The Great Recession of 2007–2009 and the sluggish recovery since then have produced extraordinarily large state budget gaps. Even as the fiscal condition of most state governments is slowly improving, many central cities have only recently begun to feel the full impacts of the economic slowdown and the disruptions to the housing market.

A number of indicators have been flashing signs of local government fiscal distress. From its peak in 2008 through July 2012, local government employment has fallen by 536,000, or 3.7 percent, according to the U.S. Bureau of Labor Statistics. The media have also been reporting large cuts in public services in some cities. Newark has been forced to make substantial cuts in municipal employment and impose significant increases in taxes and fees. Stockton, California, declared bankruptcy in June. Counties in New York state are in or close to fiscal receivership, and the school district of Providence, Rhode Island, which comprises half the city’s budget, addressed a nearly $40 million shortfall by closing schools and laying off about a quarter of its teachers.

The prosperity of cities depends on effective public services, provided at competitive tax rates. The deep recession, reinforced by the decline in housing prices and extensive housing foreclosures, has put pressure on local tax revenues and local public services. Deep cuts in state aid to many local governments have only added to the fiscal pain. Given the ongoing sluggishness of the U.S. economy, the prospects for a robust recovery in revenues over the next few years are highly uncertain.

We have developed a forecasting model that accounts for differences in government structure as it estimates revenues of the nation’s largest central cities through 2013. We focus on large cities for their sheer size and because they are crucial to the economic success of their surrounding regions. Our specially constructed multiyear database builds on data on central city finances from the U.S. Census Bureau for 2009, the most recent and comprehensive available. Although prior studies have recognized the importance of overlying jurisdictions, they have been less systematic in considering variations in governmental structure.
While some municipal governments finance a full array of public services for residents, others share these responsibilities with a variety of overlaying governments. For example, Boston, Baltimore, and Nashville have neither independent school districts nor county governments serving local residents. Each of these municipal governments provides core municipal services, plus education, public health, and other social services. By contrast, municipal governments in El Paso, Las Vegas, Miami, and Wichita collect about one-quarter of the revenues that finance the delivery of public services within their boundaries. The remaining three-quarters is collected by one or more independent governments that serve city residents and, in some cases, people who live beyond city boundaries. These relationships illustrate the difficulty making revenue comparisons.

For example, census data indicate that in 2009, Tucson, which relies heavily on a local sales tax, collected 14 percent of its total tax revenue from the property tax, while Buffalo collected 88 percent of its tax revenue from the property tax. However, when we take account of the revenues paid by city residents to their overlying school districts and county governments, the situation is reversed. Property taxes accounted for 68 percent of the total local tax revenue paid by Tucson residents, but only 50 percent of tax revenue paid by the residents of Buffalo, where the county government relies heavily on sales tax revenue.

Our approach to dealing with the variation in the organizational structure of local governments across the country is to account for all local government revenues received by governmental entities that provide services to city residents and businesses. The basic idea is to include all revenues collected by a central city municipal government and by that portion of independent school districts and county governments that overlay municipal boundaries. We refer to the result of this calculation as the revenue of a “fiscally standardized city” government.

To create fiscally standardized cities we take the following steps. For cities with independent school districts that are coterminous to city boundaries, we combined the school district and municipal values of all revenue variables. For school districts that cover a geographical area larger than the city and for cities served by multiple school districts, we use data on the spatial distribution of enrollments to allocate a pro-rata share of total school revenues to the fiscally standardized city. For each school district serving a portion of the central city, we draw on geographic information system analysis of census-block level data from the 1980–2000 decennial censuses to determine the number of students in each school district who live in the central city.

For counties, we allocate the portion of revenues associated with city residents on the basis of the city’s share of county population. Because geographic boundaries are not readily available and fiscal data are intermittent, our calculations do not account for special districts. For the country as a whole, special districts are relatively unimportant, and failing to include them should do little to distort fiscal comparisons among central cities.

We calculate fiscally standardized city revenues for the largest central cities for 1988 through 2009. The sources for the data are the quinquennial Census of Governments and, for non-census years, the Annual Survey of State and Local Government Finances. The sample includes all cities with 2007 populations more than 200,000, except those with 1980 populations less than 100,000, and all cities with 1980 populations more than 150,000 even if their 2007 population was less than 200,000. In 2009, the population of the 109 central cities in our sample was 58.9 million, equating 60.3 percent of the population of all principal cities within U.S. metropolitan statistical areas.

**Fiscally Standardized City Revenues**

Figure 1 displays the average share of total general revenues that came from each source in the 109 fiscally standardized cities in 2009. The most important sources are state aid (34 percent) and property taxes (27 percent). User fees and charges contributed 16 percent, while taxes other than the property tax contributed 13 percent.

Sources of revenue vary enormously among fiscally standardized cities. For example, 60 percent or more of general revenue came from state and federal aid in Springfield (Massachusetts), Fresno, and Rochester, while aid contributed less than 20 percent of revenues in Atlanta, Dallas, and Seattle. The reliance on the property tax also varies across cities, with more than 90 percent of tax revenue coming from the property tax in Providence, Boston, and Milwaukee, but less than 30 percent in Philadelphia, Birmingham, and Mobile.

Because the importance of counties and independent school

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This article is adapted from one published in the Lincoln Institute of Land Policy’s July 2012 issue of *Land Lines*. That piece was a condensed and updated version of an article published in *Publius* earlier in 2012. **Howard Chernick** is professor of economics at Hunter College and the Graduate Center of the City University of New York. He specializes in the public finances of state and local governments in the United States and internationally. **Adam H. Langley** is a research analyst in the Department of Valuation and Taxation at the Lincoln Institute of Land Policy, where he has co-authored papers on property tax incentives and relief programs, nonprofit payments in lieu of taxes, and state-local government fiscal relationships. **Andrew Reschovsky** is a professor of public affairs and applied economics in the Robert M. La Follette School of Public Affairs and a visiting fellow at the Lincoln Institute of Land Policy. He conducts research on property taxation and other aspects of state and local public finance.
districts varies enormously, revenue comparisons that rely only on data from municipal governments are highly misleading. For example, in 2009 per-capita general revenue of the city government of Pittsburgh was $1,958, while the per-capita revenue of Baltimore was $5,306. However, per-capita revenues in the two fiscally standardized cities were nearly identical. This pattern is typical.

Comparing per-capita revenues across central city municipal governments overstates the differences across cities because it forces us to compare city governments that have very different sets of public service responsibilities. Utilizing the concept of fiscally standardized cities provides the basis for more accurate intercity comparisons and allows us to generate comprehensive revenue forecasts for the cities in our sample.

