GFOA

PADDING PLAY

CRISIS C...

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OPERATION

BUDGET GAMES

BUDGET GAMES

Local budgets are often seen by participants as a competition for scarce resources. This competition often results in "budget games."

WHY ARE GAMES A PROBLEM?

Gamesmanship requires distorting or hiding information. *Thus, gamesmanship degrades the feedback loop between budget requesters and budget authorizers.*

In a budget process where gamesmanship is effective, budget allocations given to the best gameplayers, not those who follow the rules and provide honest estimates. *Thus, gamesmanship detracts from the budget process's reputation of fairness.*

WHAT ARE EXAMPLES OF GAMES?

The simplest, most widespread game is when departments ask for more than is really needed., This is known as **Padding the Budget**.

The **Crisis Card** is when the budget requestor alleges catastrophic outcomes for the public if the request is not fulfilled. The Crisis Card appeals to the natural risk aversion of public officials.

The paper describes many more and the underlying features of games that help you recognize any game, not just those we describe in the paper.

PLAYING DEFENSE

- A budget office needs both a defense scheme and countermeasures.
- A scheme makes the environment generally inhospitable to game play.
- Defensive countermeasures counteract specific game play tactics.

DEFENSIVE SCHEME

The defensive scheme is to provide an alternative to the zero-sum, win-lose conception of budgeting that game players have. The report describes how GFOA's *Financial Foundations for Budgeting* can shift the conception of budgeting to a more cooperative venture.

Example: Help budget participants identify with the entire local government, not just their department. If people feel part of a local government "team" they are likely to run games on their teammates and are more likely to push back against those that do.

DEFENSIVE COUNTERMEASURES

The defensive countermeasures short-circuit the underlying mechanisms that particular game relies on. The report describes how *Decision Architecture* can be used to deploy countermeasures.

Example: The Padding Play game asks for more than is really needed. Counteract this by testing the underlying assumptions of the request – perhaps by making the number of units and unit costs behind the request transparent. The details are more concrete and harder to game.

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ABOUT GFOA

The Government Finance Officers Association (GFOA) represents over 21,000 public finance officers throughout the United States and Canada. GFOA's mission is to advance excellence in government finance. GFOA views its role as a resource, educator, facilitator, and advocate for both its members and the governments they serve and provides best practice guidance, leadership, professional development, resources and tools, networking opportunities, award programs, and advisory services.

ABOUT THE RETHINKING BUDGETING PROJECT

Local governments have long relied on incremental, line item budgeting where last year's budget becomes next year's budget with changes around the margin. Though this form of budgeting has its advantages and can be useful under circumstances of stability, it also has important disadvantages. The primary disadvantage is that it causes local governments to be slow to adapt to changing conditions. The premise of the "Rethinking Budgeting" initiative is that the public finance profession has an opportunity to update local government budgeting practices to take advantage of new ways of thinking, new technologies, and to better meet the changing needs of communities. The Rethinking Budgeting initiative will raise new and interesting ideas like those featured in this paper and will produce guidance for state and local policy makers on how to local government budget systems can be adapted to today's needs. We hope the ideas presented in this paper will spur conversation about the possibilities for rethinking budgeting. The Rethinking Budgeting initiative is a collaborative effort between the Government Finance Officers Association (GFOA) and International City/County Management Association (ICMA).

To learn more, visit **gfoa.org/rethinking-budgeting**.

USE OF GENERATIVE ARTIFICIAL INTELLIGENCE IN THIS REPORT

Generative Artificial Intelligence (AI) tools, primarily ChatGPT4, were used to help develop the report. Primary uses of the AI tools include:

- Development of ideas for the outline of the report
- Generation of text for a few specific purposes. Text generated directly from generative AI is clearly labeled as such in the report where the contribution from AI is material. Examples of immaterial contributions would be suggestions from AI on wording choices, grammar, etc.
- Review of final report and to give suggestions to make language more accessible for the intended audience.

GFOA acknowledges the limitations of AI-generated information, including potential biases and other limitations of generative artificial intelligence. All data, ideas, etc. from ChatGPT4 that were used in the report were independently verified/validated by the author(s) and not taken at face value.

Local government budgeting is about deciding how to distribute resources among different needs. Local governments are usually divided into departments, each having some freedom to manage their daily tasks and request funding. Central budgeting authorities oversee and control the distribution of these funds. While this setup has its advantages, it can also lead to competition among departments when a local government is deciding who gets what. This competition results in "budget games," where departments engage in strategies to secure more resources. The most common game is "padding the budget," where departments ask for more money than they actually need. There are many other such games as well.
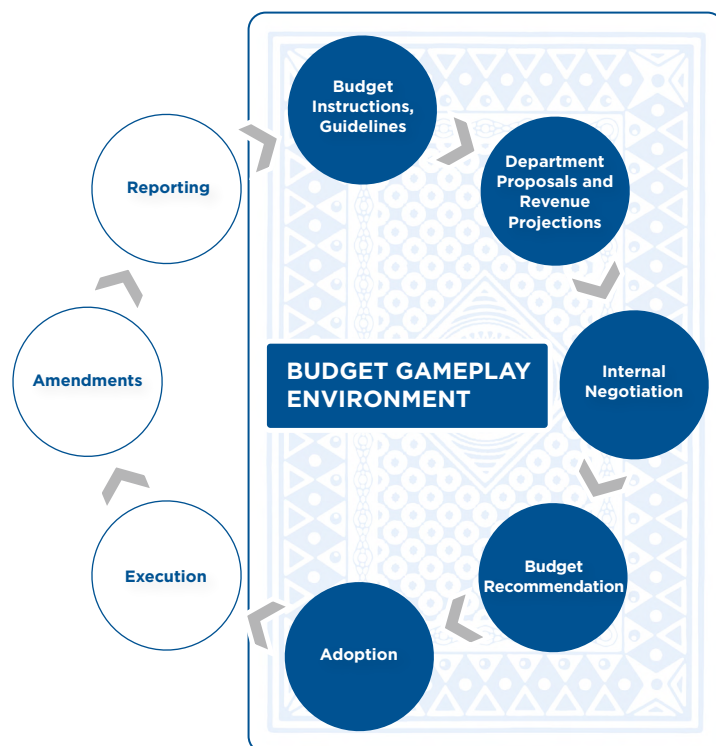
Before we delve into these games, here is why budget officers must be aware of them.

First, budget officers need good information to make savvy and wise budget decisions. The better the information, the better the chances of good decisions. However, budget games can distort or hide information. Central budget authorities must read between the lines, recognize the "tells", and call bluffs to uncover the players' true intentions and resource needs. ***Thus, gamesmanship degrades the feedback loop between budget requestors and budget authorizers.*** High-quality feedback loops are essential for an effective system. Ideally, departments communicate an accurate picture of their needs to central authorities who then use this information to determine the best tax and spending portfolio for the community. If the community is not willing to pay the taxes to support the proposed service levels, departments can adjust and provide an affordable level of service.

Exhibit 1 illustrates where games are most likely to be played in the budget process.

Budget officers need good information to make savvy and wise budget decisions. The better the information, the better the chances of good decisions. However, budget games can distort or hide information.

