about finding such grants? Sonoma County discovers many grant opportunities through a four-county consortium, the **North Bay Employment Connection**, made up of the Workforce Investment Boards of Napa, Sonoma, Solano, and Marin counties. This consortium sometimes applies for grants together.

In addition, a grant writer on contract with the County of Sonoma, the **Glenn Price Group**, has secured grants for various county departments statewide. Sonoma County also finds grant opportunities through their Community-Based Organization (CBO) partners. Finally, on-line subscriptions, on-line searches, and publications such as the *Federal Register*, the *Federal Assistance Monitor*, and the *Grantsmanship Center Magazine* offer other sources for grant opportunities.

### Examples of Grants in Sonoma County

Each year, based on local labor market data, the Workforce Investment Board chooses three industries to concentrate on. This year in Sonoma County, the Workforce Investment Board is focusing on the healthcare, high tech, and hospitality industries, and Sonoma County's grant writing efforts

have followed suit. **The National Emergency Grant** (based on 20% of the Federal WIA funding for dislocated workers reserved by the Department of Labor), the **Nurse Workforce Initiative** (a proposal submitted by the North Bay Employment Connection to train and license RNs, LVNs, and Psych Techs in the North Bay region), and the **Low Income Flexible Transportation Grant** (through the Metropolitan Transportation Commission), represent three example of successful grant procurement in Sonoma County.

A fourth example of grant seeking in Sonoma County is the **H-1B Technical Skills Training Grant**. Aimed at providing long-term solutions to domestic labor shortages in high skill and high technology occupations in the North Bay region, the H-1B grant will be discussed at greater length in the proposal review section below.

### General Grant Writing Guidelines

Taking a look at some of the grant writing and proposal review guidelines used in Sonoma County illustrates the thoroughness that has contributed to their high success rate with grants.

Sonoma County considers the following questions when writing a grant proposal.

- Who are other potential stakeholders or partners in the grant?
- What group is being targeted for services, and why?
- Is this consistent with your agency's purpose and philosophy?
- What is the funding source asking your agency to deliver?
- What does your agency need?
- Where would the proposed services be offered, and how would they be provided?

- Why is the agency doing this?

### Reviewing a Request for Proposals (RFP) - Some Caveats

The Employment and Training Division is very selective in determining which grants to apply for, taking into account such things as timelines, reporting requirements, and agency resources. The more difficult the grant is to administer, the costlier it will be to administer, and the less money there will be for services.

To better understand all of these considerations, the BASSC interns reviewed several RFP's that Sonoma County would be applying for during the 2002-03 fiscal year. One of these, the **Department of Labor's RFP for H-1B Technical Skills Training Grants**, will be used as an example in describing the RFP review process. Sonoma County uses the following eleven questions when reviewing RFPs.

#### 1. *When is the due date?*

This is the first – and most obvious – question to consider when reviewing an RFP. Is there enough time available to prepare a good proposal? In the H-1B grant, the RFP was announced December 31, 2002, and applications would be accepted continuously throughout the 2003 calendar year, with application reviews beginning March 6, 2003.

#### 2. *What is the purpose of the grant and does it match our purpose?*

The purpose of the H-1B grant is to provide a long-term solution to domestic labor shortages in high skill and high technology occupations. This purpose is consistent with the goals of the Workforce

Investment Act, the Workforce Investment Board, and the One-Stop system.

**3. What is the total funding to be granted and over what period of time?**

In the H-1B grant programs, the total funding to be granted consists of \$200 million in H-1B user fees – fees collected from employers when they must hire foreign workers (with H-1B visas) in order to fill labor shortages in high skill and high technology occupations. Two types of grants be funded from this \$200 million - a 75% program and a 25% program, for WIB and business partnership applicants respectively. This RFP deals with the 75% program, in which each grant is for a maximum of \$3 million over a 36-month period, with an optional 12-month no cost extension.

**4. What partners are suggested or required, and why do you think that might be?**

Each WIB applicant must represent a public-private partnership consisting of one WIB, one business, and one community-based organization or higher education institution or labor union. Applicants are encouraged to collaborate with private for-profit businesses, Chambers of Commerce, small business federations, and labor unions that have an understanding of the job market in the region, and are in a position to address labor shortage occupations.

Consideration will be given to applicants that provide a specific commitment from other public or private sources to demonstrate the long-term sustainability of the training program after the grant expires.

