Accenture Federal Services
Delivering Public Service for the Future

Government Efficiency: Innovative Ways to Generate Revenue

High performance. Delivered.
Four strategies for generating non-appropriated revenue can help your agency make better use of existing assets, augment appropriated revenue, provide greater value to citizens—and ultimately improve government efficiency.

Public sector organizations currently face a number of challenges—including economic uncertainty, limited revenues and budget cuts—yet they must continue to meet the demands of citizens, businesses and agencies for core services. Governing within this “new normal” requires federal agencies to rethink how they support their mission and best serve their stakeholders.

To operate in this environment, many organizations have turned to cost-cutting initiatives as a solution. While focus on cost-control will remain critical, we believe pursuing innovative sources of non-appropriated revenue in addition to these efforts will enable federal agencies to build a sustainable foundation for funding future operations and to deliver public service for the future.

Benefits of Non-Appropriated Revenue

Agencies and their stakeholders can use non-appropriated revenue to:

- **Create a sustainable foundation to support the mission.** Diversifying revenue sources and reducing reliance on appropriated revenue can help federal agencies protect critical programs as appropriations ebb and flow.

- **Test innovative approaches.** Non-appropriated revenue streams can offer federal agencies more flexibility to innovate and deliver services in ways that increase value to stakeholders.

- **Shift cost burden to users of a service.** For some types of fee-based programs and services, agencies can shift the cost burden to those who use the service and are able to pay.

- **Promote transparency and stakeholder support.** Taking advantage of a non-appropriated revenue stream often depends on development of a rigorous business case and communication of the outcome or return to the stakeholders who provide the revenue.

- **Expand public-private partnerships.** By determining the market value of their services or assets, agencies can open the door for public-private partnerships.

- **Offset external costs.** External costs or “negative externalities” that arise during use of a public service or asset (e.g., pollution, resource depletion) and go beyond the market value can be calculated and offset through user fees, rents or royalties.

### Four Strategies for Generating Revenue

#### Sale of Goods

Government organizations today generate revenue through the sale of goods—through existing retail operations, the sale of government assets and the sale of seized or forfeited assets. This strategy is particularly appropriate for agencies with existing retail operations or a large base of underutilized assets. Agencies that do already sell goods could generate additional non-appropriated revenue by developing innovative products and improving go-to-market strategies.

The United States Postal Service (USPS), for example, faced with declining mail volumes, has turned toward its extensive geographic footprint to drive revenue through retail innovation. Taking advantage of a 2006 law, USPS began selling greeting cards in 1,500 post offices throughout the country in 2009. More recently, USPS received approval to test the market for an expansion of its greeting card business—greeting cards with prepaid postage. This product innovation offers customers convenience and, in 2013, was expected to generate $10-50 million in revenue for USPS. While limited in scale compared to the organization’s annual revenue of $67 billion dollars, it is a step in the right direction.

In addition to retail operations, other agencies have developed go-to-market strategies for selling seized or forfeited assets. For example, Customs and Border Protection (CBP) has progressed from simply disposing of property to generating revenue through public auctions. If unclaimed merchandise and vehicles are not claimed within six months, CBP sells these assets through public auctions.

#### Value-Based Fees

As well as generating revenue through the sale of goods, many government agencies generate revenue from fees. Traditionally, government agencies have used enrollment fees or application fees to partially recover the costs of delivering specific government services. However, public sector organizations could consider assessing and rationalizing user fees to more closely offset service delivery costs. They could also consider packaging existing services or supplying new higher-value offerings to users willing to pay for premium services.

With congressional authority, the Department of Interior (DOI) and Department of Agriculture (USDA) piloted and subsequently collected user fees, augmenting their appropriated funds to improve facilities and visitor experiences. Today, the Federal Land Recreation Enhancement Act (FLREA), signed into law in December 2004, affords five agencies, including the National Park Service, the authority to collect and retain fees on the lands they manage—with 80 percent of collected fees retained at the unit where they are collected.

Through this fee collection authority, the National Park Service, which collects roughly two-thirds of all recreation program fees, generated nearly $187 million in 2011 from entrance, amenities and special recreation permit fees. The National Park Service used these fees to enhance visitor experiences and to gain the capacity to fund 1,000 projects through the FLREA in 2012.

The 10-year multi-agency agreement also authorizes government and non-governmental entities to establish fee management agreements. While nominal compared to the National Park Services’ 2011 budget request of $2.7 billion, this user fee strategy provides additional support for agencies to accomplish their mission.
Collection of Rents

Agencies have historically collected rent for existing assets—for example, through land leases or property rentals. Public sector organizations with excess capacity, and that do not seek to dispose of these assets, can leverage this capacity to generate increased revenue through rent collection.

