Creating Public Value in the Budget Process

Presenters:

- John M. Bryson, McKnight Presidential Professor of Planning & Public Affairs, University of Minnesota
- Laura Kalambokidis, Professor of Applied Economics, University of Minnesota & MN State Economist
- David Schmiedicke, Finance Director, City of Madison, WI

Date: May 21, 2014
Wednesday 10:30am–12:10 pm
Logistics

- Scan the QR code to download the presentation
- This session is **1 hour & 40 minutes** long. There will be time for Q/A at the end.
  - Please use the microphones for Q/A
- This session is worth **2 CPE credits**
  - Self-scan for credits or see a GFOA staff person
- Please complete the session evaluation
Roadmap for the Session

- This session will help you look at the budget process in a new way
  - As Public Officials, we often focus on efficiency and effectiveness, but when the public good and public value is also taken into account, this can result in very different outcomes
  - Honoring democratic values and engaging citizens, as well as other sectors (both private and non-profit) in solving problems, will get us to not only consider the benefits and costs of public services in terms of dollars and cents, but also in terms of how government actions impact important civic and democratic principles
Roadmap for the Session

- This session has 3 speakers. First John Bryson
  - Will discuss what public value and public value administration is and why people care about it
  - He will also discuss approaches to integrating, reconciling, or at least accommodating public values into government leadership and operations
  - As well as some specific tools and techniques to measuring public value

- Second Laura Kalambokidis
  - Will then discuss how the public value approach is used to make a case for public funding of programs
  - And how tax and spending policies can create public value
Roadmap for the Session

- And finally **David Schmiedicke**
  - Will talk from personal experience in the City of Madison, Wisconsin
  - About their typical budget process and the City’s strengths and challenges
  - And how Public Values were incorporated into their budget process using a program called “Madison Measures”
  - And how that benefitted them

- So first, I would like to introduce **John M. Bryson...**
Our Speakers

- John M. Bryson is McKnight Presidential Professor of Planning & Public Affairs at the Hubert H. Humphrey School of Public Affairs at the University of Minnesota
  - He works in the areas of leadership, strategic management, collaboration, and the design of engagement processes
  - He wrote Strategic Planning for Public and Nonprofit Organizations, 4th Edition
  - He co-wrote Leadership for the Common Good, 2nd Edition
  - Dr. Bryson is a Fellow of the National Academy of Public Administration, and
  - Received the 2011 Dwight Waldo Award from the American Society for Public Administration for “outstanding contributions to the professional literature of public administration over an extended scholarly career”
Our Speakers

- Laura Kalambokidis is a Professor of Applied Economics & an Extension Economist at the University of Minnesota
  - where she teaches Public Finance and does research on a range of federal & state tax policy issues

- Dr. Kalambokidis is also MN’s State Economist
  - with responsibility for developing twice-yearly revenue and economic forecasts and quarterly revenue updates

- Additional Accomplishments
  - She developed the Building Extension’s Public Value Workshop, taught in 18 states & 1 Canadian province
  - Her public value work has been the subject of numerous state and national conference presentations and several journal articles
  - She Previously served as a financial economist in the U.S. Dept. of Treasury’s Office of Tax Analysis
  - She has a B.S. in Economics from the University of MN and a PhD in Economics from the University of Michigan
Our Speakers

- David Schmiedicke is the Finance Director for the City of Madison, Wisconsin
  - He serves on the GFOA Governmental Budget and Fiscal Policy Committee
  - David has been a career budget and finance professional for over 26 years
  - He was appointed by Wisconsin Governors of both parties to serve as State Budget Director and Deputy State Budget Director from 2001 to 2011
  - David has also served as Secretary of the State of Wisconsin Building Commission and Administrator of the State of Wisconsin Division of Facilities Development
  - He has also been a member of various boards and committees around the State of Wisconsin
CREATING PUBLIC VALUE IN BUDGETING

John M. Bryson, McKnight Presidential Professor of Planning and Public Affairs, University of Minnesota
5 Reasons the Government Should Be Run Like a Business

The federal government is in financial disarray.