**Forecasting Revenues for Fiscally Standardized Cities**

To forecast general revenues for 109 fiscally standardized cities for the four years between 2009 and 2013, we sum projections for four revenue streams: property taxes; other locally raised revenue from sales and income taxes, user fees and charges, and miscellaneous sources; state aid; and federal aid. We use econometric models fitted with actual and projected metropolitan area-level data to forecast the two sources of own-raised revenue. We then make projections about intergovernmental revenues based on information from surveys and published revenue estimates.

**Property Tax Revenues**

Predicting the exact relationship between changes in tax revenues and changes in the size of the tax base is particularly difficult in the case of the property tax. Property tax rates are adjusted much more frequently than sales or income tax rates to reflect changes in assessed values and revenue needs. Predicting the revenue impact is further complicated by the existence in some states of legislatively or constitutionally imposed limits on tax rates, changes in tax levies, or changes in assessed values. Major changes in the fiscal relationships between state and local governments, such as school funding reforms, are often motivated by the goal of reducing reliance on the property tax.

Although property taxes are generally levied on all real property, comprehensive data on property values over time and across states do not exist. Thus, researchers have had to focus on changes in housing prices. Data on the Lincoln Institute of Land Policy’s website Significant Features of the Property Tax indicate that, in the large majority of states where data are available, residential property accounts for well over half of total property value.

Figure 2 demonstrates the relationship since 1988 between housing prices in the United States and per-capita local government property tax revenues. Inflation-adjusted housing prices rose steadily from 1998 until 2006, but by 2011 they had fallen by 25 percent. Per-capita property tax revenues followed a similar pattern, with sharp growth beginning in 2001 and continuing until 2009, three years after housing prices peaked.

The lag between changes in housing prices and changes in property tax revenues is because changes in assessed values, on which property taxes are levied, typically lag behind changes in market values. The lag may be as little as a year, in cities with annual reassessments, or longer in cities that reassess less frequently or have explicit policies to phase in changes in market value.

The housing price indices for our 109 fiscally standardized cities indicate very different patterns of boom and bust in different parts of the country. Willingness of city residents to support increases in property taxes may reflect both changes in the value of their homes and changes in their income. Furthermore, as property tax rates are often adjusted in response to changes in other revenue sources, changes in state aid are likely to affect changes in property tax rates and revenues. To capture these various factors, we estimated a statistical relationship between annual changes in per-capita property tax revenues and lagged changes in housing prices, metropolitan area personal incomes, and per-capita state aid. Data on property tax revenues are for 1988 through 2009. Our statistical model also accounts for city-specific factors that remain constant over time.

The results of our analysis indicate a statistically significant relationship between changes in property tax revenues and changes in housing prices, lagged three years. Our results also indicate that changes in personal income lead to changes in property taxes revenues two years later. This relationship suggests that the impact of the decline in housing prices from 2006 to 2012 and reductions in personal income during the recession will push down property tax revenues through at least 2015. Changes in state aid were found to be statistically insignificant.
We estimate that, on average, a 10 percent change in housing prices in our fiscally standardized cities results in a 2.5 percent change in tax revenues. This finding implies that the average city will offset about three-quarters of the revenue effect of falling market values by raising effective tax rates.

To forecast changes in per-capita property tax revenues, our coefficient estimates are combined with actual and projected values of metropolitan housing prices, personal income, and state aid, which are then added to actual 2009 property tax revenues to calculate annual per-capita revenue for each year between 2010 and 2013. Adjusting for inflation, we find that per-capita property tax revenue in the average fiscally standardized city will decline by $40 or 3.1 percent from 2009 through 2013. Predicted changes range from increases of about 14 percent in the Texas cities of Lubbock and San Antonio to declines of 20 percent in some cities in California, Arizona, and Michigan, where the bursting of the housing bubble was most severe.

Other Locally Raised Revenues
As demonstrated in Figure 1, revenue raised from local sources other than the property tax in the average fiscally standardized city accounts for a little over one-third of total revenues. These revenues come from local government sales taxes, income taxes, user charges, fees, licenses, and other miscellaneous sources. The importance of these revenue sources varies tremendously across cities, from 6 percent of general revenues in Springfield (Massachusetts) to 60 percent in Colorado Springs.

As we did in forecasting property tax revenues, we started by estimating the statistical relationship between annual changes in revenues and changes in metropolitan area personal income, lagged one year. We estimate separate equations for tax revenue from taxes other than the property tax and for local-source revenue from non-tax sources. Using the coefficients from our estimated equations and actual and forecast data on metropolitan area per-capita personal income, we forecast a $20 per-capita (2.1 percent) increase in tax revenue from sources other than the property tax and a $29 (1.2 percent) increase in non-tax locally raised revenues from 2009 to 2013.

State Aid to Cities
Over the past few years, most state governments have faced large budget shortfalls. Budget adjustments have occurred mainly on the spending side, and many states have reduced aid to local governments. To forecast these reductions through 2013, we draw on a survey of changes in state education aid between 2008 and 2012 by the Center on Budget and Policy Priorities. We assume that the reported percentage change in each state’s education aid applies to the school districts in every fiscally standardized city in that state and that the same percentage change in aid applies to non-education aid.

Given the uncertainty over future legislative actions, we
make three predictions. The base case assumes that state aid stays constant in real terms from 2012 to 2013. Our best-case assumption is that state aid increases in each city by 3 percent in that period, while our worst case is that state aid changes by the same amount in real terms as in 2011–2012, i.e., an average reduction of about 6 percent. Under our base case, per-capita state aid is forecast to decline by $153 (9.5 percent) between 2009 and 2013.

Federal Aid to Cities
Cities receive federal grants through myriad programs. In the past few years, fiscal pressure at the federal level has led to a number of proposals to sharply reduce such spending. President Obama’s fiscal year 2013 budget calls for large cuts in a wide range of programs that provide revenue to cities. Based on alternative assumptions about congressional actions, we take as a base-case assumption a 15 percent reduction in federal aid between 2009 and 2013, a worst case of a 37.7 percent reduction in federal grants between 2009 and 2013 (the current budget proposal), and a best case of a 9.5 percent cut.

Total General Revenues
General revenues are defined as the sum of the four sources of revenues—property taxes, other locally raised revenue, state aid, and federal aid. Adding up the forecasts, we predict that, on average, inflation-adjusted per-capita general revenues will decline by 3.5 percent ($169) from 2009 to 2013. Though the variation in revenue forecasts across the nation is substantial, nearly three-quarters of central cities face some level of reductions. The largest projected revenue declines are in California and Arizona, where 11 cities have declines of greater than 10 percent. There is no particular regional pattern to the cities where we forecast growth in revenues. For example, per-capita revenue growth in excess of 3 percent is predicted for such diverse cities as Atlanta, Cincinnati, and Lubbock.