One government organization applying this strategy is the General Services Administration (GSA), which manages $500 billion in federal assets.a Charging rent to over 100 federal agencies and numerous commercial clients for use of these assets,b the agency covers over 98 percent of its annual budgetc and carries out its mission, delivering the best value in real estate, acquisitions and technology services to the government and the American people.

Moving forward, GSA’s strategic objective is to improve the federal utilization of space.d Its innovative Total Workspace initiative, aimed at creating a 21st century workspace throughout the Federal Government, could increase revenue for GSA and reduce costs for other agencies..

Advertising

Agencies can also generate non-appropriated revenue through advertising. With the constraints associated with the traditional advertising model of selling space loosening, organizations can think more broadly about where and how they can sell advertising. An agency with publicly visible assets or an ongoing marketing campaign can find creative ways of providing value for the agency, the public and its private sector partners.

The transportation industry capitalizes on this approach by tapping into advertisers as a source of revenue. In 2009, transit advertising made up less than 0.5 percent of US advertising spending and less than 5 percent of transit agencies’ operating revenue. But, as the advertising industry evolves, transit agencies are taking advantage of new prospects. In New York, for example, the Metropolitan Transportation Authority (MTA) sold the naming rights of one of their Brooklyn subway stations to Barclays Capital,g and the agency is currently giving businesses the opportunity to advertise on the front or back of the MTA MetroCard.h The MTA is just one of many transportation entities generating revenue through an array of innovative advertising methods.

Rethinking Revenue

As these examples show, these four strategies offer potential for generating additional non-appropriated revenue that is worth exploring. However, it is also important to consider the constraints agencies face. Some public sector organizations require congressional authority to generate revenue, and agencies that gain authority may require further legislation to retain generated revenue. As agencies consider new funding models, they should also be mindful of the different perspectives of their internal and external stakeholders and the potential impact to services of specific approaches.

Despite the constraints, the public sector should consider expanding their strategies for generating non-appropriated revenue. What makes a specific strategy appropriate? The table below maps agency characteristics—which while not required for success, can be beneficial—to each of the four strategies. Agencies exploring these strategies can test the waters through targeted pilots, and use the results to make improvements.

The four strategies—sale of goods, value-based fees, collection of rents and advertising—can enable agencies to make better use of their existing assets, to augment their appropriated revenue, to provide greater value to their stakeholders by offering innovative new products and services and ultimately to improve government efficiency. By expanding the equation and thinking beyond purely cost-cutting measures, agencies can bolster support for their mission to deliver public service for the future.

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<tr>
<th>Strategy</th>
<th>Agency Characteristics</th>
<th>Beyond the Basics</th>
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| Sale of Goods    | • Existing retail footprint  
                    • Active disposal of assets  
                    • Large base of underutilized assets  | • Innovative product development  
                    • Improved sales channels |
| Value-based Fees | • Deliver citizen services  
                    • Ability to calculate delivery costs  | • Tiered, differential fee structure  
                    • Packaged, value-based offerings |
| Collection of Rents | • Large base of underutilized assets  
                     • Maintains ownership of assets  | • Consideration of external costs  
                     • Focus on cost-effective upfront collection, rather than later compliance action |
| Advertising      | • Publicly visible assets  
                    • Ongoing marketing campaign  | • Marketing partnerships that also promote the agency’s service through co-branding |

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1 Washington Post “Postal Service turns to selling greeting cards to improve sales”
3 USPS Financials 2013
4 CBP Auctions
5 Federal Land Recreation Enhancement Act Summary
7 Congressional Testimony, P. Lynn Scarlett, February 17, 2005
8 National Park Service FY2011 Budget Justifications
9 GSA Mission and Priorities and Quick Facts
10 GSA Mission and Priorities and Quick Facts
11 GSA Rent Overview
12 GSA FY14-18 Strategic Plan
13 GSA Transforming Government Workplace
14 MTA Sells Naming Rights to Subway Station
15 MTA Advertise on MetroCard
For More Information

To discuss Accenture's point of view on exploring innovative strategies for generating non-appropriated revenue, please contact:

**Alexa Hirst**
alexa.m.hirst@accenturefederal.com

**Brian Gavron**
brian.gavron@accenturefederal.com

**Chelsea Everett**
chelsea.s.everett@accenturefederal.com

For more ideas on how to develop your agency's overall efficiency strategy, visit: www.accenture.com/govefficiency.

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