By Kelly Campbell  |  Sept. 14, 2011  |  Leave a Comment  |  SHARE

One of the worst-run businesses in the United States is also the largest business in the nation. The federal government is in financial disarray. It spends more than it makes and its investments are not based on sound financial principles.

The question often asked is should the U.S. government be run like a business? Should it abide by the same rules that all businesses in the United States must follow?

The answer for most Americans is a resounding "yes," but how would that make our current government different than it is today?

[In Pictures: 6 Numbers Every Investor Should Follow.]

First, a big step for the government would be to spend less than it makes. The federal budget has a number of "unfunded liabilities," including Social Security, federal pensions, Medicare and Medicaid, which are preventing positive cash flow. Unfortunately, when the positive side of the income statement...
Bill Gates Says Government Should Be Run More Like a Business: Why That’s a Bad Idea

By Aubrey Bloomfield  March 14, 2013

In an interview with Politico published Wednesday, Microsoft co-founder Bill Gates criticized the government for its current dysfunction. Gates, the second richest person in the world, argued that the government is currently on a “non-optimal path” and that a “business that is maximizing its output would proceed along a different path.” Back in February in the wake of the debt ceiling saga he also attacked the short-term budget planning of the government, arguing that “it’s terribly inefficient” and that the constant battles over the budget are “absolutely insane.” All of which begs the question: should government be run more like a business?
Why Government Should Not Be Run Like A Business

The idea that government should be run like a business is a popular one with both Republicans and, albeit to a lesser extent, Democrats. But this betrays a basic misunderstanding of the roles of the private and public sector. We should
What if government ran less like a business and more like a democracy?

- What the public values, what is good for the public, and what contributes to the public sphere would feature far more prominently in deliberations.
- More people would likely be involved in deliberations.
- Efficiency, effectiveness, and equity would remain important values.
- But more attention would be paid to a broader range of public values, including constitutional values.
Why care about public value and public values?

- They are why we have governments in the first place
- Public values, political legitimacy, and responsible government are mutually reinforcing
- The American people are “pragmatically liberal” (Jacobs, 2014). Consider...
Public value language contributes to an a new script that counters:

• The devaluing of government and most things public
• The aggrandizement of the market model
• The cumulative ill effects of the 5 D’s:
  • Downsizing
  • Devolving
  • De-funding
  • De-regulating
  • De-centering government’s role in addressing society’s ills
Public values are associated with:

- the public sector’s contribution to society
- the transformation of interests to decisions
- the relationships between politicians and the public
- the relationship between public administration and politicians
- the relationships between public administrators and their environment
- Inter-organizational aspects of public administration
- the behavior of public-sector employees
- the relationship between public administration and the citizens
- the relationship of citizens to one another

*Source: Adapted from Beck Jørgensen and Bozeman (2007)*
An emerging approach to public administration

Changes in the world requiring a new response:

- the growing importance, urgency, scope, and scale of cross-jurisdictional, cross-level, and cross-sector public problems

- the realization that governments alone cannot effectively address many of these problems

- a concern that public values have been and will be lost as a result of a powerful anti-government rhetoric and a host of market-based and performance-based reforms.
The new approach emphasizes:

- public value and public values
- recognizes that government has a special role as a guarantor of public values
- champions the importance of public management broadly conceived, and of service to and for the public
- emphasizes citizenship and democratic and collaborative governance

*Source: Bryson, Crosby, and Bloomberg, 2014*
Two main approaches to public value

- Barry Bozeman’s (2007) policy-level or societal focus on *public values*
- Mark Moore’s (1995) managerial action focus on *creating public value*, in which public value is measured against more specific public values
For Barry Bozeman:

A society's *public values* provide a reasonably broad consensus about:

- *rights, benefits, and prerogatives* of citizens;
- *obligations* of citizens, legal entities, and organized groups to society, the state, and one another; and
- *principles* on which policies or rules affecting the constitution and functioning of society should be based
Examples of public values

- Efficiency
- Effectiveness
- Equity
- Transparency
- Accountability
- Due process
- Liberty
- Justice
- Security
- Separation of powers
- Democracy and representative government
- Equality
- Trust
- Cultural sensitivity
- Public participation
- Maintenance of government capacity
- Others...
For Mark Moore’s managers:

Citizens want from their governments some combination of the following that together encompass public value:

- high-performing service-oriented public bureaucracies
- public organizations that are efficient and effective in achieving desired social outcomes, and
- public organizations that operate justly and fairly, and lead to just and fair conditions in the society at large.