EXHIBIT 1 | Where Budget Games Are Likely to Happen in the Budget Process

Budget Instructions, Guidelines

Department Proposals and Revenue Projections

Reporting

BUDGET GAMEPLAY ENVIRONMENT

Internal Negotiation

Amendments

Execution

Budget Recommendation

Adoption

Second, effective gamesmanship requires bending if not breaking the rules of the budget process. A budget process expects participants to provide their best estimate of the funds they need to provide a service and to use public funds in ways that benefit taxpayers the most. However, budget games aim to get more money than needed, avoiding the scrutiny that separates the important requests from the less important ones. This means resources are allocated based on how clever and bold the players are rather than on what would benefit the community the most.

In this case, budget success favors those who play the games with the greatest skill—the card sharks of the budget process—instead of those who follow the rules and provide honest estimates. The most successful game players are those most effective at subverting the rules. ***Thus, gamesmanship detracts from the budget process's reputation of fairness.*** A sense of fairness is essential to encourage all budget participants to give their best effort during the process and afterward to implement the budget, even if they fail to get what they wanted.

To moderate the problem of budget games, we must understand why they exist.

The most obvious reason is that budgeting takes place in an environment of scarce resources. This can lead to zero-sum competition, where budget participants are pitted against each other in a battle for resources. For example, allocating funding to one player often means less funding for another who may not have played the game as skillfully. Unfunded mandates, legal restrictions, and legislative priorities all can reinforce feelings of scarcity, leading to increased competition among players to get their share of the pie.

Another reason is that budget requestors have motivations that encourage gamesmanship. A laudable motivation is the desire to solve a public service problem. For example, department officials may see their role as providing the best service possible within their department, such as expanding a service to more people or improving its quality or quantity. That requires more resources. Thus, the end goal of providing the best service to the public is justified by the means of gamesmanship.

Other motivations are less flattering. One is empire building, where department managers seek greater prestige or greater remuneration for managing a larger department. This provides an incentive to maximize and spend their budget. Another motivation is avoiding scrutiny. Budget games can be a way to preserve existing resource allocations or gain more while minimizing scrutiny.

The final reason budget games exist may be less obvious: People have different perceptions of risk. Finance and budget officials often focus on minimizing the risk of budget deficits by keeping spending within the organization's limited means. In contrast, operations officials aim to avoid disruptions to operations to maintain consistent services despite unforeseen costs. To do this, operations officials play games that minimize the risks, such as padding the budget to self-insure against unplanned, unavoidable expenses. Clearly, these goals are at odds with each other.

Next, we'll explore the games players often employ in the budget process. Following that, we'll describe how budget officers can defend against these games.
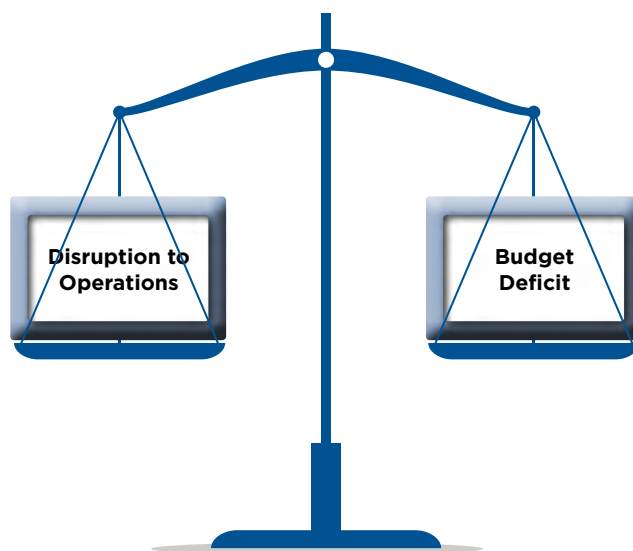
The Games People Play

Now we'll describe the different gameplay tactics used in budgeting.[1] We'll explain what the game is, how it works, and why players use it. We'll also show how many of these games take advantage of **cognitive biases** and **logical fallacies**. Cognitive biases are systematic, unconscious errors in thinking that impede good decision-making that anyone can fall prey to. Logical fallacies are arguments that may seem appealing on the surface but fail under close examination. Knowing these foundations on which the games are built positions us better to counter their negative effects.

Is GFOA Revealing Forbidden Knowledge?

One might wonder if revealing these games might provide a playbook for would-be game players. Most people who play budget games are not budgetary Machiavellians but are often responding to incentives and/or falling into cognitive biases and logical fallacy traps. The budget office can design a process to counter these forces and, thereby, discourage budget games. Consequently, awareness of these games is critical to designing a fair budget process.

THE PADDING PLAY

The King of budget games is asking for more than you really need, also known as the **"Padding Play."** This tactic is similar to *highball pricing* in negotiations, where the seller sets a price much higher than the lowest price they are willing to accept. This starts the negotiations at a high number and takes advantage of a psychological phenomenon known as *anchoring bias*. The high number becomes a reference point that sets the tone for the negotiation. The seller then graciously lowers the price, much to the relief of the buyer who then settles at a price still higher than the minimum the seller would have accepted.

The Padding Play is crowned King because of its high success rate and widespread use. It is common for government departments to have non-trivial amounts of padding in their budget. This is seen when departments rush to spend all their remaining budget at the end of the year. They do this to prove they really *did* need all that funding and to prevent cuts in the next budget cycle when budget officers question if the budget is the right size.

The Padding Play is often motivated by a department's perception of risk. Padding acts as a form of insurance against unplanned, unavoidable costs. It is also used when the department's efforts at planning next year's activities are lacking. The padding becomes a hedge, buying time for the department to figure it out later. Further, when an agency spends less than budgeted, it is often lauded for saving money. However, these savings may result from overestimating their budget needs rather than thriftiness. Avoiding risk and the allure of looking good by not overspending are two rewards of the Padding Play. However, this tactic carries an opportunity cost of other services that could not be provided and/or overtaxing the community.

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THE CRISIS CARD

If the Padding Play is the King, then the **"Crisis Card"** is the Queen. This is when the budget requestor claims catastrophic outcomes for the public if their request is not fulfilled. Though not as common as the Padding Play, the Crisis Card is very impactful because it appeals to the natural risk aversion of public officials. No one wants to be known as the person who denied a request in the name of frugality if the predicted crisis comes to pass.

The Crisis Card often takes advantage of a cognitive bias known as *narrow framing*. This is when we see only a narrow range of options, like "go" or "no-go." The Crisis Card frames the choice as: "approve this budget request or accept the catastrophe." In reality, there are likely several options to address the problem, some of which might be cheaper or more efficient than the proposal on the table. An example of the Crisis Card comes from a rural county in California's snow country. The elected sheriff implored the Board of Supervisors for around $150,000 to purchase a "Snowcat," which is an all-terrain vehicle equipped for snowy conditions, including rescues. By striking fear into the Board by claiming that people will die if funding is denied, the sheriff was granted the funds needed for the purchase. No supervisor wanted to be on record denying the request and risk a scenario where the old Snowcat failed during a rescue attempt and someone died.

> The Crisis Card often takes advantage of a cognitive bias known as narrow framing. This is when we see only a narrow range of options, like "go" or "no-go."

SELLING THE SIZZLE

Let's move on to the Jacks in our card deck. These tactics are both common and effective at gameplay. The Jacks share a common theme: taking legitimate, desirable strategies for making budget requests and warping them into undesirable budget games. It is challenging to recognize when this line has been crossed.