**5. What are the reporting requirements of the grant?**

The H-1B RFP specifies the following reporting requirements: quarterly financial reports; progress reports addressing quantitative outcome measures; a general overview of project progress; and a summary of project activities and employment outcomes.

**6. Is a match required? What kind and how much?**

In the Department of Labor's H-1B grant, a 50% non-federal match is required which may be in cash or in-kind. Partners may divide the responsibility for the match in any way they choose.

As this example illustrates, many grants require matching funds, and the agency or division must ensure that there will be sufficient money and services to support the grant. Matching funds can come from the agency or from a community partner, and can be in cash or in-kind. In-kind contributions can be valued by asking community partners to estimate the dollar amount of their contributions. This could be office space, time spent by staff providing workshops, etc. If partners are not already involved, the agency may want to solicit contributions of this sort from them.

If the required match will come from agency funds, other money within the agency or the county must be available for matching purposes. The most challenging aspect of matching is that many matches cannot come from other Federal funding, or from money already being used to match something else. CalWORKs, for instance, has three sources of funding – Federal, matched by the State, and the local Maintenance of Effort. Since the State and local dollars are already being used to match Federal

funding, CalWORKs dollars could not be used as the match in a grant. This is where overmatch can be useful – sometimes the overmatch can be used as match money for a grant.

**7. What are the proposal format requirements?**

Failure to follow the requirements of the proposal format exactly can cause an otherwise good proposal application to fail. These requirements can be very specific, often down to the point size of the type to be used. The H-1B RFP specifications included how many copies to submit, what forms to include, a budget, how many pages the body of the proposal could be, type size, margin width, a description of partners with letters of commitment, a project activity time line, an executive summary, identification of the applicant's fiscal agent, and mailing instructions.

**8. What is the funding source for the grant?  
What is the time frame?**

Being aware of the funding source for the grant lets you know what the eligibility requirements are, or how the grant money can be spent. In the Department of Labor's RFP for the H-1B Technical Skills Training Grant, for example, the source of funding was the H-1B non-immigrant petitioner account. This account is based on \$200 million in H-1B user fees – fees collected from employers when they must hire foreign workers (with H-1B visas) in order to fill labor shortages in high skill and high technology occupations.

**9. What are the rating criteria?**

Each component of a grant proposal is weighted differently and is assigned a point value by the issuer

of the RFP. In the Department of Labor's RFP for the H-1B Technical Skills Training Grant, for example, the Statement of Need was assigned 10 points; the training and service delivery strategy, 25 points; sustainability, 15 points; linkages with key partners, 15 points; and outcomes, management, and cost effectiveness, 25 points. For the sake of efficiency and the success of the proposal, it is important to spend time in preparation of each component of the proposal proportionate to the point structure outlined in the RFP.

**10. Who is eligible to apply – public entities?  
Non-profits?**

For the H-1B grant, local WIBs were eligible to receive 75% of the total funds awarded. Consideration will be given to applicants providing a specific commitment from other public or private sources or both, to demonstrate the long-term sustainability of the project after the grant expires.

**11. How many grants will be awarded?**

By using the criteria outlined in the H-1B grant, the number of grants to be awarded can be determined: 75% of the available \$200 million in the H-1B account would be \$150 million; if each grant is \$3 million, then a total of 50 grants can be awarded, assuming that all grants will be of equal value.

Knowing how many grants there are to be awarded as well as the division's success rate at winning grants in the past, allows the grant applicant to estimate the odds of winning the grant at hand.

Another factor to consider is a realistic appraisal of what the division or department can deliver. Will the department be able to do what it has promised

in the proposal? Once these questions have been researched, an informed decision can be made about whether or not to pursue the grant.

## How to Write a Winning Proposal

Of the many resources about grant writing that the Employment and Training Division shared with its interns, Edmond Weiss's<sup>7</sup> article is among the most instructive. Weiss, an associate professor of communications at Fordham University's Graduate School of Business Administration describes ten of the most common mistakes made by grant writers, which can be summed up as follows.

### 1. *You were licked before you began.*

Your competitors were better qualified, and your agency did not employ objective methods to assess the probability of a proposal's paying off. Factors such as the number and strength of competing applicants, whether the project has been virtually guaranteed to another agency, how well what your agency can offer fits with what is wanted in the RFP, how compatible the project is with other agency undertakings, or how it might interfere with other things the agency is doing, need to be considered. A proposal is an investment of time that should not be undertaken casually or at the last minute.