Figure 3 groups fiscally standardized cities by their census division. Above-average revenue declines are forecast in the Pacific, Mountain, and South Atlantic divisions. Revenues are declining in the central cities in these regions because they are facing a combination of reduced property tax revenues and sharp reductions in state aid. By contrast, in the East and West South Central divisions, real general revenues remain largely unchanged because property taxes increases offset declines in state aid. The opposite is true in New England, where state aid increases balance out property tax reductions.

Forecasting levels of state and federal aid to central cities is extraordinarily difficult. Our approach is to choose a range of estimates for 2012–2013 changes in intergovernmental aid. From the cities’ perspective, our worst case calls for steep cuts in state and federal aid, while our best case calls for smaller cuts in federal aid and modest increases in state aid. When combined with cities’ own sources of revenue, under the worst-case...
scenario, real general revenues will decline by $295 per capita (6.1 percent) between 2009 and 2013. This decline is $126 per capita more than our base-case forecast. Even under our best case, we forecast that on average general revenues will decline by $116 per capita or 2.4 percent during the four-year period.

Conclusions

These predicted reductions in revenue place many of the nation’s largest central cities in uncharted territory. Although these revenue declines may appear modest, they contrast quite sharply with the resiliency of city revenues following the previous three recessions. For example, real per-capita revenues grew by a robust 17 percent in our 109 fiscally standardized cities during the four years following the recession of 1981–1982. Given the severity of that recession, the current revenue declines highlight the unprecedented magnitude and duration of fiscal pressure on cities that has resulted from the housing market collapse and the Great Recession in 2007–2009.

Demographic and economic trends, such as the aging of the population and the persistence of high poverty rates, contribute to the rising costs of providing government services in central cities. In many cities, legally binding pension and health-care benefits for retirees constitute a large and growing component of total compensation. Facing both rising costs and reduced revenues, many central cities have no choice but to implement substantial cuts in locally provided public services. These reductions, when combined with projected cuts in federal and state government programs that provide direct assistance to city residents, such as food stamps, Medicaid, and unemployment insurance, will cause substantial harm to central city economies.

While the governments serving central city residents must continue to search for ways to reduce costs without harming service quality and to explore potential new sources of revenue, the federal government and state governments must take an active partnership role in mitigating the adverse impact of the recession on the nation’s central cities.
Pork Barrel Politics with Chinese Characteristics

By Melanie Manion

Geographic parochialism in the form of legislator concern with home districts is nearly always a challenge to good congressional policymaking. With representation structured by geographic district, the ubiquitous practice in modern-day democracies biases legislators toward the particular interests of their narrow constituencies. In the United States, we are familiar with such geographically targeted, highly visible distributive benefits—we call it “pork.” A good example is the practice of congressional earmarks that deliver dollars and jobs to the local voting district via costly infrastructure projects. In many democracies, incumbent politicians use such appeals to reap electoral benefits.

In China, congressional representation is often highly, if not exclusively, geographically oriented and, hence, parochial. This localism is puzzling: from everything we know about democracies, institutions that strengthen parties weaken incentives for incumbents to invest in personal reputations through parochial appeals. For example, in parliamentary Canada, voters cast one vote for one party in single-member districts with plurality electoral rules—an arrangement that discourages parochial appeals by tightly harnessing electoral prospects of individual legislators to party electoral prospects. In the United States, by contrast, electoral rules and separation of powers give party leaders less leverage to restrain congressional pork barrel politics. So—why geographic parochialism in China, where a single, hierarchical communist party effectively monopolizes organized politics? Here, I describe pork barrel politics in China and explain why it works as it does.

My description draws on evidence from qualitative, semi-structured interviews I conducted in China and on data from a survey of 5,130 congressmen and women I conducted with Chinese colleagues at the Research Center on Contemporary China at Peking University.

Some Context

I focus here on the more than 2 million congressmen and women in township and county congresses. A typical Chinese county is an order of magnitude bigger than a Chinese township: with a population of about 467,000, compared to about 39,000. I focus on townships and counties because ordinary Chinese elect these congresses in popular elections that (since 1979) feature secret ballots, contested elections, and voter nomination of candidates. No other Chinese congresses are elected in this way: instead, county congresses elect municipal congresses, municipal congresses elect provincial congresses, and provincial congresses elect the National People’s Congress. Communist party committees strictly control these “indirect elections.”

All Chinese congresses are amateur congresses: congressmen and women have full-time occupations, and the congresses typically meet only once a year for a few days. At and above the county congress, standing committees of about 7 percent of congressmen and women, also indirectly elected, work full time on governance. When the full congresses meet, they typically ratify decisions of the governing elite, which includes party and government leaders. This executive-led governance is not so unusual: in parliamentary democracies, governments submit about 90 percent of legislation, and parliaments pass about 90 percent of it.

The Content of Chinese Pork Barrel Politics

Judging from survey data, local congress composition is about 80 percent male and communist. In the popularly elected township and county congresses, about 55 percent of local congressmen and women are voter nominees, not party nominees, although a party-led election committee vets all nominees and decides which candidates appear on ballots. Voter nominees differ significantly from party nominees along a few dimensions. Voter nominees have lived in the voting district longer and are less highly educated. Fewer of them have been groomed for higher positions in communist party schools, more of them are community leaders, fewer of them are party or government officials or on the congress standing committee. Voter nominees more greatly prioritize district needs over the township or county; they are also more concerned about what constituents think of how they are doing their job. As campaigning for a congress seat is prohibited, it makes sense for voters to

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nominate people who can be counted on to act in a certain way after election because of particular qualities. For ordinary Chinese, voter nominees are such familiar people and hence good bets for reliable representation of district interests.

My colleagues at Peking University’s Research Center on Contemporary China and I asked congressmen and women about the frequency and content of the contacts that they make with their constituents. We avoided offering “politically correct” or other sorts of choices that might invite dissembling responses. In addition, we used reported constituent contacts as the basis for a reliability check, comparing self-reports to reports by the Chinese mass public in a sub-sample of surveyed townships. We found that township congressmen and women roughly agree with their constituents on frequency of contacts, which suggests that self-reports on actions are reasonably reliable. We found that constituents more frequently seek out familiar people, along the dimensions noted above, to air their complaints about local problems. Infrastructure problems, especially roads, are by far the most common constituent complaints. Of course, constituents also ask local congressmen and women for “private goods,” that is, help with individual problems, especially roads, are by far the most common constituent complaints. Of course, constituents also ask local congressmen and women for “private goods,” that is, help with individual problems, especially roads, are by far the most common constituent complaints. Of course, constituents also ask local congressmen and women for “private goods,” that is, help with individual problems.