The first of these is **"Selling the Sizzle."** This tactic involves making a budget request look appealing with flashy presentations that use graphics, personal stories, and videos, but short on substantive arguments for why the proposed investment is a good use of public money. Though attractive and engaging presentations are usually welcome at budget hearings, they can be problematic when they cross the line from reasoned argument to razzle-dazzle. This lowers the quality of budget discussions. Here are some signs that Selling the Sizzle might be happening:

- **Reasoning from anecdote.** This involves using a single example to imply a broader conclusion. Budget game players often use this approach following a high-profile incident. For instance, a traffic accident might be used to justify expensive engineering solutions, such as a traffic light, even if the accident was due to avoidable human error rather than a systemic flaw in the traffic system.

- **Technobabble.** This involves using jargon or technical terminology to impress the audience and make the proposal seem sophisticated. This play works well when the subject matter is complicated and not well understood by elected officials and the public.

- **Overconfidence in the outcomes.** Making an impact with public policy can be difficult.* When presentations downplay the uncertainty of a budget proposal's outcome, it could be a sign of Selling the Sizzle. This can mislead decision-makers about how effective the proposal is likely to be.

- **Selective data presentation.** This involves showing data that supports the request while ignoring data that doesn't, also known as *confirmation bias*. This game is related to overconfidence. This can lead to higher budgets without better results or funding solutions for problems that don't exist. Interest groups outside of the government use this tactic too. For example, a consumer group might advocate for electric car charging stations. They present data showing the benefit to electric car driving tourists while omitting the utility cost to operate each station. This can lead to inflated budgets and misallocated resources.

> Budget requestors who truly believe in the impact of their request on the community are likely to use Selling the Sizzle. Their strong belief in their proposal leads them to set aside reasoned arguments in favor of painting the best possible picture of their request.

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*Take, for example, mathematics education in primary and secondary schools. A review of 155 math programs in the U.S. Department of Education's Institute of Educational Sciences' What Works Clearinghouse shows that just under 20 (12%) of those programs have proven positive or potentially positive effects. Literacy does better, but only 23% of programs in the database have positive or potentially positive effects. Switching to a different field, justice, the National Institute of Justice's Crime Solutions database shows that, of about 650 programs, about 90 (only 14%) have proven effective.

THE PET PROJECT PLAY

Our next Jack in the deck is the **"Pet Project Play."** This is when budget requestors try to link their requests to a priority or pet project held by legislators. Though GFOA has long advocated that local government budgets should align with community priorities,[2] it becomes a budget game when requestors use a psychological phenomenon known as the *halo effect*. They associate their budget request with something seen as positive in the minds of legislators, such as a priority or pet project, even if there is little or no direct relation. This association creates a positive glow around the request, making its approval more likely.

Many budget directors have noticed a weak form of the Pet Project Play when the budget requires requestors to explain how their request aligns with organization-wide strategic priorities...and many of the claims of alignment are tenuous at best. This tactic is especially effective when the strategic priorities are broad and vague.

Imagine a governing body that wants the government to be more environmentally friendly but doesn't have a plan on how to achieve that goal. This broad objective could involve any number of initiatives, giving plenty of opportunities for the Pet Project Play. Budget requestors could easily claim that their projects support environmental friendliness to gain approval, even if the connection is weak.

THE INFLUENCE OPERATION

Our final Jack is the **"Influence Operation."** This involves lobbying for support from executives, legislators, media outlets, or community groups. Though legislators should be central decision-makers in budgeting, and GFOA encourages community engagement in the process,[3] problems arise when budget requestors try to influence these groups outside of the budget process.

Decision architecture refers to how the design of the process helps decision-makers make their best decisions by reducing the impact of cognitive biases and logical fallacies. If budget requestors have separate conversations with decision-makers outside of a fair process, it can lead to poor budget decisions.

For example, board members may be lobbied to make concessions on development projects. If this lobbying results in lost revenue or additional services that cost taxpayers more, resources are being allocated without proper budget scrutiny.

Let's move on to the number cards in our deck. While these games may not be as common or effective as face card games, they are neither rare nor marginally effective. As we examine the number cards, we'll see that budget games are sometimes deployed in combinations, creating a sort of "one-two punch."

THE MANDATE MASQUERADE
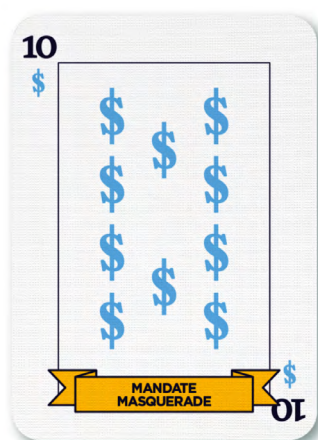
The **"Mandate Masquerade"** game is a classic. It is when a budget requestor exaggerates or even fabricates a legislative, contractual, or other kind of mandate to justify their request. The Mandate Masquerade relies on an *appeal to authority fallacy*. This is where an argument is positioned as correct because it is supposedly backed by an authoritative institution. People often accept claims at face value if they come from a legitimate source. This can be particularly effective in local government, as decision-makers prefer not to risk running afoul of contractual or legislative obligations.

In many cases, the requestor may not knowingly exaggerate or fabricate a mandate. *Confirmation bias* causes us to pay more attention to information that supports our preferred outcomes. This may cause requestors to interpret legislation, contracts, etc., in a way that supports their request, or they fail to question long-standing assumptions that there are mandates underlying their preferred spending plans.

For example, a city was subject to a legislative mandate to produce and display more police-related data. This requirement could have been met with small adjustments to the police data website. Instead, an entirely new database and website were purchased under the guise of complying with the mandate.

THE SILENT WINDFALL

Local government budgets are typically large and complex, making it easy to miss errors. The **"Silent Windfall"** game takes advantage of this by keeping quiet about budget errors that add appropriations in the requestor's favor. Rather than wait passively for a favorable error to occur, the most cunning game players create situations that likely result in budget errors that work to their advantage.

One such strategy involves making large and/or complex requests. For example, a request might mix one-time and ongoing costs. The requestor will point out and fix misinterpretations that work against them but ignore errors in their favor. Another strategy involves the timing of requests. Submitting requests at the last minute, especially during the busiest budget workload periods, may reduce the scrutiny the requests receive, increasing the chance of errors in the requestor's favor. Many finance officers have received last-minute requests for personnel or vehicles and been asked to squeeze them into the budget.
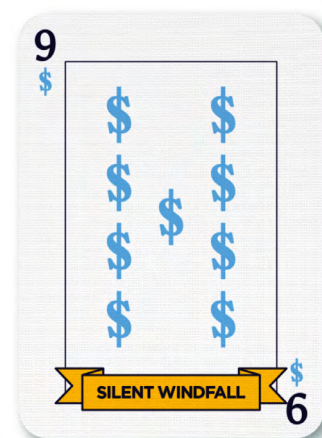
THE CLIENT HEART-TUG
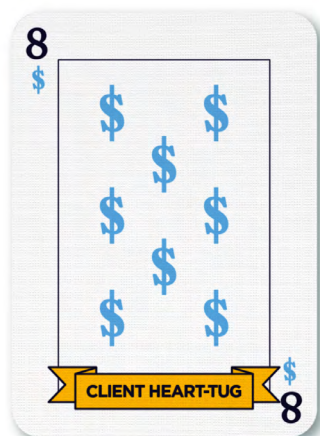
Many of the budget games we have discussed so far rely on logical fallacies—in other words, faulty reasoning that seems legitimate. Logical fallacies work because people are primarily emotional beings rather than logical beings. The **"Client Heart-tug"** game leans into this. It pulls the purse strings with heartstrings, centering budget requests around testimony from clients or members of the public who have been positively impacted by a program.

