



"Harvest Scene in the Delaware Valley"
George Inness, 1867

JPNA

Fall 2016
Volume 2 Issue 2

JOURNAL OF PUBLIC AND NONPROFIT AFFAIRS

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ISSN: 2381-3717

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Governance Symposium

Introduction to the Local Governance Symposium

Douglas M. Ihrke – University of Wisconsin - Milwaukee

It has been an honor to work on putting together the first local government governance symposium for the *Journal of Public and Nonprofit Affairs* (JPNA). The idea of bringing together a group of papers on this important topic had been germinating in my mind for a number of years, and it is exciting to have it come to fruition with this edition of JPNA. While we know a great deal about what does and does not work with regard to the day-to-day running of local government, we know relatively little about governing our local institutions, and hopefully this symposium can shed light on successful practices when it comes to governing.

The paper that I wrote with Mike Ford attempts to look at governing “models” used by school boards. We surmise that the vast majority of school board members know little, if anything, about different models of governing, but our hope was that, by asking them questions about the processes they used to make decisions on their boards, we could begin to develop a measuring tool based upon what the literature informs us are basically models of governing. Admittedly, the two of us had to borrow from the nonprofit literature to make this happen, and, while we think our findings are interesting, we know we need to do more work in developing our measures of the use of different governing models by local governments.

The second paper, written by Karl Nollenberger and James Simmons, examines the continuing evolution of the structural forms that communities across the country are adopting to help them govern. Here these authors look at the unique case of Wisconsin municipalities, which have adopted mainly the mayor–council with administrator form instead of the pure council–manager form. This adaptation of the mayoral form has produced most of the desired results expected by the reform movement. While the council–manager form of government constitutes only a small minority in Wisconsin compared with over half of U.S. cities, the adoption of a professional administrator in the mayor–council form constitutes two-thirds of state municipalities compared with one in six cities nationwide. Thus, with the adoption of various forms of adapted professionalism in its cities, Wisconsin has managed to achieve many of the substantive objectives of municipal reform without all of its formal structural features.

The third and final paper, written by the late Vera Vogelsang-Coombs, William Denihan, and Melanie Baur, offers a unique look on two mayoral-led public–private partnerships designed to renew good government in Cleveland, Ohio: Mayor George Voinovich’s Operations Improvement Task Force (OITF) (1979–1982) and Mayor Frank Jackson’s Operations Efficiency Task Force (OETF) (2006–2009). The Voinovich OITF public-private partnership enabled Cleveland to “come back” after the city’s 1978 default. The Jackson OETF public–private partnership successfully right-sized Cleveland in relationship to its much smaller population needs during challenging economic times without disruptions in service. The case studies highlighted in this paper on governing through public–private partnerships are important, as they offer lessons for scholars and practitioners interested in learning more about how to collaborate in times of fiscal constraint and divisive politics.

Each of the three papers in the symposium looks at different aspects of governing in our local communities. Each paper has a different emphasis on governance, yet all three provide useful lessons for those of us trying to understand governance and why it matters to the future of our communities. More research needs to be done in each of the major areas of governance covered

by these papers, and my hope is that readers will be inspired to build off these works in their own research.

Again, it has been an honor working on this local government governance symposium for JPNA. Should you have an interest in participating in future symposia on this topic, do not hesitate to contact me with your ideas.

Sincerely,
Douglas M. Ihrke
JPNA Symposium Editor

Governance Symposium

Understanding School Boards and Their Use of Different Models of Governance

Michael R. Ford – University of Wisconsin - Oshkosh

Douglas M. Ihrke – University of Wisconsin - Milwaukee

In this article, the authors apply Mel Gill's (2002) description of governance model types to a national sample of school board members in the United States. The authors find that the majority of school board members take a policy-driven approach to board governance, while a substantial percentage take a traditional approach that delegates clear authority to the organization executive. Multinomial-logistic regression analysis and a series of analysis of variance tests are used to identify the structural and group dynamic differences between difference governance model types. The authors find that governance models have an impact on the group dynamics of organizations and that board approaches to governance differ substantially by area, concluding that future studies of governance models should consider the differences in governance strategies across functional areas.

Keywords: Governance Models, School Boards

Attend any public or nonprofit management conference in which practitioners are involved, and you are likely to find certain skepticism regarding best practice governance models designed to improve the performance of boards. The authors have been asked firsthand on multiple occasions: does this apply to my case? Implicit in the question is the reality that board governance is a value-laden enterprise that is impacted by the individuals serving on the board, the structure of the organization, the customers the board is serving, the regulatory environment, the region, the type of service of services provided, etc.

Despite the complex nature of governance, the pursuit of governance models with potential to improve organizational performance remains of interest to scholars and practitioners. Why? An approach to board governance that transcends the situation-specific nature of public and nonprofit organizations could have a positive impact on public performance. Take, for example, the case of public education, the focus of this article. A large body of research, summarized nicely in Ravitch's (2010) sprawling history of the American public education system, demonstrated that school and school district performance is largely a function of the types of pupils enrolled in a school. Imagine, however, if the governance behaviors on a school board, something board members can control, could offset the impact of some of the many things that a school board cannot control. Indeed, previous research by the authors (Ford & Ihrke, 2015) and others (Grissom, 2014) demonstrated that school board governance can, under the right circumstances, have an impact on the academic performance of school districts. Other research by Svara (1990), Herman and Renz (2000; 2004), and Brown (2007) similarly suggests and/or demonstrates a link between board governance and the performance of public and nonprofit organizations. However, research linking governance to performance, while explanatory in nature, does not prove the worth or existence of a comprehensive governance model.

In this article, we use Gill's (2002) descriptive language of four governance models (traditional, operational, policy model, and management) and national data from elected school board members in 49 states to answer three research questions:

1. What governance models are school board members using?
2. Do school district characteristics predict the type of model used by board members?

Ford, M. R., & Ihrke, D. M. (2016). Understanding school boards and their use of different models of governance. *Journal of Public and Nonprofit Affairs*, 2(2), 67-81.

doi:10.20899/jpna.2.2.67-81

3. Does the specific model type used by board members impact the dynamics and performance of a school board?

This study is exploratory in nature. While we hypothesize based on our previous work (Ford & Ihrke, 2015) and the work of Herman and Renz (2000; 2004), Brown (2007) and Grissom (2014) that board members reporting the use of different models have variation in their board dynamics and performance, little research exists to determine exactly how we should expect those variables to vary across models. In addition, because we allow survey respondents to pick the language that best describes how their board goes about making decisions, the results should not be seen as an indictment or celebration of any specific governance model but rather an indicator of determinants and impacts of the perceived governance behaviors of school boards in our dataset. In the following sections, we first lay out the background of governance models and review the corresponding literature; then we provide an overview of our data and methodology, followed by answering our research questions one-by-one using various quantitative measures. Finally, we provide a discussion of the implications of our findings.

Background and Literature Review

Governance is a relatively new topic of study for scholars of organizations. Most scholars agree that we have a limited understanding of not only what governance is but also how it works (Bradshaw, Hayday, & Armstrong, 2007). Paradoxically, there is a lot of talk by academics and practitioners about governance “models,” as if they are an available and accepted option for overseeing organizations. We are not sure why this is the case given how little research has been done on different governance models as to their effectiveness.

There is increasing pressure for organizations to adapt and change, particularly in a world heavily influenced by forces such as globalization and technological innovation. In response, we have seen the evolution and emergence of new organizational structures in all three sectors (Miles, Snow, Mathews, Miles, & Coleman, 1997). For example, we are seeing more and more examples of organizations from the public, private, and nonprofit sectors working together to solve problems and, in some cases, save money and other resources. While these organizational forms continue to evolve and emerge out of necessity, there is a corresponding need to better understand how these forms are to be governed. The options available for governing are often referred to as “models” of governance, suggesting there are different ways of going about the governing process and that finding the right fit is one of the challenges of leading these new emerging forms. Interestingly, we have observed these calls for using models to govern these new and emerging forms, but we remain uncertain as to what the research tells us about the effectiveness of governance models for single organizations.

Within the nonprofit sector, it is common to hear academics and practitioners discuss different models of governance and their experiences with them, both good and bad. Renz (2007), one of the foremost thinkers on governance in the nonprofit sector, suggests that “[g]overnance is the process of providing strategic leadership to a nonprofit organization. It entails the functions of setting direction, making policy and strategy decisions, overseeing and monitoring organizational performance, and ensuring overall accountability. Nonprofit governance is a political and organizational process involving multiple functions and engaging multiple stakeholders” (p. 1). How nonprofits go about governing can vary; ostensibly, we are told that this variation can be captured in different types of models.

Academics tend to be critical of any kind of claim that there is one model of governance that fits all circumstances, particularly in the nonprofit sector (Abzug, 1996; Brudney & Murray, 1998; Dornstein, 1988). Practitioners want help with dealing with their boards and the idea of a model that helps the board get its work done is attractive because of its simplicity. So what gives and how can we contribute to the many challenges of understanding how the governance of organization works and why it matters?

There are many examples of models of governance; for the purposes of this research, we will utilize only those that pertain to the public and nonprofit sectors. We will further limit our discussion to models of governance relevant to local governments, the category of governments that schools fall under. Here we will examine four models of governance common in the literature on both public and nonprofit organizations.

The authors readily admit that any discussion on the nature and extent of the use of governance models is potentially fraught with problems, particularly when any comparisons are done between organizational sectors, for a several reasons. With this research, we borrow from the literature on nonprofit organizations to inform our research on school boards, normally considered a type of local government, but today schools come in numerous alternative forms including the nonprofit form. We borrow from the nonprofit literature simply because there has been more written about governance models in this literature than in the public sector literatures.

We do not consider nonprofit boards to necessarily be the same as traditional public school boards, the members of which are elected rather than appointed as with nonprofit boards. This institutional feature of how members get on these respective boards has implications for what we expect are the dynamics on these boards, such as the amount of conflict board members experience while governing. Nonprofit boards, we surmise, tend to have too little conflict due to the volunteer nature of board service and the reputations and relationships that must be managed by board members in the communities where they serve. By managing reputation and relationships, nonprofit boards tend to avoid or suppress difficult discussions on controversial topics that could actually lead to better decision-making. We also surmise that traditional school boards, with elected board members, tend to have too much conflict. Many school board candidates run for office for the simple reason of getting rid of administrators or board members currently in place. When they get on the board, they are ready to make changes and are often unwilling to work with the other board members to come to solutions about difficult problems.