### 2. *You didn't pay attention.*

You did not follow the requirements of the RFP exactly and in an easy to follow way (what Weiss calls "traceability"). Proposals are read by two groups of reviewers. The first group is looking for ways to weed out proposals and reduce the number of competitors for the grant. Not responding to one

of the requirements of the RFP, leaving out one of the forms, failing to provide the correct number of copies, or otherwise not following to the letter what the RFP calls for, are among the ways offers are disqualified. Successful grant writers make sure that the proposal addresses everything requested and that it is easy to find, or traceable.

### 3. *You were – well, boring.*

Your proposal did not demonstrate why it, above all others, should be chosen. It was in other words, indistinguishable. According to a theory of proposal writing known as win theory, your proposal must point out some advantage that you have as compared to your competitors, and emphasize it repeatedly in your writing and your negotiations.

### 4. *You were merely average.*

Your proposal did not communicate that you have a better understanding of the problem than anyone else. As Weiss puts it, you showed no "superior insight." Successful proposal writers know what RFP's are coming before they even arrive, by having nurtured relationships between customers and vendors. Winning proposals demonstrate a long-term interest in and commitment to the customer's goals, as well as a deeper understanding of the problem than what can be gained by reading the RFP. The more legitimate "insider information" your proposal contains, the better.

### 5. *You didn't sell.*

You failed to show how your proposal differed from your competitors' proposals, and how such differences would be not merely beneficial but highly advantageous to the customer. Teach, prove, or sell

whatever it is that is unique about your proposal in each component of the proposal.

**6. *Too many (novice) cooks spoiled the broth.***

Proposal writing should be done according to specifications set by experienced staff. Detailed thematic outlines should be provided to a few motivated staff who do not dislike writing and who can work together to produce a polished piece of writing.

**7. *Promises, promises.***

Proposals are built on promises - promises to deliver goods or services in an innovative and timely way. Agencies reputed to keep their commitments often produce successful proposals.

**8. *You didn't write, rewrite and edit.***

The first draft of your proposal should be just that – a first draft. It will most likely require several revisions, which should be edited by someone with superior writing skills. Strive to use simple, clear, and engaging language, avoiding “techno-speak”.

**9. *It wasn't easy to read.***

Winning proposals make it easy for the reviewer to follow what is being said. It may be helpful to think of your reader as someone who is somewhat forgetful, and who would probably rather be doing something else.

Using thematic titles and subtitles, frequent summaries, lists and tables where effective, placing charts and graphs on the same page where they are described, using easy to read fonts, and highlighting key words are some ways to make your proposal easy to read.

**10. *Love is blind.***

After slaving away for weeks on the proposal document, you and your team fell in love with it, defending it against any and all legitimate attempts to point out flaws, errors, weaknesses, and failing to make suggested changes. Your success rate is likely to improve dramatically if your agency employs what Weiss refers to as a “killer team” to deliberately misunderstand, find fault with, and pick apart your document prior to submission.

**Implications for Santa Clara County**

It is abundantly clear, from Sonoma County's example, that knowledge of budget and political process at the Federal, State, and local levels, when combined with collaboration and grant writing, becomes a powerful tool for enhancing revenue. Although Sonoma County and Santa Clara County differ significantly in size, Sonoma County's approach to grant writing has implications that may prove valuable for Santa Clara County. Based on my experience in both counties, I offer the following four recommendations for further consideration.

- **Train supervisors in budget and legislative process:** First, training in budget and legislative process would enable supervisors to better understand agency efforts at cutback management and to support ongoing grant projects within the agency. This training should be similar in scope to what Sonoma County offers its BASSC interns.
- **Continue grant seeking efforts:** Second, we should persist in our grant seeking efforts. As Sonoma County's Employment and Training Division has demonstrated, government grants and, to a lesser degree, foundation grants, are still available despite the continuing weak economic picture.

More specifically, I recommend that we make further grant seeking efforts to extend foster care payments to youth who remain in school or training, or up to age 21. Due to the impact of earlier abuse and neglect, often coupled with learning disabilities, many of our emancipating foster care youth are not able to complete education or training programs within this time frame.

As the little Hoover Commission points out in its report of February 4, 2003,<sup>8</sup> approximately one-third of emancipating youth failed to complete high school, 25% experienced homelessness, 50% were unemployed, 25% were arrested, and one-third received public assistance. Clearly, the social and economic costs of our inability to adequately serve these children are tremendous.