While personal stories are effective for explaining abstract budget concepts and showing real-world benefits, the Client Heart-tug strategy veers into gamesmanship when the budget presentation includes only positive client testimonials and ignores or hides the drawbacks or limitations of the program. In other words, the presentation is one-sided, with the budget game player choosing the most compelling and convincing stories while leaving out contradictory information.

For example, a group of pottery enthusiasts—most of whom were not taxpayers in that jurisdiction—convinced a city council to overturn the manager's recommendation to cut part of the pottery program during a tough budget period. This decision led to cuts to other core services.

THE WAITING GAME

All the games presented so far rely mostly on aggressive attempts to secure more funding. However, not all games follow this pattern. **"The Waiting Game"** is a passive strategy that involves staying silent about budgetary needs, avoiding budget expansion, and "waiting one's turn" to make a proposal. The game player might use this as a strategy to build political capital by forgoing requests now to make a bigger request later, to wait for a more opportune political moment, or to avoid the scrutiny of the budget process.

Though many budget officers probably wish more departments would try this game instead of the more aggressive ones, it has its drawbacks. Obscuring a department's real needs can increase the risks of service failure or missed opportunities. It deprives decision-makers of the ability to consider the government's most pressing needs and to plan accordingly. When The Waiting Game player finally requests more funding, it might incorrectly look like a Padding Play. If denied, this could result in serious underfunding.

To illustrate The Waiting Game, imagine a parks and recreation department that runs both fee-based recreation programs and tax-supported parks. When property tax revenue is growing, the department might propose expanding parks but hold back on requesting funds for new programs, even if these programs could generate some fees. This makes the department's total requests seem more reasonable. However, by doing this, the department might miss opportunities to generate extra fees or delay the cost of programs that will eventually be needed to make the best use of the new park space or generate fees to help with maintenance.
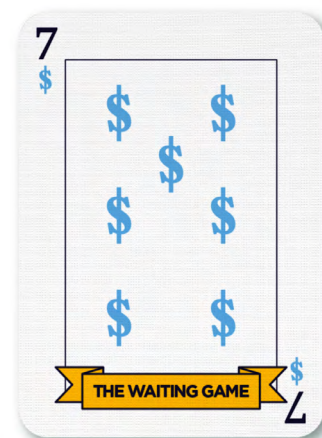
FOOT-IN-THE-DOOR FINANCING
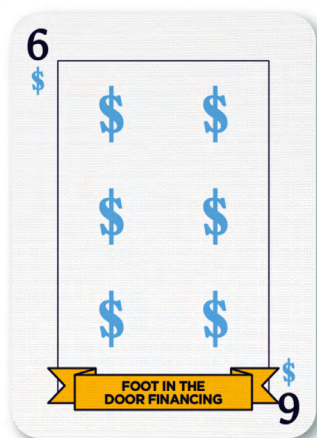
"Foot-in-the-Door Financing"[4] is where a department starts with a small request and gradually expands the program over time. The game player counts on three things:

1. Less initial scrutiny because of the small size of the request.
2. The new program becoming part of the baseline budget.
3. Incrementally growing the program from there.

This game works by taking advantage of *present bias*, or the tendency to underweight future costs. Decision-makers are not put off by the small initial cost and overlook the long-term cost. Foot-in-the-Door Financing also takes advantage of the tendency for local government budgets to put previously approved spending on autopilot and incrementally increase spending in subsequent years. The saying "once in the budget, always in the budget" is well known.

Consider this example of constructing a new park. Initially, the park was planned to be a passive-use neighborhood park and open space with few amenities. Once funding was secured, the department combined Foot-in-the-Door Financing with other games, such as the Client Heart-tug play, where the community, particularly kids, advocated to decision-makers for a playground and other amenities. The result was a budget that more than doubled the initial allocation.

THE PILOT PLOY

The **"Pilot Ploy"** is similar to Foot-in-the-Door Financing, but instead of using a small dollar amount to get approval, the Pilot Ploy relies on an assurance that the spending is temporary, such as a pilot or study. Like many of our games, the Pilot Ploy is based on a legitimate budget strategy—in this case, conducting pilot projects to test if a spending program is worthwhile before making a long-term commitment. The gamesmanship happens when the requestor uses other tactics to continue the spending without relying on evidence that the program is actually producing results, such as:

- In an environment of incremental budgeting, the pilot project may be mistakenly included in the department's base budget, allowing the game player to capitalize on the Silent Windfall game to keep the money.

- If the initial pilot shows some positive results, the game player might use Selling the Sizzle and/or the Client Heart-tug games to oversell those results to ensure continued funding.

The Pilot Ploy is a favorite among savvy game players. Once the new program gets underway, measuring success falls by the wayside, particularly for programs that are costly but popular. For instance, a pilot to extend hours at the library would be difficult to end due to its popularity with patrons, regardless of data showing a lack of cost-effectiveness.

This game also relies on the *sunk* cost cognitive bias, which makes it psychologically difficult to discontinue an investment after it has started and some money has already been "sunk" into it.
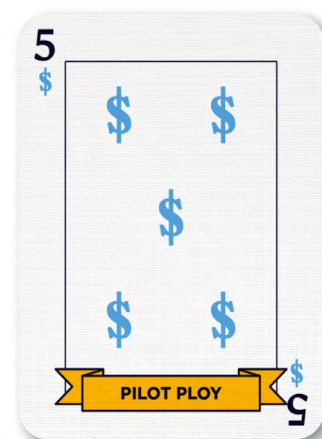
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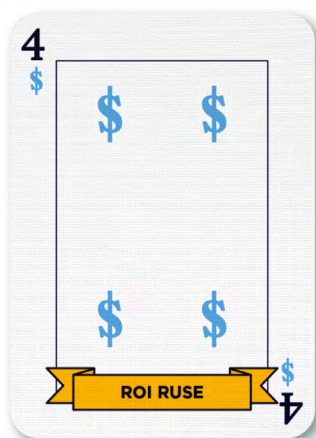
Next is the **"ROI Ruse"** game, where the requestor claims that the proposal will pay for itself by reducing future costs or generating revenue, making it a "smart investment" rather than an additional cost for taxpayers. While governments should make smart investments that reduce future costs or raise new revenue, it becomes a ruse when the promised benefits don't materialize.

Often the culprit is *overconfidence bias*, where the requestor overestimates the beneficial impact of the proposal. An ethically questionable use of the ROI Ruse is when an investment is positioned as generating time savings for staff, but there is no plan to translate those time savings into value for the public, either by reducing costs or using the time to achieve other important goals. These "soft savings" are often consumed by *Parkinson's Law*, which states that "work expands to fill the time available for its completion." Just like a cleaned-out closet often fills back up with clutter, a person's workday fills up with low-value tasks if a high-value task is not provided in its place.[5]

The ROI Ruse often occurs with proposed investments in information technology. These purchases are described as investments that will save time and reduce costs. While technology can create efficiencies and help get more done in less time, no actual money is saved. The extra staff time saved is not a reduction because it gets redistributed according to Parkinson's Law.

BUDGET LOW, MID-YEAR GROW

The **"Budget Low, Mid-Year Grow"** game involves giving a low estimate to the central authority for important features in the original budget request, knowing that the initial amount will not be enough and planning to ask for more money later in the year. For example, a department might request funding for a new staff member and get it approved. However, they leave out the costs for the vehicle, equipment, and other things the new staff member needs. Once the staff member is hired, the government has no choice but to buy the additional items that were left out of the original request.