While Moore’s definition of public value is vaguer than Bozeman’s, it highlights reasonably specific public values
Moore’s Strategic Triangle

- Legitimacy and Support
- Operational Capacity
- Public Value

Increasing authority to define value

Direction of policy development, implementation and impact
The Public Sphere or Realm

What is the public sphere?
- The web of values, places, organizations, rules, knowledge, and other cultural resources held in common by people through their everyday commitments and behaviors, and held in trust by government and public institutions.
- The realm within which public values are held, created, or diminished; and in which public value is created, or not.
- Public value includes what adds to the public sphere.

What is the public?
- The public is not given, but made – it has to be continuously created and constructed.

Who decides?
- Public value is necessarily contested and often established through a continuous process of conflict, dialogue and deliberation.
Approaches to integrating, reconciling, or at least accommodating public values:

- Policy analysis
- Leadership
- Dialogue and deliberation
- The formal and informal mechanisms of democracy
- Cross-sector collaboration
- Performance measurement and management
Some specific tools and techniques

- Bozeman’s Public Value Mapping (PVM)
- Moore’s Public Value Account (PVA)
- Public value statements
- Performance measurement and management systems
Bozeman’s Public Value Mapping

- Public values failure occurs when neither the market nor public sector provides goods and services required to achieve public values

- Public value success or failure assessment criteria:
  - Creation, maintenance, and enhancement of the public sphere
  - Progressive opportunity
  - Mechanisms for values articulation and aggregation
  - Legitimate monopolies
  - Imperfect public information
  - Distribution of benefits
  - Provider availability
  - Time horizon
  - Substitutability vs. conservation of resources
  - Ensure subsistence and human dignity
Market Success

Public Failure

Market Failure

Public Success
<table>
<thead>
<tr>
<th>Moore’s Public Value Account</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Use of collectively owned assets and associated costs</strong></td>
<td><strong>Achievement of collectively valued social outcomes</strong></td>
</tr>
<tr>
<td>Financial costs</td>
<td>Mission achievement</td>
</tr>
<tr>
<td>Unintended negative consequences</td>
<td>Unintended positive consequences</td>
</tr>
<tr>
<td>Service recipients</td>
<td></td>
</tr>
<tr>
<td>Obligates</td>
<td></td>
</tr>
<tr>
<td>Social costs of using state authority</td>
<td>Justice and fairness</td>
</tr>
<tr>
<td>At individual level in operations</td>
<td></td>
</tr>
<tr>
<td>At aggregate level in results</td>
<td></td>
</tr>
</tbody>
</table>
Public Value Statements

For faculty and staff

Vetted public value messages

Community development

Community Emergency Management
When you support MU Extension's Community Emergency Management Program, communities, businesses, schools and residents reduce a community's disaster recovery period. This action saves lives and countless dollars in emergency recovery operations and avoids job loss. Additionally, the whole community builds a greater sense of cohesion.

Community Planning
When you support MU Extension community planning programs, citizens determine what is best for their community. The planning process results in buy-in from the community, adoption of policies, implementation of plans, sound proposals put before voters, and increased economic activity. Communities benefit from wise use of public and private resources.

Business development

Small Business and Technology Development Centers
When you support MU Extension's Small Business and Technology Development Centers, small technology-oriented, research-based firms focus on innovative development and commercialization of new products and services. This program strengthens the technological competitiveness of Missouri's businesses for the betterment of our state and nation.
Performance measurement and management systems

- Include mission-related values
- Also include non-mission-related values, for example:
  - equity
  - freedom of information
  - citizenship development
  - due process

Conclusions

- Expand the public values considered beyond efficiency, effectiveness, and equity
- Public value rhetoric clearly matters
- Institutional designs matter
- Relationships matter
- Leadership matters
- Cultivate what Moore calls a “restless, value-seeking imagination” in a democratic context.
References

CREATING PUBLIC VALUE IN THE BUDGET PROCESS

Laura Kalambokidis, Professor of Applied Economics, University of Minnesota, and Minnesota State Economist
“What do you mean public value?” --Economists

- **Market economics**: Value = willingness to pay
- **Mark Moore**: Why public, rather than private?
- **Public economics**: Publicly fund things when the market outcome is insufficient or unfair.