We have no doubt that the institutional context matters as to the dynamics that take place on governing boards in the public and nonprofit sectors. What we do not know, however, is whether the institutional context matters in the extent to which boards in these two sectors use different governance models, and it is also not the focus on this manuscript. Here, we explore the extent to which democratically elected school boards use different types of governance models and ultimately whether governance model usage has an impact on the dynamics and performance of school boards.

In the public sector, governance refers to processes of regulation, coordination, and control (Rhodes, 1997). A traditional distinction found in the literature on cities has involved a discussion as to whether their forms of government are “reformed” or “unreformed.” Reformed governments are a product of progressive era reactionary reforms intended to take the graft and corruption out of governments that had been a part of the spoils early in the 19th century. Reformed governments tend to have smaller councils and feature at-large elections with non-partisan ballots. Unreformed governments have larger councils and feature district elections

with partisan ballots. Structural features are what distinguish these governments from one another and, as intended by reformers, one ends up getting a different type of governance depending upon which form of government is used by a given community. Svvara (1990) has laid out how governance differs in these two types of communities.

Frederickson, Johnson, and Wood (2004) have taken the government form distinction a step further and suggest that cities can range from highly “political” on one end of the continuum to highly “administrative” cities on the other end of the continuum. In between these extremes are “adapted political,” “conciliated,” and “adapted administrative” cities. Yet research on local governments tends to continue to use the traditional dichotomy of government form (Nelson & Nollenberger, 2011).

There are other structural features that can vary across boards, such as the extent to which they use committees and subcommittees to divide labor. But structural features are not the only aspects of governing boards that can vary. They also can vary in terms of who – board and/or staff – participates in governance decision-making. Further, they can vary in terms of their focus. Some boards will focus on writing policies, while others will focus on the day-to-day operations of the organization they govern. Out of all this variation have come numerous attempts to categorize boards and how they govern in governance models (Gill, 2002).

Gill identified four models that are commonly used in the public and nonprofit sectors. The operational model is the first of these models and, in the nonprofit sector, tends to be the model of choice for new organization that have no staff and that must rely largely on board members and other volunteers to achieve their aims. Operational boards also have management responsibilities but are distinguished from management boards by their lack of staff support. With the operations model, the board has as its primary focus the operations of the organization.

The second model identified by Gill (2002) is the managerial model. The board manages operations, although it may have a staff coordinator. Board members actively manage finances, personnel, and service delivery directly or as committee chairs and report directly to the board. Staff reports to board member managers either directly or through a dual reporting line to a board member and a staff coordinator. With the managerial model, the board has as its primary focus the management of operations.

The third model is the traditional model. With this model, the board governs and oversees operations through committees but delegates management functions to the CEO. Committees, established along functional lines (e.g., finance, human resources, programs) that parallel management functions, are used to process information for the board and sometimes do the work of the board. The committee structure and ambiguity in roles may invite board interference in management functions (Gill, 2002). In most cases, the CEO has a primary reporting relationship to the board through the chair. Gill suggests that, with the traditional model, the board has as its primary focus the governance of the organization, which Houle (1997) supports in his classic work on nonprofit boards.

The final model is the policy model. With this model, the board governs through policies that establish organizational aims (“ends”), governance approaches or processes, management limitations, and that define the board/CEO relationship. The CEO has broad freedom to determine the “means” that will be implemented to achieve organizational aims. The CEO reports to the full board. In its purest form, the board does not use committees but may use task

Table 1. Comparison of Sample and Population School District Characteristics

	Sample	Population	Difference
Graduation Rate	82.74%	82.10%	0.64%**
Instructional Spending Per-Pupil	\$6,999.75	\$7,122	\$122.25
Percent Black	7.80%	7.00%	0.80%**
Percent White	73.00%	72.40%	0.60%
Percent Hispanic	12.10%	13.20%	1.10%**

** p<0.01 *** p<0.001

Table 2. Summary Statistics

	N	Mean	SD	Source
Conflict Index	3,193	9.98	3.93	Survey
Regenerative Relations	3,193	24.38	5.18	Survey
Highly Productive Board	3,193	9.41	3.15	Survey
Clear Board Leader	3,193	3.60	1.06	Survey
Relationship Conflict	3,193	2.27	1.19	Survey
Entrenched Conflict	3,193	2.53	1.11	Survey
Percent IEP (Special Needs)	3,193	0.14	0.04	NCES
Percent Minority	3,193	0.27	0.24	NCES
Percent English Language Learner	3,193	0.05	0.08	NCES
Log Enrollment	3,193	7.88	1.26	NCES
Revenue Per-Pupil	3,193	13,455.86	4,511.39	NCES
Percent Low-Income	3,193	0.33	0.23	NCES
City Location	3,193	Yes=11.01%	No=88.99%	NCES
Suburban Location	3,193	Yes=31.39%	No=68.61%	NCES

teams to assist it in specific aspects of its work. As with the traditional model, Gill (2002) suggests that the policy model has as its primary focus the governance of the organization.

There is a limited amount of literature involving the testing of some of these models as to their effectiveness in governing organizations, particularly when it comes to the traditional (Duca, 1997) and the policy (Brudney & Nobbie, 2002; Nobbie & Brudney, 2003) governance models. However, there does not appear to be much in the literature on public organizations and the effectiveness of these models, yet we know from experience that these models are commonly used in local governments. Our goal with this research is to explore the frequency of usage of these models by school boards and then try to assess their effectiveness.

Data

The data for this study comes from two sources. The first is an original survey of school board members conducted by the authors in late 2013 and early 2014. Individual board members were surveyed; thus the board member is the unit of analysis. However, we use the perceptions of board members to learn about the boards themselves. The survey instrument was informed by a national survey of school board members conducted by Hess and Meeks (2011) in cooperation with the National School Boards Association, municipal governance surveys conducted by Johnson and Ihrke (2004) and Ihrke and Niederjohn (2005), and original questions developed by the authors. The 89-item survey was sent, via the Qualtrics online survey tool, to the over 28,000 democratically elected school board members with a publicly listed e-mail address in all U.S. states excluding Hawaii (which has only one appointed state-wide school board). All e-mail addresses were mined from school district websites by the authors.

Table 3. Conflict Index

	N	Mean	SD
Conflict among some school board members is high	3,193	2.51	1.22
School board coalitions tend to form along predictable lines	3,193	2.66	1.25
During board negotiations, prior conflicts often resurface	3,193	2.53	1.11
Disagreements between board members often become personalized	3,193	2.27	1.19
Cronbach's Alpha: 0.84			

Table 4. Regenerative Relations Index

	N	Mean	SD
Members can take each other at their word	3,193	3.67	1.03
Members do what they say they will do	3,193	3.74	.88
Members willingly try new things without fear of ridicule	3,193	3.34	1.00
Members willingly try new things without fear of retribution	3,193	3.44	1.03
Members are open about their own preferences	3,193	3.29	0.95
Members are open about how they feel about other members' preferences	3,193	3.29	0.95
Cronbach's Alpha: 0.87			

Overall, the authors obtained a 17.7% response rate, a rate slightly lower than the previously mentioned Hess and Meeks (2011) and Ihrke and Niederjohn (2005) surveys. As a check against the possibility of response bias, we compared the characteristics of school districts represented in our sample with the population characteristics of all American school boards. The results, displayed in table 1, indicate that the graduation rates, racial demographics, and instructional spending of districts included in our sample are fairly similar to the population. While this comparison does not rule out the possibility of response bias, the similarities give us a degree of confidence in the representativeness of our sample.

Once data collection was completed, each respondent was matched with data from our second data source, the National Center for Education Statistics (NCES). The NCES annually collects and releases a wide variety of demographic and performance data on each of the almost 14,000 school districts overseeing the delivery of public education in the United States. The pairing of these two data sources enables us to combine soft governance measures collected via survey with hard measures of demographics and performance. Table 2 lists the summary statistics and their source for the variables used in difference aspects of the forthcoming analysis. The survey measures explain difference aspects of the group board dynamic as perceived by school board members. The NCES measures are all variables beyond the control of school boards, shown in previous research by Hanushek (1997), Ravitch (2010), and Ford and Ihrke (2015), to have an impact on the performance and behaviors of public school districts and the boards that oversee them. Tables 3 and 4 summarize the survey variables included in two additive indexes used to measure board conflict (see Ihrke & Niederjohn, 2005) and the presence of regenerative relations (see Golembiewski, 1995) on school boards. As can be seen in tables 3 and 4, both additive indexes hold together well with Chronbach Alphas of 0.84 and 0.87, respectively.

Table 5. Board Member Agreement with Model Descriptions

	Percent	N
Traditional: The board governs and oversees operations through committees established along functional lines (finance, human resources, programs) but delegates the management functions to the superintendent	30.66	979
Operational: The board manages, governs and performs the work of the organization.	5.29	169
Policy Model: The board governs through policies that establish organizational aims (ends), governance approaches, and management limitations. These policies also should define the relationship of the board with the superintendent. The superintendent has broad freedom to determine the means that will be used to achieve organizational aims.	61.32	1,958
Management: The board manages operations through functional committees that may or may not have a staff coordinator.	2.72	87