Another example involves a new program where the startup costs are accurately presented, but the cost of equipment needed later in the year is lowballed. The program can't proceed without this equipment, so a mid-year adjustment is requested. This game makes the original request appear less costly and more favorable compared to other requests. For the requestor, this strategy improves the odds of success, especially against stiff competition from other players. It also defers part of the expense to a mid-year adjustment, when there is less competition from other requests.

Budget Low, Mid-Year Grow takes full advantage of the sunk cost fallacy, which is our tendency to continue with an investment we've already made. Budget authorities might justify it by thinking, "Well, we've already spent money on starting up the program, so we might as well follow through" or "We've already hired the new employees, so we have to equip them."
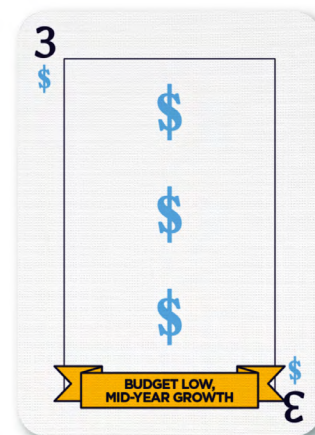
BLEND AND EXTEND
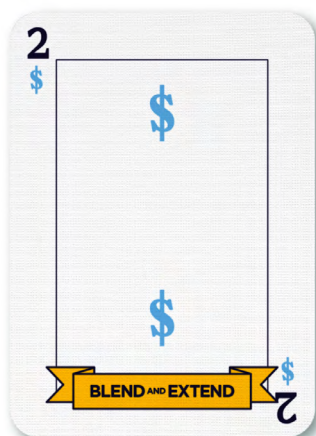
The **"Blend and Extend"** game disguises new programs as extensions of existing ones or combines new initiatives with established programs. By positioning a new initiative as part of an existing program, the game player can avoid some of the scrutiny that an entirely new proposal might attract. This game makes it much harder for local officials to understand what the budget is actually funding.

Blend and Extend leverages the bandwagon effect, which means people are more likely to support something if it is linked to something already popular. Therefore, getting an extension for a well-regarded program is easier than securing funding for a new and different program.

For example, consider a recreation department proposal to expand a popular program from one age group to another. A new after-school program for high school kids might be framed as an extension of an existing program for grade schoolers, even though the activities for the two age groups have little in common.

WILDCARDS

Finally, we'll acknowledge **Wildcards**. The list of games we've discussed is not exhaustive. For example, a classic game during budget cuts is to offer up a popular program for reduction, knowing that decision-makers will likely not cut it and will instead look to other departments for cuts.

You can recognize budget games by their attempts to weaponize cognitive biases and logical fallacies, as we illustrated for each game. In the budget cut game just described, *narrow framing* is being weaponized. *Either* decision-makers cut a sacrosanct program, *or* they don't cut the department at all.

To recap, cognitive biases and logical fallacies that may commonly be weaponized include:

- **Overconfidence bias.** Overestimating potential benefits and underestimating uncertainty.
- **Confirmation bias.** Considering only evidence that supports the preferred outcome while ignoring or explaining away evidence that invites skepticism.
- **Anchoring bias.** Latching onto reference points such as the first number presented or a memorable or recent experience. Then using that as the basis for evaluating other options, even if that basis is inadequate.
- **Sunk cost fallacy.** Feeling it necessary to continue an investment because an initial outlay has already been made.
- **Reasoning from anecdote.** Treating a single story as equal to rigorous data.

Let's Recap:

See the following page to review all of the budget games, easily summarized in an infographic.

K — PADDING PLAY

The **Padding Play** involves asking for more than is really needed. The game player wagers that even if they get less than they asked for they'll still get as much as, or more than, they need.

Q — CRISIS CARD

The **Crisis Card** is when the budget requestor alleges catastrophic outcomes for the public if the request is not fulfilled. The Crisis Card appeals to the natural risk aversion of public officials.

J — SELLING THE SIZZLE

Selling the Sizzle is making a budget request with presentations that are high on production values but short on substantive arguments for why the proposal would be a good use of public money.

J — PET PROJECT PLAY

The **Pet Project Play** is when budget requestors try to connect their requests with a priority or pet project held by legislators, even if that connection is tenuous at best.

J — INFLUENCE OPERATION

The Influence Operation involves lobbying support from executives, legislators, media outlets, or community groups. The game player lobbies outside of the normal budget process.

10

The **Mandate Masquerade** game is when a budget requestor exaggerates (or even fabricates) a legislative, contractual, or other kind of mandate to justify the request.

7

The Waiting Game is a passive strategy that involves staying silent about budgetary needs and "waiting one's turn" to make a proposal. The game player does this to build political capital by forgoing requests now to make a bigger request later.

3

Budget Low, Mid-Year Grow involves giving a low-ball estimate for critical features in the original request, knowing that the requested amount will prove insufficient and premeditating a supplementary request mid-year.

9

It is easy to miss errors in a large budget. **The Silent Windfall** takes advantage by keeping quiet about budget errors in the requestor's favor. Rather than wait for a favorable error, the most cunning game players set up situations likely to result in budget errors to their advantage.

6

Foot in the Door Financing is where a department starts with a small request and gradually expands the program over subsequent years.

2

Blend and Extend disguises new programs as extensions of existing ones. This way, the game player can avoid some of the scrutiny that an entirely new proposal might attract.

8

The **Client Heart-tug** game pulls the purse strings with heartstrings by centering testimony from clients or members of the public who have been positively impacted by a program.

5

The Pilot Ploy assures that the spending is temporary (e.g., a pilot or study) to gain approval for spending. Later, the player uses other games, like Client Heart-tug, to continue the spending.

4

The ROI Ruse is where the requestor claims that the proposal will pay for itself by reducing future costs or generating revenue. This becomes a ruse when the promised benefits don't materialize.