Chinese Pork Barrel Politics as Special Pleading to Governments

Qualitative interview evidence and survey data indicate that Chinese pork barrel politics mostly occurs between the sessions of congresses. This finding contrasts starkly with American pork barrel politics, but is understandable in the Chinese context where the congresses meet only briefly and infrequently.

Chinese congressmen and women often seek out government leaders or government officials to engage in direct advocacy. In the following example recounted by a township congressman, note that the congressmen and women seek out familiar people, along the dimensions noted above, to air their complaints about local problems. Infrastructure problems, especially roads, are by far the most common constituent complaints. Of course, constituents also ask local congressmen and women for “private goods,” that is, help with individual problems, especially roads, are by far the most common constituent complaints. Of course, constituents also ask local congressmen and women for “private goods,” that is, help with individual problems.

Widening the road would increase fees in our township. We were unhappy with the plan to widen the road so we went to the highway department in the county government, then to the transportation department. Both departments simply responded that the road must be widened. The congress standing committee deputy secretary said we could go to the county [government] deputy magistrate to make our case. We went to him and explained the rationale behind our opposition to widening the road. We had a reasonable public rationale. He was persuaded, so the road was not widened.

More often, congressmen and women raise requests first to congress leaders, who may agree to present the issue to the local government, as in the example below from a township congressman:

A road was built through our village. We paid for our part of the road with fees. This is not the problem. But this road is widely used not only by vehicles from other villages and towns in the county but also from outside the county. We do not think we should be responsible for maintaining the road when it is used by so many from outside the village. This sort of issue requires the congress to address. We went through the congress leaders to raise this issue to the government to deal with the problem. Then the government invested in maintenance of the road.

In the quote above, the congressman wants to distinguish clearly between the sorts of problems that village leaders can solve on their own and the road issue, which “requires the congress to address.” Clearly, however, the congress does not solve the problem in this or in the preceding example. Instead, congressmen and women or congress leaders present the case to the government, which acts (or not) to respond.

Delegates may coordinate to advocate for common local public goods across localities, but this collaboration does not seem to be the norm among surveyed congressmen and women. Coordination is most common in township congresses and least common in municipal congresses, which may reflect the greater challenge of collective action in much larger congresses and greater heterogeneity of local interests represented by congresses with jurisdiction over much larger expanses of territory. There are some advantages to coordination, however. The government pays more attention if congressmen and women manage to coordinate support among greater numbers spanning more districts.

With or without coordination, the sole player with decision-making power actually to distribute pork is the government, which manages local expenditures. Congresses have no independent authority whatsoever to earmark allocations, decide on formulas for distribution of pork across localities, or otherwise deliver materiality on any of their legislative proposals. Chinese congressional pork barrel politics is really a game with only two players, best conceived of as congressional advocacy or special pleading to government leaders on behalf of constituents. Even when congressmen and women coordinate proposals at congress sessions, with numerous congress discussion groups raising the same issues, the audience is the government official assigned to sit in on the discussions and report to government leaders. One congresswoman described this as follows:

Through these discussions you can really get things done. They [i.e., government officials sitting in] listen and make sure that leaders hear the views. If you speak seriously, they are listening.

Congresses have the authority to vote down annual government work reports. At the local level, the most significant reports are the economic development plan for the coming year and the report on the budget for the preceding year. Pork
typically has budgetary allocation and expenditure consequenc-
es. Major infrastructure projects cannot be hidden from con-
gresses representing a relatively small territory, even if they do
not appear as items in government reports—but budgeted and
actual expenditures are not transparent in government reports.
Local governments are reluctant to release budgetary details
even to the congress standing committee. Additionally, as
a provincial congress standing committee member complained
to me: "Congress only has the authority to review the government
report on budgetary items, not extra-budgetary items, but the
latter are more important." Well below the provincial level, at
a township congress discussion meeting I observed as member of
a Carter Center delegation several years ago, a congressman
aired a different complaint about the opacity of the government
financial report: "So much detail—but no numbers."

This is highly lopsided pork barrel politics. Indeed, the
politics seems mostly absent. Congressmen and women have little
opportunity to engage in bargaining among themselves. Nor is there
a sense that local congresses and local governments are on opposite
sides. Given this scenario, many congressmen and women I inter-
viewed surprised me with their sense of institutional efficacy.
Often citing their formal, legal powers to question and recall
government leaders, they asserted or implied: if governments
ignore congresses, they have cause to fear what congresses can
do; as a result, governments are attentive—they take congresses
seriously. The illustration below, quoted from a township con-
gressman, is fairly typical of this sort of sentiment:

Government has to take the opinions of congress seri-
ously. We can recall government leaders. Also, it helps
government do its job. [Prompt from me: Have any gov-
ernment leaders been recalled around here?] No—but
by law we can recall them. … Before the congress meet-
ing, if there is broad consensus [among congressmen
and women] on some issue, then we raise this issue with
the government to be integrated into the government
work plan. If it doesn't show up in the government
work plan, then it may be difficult for the government
to gain approval for the plan [by congress]. So the issue
does appear in the plan—and in the government work
report when the year is up. We have had no problem
here with the government not taking the congress
seriously.

Among surveyed congressmen and women, some 87 percent
think the government is attentive or very attentive to congresses.

The self-important rationale for government attentiveness
to congressional requests for pork seems highly flawed, how-
ever. The system is not one of checks and balances. Even voter
nominees owe their places on the ballot (and therefore their
seats in congress) to party-led election committees. The party
personnel management system ensures that only the party
can remove someone from a position of power. This includes
government leaders, formally elected by and accountable to
congresses. Moreover, party and government leaders normally
form a coherent executive, unlikely to be cowed by congress-
ional formal-legal power to oust governments. Why do local
governments heed congressional requests for pork?

Why Chinese Governments Deliver Pork

To get along and ahead, local Chinese politicians must attend
most to promoting local economic growth and avoiding social
unrest. This focus has everything to do with the point system
by which communist party committees evaluate and promote
officials. Social unrest counts heavily against local officials in
performance evaluations: social stability is a hard veto target,
which means that social unrest nullifies good performance on
any other dimension. “Mass public incidents” have become
an increasingly normal response to problems in China, with
more than 180,000 such incidents in 2010, one reason that
funds budgeted for domestic sta-
bility exceeded the defense budget
in 2011.