Additional funding is sorely needed in order for us to meet our obligation to help foster care youth make a successful transition into the adult world, but previous legislative attempts to extend foster care payments until completion of education or training requirements, or up to age 21 have failed. Subsequent legislation (AB 427, AB 1119) created a county-optional program to provide \$600 per month per youth, but it required a 60% county match for the nonfederal costs associated with this program, and there was insufficient funding to implement this program.

Additionally, in Santa Clara County, a portion of this youth population tends to remain in foster care between the 18th birthday and completion of high school. In the past, foster care payments were extended to this group through all county monies; given the current budget crisis, this can no longer be done.

The Jim Casey Youth Opportunities Initiative - a three-year \$18 million campaign to help youth in

foster care make successful transitions to adulthood –may offer some measure of hope. The initiative seeks to support successful state and community-based efforts through grants, technical assistance, and coalition building. With its emphasis on youth involvement, and community partnerships, this initiative would be a logical extension of our current Family-to-Family efforts, and may merit further exploration.

- **Utilize a Program-Knowledgeable Grant**

**Writer:** Third, to make grant projects within the Department of Family and Children's Services more relevant to existing Child Welfare programs, we may want to utilize a grant writer who is familiar with the day-to-day program side of Child Welfare. As we can see in the case of Sonoma County, one of the factors contributing to their success with grants is the grant writer's knowledge of and involvement with programs in the Employment and Training Division. This seems to bear out Edmond Weis' observations that winning proposals demonstrate a long-term interest in and commitment to the customer's goals, as well as a better understanding of the problem than anyone else. This could in turn facilitate collaborative procurement efforts with our community partners, whose strongest link to the agency is typically with program staff.

- **Increase Collaboration between Program Areas and Government Relations and**

**Planning:** Finally, building on the already excellent work of our Government Relations and Planning Department (responsible for coordinating grant applications agency-wide), to increase collaboration with the various program areas, may result in more widespread knowledge of grant opportunities relating to each program area, and better ability to procure grant monies.

## CONCLUSION

Sonoma County's Employment and Training Division does a masterful job of managing the complex interplay among budget, collaboration, and grant writing, and as a result, has significantly enhanced department revenue. The implications of Sonoma County's model for enhancing revenue vary for Contra Costa, San Mateo, and Santa Clara counties due to demographic differences, as well as differences in agency size and structure. Each of the recommendations offered for further consideration, however, represents a method of maximizing revenue in a budget reducing environment, and therefore, a means of Creating Hope In Cash-Attenuated Government Operations\*!

## ACKNOWLEDGEMENTS

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\*C.H.I.C.A.G.O.

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### Endnotes:

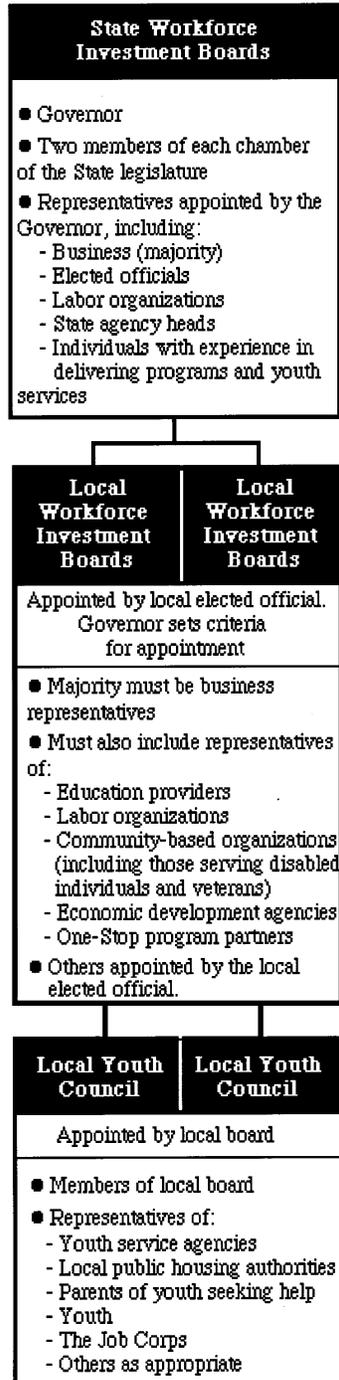
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### APPENDIX A