Results

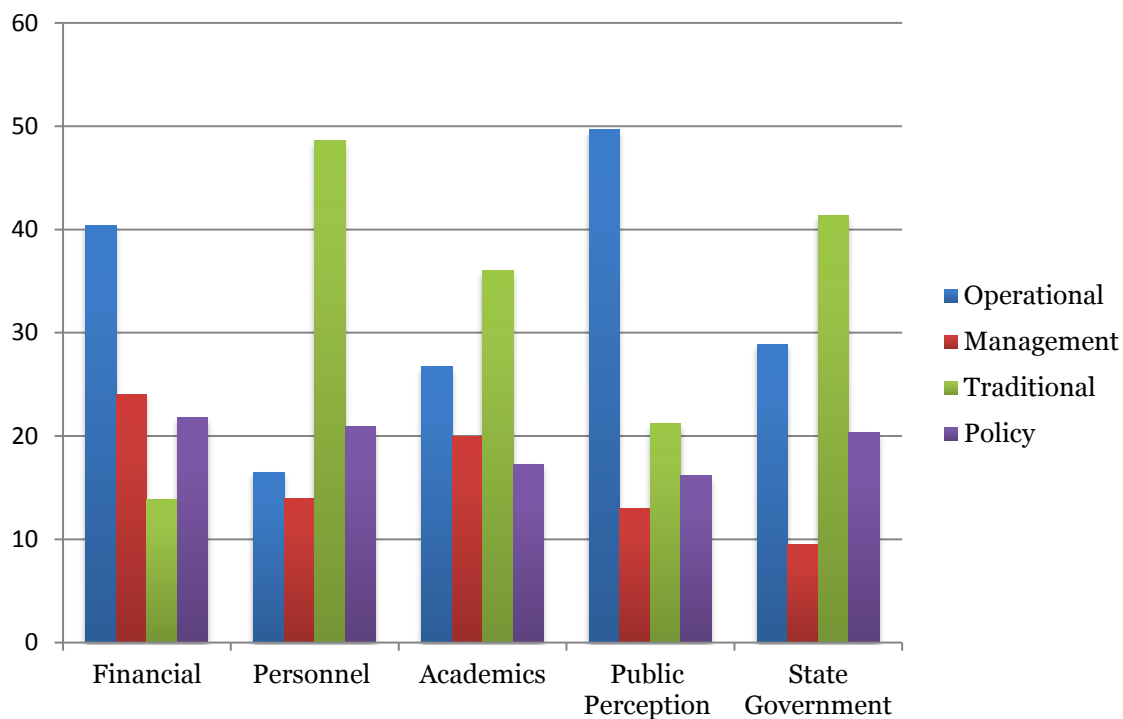
In this section, we use the data described in the preceding section to explore the previously stated research questions. Descriptive statistics are used to answer the first research question: what governance model are school board members using? To answer this question, we first asked school board members which of the statements, as listed in table 5, best describes the way in which their board goes about making governance decisions. The model descriptions were adopted word-for-word from Gill (2002). As can be seen, the majority of respondents (61.32%) indicated that the description of the policy model best described the way in which their board makes decisions. Almost one-third of respondents (30.66%) indicate that the traditional model description in which the board oversees operations through committees and gives the executive management authority best describes their board governance behaviors. A small percentage of board members (5.29%) believe that the operational model in which the board is highly involved in the day-to-day operations of the school district best describes their governance behaviors. Last, a very small percentage of respondents (2.72%) agree that their board manages organizational operations through committees.

At first glance, these results appear to indicate that American school board members generally take a policy-driven approach that defines overall organizational goals, and then gives the executive broad authority to meet those goals. However, in addition to asking board members directly which model description best describes their board, the authors attempted to operationalize Gill's (2002) governance models by asking which of the statements below best describes the way in which their board goes about making decisions in each of five key functional areas (Gemberling, Smith, & Villani, 2000)¹ (as follows):

- Operational: "The board as a whole deliberates and makes decisions."
- Management: "The board makes decisions based on committee recommendations."
- Traditional: "The board delegates decisions making authority to the superintendent."
- Policy: "The board follows its established policies when making decisions."

¹ The descriptors of Gill's (2002) model type were developed by the authors in conjunction with staff from the Helen Bader Institute for Nonprofit Management at the University of Wisconsin-Milwaukee.

Figure 1. Percentage of Respondents Using Model Descriptions in Decision-Making by Area



We expected to find consistency in the approach to decision-making in the key areas of financial management, personnel management, student academics, public perception of the district, and dealing with state government. However, as can be seen in figure 1, the approach to decision-making varied widely depending on the functional area in which that decision was being made.

In the areas of financial management and managing public perception of the district, board members favored a hands-on operational approach to governance. In the areas of personnel management, student academics, and relations with state government, board members favored a traditional model approach where authority is delegated to the superintendent. Notably, the policy model, where the “The board follows its established policies when making decisions” was chosen as the best descriptor of board decision-making by about 20% or less of board members in each of the key functional areas. Given that over 60% of board members chose the policy model description as the best descriptor of their overall governance behavior, there is clearly a large disconnect between the ways in which boards view their overall governance behavior, and their governance behaviors in regards to specific areas. More discussion of the possible meaning of this disconnect is included in the conclusion section of this article.

We answer our second research question (do school district characteristics predict the type of model used by board members?) using a multinomial logistic regression model predicting board member responses to the statements listed in table 5. Multinomial logistic regression is appropriate given the categorical nature of the dependent variable (Long & Freese, 2006). We note that all independent variables included in the model were obtained from the NCES, while the dependent variable is from the survey instrument, thus mitigating any potential problem of common source bias (Favero & Bullock, 2015).

The results of the model, as displayed in table 6, compare the impact of each independent variable on the likelihood that a school board member will identify his or her board governance

Table 6. Multinomial Logistic Regression Results Predicting Model Type
(Base Outcomes = Policy)

	Operational		Management		Traditional	
	Coeff. (Std. Err)	Risk Ratio	Coeff. (Std. Err)	Risk Ratio	Coeff. (Std. Err)	Risk Ratio
Percent Minority	-0.818 (0.562)	0.442	-0.722 (0.740)	0.486	-0.650* (0.279)	0.522
Percent English Language Learner	-0.073 (1.593)	0.929	-0.268 (2.032)	0.765	-0.507 (0.795)	0.602
Percent Special Needs	0.032 (2.189)	1.033	6.100* (3.078)	446.008	6.567*** (1.152)	711.347
Percent Low- Income	0.611 (0.402)	1.842	0.597 (0.554)	1.817	-0.078 (0.198)	0.925
City	0.005 (.344)	1.005	0.324 (0.410)	1.382	0.191 (0.158)	1.210
Suburban	0.107 (.208)	1.113	0.126 (0.283)	1.134	0.219* (0.101)	1.244
Revenue Per-Pupil	0.000 (.000)	1.000	0.000* (0.000)	1.000	0.000*** (0.000)	1.000
Log Enrollment	-0.166* (.079)	0.847	0.021 (0.115)	1.022	-0.053 (0.041)	0.949
Responses	-0.128 (.085)	0.880	-0.038 (0.109)	0.962	0.061 (0.038)	1.063
Constant	-1.070 (.749)	0.343	-4.791*** (1.089)	0.008	-1.699*** (0.393)	0.183
N	3,193					
LR χ^2	149.81***					

model as either operational, management, or traditional compared with the base policy model. Included in the table are relative risk ratios, which, when “above one” indicates that an increase in the independent variable increases the likelihood of a respondent selecting that particular model description compared with the policy model description, and when “below one” indicates that an increase in the independent variable decreases the likelihood of a respondent selecting that particular model description compared to the policy model description.

The results in table 6 show several statistically significant relationships between school district characteristics and model type. First, we note that we control for the number of respondents per-board to prevent serial correlation. We find that board members overseeing districts with higher enrollments are less likely to identify the operational model as the best descriptor of their board’s governance behavior. Board members overseeing districts with higher percentages of minority pupils are less likely to identify the traditional model descriptor as representing the way in which their board makes decisions. In addition, board members overseeing districts with higher percentages of special needs students are more likely to identify the traditional and management models as the best descriptor of their board’s governance behavior. Board members serving in suburban districts are more likely to identify the traditional model. Finally, board members overseeing districts with larger per-pupil revenues are more likely to identify with the management or traditional model description; however, the size of the effect is extremely small and substantively meaningless. Overall, the results support the hypothesis that certain district characteristics, including the percentage of minority and special needs students, as well as suburban location, does have an impact on governance models reported to be used by American school board members.

Table 7. Kruskal-Wallis Rank Test Results (Numbers indicate rank sum by group)

	Operational	Management	Traditional	Policy	χ^2
Conflict Index	312,404.0	175,649.5	1,682,865.0	2,936,738.5	68.348***
Regenerative Relations	220,005.5	111,232.5	1,464,892.0	3,313,872.0	60.122***
Productivity	227,969.0	131,907.5	1,561,090.5	3,183,983.0	14.548*
Relationship Conflict	308,558.5	166,209.5	1,630,994.5	2,990,010.0	36.587***
Entrenched Conflict	300,070.5	169,010.5	1,663,302.0	2,973,000.0	45.210***
Clear Leader	248,308.0	125,676.0	1,641,129.5	3,093,940.5	13.485**

n=3,193 for all variables but high school graduation rate, where n=2,377

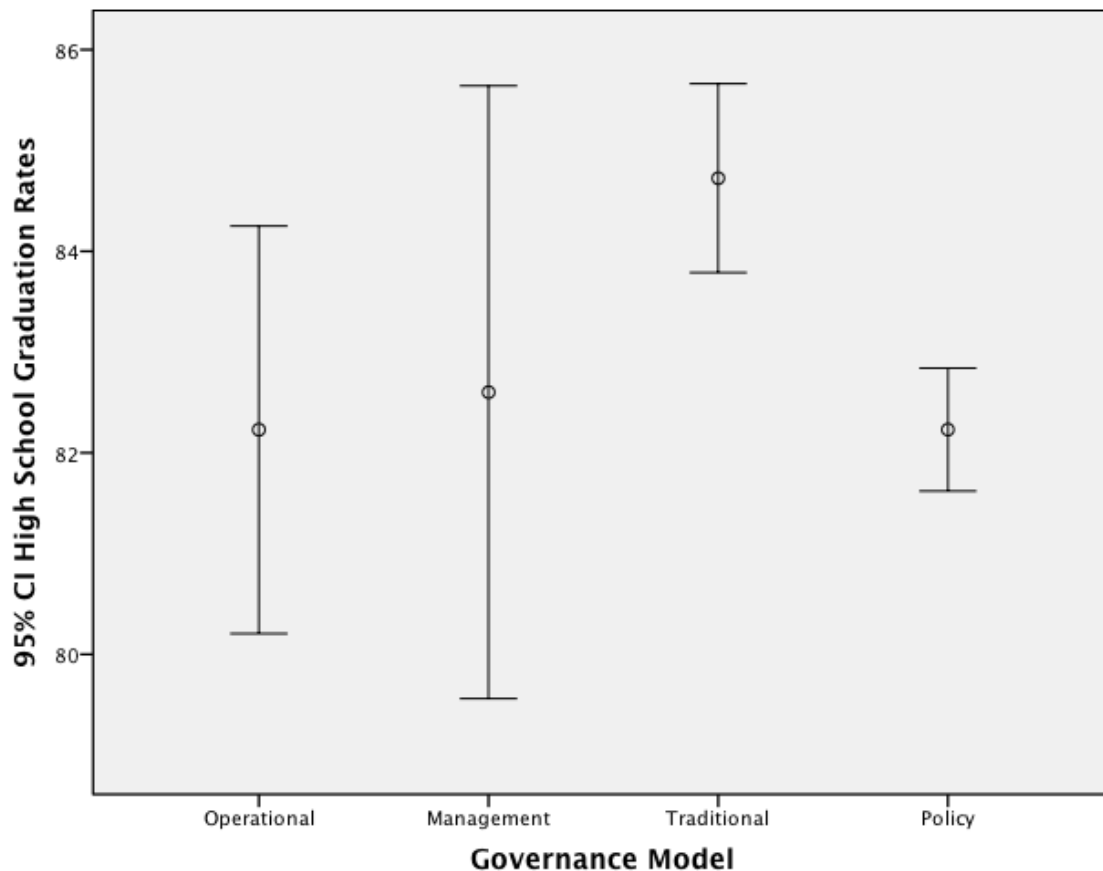
We explore our third research question (does the specific model type identified by the board members impact the dynamics and performance of the school board?) through a series of Kruskal–Wallis rank tests and one ANOVA test. As discussed in the introduction, part of the allure of a comprehensive governance model is that model governance behaviors can be adopted by boards and, in turn, improve the dynamics of the board, i.e., reduce conflict, improve productivity, enhance leadership, in ways that ultimately improve the performance of a public or nonprofit organization. The Kruskal–Wallis and ANOVA methodologies, though limited by their inability to show causation, does allow for the identification of differences in the group dynamics and performance of boards using different governance models. This is a crucial first step, as it is necessary to determine if there are differences by model type if scholars hope to explain why those differences exists.