To advance economic growth,
maintain social tranquility, and
score political points, it makes
good sense for local governments
to take advantage of the local
knowledge provided by amateur congressmen and women, to
use them as conduits of community collective preferences.

Insofar as congressmen and women are imbued with a confi-
dence in congressional power derived from formal instruments
to make governments pay attention, they surely flatter them-
selves. At the same time, a self-important misunderstanding of
why governments respond benefits all players: when it works,
congressmen and women place problems of ordinary Chinese
on the local governance agenda and offer local governments an
opportunity to pre-empt social unrest.

Put another way, authoritarian parochialism is the point,
not the subversion, of Chinese congressional design. Different
from multiparty democracies, Chinese politics does not reveal
itself in public contests between different interests or policy
preferences aggregated along political party or any other lines.
Even within the communist party, although “intraparty democ-
acy” is the party’s new watchword, organized opinion groups
remain prohibited as factions. In this politically stunted insti-
tutional setting, congressional politics has nothing to do with
reconciliation of conflicting claims by organized proponents of
different ideas or interests, reflected in open political competi-
tion. Ideological and policy debates are internal communist
party matters, shrouded in as much secrecy as possible—defi-
nitely not the purview of congress meetings. Instead, amateur
congressmen and women are supposed to maintain close links
with their constituents. They are permitted to use any means
at all to listen to and “reflect” upward the views and requests of
their constituents and to focus on “practical problems and cir-
cumstances.” In sum, investing effort in particularistic appeals
through pork barrel projects is not at odds with communist
party discipline. Congressional parochialism is core to the offi-
cial job description. ♦
Uncertainty Marks Medicare Voucher Proposal

By Barbara Wolfe

The response to the 2010 Affordable Care Act has been varied. Some observers are enthusiastic. Others are taking a wait-and-see attitude as to whether the reform improves access and efficiency at the same time it reduces health-care costs. Others are calling for repeal or reform.

U.S. House representative and vice presidential candidate Paul Ryan of Wisconsin has argued for repeal of the Affordable Care Act. To ensure the solvency of Medicare, the federal program that guarantees health insurance to all Americans 65 and older and to some people with disabilities, Ryan and others have argued for a voucher-based design called “premium support.” Seniors could choose to use vouchers to buy insurance from private companies. Although Ryan initially sought to replace all of Medicare with vouchers, he later suggested offering them as options for people younger than 55. People 55 and older would retain the current Medicare system. Proponents of premium support say this reform would protect the Medicare trust fund from insolvency.

This proposal could eventually reduce Medicare spending if the amount paid out in vouchers plus the amount paid for people on the traditional plan totaled less than the expenditures that would have otherwise occurred. Reduced expenditures would protect the Medicare trust fund and keep it solvent. The concept behind this policy proposal is managed competition, an idea promoted by health management scholar Alain Enthoven beginning in 1993 that fostered the growth of health maintenance organizations (HMOs). The core idea is to use competition to reduce the rate of increase in health care expenditures. Plan sponsors (employers, unions, or the public sector) offer consumers a choice of health insurance plans and pay or partially pay only for the lowest-cost option. Consumers would then pay the difference between the premium of the plan they select and the amount the plan sponsor contributes. This market-based approach should pressure insurers to compete by lowering their premiums while regulations require that the products offered cover at least a minimum benefit package. The concept is attractive and most economists, including myself, initially supported managed competition.

In reality, implementation of managed competition did not substantially reduce health-care costs or expand consumer choice. In areas with small populations, managed competition was difficult. Overall we learned that consumers do not wish to be limited to a specific group of health-care providers. They especially do not like having to change providers annually to save money, so they pressured sponsors to cover providers not included in their health-care plan though at less generous rates. Insurers compete for the healthiest consumers by offering extra benefits such as gym memberships, and they locate practices in higher income areas. After a one-time reduction in premiums in most cases, the rate of increase in costs within managed competition no longer differed from that of traditional fee-for-service options. Another outcome was that the least healthy people needing the most expensive care tended to sign up for fee-for-service plans so they could choose freely among providers.

As for Medicare under managed competition, voucher dollars are not likely to be enough, after the initial offering, to allow beneficiaries to buy insurance that covers as much as the current Medicare structure. The voucher amount would be based on the second cheapest policy available to seniors. To attract seniors, insurers could compete only on price and offer identical packages to everyone. However, I suspect they instead would compete for the healthiest and most savvy seniors, just as they did with HMOs. They would make their plans more attractive to healthy consumers by adding benefits such as gym memberships that are attractive to the healthiest seniors and compete on benefits rather than solely on price. Thus the premium support approach with vouchers would not be as inexpensive as its advocates claim. Alternatively, fewer benefits could be offered: the voucher proposal does not explain which services would be covered beyond stating the program would cover a minimum set of benefits equal to the value of those in the traditional program. It does not specify how changes in medicine, technology, and pharmaceuticals would be covered. One way to reduce premiums and costs is not to cover new and expensive services.

Because managed competition allows insurers to design plans with different co-payments and premiums, predicting how much seniors in the voucher program would pay is difficult. If the value of the voucher was set low enough to protect the Medicare trust fund without raising taxes, then it likely would appeal mainly to those with the lowest expected utilization as the plans would offer fewer benefits or provide similar benefits by having seniors pay a larger share of the costs than they do now. It likely would encourage seniors with sufficient assets to buy more extensive (and far more expensive) policies.
or to buy supplementary policies to fill gaps in coverage.

Another outcome of moving to a voucher plan is pressure from the insurance industry, providers, and those insured to provide more funds for premium support, thus threatening the preservation of the Medicare trust fund. (Providers and those on Medicare have a similar incentive to push for more generous coverage under the Affordable Care Act and under premium support; the premium support option adds insurance companies to the mix.) These stakeholders would have a second target: modification of Ryan's original goal of keeping Medicare growth within gross domestic product growth plus one-half percentage point.

The Ryan plan says that private market competition would reduce the cost of policies offered to seniors. As evidence, supporters cite the experience with Medicare part D, the prescription drug benefit. But this experience should be discounted. Many drugs came off of their patents in the last six years, and more will come off in the next few. The shift to generic drugs reduced the cost of Medicare part D, a predictable change that insurers could count on when offering policies. The cost of pharmaceuticals regularly declines by about 90 percent when patents expire. The cost of newly patented pharmaceuticals, new technologies, physicians and other health-care professionals, and hospitals and other institutions does not follow such a path.