California Budget Process		
Executive Branch		Legislative Branch
Administrative Departments prepare budgetary requests	April	
Agencies prepare preliminary program budgets	May	
Departments of Finance and governor issue policy directions	July- August	
Department of Finance reviews agency proposals	September-October	
Commission on State Finance and experts forecast revenues	November	
Governor finalizes budget	January	
Governor submits budget to legislature	January 10	
		Fiscal committee chairs introduce governor's proposal as budget bill
	February	Legislative Analyst studies proposed budget; issues <i>Analysis of Budget Bill and Perspectives and Issues</i> .
	March- April	Assembly and Senate budget subcommittee hold public hearings on assigned sections of the budget
Department of Finance issues revised forecast of revenues and expenditures	May	Subcommittee complete action on budget
		Full budget committees hold hearings and vote.
		Assembly and Senate pass respective versions of the budget bill.
	June	Conference committee of 3 Assembly members and 3 Senators agree on a compromise budget bill. June 15: Legislature submits approved budget to governor.
June 30: Governor exercises line item veto and signs budget act		
	July	Legislature can restore vetoed items by two-thirds vote in each house.

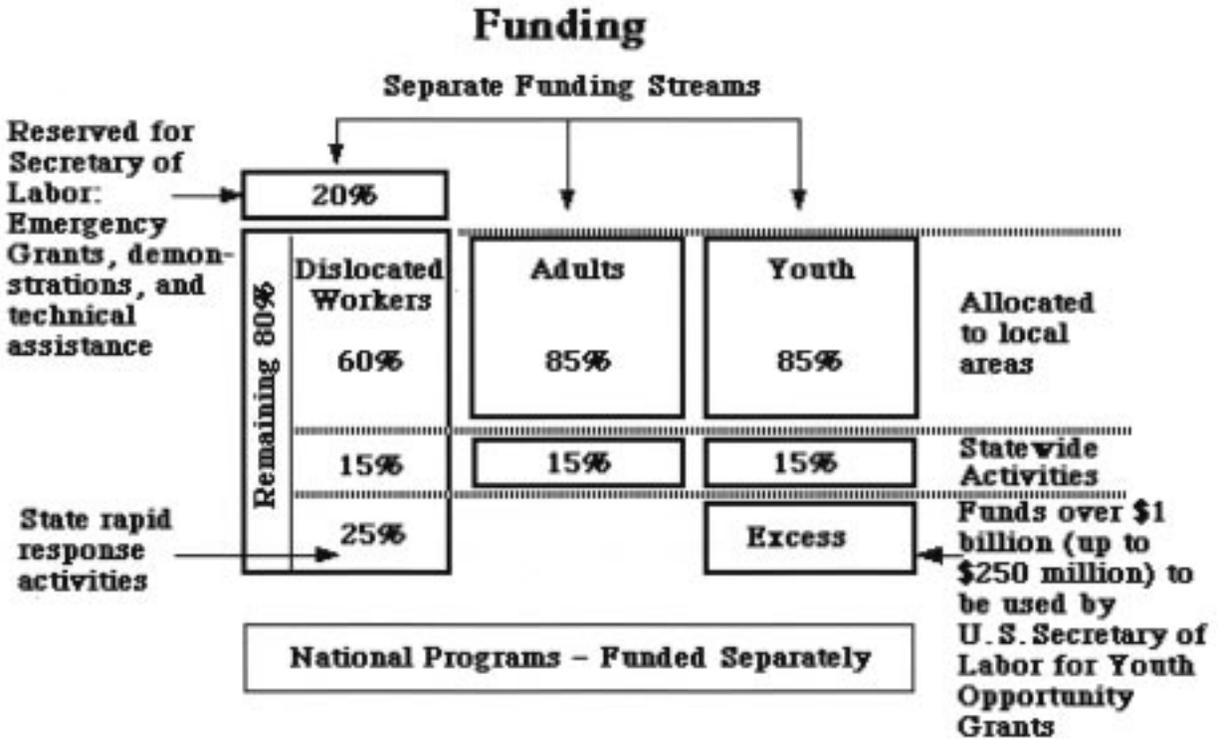
**APPENDIX B  
STATE AND LOCAL WORKFORCE INVESTMENT**

**Planning & Oversight**



Courtesy: U.S. Dept. of Labor Employment and Training Administration

**APPENDIX C**  
**FORMULA FUNDING THROUGH THE WORKFORCE INVESTMENT ACT**



Courtesy: U.S. Dept. of Labor Employment and Training Administration