Table 7 displays the rank sums of multiple variables collected from the authors' survey instrument and the NCES, along with a corresponding χ^2 statistic showing whether or not the group differences are statistically significant using the nonparametric Kruskal–Wallis test. After each test, Dunn's pairwise comparison post-hoc statistics are calculated to see which models are significantly different that one another. The first variable, the conflict index, is the previously explained additive index of negative conflict types (Ihrke & Niederjohn, 2005; Jehn, 1995). There are significant group differences in the level of conflict reported by school board members across models, with post hoc tests showing differences between all groups except operational and management. The second variable is the regenerative relations index consisting of variables measuring the level of trust, and owning of decisions, perceived by board members (see table 4). Board members giving a higher score have better perceived group dynamics, which, in theory, will improve overall organizational performance (Gabris & Nelson, 2013; Golembiewski, 1995). As shown in table 7, there is significant variation in the regenerative relations index, with post hoc tests showing differences between all models except operational and management.

The next variable was obtained from a survey item measured on a 5-point Likert scale where board members were asked to state the extent to which they agree their board is highly productive. The higher the score, the more strongly board members indicated agreement. Here again there is significant variation, though differences only exist between operational and traditional and operational and policy. The next two variables, also measured on a 5-point Likert scale, are measures of relationship and entrenched conflict included in the conflict index (Jehn, Northcraft, & Neale, 1999). Both of these questions also showed significant variation across models, with post-hoc tests showing differences between all groups except operational and management for both variables, and operational and traditional for the entrenched conflict variable only.

The next variable deals with board member perceptions of leadership. We asked board members to state their level of agreement that there is a clear leader on the board. The measures were

Figure 2. Mean High School Graduation Rates by Governance Model



designed to get a feel for whether or not clear leadership, a key component of effectiveness, was present in the eye of board members (Gabris, Golembiewski, & Ihrke, 2001). Significant variation existed across groups, though post-hoc tests revealed group-to-group differences are limited to operational and management, operational and policy, and management and policy.

Last, we compare the extent to which high school graduation rates vary across identified governance models using an ANOVA test. While high school graduation rates are an imperfect measure of school district performance, in particular as many school districts in the United States do not serve high school students, it is nonetheless one intuitive comparable indicator of the extent to which school districts are satisfying their mission. We find significant variation across groups, as indicated by a significant *F-test* of 7.01. However, differences are limited, as can be seen in figure 2, to the policy and traditional model, with the traditional model showing significantly higher graduation rates.

Overall, we find that measures of group dynamics, and one measure of school district performance, vary significantly across identified governance model types. In general, the board members who identify traditional and policy model descriptions also perceive lower levels of board conflict, higher levels of trust and owning, and higher levels of productivity than board members who identify the operational and management descriptors as their governance model. In addition, the traditional model boards (as perceived by board members) have higher graduation rates than all other identified board types, and the management model shows substantially lower levels of perceived board leadership than all other identified board types. In

the concluding section, we reflect on the meaning of our results and propose a new approach to understanding board governance models.

Conclusion and Discussion

In this article, we used data collected as part of the largest study ever conducted on American school board members to conduct an exploratory analysis on the school board governance models identified by school board members, the extent to which district characteristics predict the governance models used by board members, the ways in which governance approaches differ by functional area, and the variation of group dynamics and one performance variable across identified governance models. Broadly, we find evidence that governance models identified by school board members matter. They are linked to district characteristics as well as perceptions of positive group dynamics. Specifically, the traditional and policy model descriptors are chosen by board members overseeing higher-functioning boards.

Our study does, however, have numerous limitations. First, a number of board respondents did not answer our questions regarding model types. While the specific nonrespondents did not have different personal demographics than respondents, and did not oversee districts with demographics dissimilar to respondents, there is still the possibility that a population of school board members is unable to identify a governance model used by their boards. In addition, the descriptors created by Gill (2002) may be imperfect descriptions of specific model-types. Hence we caution the reader to remember that board members were agreeing to the description of their board governance model—not the actual name of the model. Finally, as we described in the results section, board members often differed from their general identified model of governance in their approach to governance of functional areas.

Despite these limitations, our findings move the study of governance models forward. The clear group dynamic advantage on policy and traditional boards (as identified by board members) bears more exploration. Why are identified policy boards higher functioning, and why are these same boards not obtaining higher graduation rates than the other board types identified by board members? We speculate board members indicating they serve on policy boards, as well as traditional boards, set up clear lines between day-to-day operations and governance, enabling the boards to stay on task and leave the professional tasks to the professionals. However, future studies on specific boards adopting policy and traditional models could help answer the why question.

Last, and most important, are the ways in which board members differ in their governance approach in specific functional areas. This finding suggests that scholars are being too simplistic in their search for a comprehensive model of board governance. It may in fact be that there are functions where an operational model approach works best, others where a policy model works best, etc. We suggest that studies of governance models move toward a hybrid approach where a governance model for a single board incorporates different governance models broken down by functional area. In addition, we believe that the hybrid model must be dependent on the organizational needs and structural characteristics. Though the multiple dimensions of such a model invite complexity, it would provide a better roadmap to improving organizational performance through governance.

Both the nonprofit and public administration literatures continue to advance scholarly understanding of the connection between the governance and performance of public and nonprofit organizations. Despite the complexities of governance, generalizable knowledge that

can be used to improve public and nonprofit performance through governance is attainable through research approaches that embrace these complexities. This exploratory study shows, using the example of school boards and their members, that the complexities of governance can be measured and used to develop the next generation of evidence-based board governance models.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Governance Symposium

Municipal Government Structure in Wisconsin: Does Form Matter?

Karl Nollenberger – University of Wisconsin - Oshkosh

James Simmons – University of Wisconsin - Oshkosh

This article examines the forms of municipal governments in Wisconsin and their relationship to variables in the areas of socioeconomic, partisanship, election process, decision-making in the governance process, and internal municipal operations. Wisconsin has more mayor-council and mayoral forms with an appointed administrator rather than council-manager forms common in other states. We find that reform in Wisconsin has occurred in all government forms and that most municipalities desiring the managerial results of a professional administration have chosen an adaptation of the mayor-council form. Furthermore, we find that there are few clearly identifiable differences between cities with differing governmental forms.

Keywords: Form of Government, Professionalism, Wisconsin

Does municipal government structure matter in Wisconsin and, if so, how and why? Wisconsin's adoption of forms of municipal government differs from the experience in other states. In the United States, the council-manager system has become the most common form of local government, and it is now the prevalent form of choice for adoption by the nation's cities. In Wisconsin, however, the council-manager system has rarely been adopted, and it has often been abandoned. Mayor-council forms still predominate in the state's cities but in recent years a growing number of municipalities have modified their mayor-council governance structures with the creation of the position of a chief administrative officer who reports to the mayor and council. The Wisconsin experience of reform provides important insights regarding the specific role of city government structures. Using Wisconsin findings allows a focus on the relationship between the form of government and performance without the confounding factors such as the wide variations in state laws, controls, electoral arrangements, and restrictions on local municipal autonomy in the United States that could distort a comparative state study (Nelson, 2011). In states that have optional charter laws and home rule such as Wisconsin, the municipalities have greater freedom to design their form of government with their preferences for representative institutions, elected leadership and professional management (Wheeland, Palus, & Wood, 2014).

This research paper examines the forms of municipal governments of an over 5,000 population in Wisconsin and their relationship to a variety of variables in the areas of socioeconomic, partisanship and election process, decision-making in the governance process, and internal municipal operations. The population size was limited to 5,000 both due to the access to information on smaller populations and the lesser need for some small governments to have professional administrators. The form of government is identified using the three forms of council-manager, mayor-council with a professional administrator, and mayor-council with an elected chief executive.

The literature has found the opposing views that a structural form of government can have an effect on levels of efficiency, innovation, and levels of cooperation in the decision-making process and also that form of government has little impact of these variables. Wisconsin has a high level of mayor-council with administrator forms of government rather than the council-manager forms common in other states. Wisconsin and Illinois have been particularly impacted

Nollenberger, K., & Simmons, J. (2016). Municipal government structure in Wisconsin: Does form matter? *Journal of Public and Nonprofit Affairs*, 2(2), 82-100. doi:10.20899/jpna.2.2.82-100

by state laws resulting in more mayor-council-administrator forms than council-manager forms (Nelson, 2011). A city manager usually has more authority in the operations of municipal operations than an administrator depending upon the authority granted to the administrator in the local ordinance creating the position. Whether this alternate approach to professional administration results in similar outcomes as the council-manager form is the topic addressed in this research.

Many writers have stressed the difficulties of comparing cities across states given the wide disparities in the state and local division of labor, the relative levels of comparative city autonomy, and variations in intergovernmental aid (Libert, 1974; Lineberry, 1978). To avoid these difficulties, this study focuses on the impact of municipal structure in one state, despite whatever small effects are lost, with the ability to generalize across cities nationally. Analyzing the forms of government within one state allows the examination of variations in the structure of a single type of municipal government. It also ensures that each municipality is governed by the same statutes and that they share a state culture that is common to all of the municipalities (Carr & Karuppusamy, 2010).