One outcome of repealing the Affordable Care Act is that Medicare expenditures would initially increase and thus reduce the Medicare trust fund. Expenditures would increase because the law requires insurers, hospitals, and other service providers to accept lower payments for services given to people on Medicare. The law targets services with evidence of overpayment (e.g., Medicare Advantage, through which private firms provide Medicare health insurance) and adds incentives to provide higher quality care (e.g., not paying a hospital if a patient is re-admitted within 30 days for the same diagnosis). These cuts do not affect seniors directly. Rather, they try to control health-care costs and increase efficiency and quality of care. Repealing the law and restoring these higher payments to providers would deplete Medicare’s trust fund more quickly, adding pressure for benefit cuts and other changes affecting seniors.

With vouchers, seniors in Medicare would likely be those with the greatest health needs and thus the most costly to serve. If traditional Medicare only covers seniors with significant health-care needs and high expenditures, the per-capita cost of the plan would be very high. We could expect a decline in public support for offering the full range of benefits for this smaller and sicker population. If full Medicare benefits were maintained, taxpayer costs, co-pays, and premiums would go up.

Alternatively, Medicare benefits could be reduced to keep taxpayer costs down. The younger—and healthier—population likely would resist higher Medicare costs, and so benefits under the traditional program would be reduced or co-payments increased for participants. In addition, payments to providers would be under pressure, all in the name of cost reduction. Because little new public support would be forthcoming, the residual Medicare program would become an easy target for cuts.

As a result, the Medicare population would find itself in a situation similar to that of people on Medicaid, the health program for low-income people and some people with disabilities. Because Medicaid reimbursements are low, these patients have too few health-care providers, especially specialists. Seniors with resources would buy expensive supplementary policies to fill the so-called Medigap. Middle-class seniors without the means to buy extra insurance would see less care and higher expenses. Poor seniors would have to turn to Medicaid.

We must wait several years before we see how much the 2010 Affordable Care Act reduces health-care costs, especially those incurred by Medicare. The removal of co-pays for specific preventive services may have long-term savings; the financial incentives to avoid hospitalizations may reduce costs and improve quality of care; and the use of medical homes (a team approach that uses a broad set of professionals and para-professionals to provide more comprehensive and coordinated health care) may avoid costly care for patients with chronic diseases. But we do not know how successful these incentives will be at reducing costs.

With a voucher program splitting up the insurance pool, we would expect uncertainty to increase for health-care providers, seniors, and for people younger than 65. Adults may need to help pay for their parents’ health care, and they may decide they have to save more money to cover their own health care, especially if they are not sure whether their voucher insurance or Medicare will cover expensive conditions. Health-care providers would need to determine where to practice, whether to provide services to those on traditional Medicare and/or on vouchers, while insurance companies would have to calculate the generosity of voucher packages and whether they could profit by selling coverage to various groups of seniors including those with pre-existing conditions, all within the regulations established.

Whether repeal of the Affordable Care Act and the institution of a voucher program would “save” Medicare cannot be determined, but the policy change would likely increase uncertainty, widen gaps in access to health care, and impose costs and strains on working adults. ◆
Federal Managers and Performance Reforms

By Donald Moynihan and Stéphane Lavertu

Lawmakers on both sides of the aisle say they want government programs to perform better. A central strategy to achieve that goal has been the creation of a federal performance management system. This system consists of a set of routines to measure and disseminate performance data. While one goal of this performance system is to simply provide better measures of performance, another is to foster greater use of such data to improve programmatic outcomes. The modern origin of this system was the passage of the Government Performance and Results Act (GPRA) in 1993, and the reform has culminated with the GPRA Modernization Act of 2010. The George W. Bush administration supplemented these efforts with the establishment of its own performance measurement system, the Program Assessment Rating Tool (PART).

Have these reforms had an effect on how agency personnel manage programs? In other words, do agency personnel use the performance data when making decisions in the management of their programs? In this article, we explore the evidence on whether GPRA and PART have had any impact on managerial use of performance information. The results offer insights about how the latest iteration of the federal performance management system, resulting from changes mandated by the Modernization Act, should be implemented.

The Federal Performance Management System

GPRA required federal agencies to develop performance plans and reports, and it required that they update their strategic plans every three to five years. Fifty-three percent of federal managers surveyed by the Government Accountability Office (GAO) in 2000 reported that they were involved in GPRA processes by developing performance measures, assessing the quality of these measures, or analyzing whether agencies were meeting specific performance goals or broader strategic goals. A clear goal of GPRA was to foster performance information use among federal managers. The act’s preamble notes that one of its purposes was to “help Federal managers improve service delivery, by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality.”

The Bush administration characterized GPRA as a well-intentioned but ultimately ineffective tool for performance management. The President’s Management Agenda, released in 2001, stated, “After eight years of experience [since the passage of GPRA], progress toward the use of performance information for program management has been discouraging… Performance measures are insufficiently used to monitor and reward staff, or to hold program managers accountable.”

The Bush-era Office of Management and Budget (OMB) sought to remedy this problem by creating PART. Specifically, it used PART to grade federal programs on an ineffective-to-effective scale according to four criteria (program purpose and design, strategic planning, program management, and program results/accountability). PART scores were tied to the president’s budget proposal, with evaluations conducted in waves between 2003 and 2008 until nearly all federal programs were assessed.

Whereas GPRA pushed agencies to consult with a wide array of stakeholders, especially Congress, the PART process was essentially a dialogue between the OMB budget examiners and agencies. Agencies shouldered the burden of proof in demonstrating their performance, but the OMB determined whether a program was effective. The OMB conducted 1,015 PART evaluations during a five-year period, but it involved fewer agency actors than GPRA. Of the managers the GAO surveyed in 2007, just more than 31 percent indicated that they were involved in PART activities, including preparing for, participating in, or responding to results of PART assessments. Even though the PART process involved fewer managers and occurred less frequently than GPRA, the OMB’s direct involvement and oversight, as well as a direct connection to the budgeting process, gave agency officials strong incentives to take PART seriously.

Did GPRA and PART Encourage Performance Information Use?

There are real differences in the nature of GPRA and PART, but the two reforms featured a similar causal logic in that policymakers expected them to foster performance information use. Both reflected a belief that formal governmentwide performance measurement routines would foster a community of performance information users. We tested this hypothesis, using data from GAO surveys of federal managers in 2000...
and 2007. The surveys asked managers if they were involved in GPRA (in 2000) or PART (in 2007). If these reforms had an effect on program management, it is reasonable to assume that those involved would have reported higher levels of performance information use relative to those who were not involved. We estimated statistical models that examine the extent to which agency managers reported using performance information across a number of management functions (see Table 1).

