



WHAT WE'RE LEARNING:

Helping Citizens to Understand and Influence State Budgets

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Overview

To thrive, states must make budget and tax decisions that are responsive to the needs of their citizens. The State Fiscal Analysis Initiative (SFAI) is a collaborative funding effort to strengthen the capacity of state-level nonprofit organizations so they can undertake credible, timely and understandable analysis of critical budget and tax issues and inform the public on these matters. The Ford Foundation provided nearly half of the national foundation support for this initiative, which began in 1993 and concluded in 2002. The Annie E. Casey and C.S. Mott foundations have been key funding partners of this initiative from the start. The grants supported research, policy analysis, public education and coalition building.

Initially, grants averaged \$100,000 annually for each state budget analysis project. The selected nonprofit affiliates were a diverse group, but all were committed to beginning or expanding budget and fiscal policy analysis with a focus on how budget issues were affecting low-income and disadvantaged groups in their states. SFAI has grown from 11 groups in 1993 to having affiliated policy groups in 29 states and the District of Columbia with potential affiliates in seven additional states. The growth of the network became an important indicator of the initiative's impact.

How We Got Started

Facing Budget Crises Without the Tools to React

In the late 1980s and early '90s, states were struggling with the aftermath of economic recession, tax cuts and the trend to shift federal responsibilities to the states, especially in programs affecting low-income and vulnerable populations. As the resulting reductions in social programs deepened, nonprofits and advocates for the poor focused their attention on the severity of the budget crisis and the inadequacy of state tax and fiscal policies to offer solutions. The Ford Foundation and the Washington-based Center on Budget and Policy Priorities (CBPP) began to collaborate in early 1992 to find ways to respond to the crisis.

SFAI fell squarely within the foundation's history of promoting responsible governance and citizen engagement, as well as its commitment to reducing poverty. The goal was to strengthen decision making at the statewide level and to support research that translated into policies to reduce poverty through systemic change. Based on an analysis by CBPP on how best to tackle the problem, Ford sought out multiple funding partners to bring the work to scale across the country.

The initiative's design was based on three key assumptions about states' fiscal problems:

- The shift from federal to state funding responsibility was disproportionately harmful to low-income and vulnerable populations, creating a need to analyze changing state budget priorities and tax policies and their impact on these groups.
- The differences among the states' political environments, tax systems and budgetary processes were so significant that the work needed to be done state by state.
- The infrastructure for this type of independent, citizen-driven analysis was either not in place or was insufficiently developed to meet the challenge.

The goal of the initiative was to seek out and develop a network of independent, locally based nonprofits that would mirror the work being done nationally by CBPP. The center serves as the coordinator and technical assistance provider for network members, holding annual meetings and providing one-on-one coaching and analytic expertise for the groups. CBPP has also provided some assistance with fund-raising and communications.

What We Have Learned

Timely and Independent Analysis Can Help Shape Smart Policy

SFAI has achieved remarkable success. Member organizations have produced impressive results, generating research and analyses that catalyzed policy debates, often resulting in new policies—or preventing bad ones. Most of the organizations demonstrated a growing capacity to produce rigorous, timely, independent analyses of state policy issues on which other nonprofit groups, legislative allies and public administrators rely. As a result, this work has helped coalitions of nonprofit and constituency-based groups better understand the budgeting process and trade-offs involved in budget decisions. By doing so, they have become respected resources for legislators, the media and advocacy groups.

- **In Alabama**, the Arise Citizens' Policy Project's report on tax reform served as a framework for legislation introduced by the chairman of the House Ways and Means Committee.
- **In New York**, the Fiscal Policy Institute's campaign analysis of proposed changes to state empowerment zones led the legislature to shift direction.
- **In Maine**, state-based organizations have successfully changed the economic climate for low-income families by helping to increase the minimum wage, enact an earned income tax credit and broaden eligibility for social programs and medical coverage.
- **In Illinois**, the research and analysis of several groups played a key role in preserving revenue by helping defeat a repeal of the gas tax.

Breadth and Depth of Analysis Go Hand in Hand

Enhancing the capacity for budget analysis at the state level was the initial goal of SFAI, while maintaining relative independence of the budget work from the other policy endeavors of the host organization. The evaluators found, however, that both the breadth of issue coverage and the depth and quality of budget analysis were important in establishing a group as a "go-to" resource in a state. State groups that combine budget analysis with research on tax and revenue and other "fast-breaking" policy issues are more effective in establishing their credibility with the media and policymakers than groups with a more narrow policy focus.

Relationships Build Credibility and Accountability

The veteran state groups examined in the evaluation had strong relationships with policymakers, human service coalitions, advocacy groups and the media. These relationships were critical in helping these groups gain visibility and credibility. Three of the 10 groups established relationships with the business community, while others appealed to labor in building support for policy change. At the same time, only three of the 10 veteran state groups had strong partnerships with organizations representing low-income or minority communities. While most of the state-level grantees are representing the interests of the most vulnerable in policy debates, they may be susceptible to criticism from the very communities they represent because they lack diversity in their organizational staffing and they remain only indirectly accountable to those communities.

Systemic Reform Remains a Moving Target

SFAI has successfully shaped the content of specific policy debates, but it has been less successful in permanently changing the “rules of the game” of how state tax and budget policies are made. In many states, budget negotiations and decision making are conducted privately with little formal opportunity for citizen engagement or review of important budget and policy priorities. Of the 10 grantees examined, only Arizona, California, Michigan and Texas could point to achievements in this reform-resistant realm. Reform can encourage more public discussion, as in Texas, where the legislative process now requires that all tax bills explain the impact of their proposed changes on different income groups.

Our Work Today

Success and Growth Prompt Many Questions

SFAI's success and expansion also raise questions: How fast should the initiative continue to grow? What governance structure and membership criteria are appropriate for the network going forward? How can financial support for the initiative be broadened to ensure the long-term stability of the state policy groups?

The evaluation noted that SFAI differs from many other nationally funded programs because the participating national funders (which now number seven) engage in project planning and implementation with each other and with grantees. While some local funders are also supporting local SFAI groups, the response of local foundations in most regions has not been as strong as anticipated, raising difficult questions about long-term sustainability.

How This Evaluation Was Conducted

This evaluation was conducted by an independent, nonprofit research and consulting organization. The evaluation involved fieldwork, interviews with stakeholders, content analysis of publications, and media coverage. The research focused on 10 state-level organizations that received SFAI support since 1992: Arise Citizens' Policy Project (Alabama); Children's Action Alliance (Arizona); California Budget Project; Voices for Illinois Children; Maine Center for Economic Policy; Massachusetts Budget and Policy Center; Michigan League for Human Services; Fiscal Policy Institute (New York); North Carolina Budget and Tax Center; and Center for Public Policy Priorities (Texas). The evaluation was conducted over a 30-month period between 2002 and 2005.

The evaluation examined the characteristics of SFAI's state-level grantees; the policy environment in which they operated; the tools and strategies used to try to shape policy debates and the policy process in the state in which they operated; and their relationships with policymakers, grassroots and community groups, government agencies, unions, business groups, universities, human service providers, advocacy groups and the media. Evaluators also examined the way SFAI functions as a learning and information-sharing network, and the role of the Center on Budget and Policy Priorities as coordinator and technical assistance provider.