The three forms of government are compared with 26 variables in the four areas described above. Surveys of all elected officials in the 141 municipalities with a population over 5,000 were conducted in 2011 on the decision-making process in the governance process in their municipalities with a high level of response. Surveys of city clerks and surveys of city managers/administrators also were conducted in 2012 on the forms of government. A database of the variables was created for a statistical analysis of the relationships of the government form and these variables. The forms' impact on the decision-making process and internal municipal operations variables is the focal point of the research paper. Are there significant outcome differences in the decision-making process or internal municipal operations between council-manager, mayor-council with administrator, and mayor-council with elected chief executive forms?

Local Government Forms: Theoretical and Empirical Context

An extensive body of literature on the impacts of the structure of city government has been created since the beginning of the reform movement in the early 20th century, with competing perspectives on the significance of forms. Early municipal reformers were convinced that structural change was necessary to improve the performance of municipal governments (Childs, 1952). At the turn of the 20th century, progressives designed the business model of council-manager government to combat the corruption, partisanship, incompetence, and inefficiency rampant in American cities. The progressives insisted that a nonpolitical professionally appointed administrator overseen by a small elected board would promote the effectiveness of municipal management while at the same time maintaining a transparent, responsive, and accountable local government (Childs, 1952).

Today many critics question the significance of the various elements of reform and whether there is a significant difference between council-manager and mayor-council forms (Carr & Karuppusamy, 2010; Craw, 2008; Hayes & Chang, 1990; Jung, 2006; Karuppusamy & Carr, 2012; Morgan & Pelissero, 1980). Others have asserted that the adaptations in the traditional mayor-council form have impacted governmental performance without major structural form changes (Frederickson, Johnson, & Wood, 2004). Others maintain that form still matters (Edwards, 2011; Svara, 2005). Frequently, the adaptations in the council-manager form of government relating to the direct election of the mayor and more district elections in the council

election process and the adaptation of mayor-council forms to add an administrator are a result of these concerns to make the forms of government responsive as well as more professionally administered. *The Adapted City* explores these adaptations in an effort to assess their impact on the governmental forms. The authors note that “[t]o achieve what we expect, it is essential that our cities be both politically responsive and well managed” (Frederickson et al., 2004, p. 3). The authors argue that the models of government have mingled to the point that it has eliminated the importance of the distinctions between mayor-council and council-manager forms.

While not dismissing some of the findings of the adapted city research, other scholars have taken exception to the diminution of the importance of form of government as a basis for empirical research in the field. One response to the adapted city concept felt that the approach was inductive rather than a practical measure of municipal structure (Carr & Karuppusamy, 2008). A review of the reform in mayor-council forms found that the creation of the chief administrative officer position in this form had increased in recent decades (Svara, 2005). “The creation of the CAO position adds administrative expertise to the government structure. CAO’s share many important characteristics with city manager” (Svara, 2005, p. 502). Overall, Svara felt that the adapted city model discounted the importance of form. Nelson’s (2011) work found that the degree of autonomy given by the state government to local governments to modify their forms was related to the adoption choice of form of government. She found that Wisconsin and Illinois were particularly impacted by state laws resulting in more mayor-council with administrator forms than council-manager forms.

The research into the impact of forms of government on various internal operating factors in the local governments has outcomes that are not consistent with each other. Lineberry and Fowler (1967) did research on reformism and public policies in American cities. They related two policy outputs (taxation and expenditure levels of cities) to governmental structural characteristics and socioeconomic characteristics of cities. Their data results showed that reformed cities both spend and tax less than unreformed cities with one exception in the expenditures between partisan and nonpartisan cities. The reformed and nonreformed cities were not markedly different in their demographic variables. But they felt it was important to consider the relative responsiveness of the cities to social cleavages in their community. Their findings indicated that councils after reform “tended to think more of the community as a whole and less of factional interests in making their decisions” (Stone et al., 1940, p. 238).

Morgan and Pelissero (1980) compared 11 cities that changed their governmental form to 11 control cities over an eleven-year period and found that the variations in fiscal behavior were not affected by the change in form. Their research reported that “changes in city government structure have almost no impact on changes in taxing and spending levels” (Morgan & Pelissero, 1980, p. 1005). They also found that there was no reallocation of funds from one service area to others within the government. However, their time span and number of cities were limited. Another study reviewed the comparable efficiency between the council-manager and mayor-council forms of government (Hayes & Chang, 1990). Using the extensive data available in the International City/County Management Association (ICMA) publication *Municipal Year Book*, the authors found that there was no statistical difference in efficiency between mayor-council and council-manager forms of government.

This finding of no difference is contradicted by a more recent study funded by the IBM Global Business Services that performed an operations efficiency benchmarking study of 100 cities (Edwards, 2011). This study examined factors such as population, geographic size, collective bargaining, and others to compare with the cities’ efficiencies. The authors found that the determining factor in the level of efficiency was management. Cities with council-manager forms

were almost 10% more efficient than cities with mayor-council forms of government. In their finding, Svvara and Nelson (2008) state that “studies show that when council-manager cities are compared with mayor-council cities the council-manager cities are more likely to have greater efficiency, sounder finances, and stronger management performance” (p. 10).

In a recent study of the relationship of form of government and its relationship to decision-making process in local government, it was determined that of the independent variables selected for the analysis (fiscal condition, diversity, income level, population change, partisan elections, method of council election, form of government), government form proved to be the only variable that was significantly related to both perceived levels of conflict and cooperation in the decision-making process (Nelson & Nollenberger, 2011). Specifically, this study found that communities using the mayor-council form without an administrator, along with those using the mayor-council form with an administrator appointed solely by the mayor, were associated with higher levels of reported conflict and conditions that were less likely to promote cooperation in decision-making than either the council-manager forms or mayor-council with administrator forms when the administrator was jointly appointed by the mayor and council. The existence of a professional administrator appointed jointly by both the mayor and council was the significant factor in this analysis.

As concluded in a recent article on the century of municipal reform in the United States, “Communities and scholars continue to debate the merits of different government structures, the appropriate roles for professionals in governing, and how government can or cannot contribute to solving community problems” (Wheeland et al., 2014, p. 235). The Wisconsin experience may differ from that of other states but continues this debate on difference in government structures. Simmons (2001) makes the following statement: “Another problem confronting the advocates of the council-manager system is that a growing number of cities have adopted many of the efficiency measures associated with the plan, without resorting to the formality of changing to the managerial form” (p. 61). He found few differences between council-manager forms and mayor-council with administrator forms in Wisconsin despite the greater authority given to a manager compared to an administrator. A review of Wisconsin municipalities to assess these findings is the focus of this research.

The Wisconsin Experience

The Wisconsin Legislature adopted what is referred to as a general charter law for cities and villages in Wisconsin. Chapter 61 of the Wisconsin statutes deal with villages; Chapter 62 and Chapter 64 deal with cities. A charter ordinance is used by cities and villages to adopt the choice of statutory form of government provided by these chapters. Chapter 61 on villages designates the title of chief elected official as the President of the Village Board. Chapter 62 for cities establishes the mayor-council form of government. Chapter 64 allows for the city manager plan and the commission government plan. There are no municipalities using the commission plan. Chapter 64 provides for municipal wide election of the city council, the election of a council president by the city council from among its members (no mayor position), and the appointment powers to boards and committees by the city manager. The president of the council has no veto authority. The City Manager under Chapter 64 has the authority for appointment of department heads (except when a police or fire commission exists for those positions) and the recommendation of the annual budget. Under the mayor-council form, the city or village can adopt an ordinance creating an administrator position and define the authority of that position. Cities and villages adopting an administrator form differ in the authority given to the position from very little authority to a level virtually equal to a city manager. In addition to these statutes

on the forms of local governance, the Constitution of the State of Wisconsin provides for home rule powers for cities and villages. Chapter 66.0101 of the Wisconsin statutes allows cities and villages to adopt alternative legislation by charter ordinance for issues that are not of uniform statewide concern (League of Wisconsin Municipalities, 2002).

As noted by the Wisconsin Taxpayers Alliance [WTA](2005), the major reason for the limited adoption of the city manager plan is the feeling that the position as outlined in Chapter 64 is “too strong.” A remedy to these features can be a charter ordinance amendment to the statutory provisions. A council-manager form municipality can create an office of mayor, have district election of council members, and give the mayor the appointment authority of the boards and commissions under a charter ordinance. However, the flexibility built into the statutes for the mayor-council form are more lenient and “undoubtedly slowed the growth of the manager form.” (Donoghue, 1980, p. 158). Paddock and Olson (1993) note that “communities choose to create Administrator rather than Manager position because they do not want to give up the executive power of the Mayor or President” (p. 5). The authors concluded that the administrator position has brought professionalism to the cities and villages that added the position.

Hypotheses

The past research noted in the preceding sections describes the opposing views on whether the form of government has an impact of the decision-making process in government, efficiency of the municipal operations, and levels of financial conditions. Due to the Wisconsin statutes for form of government, Wisconsin is unique in the adoption of significantly more mayor-council with administrator forms of government than council-manager forms due to the ease of adopting ordinances outlining the form under mayor-council versus home rule charter ordinances amending the statutory provisions on the council-manager form when it is legally justified and not of state-wide concern. While this is unique to Wisconsin, the adoption of an administrator under the mayor-council form does happen in other states but not with the percentage of adoptions as in Wisconsin. This research on the Wisconsin forms of government and their relationship to the decision-making process, efficiency of municipal operations and levels of financial condition provides clarification of the impact of forms of government in Wisconsin and may provide some insights on the impact of the forms in other states.

Based on the research to date on the impact of forms of government, we have developed three hypotheses.

H₁: The levels of conflict and cooperation will differ significantly by form of government with strong mayor-council forms having higher levels of conflict and lower levels of cooperation than forms having a manager/administrator.

As noted in the previous sections, previous research on a national level for municipalities between 50,000 and 250,000 population has shown that a form of government is related to levels of conflict and cooperation with municipalities without an administrator having higher levels of conflict and lower levels of cooperation in the decision-making process (Nelson & Nollenberger, 2011).

H₂: General government expenditures per capita and tax rate per \$1,000 assessed value will be lower in forms of government with a manager/administrator.

Table 1. Combined Wisconsin Forms of Government

Forms	City	Village	Total	%
Council-Manager	10	8	18	12.8%
Mayor-Council-Administrator Appointed/Approved	58	35	93	66.0%
Strong Mayor-Council without Administrator	24	0	24	17.0%
Weak Mayor/-Council without Administrator	4	2	6	4.2%
Total	96	45	141	100%

Also as noted in previous sections, past research is mixed on the level of spending in forms with administrators with some showing no differences and other findings showing more efficiency in spending levels (Edwards, 2011; Hayes & Chang, 1990; Lineberry & Fowler, 1967; Morgan & Pelissero, 1980; Stone et al., 1940; Svava & Nelson, 2008).