Reformers assumed that GPRA and PART would lead to purposeful performance information use—that is, information use likely to result in efficiency and effectiveness gains. The GAO surveys capture purposeful use by inquiring about information used to establish program priorities, allocate resources, adopt new work processes, and set individual job expectations and reward employees. But reformers recognized that managers might also adopt a passive approach, doing the minimum required to comply with the procedural requirements of performance systems. The GAO surveys captured passive information use by inquiring about information used to refine performance goals and measures.

Our statistical model controlled for a long list of factors that might affect the use of performance information in addition to PART and GPRA involvement. These factors include the manager’s agency, whether respondents were in the Senior Executive Service, and their years of supervisory experience. We also included perceptual measures respondents reported, including: the extent to which stakeholders paid attention to agency actions, the level of discretion managers enjoyed, leadership commitments to results, difficulty in measuring tasks, ease of linking measures to improvements, and how motivating managers find their jobs.

Results: Reforms Have Little Effect on Purposeful Information Use

The distinction between purposeful and passive performance information use is important because the effects of reforms vary by these two forms of use (see Table 2). Involvement in GPRA predicts using data for process changes and, to a lesser extent, for choosing program priorities. PART involvement also positively predicts using performance information to inform process changes. But, by large, GPRA and PART do not have a significant influence on purposeful performance information use once other factors are accounted for.

We can have the greatest confidence about the impact of GPRA and PART involvement in the areas of refining performance measures and program goals—that is, passive uses. We find a positive and statistically significant relationship between GPRA and PART involvement and the refinement of program goals and performance measures. In short, performance reforms appear to have promoted performance measurement rather than the use of the data for actual program, resource, or employee management decisions.

GPRA and PART encouraged passive use and largely failed to encourage purposeful use for two likely reasons. First, the institutional design of GPRA and PART were highly focused on goal and data creation. GPRA’s basic goal was to create measures and goals. The Bush administration officials characterized PART as different, but it too created a process that emphasized the setting of more ambitious goals and the generation of better performance measures. Second, passive forms of use are the only ones that political principals can monitor easily. Behavior that is easily observable can be directed, and, as a result, becomes the minimum required to demonstrate cooperation with reform implementation. Congressional staffers and the OMB are at an informational disadvantage when they attempt to assess and enforce managerial information use in difficult-to-monitor contexts such as resource allocation, problem-solving, and employee management. On the other hand, congressional committees could easily examine whether performance plans included the goals they requested, and OMB officials kept track of whether agency managers incorporated their recommendations when formulating performance measures.

<table>
<thead>
<tr>
<th>Defining Purposeful and Passive Use</th>
<th>Examples from GAO Survey</th>
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</thead>
<tbody>
<tr>
<td><strong>Purposeful Use</strong></td>
<td>◆ Processes: Adopting new program approaches or changing work processes</td>
</tr>
<tr>
<td>Using data to improve the management of program operations</td>
<td>◆ Priorities: Setting program priorities</td>
</tr>
<tr>
<td></td>
<td>◆ Resources: Allocating resources</td>
</tr>
<tr>
<td></td>
<td>◆ Expectations: Setting individual job expectations for the employees the respondent manages or supervises</td>
</tr>
<tr>
<td></td>
<td>◆ Rewards: Rewarding employees the respondent manages or supervises</td>
</tr>
<tr>
<td><strong>Passive Use</strong></td>
<td>◆ Measures: Refining program performance measures</td>
</tr>
<tr>
<td>Using data only to comply with procedural requirements of performance systems</td>
<td>◆ Goals: Setting new or revising existing performance goals</td>
</tr>
</tbody>
</table>

Examples are variables from GAO surveys. Respondents were asked the extent to which they use performance information for each particular activity. Responses range from 0 = to no extent; 1 = to a small extent; 2 = to a moderate extent; 3 = to a great extent; 4 = to a very great extent.
What the Results Tell Us about Implementing the GPRA Modernization Act

In keeping with GPRA and PART, the GPRA Modernization Act was put in place with an explicit expectation that it would increase performance information use. The Senate report on the 2010 act was explicit in stating that it was “aimed at increasing the use of performance information to improve performance and results.” Lawmakers criticized PART and GPRA for having failed to encourage use, but they largely accepted the underlying causal theory of these prior reforms as they passed the Modernization Act: governmentwide performance routines can improve the behavior of federal managers. What is different in the Modernization Act is the nature of the routines. The results in our study offer some insight into how these changes might be implemented.

Inducing Leadership Commitment

Our results show that perceived commitment by top agency leadership to results is positively associated with performance information use by managers. Leadership commitment means more than talking about performance. Employees will notice if words are not accompanied by the commitment of leadership time and organizational resources to performance management efforts. Without such commitment, agency employees will not commit either.

A characteristic of the Obama administration, even prior to passage of the Modernization Act, was to find ways to induce such commitment. As part of the budget process, all agency leaders were asked to publicly commit to achieving a handful of high-priority goals within a 24-month time frame. There were two motivations for this approach. First, senior political appointees were perceived as caring more about developing new policy initiatives rather than managing existing programs.

Table 2. Comparing the Impact of Involvement in PART and GPRA Routines on Perceptions of Performance Information Use

<table>
<thead>
<tr>
<th>Measures</th>
<th>Goals</th>
<th>Processes</th>
<th>Priorities</th>
<th>Resources</th>
<th>Expectations</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involved in PART</td>
<td>0.30*** (0.06)</td>
<td>0.26*** (0.06)</td>
<td>0.12^ (0.06)</td>
<td>0.07 (0.06)</td>
<td>0.01 (0.06)</td>
<td>-0.05 (0.06)</td>
</tr>
<tr>
<td>Involved in GPRA</td>
<td>0.25*** (0.06)</td>
<td>0.20** (0.06)</td>
<td>0.16^ (0.06)</td>
<td>0.11^ (0.07)</td>
<td>0.04 (0.07)</td>
<td>-0.08 (0.07)</td>
</tr>
</tbody>
</table>

Leadership commitment to results

Supervisor discusses performance data

Task is motivational

Easy to use measures to improve program

Difficult to measure task

N | 2814 | 2823 | 2880 | 2789 | 2832 | 2841 | 2837

Wald chi² | 657.55*** | 667.95*** | 627.46*** | 617.34*** | 644.31*** | 566.02*** | 588.37***

Pseudo R² | 0.09 | 0.10 | 0.10 | 0.09 | 0.10 | 0.08 | 0.08

These are the results of ordered probit regressions estimating the extent to which respondents report using performance information for different functions. All models include indicator variables for 15 of the 16 agencies identified by both surveys. Coefficients for agency fixed effects, additional controls (survey year, Senior Executive Service status, years of experience as supervisor, perceived managerial discretion, perceived political conflict, year of survey) and cut points are not reported due to space constraints. Significance levels are based on two-tailed z-tests or chi-square tests: ***p<0.001; **p<0.01; *p<0.05; ^p<0.10  (so that ^p<0.05 for a one-tailed test).
Second, the sheer volume of performance data produced by GPRA and PART was overwhelming. By limiting leadership attention to a handful of visible goals, the hope was to engender commitment to achieving them, which, in turn, should trickle down to agency managers. The Modernization Act formalized this practice and others intended to sustain leadership commitment beyond the agency head. The act codified the position of chief operating officer (who in practice is usually the deputy head of the agency), giving this position responsibility for improving agency management and performance. Finally, the act required that every goal an agency specifies has to have a designated lead responsible for progress on the measure.