⇒ An enterprise creates public value when it effectively addresses **market failure** or **unfairness**.
Public programs create public value

Help Build Extension's Public Value!

You know how your Extension programs benefit your participants, but your programs also create public value when they benefit the rest of the community. Nationwide, participants in "Building Extension's Public Value" workshops have learned how their programs create public value and how to communicate this value to stakeholders whose support is crucial to Extension.

Now, you have an opportunity to learn how to conduct these workshops for Extension scholars at your own institution by participating in an online train-the-trainer program for "Building Extension's Public Value."
The public value approach is based on public funding criteria

- Addressing a concern about **fairness**.

- Providing **information** for better choices.

- Promoting **benefits to others**.
The public value approach is based on public funding criteria

- Addressing a concern about **fairness**.
- Providing **information** for better choices.
- Promoting **benefits to others**.
Public programs **reduce public costs and create public benefits**

<table>
<thead>
<tr>
<th>Source of problem</th>
<th>Families, individuals, and businesses</th>
<th>If we don’t take action</th>
<th>Public or non-profit sector role</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public benefits</strong></td>
<td>Don’t fully consider the <strong>benefits</strong> to others</td>
<td><strong>Too little</strong> of the beneficial activity</td>
<td><strong>Encourage</strong> the activity</td>
</tr>
<tr>
<td><strong>Public costs</strong></td>
<td>Don’t fully consider the <strong>costs</strong> to others</td>
<td><strong>Too much</strong> of the costly activity</td>
<td><strong>Discourage</strong> the activity</td>
</tr>
</tbody>
</table>
For adequate public benefits, need public and nonprofit sectors

Private benefits ➔ Only participants
Public benefits ➔ Everyone

Private enterprise ➔ Private benefits
Public and nonprofit sectors ➔ Public benefits
The public value approach makes a case for public funding

Program staff understand the value of their programs to *participants*.

But they need to communicate their programs’ *public value*: the value to those who do not *directly* benefit from the program.

Why?
Who are the **participants** in the program?  

What do they **learn**?  

What do they **do differently** as a consequence of the program?  

How do those changes affect long-term **conditions** (e.g., environmental, economic, social)?  

How do the outcomes **benefit participants**?  

How do the condition changes benefit everyone else (create public value)?
Parents who complete an early childhood education program... seek effective interventions for their children who need them... which means their children are ready for school when they start Kindergarten... improving outcomes for the children. decreasing the cost of remedial and special education.
Inclusivity and diversity can enhance public value

- People upstream **impose costs** on downstream community.
  - Include downstream community to identify problem.
  - Target intervention to upstream community to create spillover benefits.

- Address a concern about **fairness**
  - Include diverse ideas about what is fair.
Tax and spending policies can create public value

- A public value-creating intervention may be:
  - A tax or fee
  - A subsidy
  - Provision of a public good
  - Legal restriction and enforcement
  - Information
  - Education
Tax and spending policies can create public value

- The **budget process** can enhance public value when it:
  - Is intentionally **inclusive**
  - Advocates for **absent stakeholders**
  - Seeks **justification for public action**
  - Incorporates evaluation for **effectiveness**
  - Recognizes **government’s limitations**
Tax and spending policies can create public value

- The **budget process** can enhance public value when it:
  - Is intentionally **inclusive**
  - Advocates for **absent stakeholders**
  - Seeks **justification for public action**
  - Incorporates evaluation for **effectiveness**
  - Recognizes **government’s limits**
CREATING PUBLIC VALUE IN THE BUDGET PROCESS

David Schmiedicke, Finance Director, City of Madison, Wisconsin
Why Public Value?