JOKER — WILD

This list of games is not exhaustive. Watch for **Wildcards**. You can recognize budget games by their attempts to weaponize cognitive biases and logical fallacies.
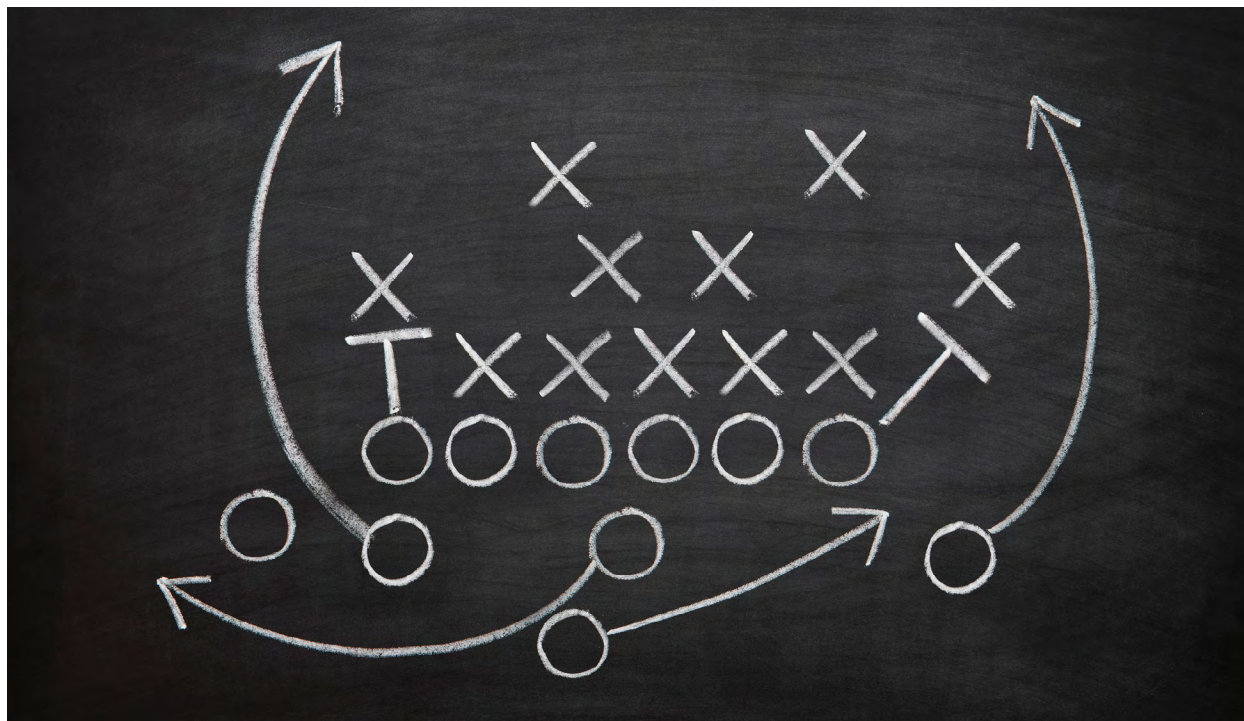
Playing Defense

Now that we know what games the budget office might face, how can we counteract them? The solution will not come primarily from deploying a specific counter against each game. This would require the budget office to recognize which game is being played and deploy the right countermeasure at the right time. This might feel like playing a game of whack-a-mole!

For a solution, we might look to one of the most popular games in North America: American football. In budget games, just like football, the offense has the initiative. They decide when to snap the ball and what play to run, while the defense must react and counter the offensive attack. Subterfuge is a big part of the offense, with trick plays, fake handoffs, and deceptive player movements being important parts of their playbook. Yes, defense is hard, and shutouts are rare, but a good defensive posture is often effective. Many Super Bowl-winning teams are built around a great defense.

The lesson for defending against budget games is that good defense is not just about reacting to the offense. The foundation of a good defense is a solid "defensive scheme," which is the larger strategy and concepts used to stymie the offense. Good defensive play-calling complements the scheme by adapting the defense to what the offense does.

A budget office must have a good defensive scheme they can deploy in anticipation of department game-playing tactics.

Similarly, a budget office must have a good defensive scheme they can deploy in anticipation of department game-playing tactics. This involves creating a budget environment that is not conducive to gameplay. While this won't stop all gameplay, it will reduce it. Just like in football, the budget office will need defensive play calls to counter specific attempts by game players to circumvent the decision architecture. Let's explore what defensive schemes and play calls look like in the context of budgeting.

The Defensive Scheme—
Financial Foundations for Budgeting

A well-designed scheme can be particularly effective in countering budget games because most game-playing is not the result of conscious, premeditated "bad behavior." Rather, it is a response to the incentives that game players face, with their objective being to acquire a share of resources. The "mental model"* that participants have of the budget process is often seen as a "win-lose game," where each participant must get their piece of the pie; and if they don't get it, someone else will. Unsurprisingly, such a mental model can lead to aggressive game-playing behavior.

Fortunately, there is a different mental model called **Financial Foundations for Budgeting**. Developed by GFOA and based on Nobel Prize-winning research, this mental model shows how to shift budgeting away from a win-lose game. Financial Foundations for Budgeting consists of eight practices.[6]

1. Strong Sense of Identity and Purpose for the Local Government. Know what the group is, who is a member, and that the group is important. Members of the group must see it as a group.

2. Fair and Inclusive Decision-Making. It is not sustainable for some members to call the shots and others to have no say.

3. Monitoring Agreed-Upon Behavior. There must be transparency in what others are doing. Members of the group must know what is happening.

4. Local Autonomy. People must have latitude to manage their affairs.

5. Graduated Sanctions and Rewards. Provide motivations for being a constructive participant in the budget. Incentives and correctives can start small and grow as needed.

6. Benefits Proportional to Cost. It is not sustainable for some to get benefits and for others to do the work.

7. Fast and Fair Conflict Resolution. Conflicts need to be resolved quickly and fairly.

8. Appropriate Relations With Other Groups. No participant in the budget exists in a vacuum. The actions of other people or organizations can impact decisions.

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* A mental model is how someone represents a complex phenomenon in their mind.

In the interest of space, we will not delve into the details of each of these practices. Those details are available in other **GFOA publications**. We will point out that, just like playing good defense in football does not require mastering every defensive strategy in the game to be effective, a local government does not have to master each of the eight principles. Doing well in a few could be more than adequate.

For example, the City of Redmond, Washington, focuses its budget on the priorities of the City government rather than the departments and their historical budgets. Budget discussions often include representatives from all departments, as many of the City's priorities need cooperation between departments. This approach promotes the first three of our eight practices:

- Focusing on Citywide, shared priorities encourages a **strong sense of identity and purpose** for the local government, not just for individual departments.

- Making budgeting decisions as the entire executive team promotes **fair and inclusive decision-making**.

- Because everyone is in the room when decisions are made, there is **monitoring of agreed-upon behavior**.

Let's see how these created a defensive scheme against budget games. In one budget cycle, a department head played the "Crisis Card," alleging that failing to fund their budget request would result in catastrophic public safety consequences. Because this was done in a meeting of all department heads, everyone saw it. Further, because there was a strong sense of identity and purpose and a culture of fair play, others felt comfortable pushing back against the Crisis Card play. They pointed out that the requestor was engaging in hyperbole and made it clear that the rest of the team did not want to play that game.

Redmond's focus on achieving results on the Citywide priorities de-emphasizes the importance of how much money a department gets. Instead, the budget emphasizes the value created by spending public money. This provides a more constructive outlet for people to strive for "the best" service, where "best" is defined in terms of the results achieved.

It is also worth noting that Redmond also engaged our fifth principle: **graduated sanctions and rewards**. People want the approval of their peers. If other departments are seen as peers, not competitors, then being rebuked by them is a strong disincentive against playing games.

A final lesson we can take from Redmond relates to our sixth principle: **benefits proportional to cost**. This means that participants must experience an adequate return from their investment of time, energy, or money to continue as willing participants in a system. A monetary return is not necessary. People just need to feel their effort is "worth it" on some level.

Redmond's focus on achieving results on the Citywide priorities de-emphasizes the importance of how much money a department gets. Instead, the budget emphasizes the value created by spending public money. This provides a more constructive outlet for people to strive for "the best" service, where "best" is defined in terms of the results achieved. This compares favorably to defining "best" in terms of the amount of money allocated to a service, which is more likely to encourage gameplay.