These practices make sense in encouraging leadership commitment to results. But the federal government also should select leaders who need little encouragement to use performance information and who have a track record in managing programs. The Presidential Personnel Office that selects appointees should place greater weight on résumés that feature the skills and experience needed to manage agency performance.

Running Data-Driven Reviews

The Modernization Act requires agencies to undertake data-driven quarterly reviews of agency goals. This requirement is a direct response to the criticism that Obama administration officials have made of prior iterations of performance management: such processes devoted a lot of administrative energy toward creating performance data but very little toward using those data. The data-driven reviews establish a learning routine where managers are required to consider the meaning and implications of performance data on a regular basis.

The results offer insights that can inform the implementation of these reviews. Perhaps most obviously, the results provide general support for the proposition that learning routines matter. When managers report that they engage in regular discussion of performance data with peers and supervisors, they are more likely to say that they use performance data to manage. But if quarterly reviews become highly formalized settings for allocating blame, they may evoke defensive reaction rather than facilitating learning.

The results also show that the ability to link mission to measures and make causal inferences are consistently significant predictors of performance information use. This finding reflects the fact that while all programs may be awash with data, whether the data are insightful may vary quite a bit. Do the data clearly indicate what the appropriate action is? The answer to this question may depend a good deal on the nature of the program—some tasks are harder to measure than others, and the particular impact of governmental action on an outcome may be murky. The results show that difficulty in measuring a task does discourage performance information use. But the ability to link measures to actions may also depend on the person or team running a program, since characteristics such as experience, knowledge, craft, and ingenuity may make some workgroups and individuals better able to interpret data. If agency managers use the quarterly reviews to address basic questions about cause and effect and how data can inform action, employees will do better in linking data to action. Asking and answering such questions will be aided if quarterly reviews integrate a wider range of analytic skills than performance management discussions usually include. Agencies employ talented program evaluators and policy analysts with skills that allow them to consider how to prioritize competing goals, understand why performance is or is not improving, identify reasonable criteria to evaluate a program, or specify a target population that will generate the greatest return. Too often, these analysts are left on the sidelines when performance measures are being discussed, an oversight that quarterly reviews should remedy.

The ability to motivate is also a significant predictor of performance information use. We find that managers who report that it is easy to motivate employees to be results-oriented in their work setting also report greater use of performance data. The measure does not tell us what it is about the setting that makes motivation easier, but as with other factors, this situation might be subject to organizational influence. To the extent that agency leaders present mission, vision, goals, and measures in ways that are appealing, they may increase employee motivation to use data in decision-making. The quarterly reviews will be an important venue for clarifying the link between goals and mission and for articulating why goal achievement is important. If the quarterly reviews succeed in this role, they can serve to be a motivational tool that will encourage managerial learning.

Conclusion

Our analysis suggests that managerial involvement in GPRA and PART has had a direct impact on relatively few aspects of performance information use. These reforms may have had other benefits. For example, we might assume they have improved the variety and quality of program data. But the value of high-quality performance information is limited if no one is using it. In aggregate, federal managers who lived through the implementation of GPRA and PART did not report using performance data at a greater rate than their counterparts did 10 years earlier, leading the GAO to conclude in 2008: “We have found that despite having more performance measures, the extent to which managers make use of this information to improve performance has remained relatively unchanged.”

The findings from our analysis support the criticisms of policymakers that these reforms did not fulfill their potential. Even so, policymakers continue to hold faith in the promise that performance management reforms will meaningfully improve public sector performance, as evidenced by the passage of the GPRA Modernization Act in 2010. Such faith may be justified if we assume that each wave of reform is an incremental step in changing norms and attitudes within government, gradually embedding a performance-oriented approach. While GPRA and PART may have focused on generating better data, the Modernization Act focuses more directly on establishing routines for performance data information use. This change is progress, but it remains to be seen whether the Modernization Act succeeds where its predecessors fell short.
Director’s Perspective continued from page 1

Governments have reduced employment (soon followed, perhaps, by the federal government). Despite these apparent challenges, the answer is a resounding “yes.”

First some facts. According to a 2011 economic impact study, the amount of state support to the University of Wisconsin–Madison has fallen dramatically over the past 10 years, from 25.3 percent of the university’s budget in 2001 to 17.6 percent in 2010. This decline in state support for state flagship universities is fairly typical; according to a National Science Foundation (NSF) study, per-student state funding for universities fell 20 percent between 2002 and 2010.

On top of these cuts from state governments, the NSF and National Institutes for Health face reduced funding and may undergo dramatic reduction under sequestration, the across-the-board federal budget cuts due to take effect at the end of the year if Congress does not pass legislation to reduce budget deficits. Federal support, mostly through grants to faculty and graduate students for their research, comprises about one-third of the overall UW–Madison budget.

Moreover, the size of the government workforce has been shrinking. According to the U.S. Bureau of Labor Statistics, state and local government employment fell by more than 600,000 between December 2008 and December 2011, while federal employment increased by 60,000 over the same time period.

So why the optimism about the continuing value of public affairs training and research? The effectiveness and efficiency by which the La Follette School fulfills its training and research missions allow us not only to survive budget cuts but also to thrive. And even when government employment is shrinking, our graduates have great success obtaining the jobs of their choice. Why? Because in an era of declining budgets, it is more important than ever for government to be efficient. Thus, agencies have an even greater imperative to hire highly skilled policy analysts and managers.

And the research being conducted by our faculty is in more demand than ever. When budgets are tight, policymakers have a greater incentive to turn to and rely on quality, independent, and non-partisan research to help inform them on what works. Our faculty explore the process for shaping federal agency regulations, the best ways to measure poverty, how public insurance affects the labor supply of childless adults, red tape involved with voting procedures, and states’ implementation of the federal health-care reform law’s insurance exchanges. We analyze policies and make recommendations based on the data, in a nonpartisan fashion, to help local, state, national, and world leaders make difficult decisions about how to allocate resources.

Thus, I am confident that the future is bright for our school.