- Budget process is already challenging enough.
- It’s about the taxpayers -- dollars and cents; efficiency and effectiveness.
- It’s about reaching outcomes – making sure programs generate results.
- Isn’t that public value?
Typical Budget Process

- Start with last year’s spending.
- Establish funding targets by agency.
- Provide a spending plan.
- Debate what should be cut.
- Add spending based on “ad-hoc-racy” or single-issue advocates.
Madison’s Positives

- Top research university
- Highly educated population
- Above average income and home values
- Attractive setting – Isthmus with 4 lakes
- Progressive outlook
- Medical and biotechnology sector job growth
- Aaa bond rating; 15% fund balance
Madison’s Challenges

- Rising poverty rate – 50% of school students eligible for free and reduced price lunch.

- Lack of equity – disproportionate rates of unemployment, failure to graduate, poverty and incarceration among people of color, particularly African-Americans.

- State retrenchment – strict levy limits; state aid reductions; 50% pro-ration of payments for police and fire services to state-owned and UW buildings.

- Infrastructure pressures – reconstruction of major city streets; renovation of key city facilities; rising debt service share (historically 12.5% of g.f. expenditures; could exceed 20% by 2017)
Madison Measures

- Initiated by former Mayor Cieslewicz in 2007.
- Benchmarking system
- Citywide vital signs (population, labor force, development measures, environmental, economic issues, etc.)
- Agency-specific measures (fire response times, restaurant inspections, etc.)
Community Budget Conversations

- Begun by Mayor Soglin in Summer of 2011.
- Four forums around the city prior to development of city budget:
  - Agency/program focused in 2011
  - General discussions in 2012
  - Thematic (cross-agency) in 2013
Idea Scale

- Commercial web tool.
- Generate ideas from customers, stakeholders, public, etc.
- Used by Cities of Chicago and Seattle, federal government agencies (e.g., NASA).
- Allows for anonymous feedback, security and “voting” on ideas.
- City can provide feedback on each idea.
Log-In
Adding an Idea

Title*
Bicycle/Pedestrian Bridge public art project

Description*
Have art work (sculptures) that that symbolize the city, its people and its activities as part of the bridges.

Campaign* Pedestrian Bridge

Tags (Optional)
public art

* Required fields
Adding an Idea
Logging-Out

Welcome to the South Capitol Transit Oriented Development District Planning Study IdeaScale website

Within this IdeaScale community you are able to submit ideas, vote on existing ideas, or add comments to other user submitted ideas.

The purpose of the South Capitol Transit Oriented Development (SCTOD) District Planning Study is built on the Downtown Plan's approach of "developing multiple ways (modes) for people to get to and around Madison's Downtown." Based on the recommendations in the Downtown Plan, the SCTOD District Planning Study will identify transportation improvement projects and land use initiatives that will improve multimodal connectivity and create a transit oriented district. Transportation improvement projects will focus on accessibility walkability for users of varying ages and abilities, and on creating high capacity bicycle improvements. Land use initiatives will encourage transit oriented development, increased residential density, place making and creating a high level of activity on the street. Learn more about the Purpose, Goals & Objectives.

Please review the City of Madison Social Media Policy.

Feel free to take a look at our current idea campaigns to view or vote on previously submitted ideas, or use the button below to submit your own idea!

Submit New Idea

Browse Recent Ideas

PEDESTRIAN BRIDGE

Bicycle/Pedestrian Bridge public art project

Have art work (sculptures) that that symbolize the city, its people and its activities as part of the bridge.

Submitted by Sarah 38 seconds ago

Displaying all Ideas
Budget Conversations Website

- 242 ideas proposed
- 1,700 participants
- Over 12,000 votes cast
Results

- Top vote getters:
  - Curbside composting
  - Public transit hub/connections
  - Expanded community centers
  - Assist Sector67 (next generation technology space)
  - More affordable housing.