H₃: The financial condition of the city as measured by the bond ratings of the municipality will be stronger in forms of government with a professional manager/administrator.

Similar to the hypothesis 2, there are some findings that the financial condition of cities with professional administrators is better than other cities due to more efficiency in the operations (Svava & Nelson, 2008).

Data and Empirical Strategy

The form of government is identified using the council-manager form, mayor-council with a professional administrator form, and mayor-council with an elected chief executive form. After further review, the 30 mayor-council forms with an elected chief executive form was further refined to distinguish those with a strong mayor/president (24 cities) and those with a weak mayor/president (six cities) based on their defined responsibilities. Subdividing the mayor-council cities is a common approach in making a distinction in the formal powers of the mayor (DeSantis & Renner, 2012; Karuppusamy & Carr, 2012). The refinement was created by reviewing whether the appointment of department heads and recommendation of budget authority was given to the mayor/president and if there was a full- or part-time salary level for that position. All of the Wisconsin municipality forms with population of over 5,000 were compared against a number of independent variables.

To ensure that the forms for each municipality were correctly identified, a review of the ICMA's form of government recognition and the *State of Wisconsin Blue Book* was undertaken. An electronic administered survey of city clerks in Wisconsin was conducted for additional clarification of the form. Whenever a difference occurred between the sources, the form of government was further researched for that municipality on its web site reviewing the enabling ordinances on the form. Direct contact was made with municipal officials whenever questions persisted.

As shown in table 1, 78.8% of Wisconsin cities over 5,000 population have a professional manager or administrator. Yet, only 12.8% of those are council-manager forms of government and the remaining 66.0% are mayor-council with an administrator appointed or approved by the city council/village board. By contrast nationwide, 53.0% of U.S. municipalities over 5,000 population have a council-manager form of government (ICMA, 2011).

Table 2. Conflict and Cooperation Variables

Tension	Variables	Effect
Relationships among elected officials	Number of factions on council	> conflict
	Amiability of mayor-council relations	> cooperation
	Trust in and support of mayor by council	> cooperation
Roles of elected officials	Involved in long-term goal setting and broad oversight	> cooperation
	Involved in minor administrative details	> conflict
Quality of performance of elected officials	Effective long-term goal setting	> cooperation
	Adequate performance feedback--council to CEO/CAO	> cooperation
	Focus on important issues in the community	> conflict
Quality of performance of chief executive; manager, CAO, or mayor/staff in mayor-council governments	Accomplish goals set by council	> cooperation
	Provide Alternatives and analysis of policies	> conflict
	Have high standards of personal conduct	> conflict

Based on other research done on the relationships of independent variables to government form, the variables to which the forms outlined above were compared are shown in the following table along with the averages in Wisconsin municipalities. The socioeconomic variables serve as control variables.

In the government decision-making process category, the levels of conflict in the governance process were measured by using a survey instrument sent to all elected officials in the 141 municipalities. The survey instrument is a modified version of the one used in previous research, which measured levels of conflict and cooperation in the governance process in United States' cities (Nelson & Nollenberger, 2011). The survey was undertaken to gain insight into how elected officials perceive their own roles and those of other officials and levels of confrontational and cooperative behavior in the decision-making process in their municipalities. The dependent variables were measured through the construction of a set of survey questions designed to examine three areas (tensions) in city government that are likely sources of greater or lesser levels of conflict or cooperation (see table 2 and appendix).

Each question was scored according to how the answer related to the tensions in the process; the scoring was done on a zero-to-one basis, with zero being the low and one being the high level of conflict or cooperation. An index variable was created for each survey instrument. An example of some of the survey questions and the scoring is shown in the appendix. The resulting database includes the scores for all responding city mayors, village board presidents, city council members, and village board members with averages for each municipality.

In the socioeconomic category, nine variables are shown in table 3 with the average for eight of these variables. The 141 municipalities in the database also were categorized by their location as a central city or a suburban city to monitor expenditure and/or form of government differences between central and suburban cities. There were 84 central cities and 57 suburban cities. These socioeconomic variables may provide insight into the relationship to the adoption of form of government.

In the partisanship and election process category, 92 (65.2%) of the municipalities have district elections and 49 (34.8%) do not (Wisconsin Legislative Reference Bureau [WLRB], 2009). The average Republican vote total in the 2010 gubernatorial election was 54.4% (WLRB, 2009). The

Table 3. Variables Definitions

Variable	Description (Source)	Average
Socioeconomic Variables		
Population 2010	Census 2010 population data, range 5,000 and up (Census Bureau, 2013)	24,354
Community Growth	Population growth or decline 2000-2010 (Census Bureau, 2013)	10.6%
Median Household Income	Income level: median family income (Census Bureau, 2013)	\$55,532
Diversity Majority	White/non-white majority in the city (Census Bureau, 2013)	88.8%
Education Level	Percentage of college graduates (Census Bureau, 2013)	29.2%
Crime Index	Crime index (Federal Bureau of Investigation 2012)	2868
Unemployment	% unemployment in the city/village (Census Bureau, 2013)	6.2%
Central City/Suburban Poverty Level	Central city vs. suburban city % below poverty level in the municipality (Census Bureau, 2013)	10.2%
Partisanship & Election Process		
District or Municipality Wide City Council/Board Size	Election type: district vs. at large (WLRB, 2009) Size of city council or village board (WLRB, 2009)	
Republican Vote %	Republican vote % in 2010 Governor election (WLRB, 2009)	
Difference in Partisan Vote %	Vote Difference 2010 Governor by 5% groups (WLRB, 2009)	
Decision Making in Governance		
Levels of Conflict	Conflict level index from surveys of elected officials	
Levels of Cooperation	Cooperation level index from surveys of elected officials	
Internal Municipal Operations		
Financial Condition of City	Bond ratings – Moody's, Standard & Poor's, Fitch - 1 to 10	
Debt per Capita	City debt per capita (WTA 2012)	\$1,615
Tax Rate per \$1,000	Tax rate per \$1,000 assessed value (WTA 2012)	\$6.83
Taxes per Capita	Taxes per capita (WTA 2012)	\$512.14
Operating Costs per Capita	Total operating costs in municipality per capita (WTA 2012)	\$804
General Government Expenditures	General government costs per capita (University of Wisconsin Extension, 2014)	\$116.07
Public Safety Expenditures	Public safety costs per capita (University of Wisconsin Extension, 2014)	\$255.88
Fire Expenditures	Fire costs per capita (University of Wisconsin Extension, 2014)	\$107.01
Public Works Expenditures	Public works costs per capita (University of Wisconsin Extension, 2014)	\$166.28
Human/Health Services	Human/health services costs per capita (University of Wisconsin Extension, 2014)	\$14.33
Culture/Parks & Rec Costs	Culture/parks& recreation costs per capita (University of Wisconsin Extension, 2014)	\$128.48

Table 4. Difference in Partisan Vote

Vote % Difference	# of Municipalities
0-5%	26
5-10%	24
10-15%	22
15-20%	11
20-25%	12
25-30%	13
30-35%	7
35-40%	11
40-45%	5
45-50%	7
50-55%	3
55-60%	3

lowest Republican vote percentage in the 141 municipalities was 22.1% and the highest was 79.9%. The number of cities for the difference in partisan vote percentage allocated by 5% intervals is shown in table 4. These election results are included as a measure of how conservative a community is and if that has any relationship to the form of government.

Table 5 shows the average levels of conflict and cooperation index variables. Of the 141 municipalities surveyed, there were three municipalities with no response from the elected officials surveyed and nine municipalities with only one response. The average of 45.2% shown below is a good response level. The response rate for council-manager form cities was 48.0%, for mayor-council with an administrator 46.2% and for mayor-council without an administrator was 38.8%.

The number of cities and percentage of the total cities in the financial condition rankings as measured by bond ratings is shown in table 6. Ranking is from best condition (1) to lowest (9).

The information in table 2 shows the average socioeconomic and internal operational costs of the municipalities. The average expenditures in the operational areas may reflect different priorities of the municipalities that are also a reflection of their choice of form of government.

All of the 26 variables described above are potentially related to government form. The next section analyzes which of these variables proved to be significant using regression analyses. Multiple regressions were conducted on the variables in the database described above to assess the significance of the relationships between the forms of government and these factors. Multiple regression is a statistical technique used to test the robustness of the bivariate relationships among variables when they are controlled for other variables. The multiple regression modeling tries to control for all identifiable independent variables that are affecting the dependent variables and to assess the relevance of those effects. The regression coefficients are interpreted for their effects on the dependent variables while controlling for the effect of all the independent variables included in the regression. Regression analysis shows the significance of the relationships between the independent variables and the dependent variables, with lower scores being more significant than higher scores. Social science research uses .05 and .10 as the levels of statistical significance for relationships to exist. The statistical analysis as reflected in the adjusted R^2 reflects the net effect of all the variables that are not included in the model. The R^2 also is called the coefficient of determination and is interpreted as “the percentage of variation in the dependent variable that is explained by the independent variable” (Berman, 2002, p. 122). In public administration research, R^2 values below 0.20 are considered weak,

Table 5. Conflict and Cooperation Averages

% Survey Respondents	Cooperation Index Average	Cooperation Minimum	Cooperation Maximum	Conflict Index Average	Conflict Minimum	Conflict Maximum
45.2%	0.7712	0.2657	0.9881	0.2247	0.0204	0.5705

Table 6. Financial Condition Rankings

Rank	1	2	3	4	5	6	7	8	9
Cities (% of Total)	6- 4.3%	15- 10.6%	48- 34.0%	41- 29.1%	25- 17.7%	0-0%	3- 2.1%	1-.7%	2- 1.4%

while those between 0.20 and 0.40 are considered moderate (Berman, 2002). Any value above 0.40 is considered strong.

Findings: Analysis of Form of Government to Variables

Of the 141 municipalities in over 5,000 populations in Wisconsin, the mayor-council with administrator form is dominant consisting of 66.0% of the municipalities. The council-manager form is 12.8% of the municipalities with the remaining operating under a strong mayor form (17.0%) or operating without an executive officer (4.2%). The independent variables described above in the areas of socioeconomic variables, partisanship, and election process variables, decision-making in governance variables, and internal municipal operations variables are considered in this research to ascertain any relationship between the form of government and these variables.