Redmond's budget process is not the only way to enact the principles of Financial Foundations for Budgeting to defend against budget games. Focusing on just one of the eight practices can help. For example, let's consider the fourth principle, **local autonomy**. Budget games arise partly from the tension between the budget office's control and departments' desire for autonomy. Providing more constructive outlets for department autonomy reduces budget games.[7]

BUDGET GAMES

For example, department managers can be given a higher stake and greater incentive to manage their own resources efficiently. Some budgeting methods provide departments with a broad target to manage rather than a series of individual line-item budgets. This allows managers to shift resources within their department as needs change. A similar effect can be achieved in a traditional budget by allowing more flexibility for transfers within the department. Additionally, departments could be allowed to carry over savings from one year to the next, which would discourage use-it-or-lose-it spending.* This way, instead of playing games with the central budget office, department managers can focus on making the best use of their resources.

Another option is to link program revenue to expenditure budgets, so departments directly benefit from their own **entrepreneurial revenue-raising ideas**. This way, a department's creative energy can be directed toward revenue raising rather than game playing.

Finally, Financial Foundations for Budgeting promotes another useful defensive strategy: **building trust and rapport**. Principles like **fair and inclusive decision-making**, **local autonomy**, and **appropriate relationships with other groups** help build trust and rapport. This can help prevent game playing in at least three ways:

- People prefer not to run games on those they trust and have good relations with.
- People are more willing to consider ideas on more constructive ways to play the budget game if the ideas come from trusted sources.
- People are more willing to share their true intentions and needs with someone they trust.

*Use-it-lose-it spending is common when department budget authorizations lapse at the end of the year. Departments rush to spend any remaining funds, lest the funds get taken away. Often, what the money is spent on is not the best possible use of funds, simply because of haste.

Build Trust

The GFOA Code of Ethics centers on supporting the finance officer's personal reputation for trustworthiness. This complements Financial Foundations.

RETHINKING BUDGETING

Defensive Plays—The Budget Officer as Decision Architect

In addition to a scheme or general strategy, the finance officer may need to counteract specific gameplay strategies. As saw earlier, budget gameplay strategies take advantage of cognitive biases and logical fallacies. Decision architecture is the art of helping people make better decisions by addressing cognitive biases and logical fallacies. According to GFOA's **Budget Officer as Decision Architect**, the budget officer has four basic job responsibilities.

- **Widen the option set:** The budget officer's role in budget preparation gives them a bird's-eye view on the wide range of activities the government must pursue. They can help decision-makers see the big picture and find a broader set of solutions.

- **Test assumptions:** The budget officer's examination of calculations and projections provides a unique perspective on the assumptions and uncertainties of project proposals. They can help decision-makers identify uncertainties and test assumptions before overinvesting.

- **Find high-value options:** Budget officers see which trade-offs are being made and which ones may still need to be considered. They can help decision-makers choose the highest-value options.

- **Foster trust in the process:** The budget officer's ethos of objectivity, if not neutrality, positions them to foster trust in good decision-making processes.

You might think of each of these as defensive plays to counter games by short-circuiting the cognitive biases and logical fallacies that budget games rely on. To illustrate, let's focus on our "face cards" from earlier.

The Padding Play, the King of games, involves overestimating the amount of funds really needed. Testing assumptions and finding high-value options are effective counters to the Padding Play. For example, the budget office could work with the requestor to look into the number of units and unit costs behind the request to ensure the assumptions are solid. This shifts the focus from the total size of the request to the details of how the money is to be used. Details are more concrete and therefore harder to game.

Departments often use the Padding Play to protect themselves against unplanned, unavoidable costs. The decision architect could explain that the cost of self-insurance across all departments can be quite high and suggest other, cheaper ways to cover the risk departments are worried about. Several governments have realized millions of dollars in savings **by pooling this kind of risk in a budgetary contingency**. This is a much higher-value option for using limited resources.

The Crisis Card is the Queen. This game relies on narrow framing: either the request is fulfilled, or catastrophe ensues. Widening the option set is the remedy to narrow framing. Are there other, less costly options that could solve the problem? How does spending money on this impact our ability to fund other priorities?

Decision architecture helps maintain what these games try to undermine: comparing proposed uses of resources against alternatives in a fair and objective manner.

Read the report

Let's illustrate the Crisis Card play this way: "We need five more police officers or crime will run rampant!"

Widening the option set might begin by recognizing that the goal is to have enough officers on the street at any given time. Then, explore options to achieve this without increasing officer headcount. For example, if there are long delays in filling vacant positions, finding ways to speed up hiring might help maintain adequate patrol coverage at a lower cost.

You may recall the Jacks in our deck had the common characteristic of warping legitimate and desirable budget behaviors into games. Decision architecture can counter specific aspects of these games. For example, Selling the Sizzle might involve selective data presentation or overconfidence in effectiveness of the proposed program. Testing assumptions could be useful here. For example, have there been independent evaluations of similar programs? How well have similar programs worked elsewhere?

More generally, decision architecture helps maintain what these games try to undermine: comparing proposed uses of resources against alternatives in a fair and objective manner.

Finally, trust is a crucial element of the decision architecture. Trust is important for the counters to work well. Let's revisit our Padding Play example. If the budget office is not trusted, then a deep dive into the assumptions behind a proposal may be seen by departments as a "gotcha" rather than a good faith effort to tighten up a budget request. Similarly, departments might view a central budgetary contingency skeptically if they don't think they will get support when they need additional resources.

Even More Fun With Budget Games—Budget Game Bingo

At the **end of this document**, you can find bingo cards with the budget games serving as the squares for a game of bingo.
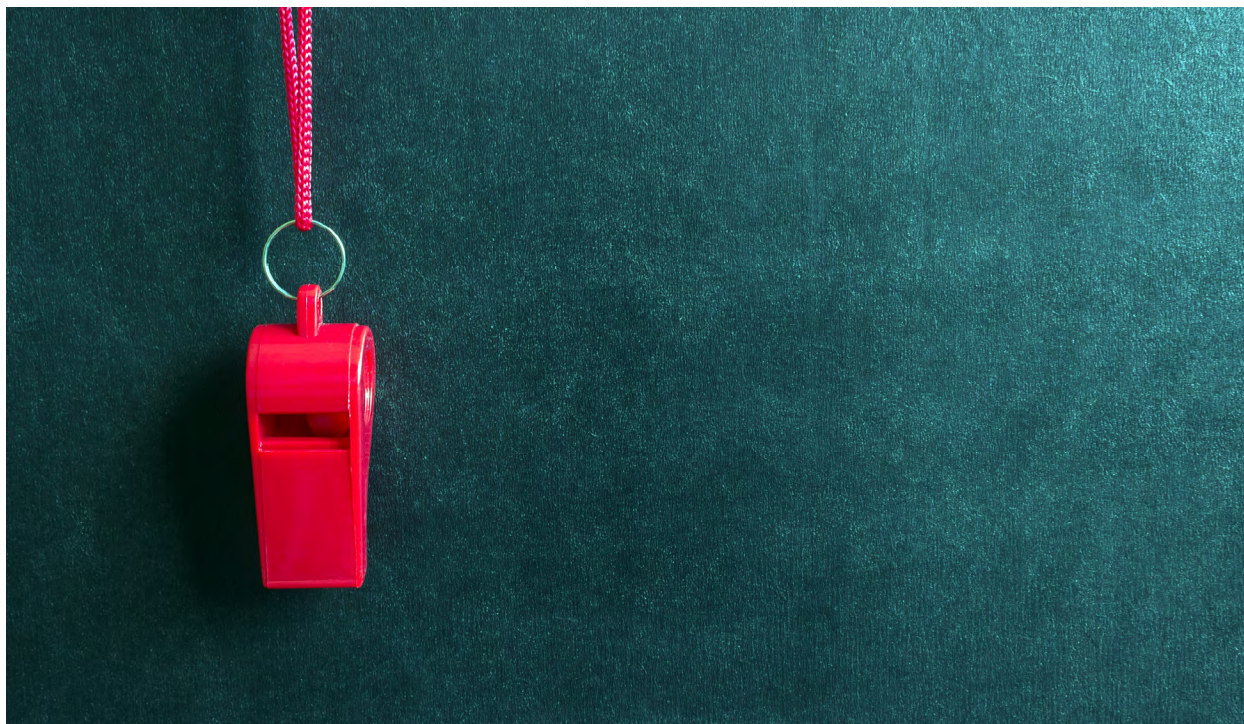
Conclusion

In local government budgeting, budget games make it hard for the budget officer to help the local government use its resources effectively. Gamesmanship often stems from a genuine desire to secure resources for better public services. However, these tactics distort the budget process, leading to poor resource allocation and eroding trust in the system.