- Fewest votes (actually negative votes)
  - Ban pedestrians from bike paths
  - Boycott airport
  - Subsidize musicians performing at clubs

- City provided feedback on top 75 ideas
Next Steps

- Focus on “Healthy and Safe City” priority.
- Use Idea Scale to generate specific proposals and outcomes related to the goal.
- Provide input to a cross-agency team that will develop one or two city-wide goals, with follow-up actions by affected agencies.
Racial Equity and Social Justice Initiative

Total Madison Population

- White: 75%
- Black: 8%
- Asian: 7%
- Latino: 8%
- Two or More: 3%
- Other: <1%

Under 18 Madison Population

- White: 56%
- Black: 10%
- Asian: 10%
- Latino: 10%
- Two or More: 8%
- Other: 1%

City Committees

- White: 85%
- Black: 3%
- Asian: 1%
- Latino: 1%
- Two or More: 4%
- Other: 1%

2013 City New Hires

- White: 78%
- Black: 8%
- Asian: 6%
- Latino: 5%
- Two or More: 3%
- Other: 0%
Unemployment Rate: 2008-2012

Source: American Community Survey 5-year Estimates, Table S2301
Estimate in bold, selected 90% confidence intervals in parentheses

<table>
<thead>
<tr>
<th></th>
<th>Black</th>
<th>Non-Hispanic White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madison</td>
<td>21.3% (17.1 - 25.5)</td>
<td>5.1% (4.6 - 5.6)</td>
</tr>
<tr>
<td>Dane County</td>
<td>19.5% (16.2 - 22.8)</td>
<td>4.9% (4.6 - 5.2)</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>19.8%</td>
<td>6.4%</td>
</tr>
<tr>
<td>U.S.</td>
<td>15.9%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>
Percentage of Families in Poverty: 2008-2012

Source: American Community Survey 5-year Estimates, Table S1702
Estimate in bold, selected 90% confidence intervals in parentheses

Madison
- Black: 38.3% (32.8 - 43.8)
- Non-Hispanic White: 4.7% (3.9 - 5.5)

Dane County
- Black: 34.2% (29.8 - 38.6)
- Non-Hispanic White: 3.7% (3.3 - 4.1)

Wisconsin
- Black: 34.1%
- Non-Hispanic White: 5.7%

U.S.
- Black: 22.6%
- Non-Hispanic White: 6.8%
Diversity is Increasing Everywhere

Projected Population Growth from 2010 to 2040 Attributable to People of Color

Share of Growth Attributable to People of Color
- All growth
- 75% to 99%
- 50% to 75%
- 25% to 50%
- Less than 25%

Counties with Projected Decline in Whites and People of Color

Map created by PolicyLink and the Program for Environmental and Regional Equity (PERE) using data from the 2010 Decennial Census, Woods & Poole Economics projections data (adjusted using 2010 census data), Census TIGER/Line, NHGIS, and ESRI.
Defining Equity

Equity is **just** and **fair** inclusion into a society in which all, including all racial and ethnic groups, can participate, prosper, and reach their full potential. Equity gives all people a just and fair shot in life despite historic patterns of racial and economic exclusion.

[www.policylink.org](http://www.policylink.org)
Leaders: Other Cities & Regions

Seattle, WA

Multnomah County, OR
Equity Impact Resolution – Oct. 2013

1. Better understand and report on inequities in Madison
2. Establish an interdepartmental city equity workgroup – provide April 2014 progress report
3. Train city staff at all levels in equity and social justice concepts, frameworks and skills
4. Make recommendations for the parameters of a City of Madison equity impact model
5. Ensure accountability and implementation of the equity initiative
- Improve coordination of **data** to inform policies and programs
- Develop strategic and result oriented **resource allocation** system with goals tied to equity indicators
- Increase **involvement of communities of color** in planning and policy processes
- Conduct **Equity Impact Analysis** to inform policy and development decisions
Immediate Next Steps

1. Expand RESJ Core Team to include representation from all City departments.
2. Begin training and capacity building at all levels (City staff, elected officials, community partners) per Core Team training plan.
3. Continue to pilot and evaluate the use of the RESJ Tool on policy, program, and budget decisions.
4. Support a Data Project Coordinator position in 2015 City Operating Budget.
Wrap-Up

- We all seem to agree on the principles of opportunity and a reasonable quality of life for all.
- We seem to disagree on how to get there.
- Applying technology, data, transparency and other means and modes – can improve the conversation.
- The conversation informs the budget process and provides feedback (e.g., performance-based budgeting; transparency websites; etc.)