The regression analysis used the 26 variables, of which 21 are continuous, three are ordinal, and two are dichotomous variables. The regressions used form of government as one of the independent variables when the dependent variable may be caused by form and/or other variables. In the initial regression, the independent variables of district or at-large elections and size of council had significance levels of .00. The Wisconsin statutes sets the requirement for at-large elections in Villages and district elections in cities and also sets the size of the elected body resulting in multicollinearity although these variables can be changed by home rule charter ordinances in the municipalities. Because the significance of these two independent variables is set by the statutes, they were eliminated from further analysis.

The form of government-dependent variable has the four forms, as described in the previous section: council-manager, mayor-council with administrator, strong mayor-council without administrator, and weak mayor-council without administrator. A further refinement in the regression analysis combined the council-manager form with the mayor-council with administrator form to measure the impact of having a professional administrator or not. This regression analysis used the three forms of government as the independent variable: forms with a professional administrator, the strong mayor-council form, and the weak mayor-council form.

Regressions were performed with each of the decision-making processes, internal municipal operations, socioeconomic, and partisanship and election process factors as the dependent variables. In addition, to meet the assumptions of multiple regression, the form of government was re-coded as a dummy variable with one of the forms acting as the reference group. Regressions were performed making the decision-making in the governance process and internal municipal operations variables as the dependent variable to assess whether form of government was a significant relationship to these factors. The dependent variables of conflict,

Table 7. Regression of Conflict and Cooperation

Variables	Conflict	Cooperation
Strong Mayor	0.257**	-0.198*
Weak Mayor	0.171*	-0.117
Financial Condition	0.010	-0.018
Population 2010	-0.008	-0.051
Growth 2000-2010	0.062	-0.049
Median House Income	-0.283	0.210
Diversity Majority	-0.097	0.086
Central or Suburb	-0.145	0.117
Education Level	0.289*	-0.149
% Unemployed Rate	0.084	-0.057
Crime Index	-0.010	0.035
Difference Partisan Vote	-0.136	0.152
Adjusted R ²	0.163	0.109
F	2.027*	1.272

Values shown are standardized regression coefficients.

*p<.05; **<.01;***<.001

Table 8. Regression of General Government Expenditures and Tax Rate per \$1,000

Variables	Conflict	Cooperation
Strong Mayor	-0.193*	0.143*
Weak Mayor	-0.101	-0.034
Council-Manager	-0.158	0.020
Financial Condition	0.073	0.088
Population 2010	0.443***	-0.065
Growth 2000-2010	-0.169	-0.230**
Median House Income	0.164	-0.241*
Diversity Majority	0.125	-0.057
Central or Suburb	0.042	-0.211**
Education Level	0.026	0.018
% Unemployed Rate	0.168	0.088
Crime Index	0.069	0.084
Difference Partisan Vote	0.121	0.209***
Adjusted R-squared	0.255	0.537
F	3.342***	11.351***

Values shown are standardized regression coefficients.

*p<.05; **<.01;***<.001

cooperation, general governmental expenditures, tax rate per \$1,000, and financial condition yielded some results of interest relating to the form of governments. These five variables were used as dependent variables and had a significant relationship to the form of government.

In the regression with conflict as the dependent variable (table 7), the strong mayor form of government, weak mayor form, and education level were significant at the 0.05 level. The level of conflict in the strong and weak mayor form is significantly higher (0.01 and 0.05) than in the forms with an administrator. The independent variable of professional administrator or not served as the dummy variable on forms of government. Compared with the professional administrator or not, the strong and weak mayor form had significantly more conflict.

Table 9. Financial Condition

Variables	Measurement
Strong Mayor	-0.140
Weak Mayor	0.139
Council-Manager	0.066
Population 2010	-0.199*
Growth 2000-2010	0.074
Median House Income	-0.176
Diversity Majority	0.068
Central or Suburb	0.035
Education Level	-0.316**
% Unemployed Rate	0.234*
Crime Index	-0.130
Difference Partisan Vote	0.103
% Below Poverty Level	-0.030
Adjusted R-squared	0.401
F	5.572***

Values shown are standardized regression coefficients.

*p<.05; **<.01; ***<.001

In the regression with cooperation as the dependent variable (table 7), the independent variable, professional administrator or not, served as the dummy variable. The only independent variable of significance was strong mayor, which was negatively related to cooperation. The strong mayor form has less cooperation in the decision making process than the other forms. The R^2 at 0.11 was low for a regression.

In the regression with a dependent variable of general governmental expenditures per capita (table 8), the four forms were used separating the professional administrator into the council-manager forms and the mayor-council with an administrator form due to the differences in the average general government expenditures between the two forms. The dummy variable was the mayor-council with an administrator. The strong mayor independent variable was significant at 0.03 and population at 0.00. Population is directly related to the strong mayor form with strong-mayor cities being almost three times the average of all other cities. This is due mainly to the fact that the state's three largest cities—Milwaukee, Madison, and Green Bay—do not have an administrator position. The strong mayor form (at a significance of 0.03) and the council-manager forms (at a significance level of 0.06) had less general government expenditures per capita than the mayor-council forms with an administrator. The R^2 of 0.26 is an acceptable level.

The regression with the tax rate per \$1,000 as the dependent variable (table 8) had a high level R^2 of 0.54. The independent variables of growth 2000–2010, central or suburban municipality, difference rating for voting in the 2010 gubernatorial election, republican vote %, strong mayor, and median income were significant at the 0.05 level. The strong mayor form was significant at the .04 level showing a higher level of tax rate in that form.

A regression was performed with financial condition (table 9) as a dependent variable with the four forms of government and other external factors. The mayor-council with an administrator form was the dummy variable. The strong mayor form of government had a lower bond rating score (stronger financial condition) at a significance rating of 0.07. The weak mayor form of

Table 10. Averages by Form of Government

Form of Government	Cooperation	Conflict	General Government Expenditures	Tax Rate per \$1,000	Financial Condition Rating
Council-Manager	0.7662	0.1857	\$106.71	\$7.11	3.50
Mayor-Council with CAO	0.7191	0.2133	\$118.70	\$6.55	3.76
Professional Administrator	0.7269	0.2087	\$116.76	\$6.64	3.72
Strong Mayor	0.6560	0.2808	\$117.13	\$7.74	3.04
Weak Mayor	0.6569	0.2247	\$99.00	\$6.62	5.00

138 municipalities provided responses from at least one elected officials with an overall 45.2% response rate for the conflict/cooperation survey.

governments had a higher bond rating score (worse financial condition) at a significant level of 0.07. Other independent significant variables were population at 0.07, education level at 0.00, and the unemployed rate at 0.02. The R^2 level at 0.40 is high.

Discussion

Hypothesis 1 dealt with the decision-making process, and the results of the regressions showed the hypothesis to be confirmed. The level of conflict in strong mayor-council without an administrator is significantly higher than in a municipality with an administrator at a .01 significance level. The level of cooperation in strong mayor-council was significantly lower than municipalities with an administrator at a 0.04 significance level. This finding verifies other research studies that found conflict were related to form of government (Nelson & Nollenberger, 2011). In the previous research of cities between 50,000 and 250,000 in population, Green Bay had the highest level of conflict of the 165 responding cities in the United States. It ranked third in this study behind La Crosse and Sheboygan, which were not part of the previous research due to size. The averages of conflict and cooperation combining the forms as done in the regressions above are shown in table 10.

Hypothesis 2 projected that the tax rate per \$1,000 and the general governmental expenditures would be less in forms of government with a professional administrator. The regression results showed partial substantiation of this hypothesis. As shown in table 10, the level of general government expenditures is higher in the strong mayor-council municipalities at an average of \$117.13 compared with \$116.76 in municipalities with an administrator. When the administrative forms are separated out into council-manager and mayor-council with an administrator, the mayor-council with an administrator form was significantly higher on at \$118.70 than the council-manager and strong mayor form. The council-manager form was significantly lower (at 0.06 level) at \$106.71. Yet the tax rate per \$1,000 is significantly higher in strong mayor forms than in the mayor-council-administrator form at 0.04 significance. The strong mayor form has a tax rate of \$7.74 compared with the \$6.55 in the mayor-council-administrator forms.

Hypothesis 3 projected that the financial condition of the city would be stronger in forms with a professional manager/administrator. The results of the regression showed that to be the opposite with strong mayor forms having a stronger level of financial condition. The financial condition of the municipalities as measured by the bond ratings of the municipality are not significantly different at the 0.05 significance level, but the strong mayor form is better than the mayor-council with an administrator form at the 0.07 level of significance. The weak mayor

form is worse than the mayor-council with an administrator form at the 0.07 level of significance.

Conclusion

This research analyzed the impact of forms of government in the Wisconsin experience where reform has taken the direction of more adoption of an administrator in the mayor-council form rather than council-manager forms. Wisconsin is one of the handful of states that allows municipalities to adapt the mayor-council form to more closely resemble the council-manager form. The results of the analysis on variables related to form of government in Wisconsin did yield some results as expected from past studies and some new findings on the impact of form of government.

The levels of conflict/confrontation in the decision-making process is significantly higher in strong mayor forms than in forms with an administrator. The levels of cooperation in the decision-making process is significantly lower in strong mayor forms. It can be stated that Wisconsin cities without an administrator have some of the highest levels of confrontation/conflict in the governance process in the United States. The existence of a professional administrator was the significant factor with both council-manager and mayor-council, with an administrator form having significantly less conflict than the strong mayor form. The highest conflict index in the state was in La Crosse, which also had the lowest index for cooperation. In mayor-council forms of government, Sheboygan and Green Bay had a high conflict index. Subsequent to the survey, Sheboygan adopted the mayor-council with an administrator form of government. Additional research on the impact of the conflict and cooperation in the decision-making process on the quality of the decisions would be of value to assess the impact of this finding. A qualitative analysis of municipalities with differing scores would be of value to assess the impact.

The independent variables of total operating costs per capita, general government expenditures per capita, debt per capita, taxes per capita, and tax rate per \$1000 of assessed valuation are indicators of efficiency and economy in an organization. As noted earlier, the results of previous studies have shown different results on whether the form of government is associated with the indicators of efficiency and economy in government. The results of this research show that the general government expenditures per capita for the strong mayor and council-manager forms were significantly lower than mayor-council with an administrator form. This finding shows that strong mayor forms are both less costly on general expenses than the mayor-council forms with administrators and more costly than the forms with managers. Yet, the strong mayor form had a significantly higher tax rate per \$1,000 of assessed value than the mayor-council with administrator municipalities. The differences between council-manager and mayor-council with an administrator in general governmental expenditure per capita may be due to the structure of the forms and deserves additional research to assess the differences. None of the other efficiency measures were significantly related to the form of government. The strong mayor forms in Wisconsin appear to have adopted many of the efficiencies of the reform movement without a change in governmental form. Further research into the operations of strong mayor forms in Wisconsin could add to this finding. We recommend comparable case study research to either confirm or modify our findings concerning the limited impact of urban structure on policy.