A strong defensive strategy based on the Financial Foundations for Budgeting can discourage budget gameplay. Furthermore, the budget officer's role as a decision architect is crucial. By widening the option set, testing assumptions, finding high-value options, and fostering trust, budget officers can counter the cognitive biases and logical fallacies that empower budget games.

Reducing the power of budget games can focus participants' energy on constructive discussions about the trade-offs and comparing alternative courses of action.

Reducing the power of budget games can focus participants' energy on constructive discussions about the trade-offs and comparing alternative courses of action. This kind of environment fosters trust, promotes fairness, and leads to better decisions. It serves the public interest and helps direct the community's resources to where they do the most good.

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ENDNOTES

[1] We relied on the work of many researchers who have described budget games before us. Please see the bibliography for key sources.

[2] Governmental Budgeting and Fiscal Policy. (2023, March). *Strategic planning: GFOA recommends that governments engage in strategic planning to provide a vision for the future that can be used to align budgeting with organizational priorities.* Government Finance Officers Association. https://www.gfoa.org/materials/bp-strategicplanning

[3] GFOA Board. (2018, September 28). *Public engagement in the budget process: Governments should encourage effective and well implemented public engagement budget processes.* Government Finance Officers Association. https://www.gfoa.org/materials/public-engagement-in-the-budget-process

[4] The authors acknowledge that foot-in-the-door financing is not an original description of this kind of strategy and that phrase has been used by many others.

[5] Empty garage effect from: Teuween, B. (2010). *Lean for the public sector: The pursuit of perfection in government services.* Productivity Press.

[6] *Financial Foundations for Thriving Communities* originally identified 14 institutional design principles and leadership strategies from Elinor Ostrom's work, which were summarized into five broad categories or "pillars." The table narrows the 14 principles/strategies down to the eight most critical. These eight, along with the short subtitles underneath each section header, were taken from David Sloan Wilson, author of *Prosocial: Using Evolutionary Science to Build Productive, Equitable, and Collaborative Groups*. We combined Wilson's interpretation of Ostrom's work with our earlier interpretation to arrive at what appears in this paper.

[7] This section inspired by: Lazenby, S. D. (2013). *The human side of budgeting.* Erehwon Press.

BINGO

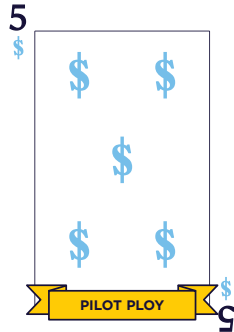| Q	K	Q	J	9
CRISIS CARD	PADDING PLAY	CRISIS CARD	SELLING THE SIZZLE	SILENT WINDFALL
J	6	J	K	5
PET PROJECT PLAY	FOOT IN THE DOOR FINANCING	INFLUENCE OPERATION	PADDING PLAY	PILOT PLOY
J	10	FREE	2	K
SELLING THE SIZZLE	MANDATE MASQUERADE		BLEND AND EXTEND	PADDING PLAY
4	J	JOKER	Q	K
ROI RUSE	INFLUENCE OPERATION	WILD	CRISIS CARD	PADDING PLAY
K	JOKER	8	Q	J
PADDING PLAY	WILD	CLIENT HEART-TUG	CRISIS CARD	PET PROJECT PLAY

BUDGET GAMES

B I N G O

K PADDING PLAY	4 ROI RUSE	Q CRISIS CARD	6 FOOT IN THE DOOR FINANCING	K PADDING PLAY
Q CRISIS CARD	9 SILENT WINDFALL	K PADDING PLAY	JOKER WILD	Q CRISIS CARD
J SELLING THE SIZZLE	10 MANDATE MASQUERADE	FREE	J SELLING THE SIZZLE	J INFLUENCE OPERATION
J INFLUENCE OPERATION	5 PILOT PLOY	2 BLEND AND EXTEND	K PADDING PLAY	JOKER WILD
J PET PROJECT PLAY	K PADDING PLAY	J PET PROJECT PLAY	Q CRISIS CARD	8 CLIENT HEART-TUG

BUDGET GAMES

BINGO

9 SILENT WINDFALL	10 MANDATE MASQUERADE	Q CRISIS CARD	Q CRISIS CARD	JOKER WILD
K PADDING PLAY	4 ROI RUSE	5 PILOT PLOY	J INFLUENCE OPERATION	J PET PROJECT PLAY
J PET PROJECT PLAY	K PADDING PLAY	FREE	J SELLING THE SIZZLE	6 FOOT IN THE DOOR FINANCING
K PADDING PLAY	Q CRISIS CARD	8 CLIENT HEART-TUG	K PADDING PLAY	2 BLEND AND EXTEND
J INFLUENCE OPERATION	K PADDING PLAY	Q CRISIS CARD	JOKER WILD	J SELLING THE SIZZLE

BUDGET GAMES

BINGO

Q	8	10	Q	4
CRISIS CARD	CLIENT HEART-TUG	MANDATE MASQUERADE	CRISIS CARD	ROI RUSE
JOKER — WILD	J — SELLING the SIZZLE	J — PET PROJECT PLAY	Q — CRISIS CARD	J — PET PROJECT PLAY
6 — FOOT IN THE DOOR FINANCING	K — PADDING PLAY	FREE	K — PADDING PLAY	2 — BLEND and EXTEND
K — PADDING PLAY	J — INFLUENCE OPERATION	Q — CRISIS CARD	5 — PILOT PLOY	J — INFLUENCE OPERATION
K — PADDING PLAY	J — SELLING the SIZZLE	9 — SILENT WINDFALL	JOKER — WILD	K — PADDING PLAY

BUDGET GAMES

B I N G O

K	2	JOKER	K	10
PADDING PLAY	BLEND AND EXTEND	WILD	PADDING PLAY	MANDATE MASQUERADE

JOKER	J	Q	J	K
WILD	PET PROJECT PLAY	CRISIS CARD	SELLING THE SIZZLE	PADDING PLAY

Q	K	FREE	9	8
CRISIS CARD	PADDING PLAY	FREE	SILENT WINDFALL	CLIENT HEART-TUG

J	K	4	5	Q
SELLING THE SIZZLE	PADDING PLAY	ROI RUSE	PILOT PLOY	CRISIS CARD

J	6	Q	J	J
PET PROJECT PLAY	FOOT IN THE DOOR FINANCING	CRISIS CARD	INFLUENCE OPERATION	INFLUENCE OPERATION

BUDGET GAMES

RETHINKING BUDGETING

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