The comparisons between council-manager and mayor-council-administrator forms does not show any major difference in the socioeconomic factors, decision-making process, partisanship or election process variables, and on just a few in the internal operations factors. The reformed

municipalities in Wisconsin mainly have adopted the mayor-council with administrator form instead of the council-manager form. This adaptation of the mayoral form has produced most of the desired results expected by the reform movement. While the council-manager form of government constitutes only a small minority in Wisconsin compared with over half of U.S. cities, the adoption of a professional administrator in the mayor-council form constitutes two-thirds of state municipalities compared with one in six cities nationwide. Thus, with the adoption of various forms of adapted professionalism in its cities, Wisconsin has managed to achieve many of the substantive objectives of municipal reform without all of its formal structural features. Future studies need to review state laws in other states and the impacts that the laws have on the adoption of the form of governments. The ability to adapt the mayor-council form to add professional administrator should be reviewed as well as the nature of the legal process for this adaptation.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Author Biographies

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Appendix

Survey Questions of As Indicators of Conflict and Cooperation: Mayors

Survey Administered in 2011

Response Rate: 45.2%

Cooperation: Positive interaction or active contributions that match preferences. Low cooperation is the absence of positive interaction or the presence of contributions that fail to meet expectations.

Mayor-Council Form

Listed below are activities that are usually performed by the mayor in mayor-council cities. For each, indicate how you would rate your performance—is your performance very good, good, satisfactory, poor, or very poor? Check the appropriate box.

Rate the mayor's performance:	Very Good	Good	Fair	Poor	Very Poor
a. Providing the council with sufficient alternatives for making policy decisions	1.0	.75	.50	.25	0
b. Accomplishing the goals established by the council	1.0	.75	.50	.25	0
c. Insuring that city government is open to the participation of all groups in the community	1.0	.75	.50	.25	0
d. Providing the council with sufficient information and performance measures to assess the effectiveness of programs and services	1.0	.75	.50	.25	0
f. Seeking to improve the efficiency of city government	1.0	.75	.50	.25	0
g. Interacting with other local governments and the federal and state government	1.0	.75	.50	.25	0
h. Promoting economic development of the city	1.0	.75	.50	.25	0

Council-Manager-Form

Listed below are activities that are usually performed by the mayor in council-manager cities. For each, indicate how you would rate your performance—is your performance very good, good, satisfactory, poor, or very poor? Check the appropriate box.

Rate the mayor's performance:	Very Good	Good	Fair	Poor	Very Poor
a. Serving as a spokesperson for city government and representing the city in dealings with the public	1.0	.75	.50	.25	0
b. Promoting communication within the council	1.0	.75	.50	.25	0
c. Promoting a positive relationship between the council and the manager	1.0	.75	.50	.25	0
d. Helping the council set goals and priorities	1.0	.75	.50	.25	0
e. Helping the council adopt policies	1.0	.75	.50	.25	0
f. Seeking to improve the efficiency of city government	1.0	.75	.50	.25	0
g. Interacting with other local governments and the federal and state government	1.0	.75	.50	.25	0
h. Promoting economic development of the city	1.0	.75	.50	.25	0

Conflict: Negative interactions, including blocking behaviors and activities that disregard others' preferences. Low conflict is the absence of negative interactions and the presence of a low level of activity.

7. In your judgment, what percent of the council decisions that you consider important are made unanimously or nearly unanimously?

Over 75%	<u>0</u>	50-74%	<u>.33</u>
25-49%	<u>.67</u>	Fewer than 25%	<u>1.0</u>

8. In general, would you say that there are blocks or factions on the council that consistently vote in the same way on a number of issues? Put an X by your response.

No, there are no real divisions within the council. 0

Yes, there are some divisions but they are not very strong. .50

Yes, there are sharp divisions within the council. 1.0

Governance Symposium

The Transformative Effect of Public-Private Partnerships: An Inside View of Good Government Under Mayors Voinovich and Jackson

Vera Vogelsang-Coombs – Cleveland State University

William M. Denihan – Alcohol, Drug Addiction and Mental Health Services Board

Melanie F. Baur – Cleveland State University

This paper focuses on two mayoral-led public-private partnerships designed to renew good government in Cleveland, Ohio: Mayor George Voinovich's Operations Improvement Task Force (OITF) (1979–1982) and Mayor Frank Jackson's Operations Efficiency Task Force (OETF) (2006–2009). The Voinovich OITF public-private partnership enabled Cleveland to “come back” after the city's 1978 default. The Jackson OETF public-private partnership successfully right-sized Cleveland in relationship to its much smaller population needs during challenging economic times without disruptions in service. The authors use three data sources, including interviews with both mayors and their key partnership managers, to gain a complete inside picture of each mayoral-led public-private partnership. The paper concludes with the lessons learned and the governance implications of a mayoral-led public-private partnership in fostering a long-term (transformative) administrative change. This paper shows how both mayoral-led public-private partnerships quietly transformed Cleveland's government to meet the demands of fewer resources, greater complexity, more transparency, and more timely decisions in the delivery of public services to citizens.

Keywords: Operations Improvement, Public-Private Partnerships, Urban Change

Editor's Note: We are saddened to announce that Dr. Vera Vogelsang-Coombs died in February 2016. In her memory, we are pleased to publish this article posthumously. At the time of her passing, the article was in the review process. Aside from copy-editing, no revisions have been made to the article since its initial submission.

To avoid fiscal insolvency while modernizing municipal operations to fit shrinking and changing population needs, Mayor George Voinovich and Mayor Frank Jackson of Cleveland, Ohio, have used public-private partnerships to tap into business, nonprofit, and community-based resources to secure a new and positive future for Clevelanders. Specifically, this paper analyzes Mayor Voinovich's Operations Improvement Task Force (OITF) (1979–1982) and Mayor Jackson's Operations Efficiency Task Force (OETF) (2006–2009) from the inside out. Based on this inside-out approach, we show how and why the two mayoral-led public-private partnerships were indispensable to successful management of urban change and the renewal of good government in Cleveland.

Public-private partnerships are elusive to define (Mendel & Brudney, 2012). After conducting an extensive review of the literature, Ansell and Gash (2008) identified 137 public-partnership cases, but they varied significantly as for their leadership, goals, resources, operations, citizen engagement, and impacts. For the sake of this analysis, we use the definition of public-partnerships formulated by Mayor Voinovich. In 1979, he was the first big-city mayor to bring together, on a large scale, public, private, and nonprofit stakeholders to work cooperatively to restore the people's confidence in city government after a major debacle—Cleveland's default. For him, a public-private partnership aimed at improving municipal operations meant good government because:

Vogelsang-Coombs, V., Denihan, W. M., & Baur, M. F. (2016). The transformative effect of public-private partnerships: An inside view of good government under Mayors Voinovich and Jackson. *Journal of Public and Nonprofit Affairs*, 2(2), 101-126. doi:10.20899/jpna.2.2.101-126

Business, nonprofit organizations, and foundations must respond to the call for help from the public sector or suggest on their own initiative their willingness to support the public sector with human capital resources and/or financial resources...The opportunity for interaction between the public and private sectors allows for progress to be made in improving the city's government and the community as a whole,...In a time of decreasing funding from the federal and state governments, if our cities are to survive and succeed... (Voinovich, 2013).

Our paper has two research objectives. One is to identify the distinctive good government characteristics of Mayor Voinovich's OITF public-partnership that enabled Cleveland to come back after the municipal default caused the city's economic engine to sputter (Steiner, 1999). The second objective is to identify the distinctive good government characteristics of Mayor Jackson's OETF public-private partnership that successfully right-sized Cleveland's government during trying economic times, including the Great Recession of 2008, without disruptions in municipal services to residents.

Our analysis is organized into five sections. The first section describes five good government partnerships that frame our analysis of the Voinovich OITF partnership and the Jackson OETF partnership. The Cleveland setting and the research methodology are discussed in the second section. The third and fourth sections show how Mayors Voinovich and Jackson used the five good government partnership behaviors in implementing the OITF and the OETF partnerships to transform Cleveland successfully. The lessons learned and the governance implications of the mayoral-led public-private partnership are presented in the fifth section.

Five Good Government Partnership Behaviors

Our analysis of the Voinovich OITF and the Jackson OETF partnerships is grounded in the network scholarship of McGuire and Agranoff. McGuire and Agranoff (2011) define a public management network as one type of collaborative activity involving multiple organizations and multiple perspectives; these organizations join together to solve a major problem that a single entity cannot solve easily or by acting alone. However, public management networks are not panaceas because they have severe limitations, not the least of which is inertia. Therefore, McGuire and Agranoff encourage researchers to study how public management networks can be effectively managed to overcome inertia and deliver results.

Accordingly, our study of the two mayoral-led public-private partnerships in Cleveland examines their inside operations in terms of four network management behaviors identified by McGuire and Agranoff (2014)—activating, mobilizing, framing, and synthesizing. Thus, our research question is as follows: Do the public-private partnerships of Cleveland Mayors Voinovich and Jackson aimed at operations improvement to avoid fiscal insolvency involve the behaviors of activating, mobilizing, framing, and synthesizing? Our research also reveals that the Cleveland mayors adopted a fifth network management behavior that we define as *sustaining* the public-private partnership results. Each management behavior is defined briefly in turn.

First, activation focuses on the mayor's leadership philosophy, and his partnership vision of operations improvement that requires speedy action to address an urgent municipal fiscal

situation. Activating behaviors also refer to the mayor's incorporation of key persons and stakeholders who take charge of organizing the governance of the public-private partnership.

Second, mobilization focuses on the mayor's leadership in cultivating the internal and external support for his public-private partnership vision of operations improvement. Thus, mobilization activities generate commitments for securing the information, financial, and human resources needed to operationalize the partnership. An essential aspect of mobilization is the identification of partnership champions and process leaders. Champions are those who sell the public-private partnership idea internally to department heads and city employees and to the external community, including funders, municipal unions, civic groups, elected officials, and county officials; process leaders are the vision keepers who are responsible for the day-to-day management of the public-private partnership.

Third, framing behaviors translate the partnership vision and the commitments for operations improvement into municipal policies and practices. Framing also focuses on building the capacity of partnership external volunteer participants and city employees through training and development. Furthermore, framing includes the establishment of an operations improvement coordinator responsible for monitoring the implementation of the change proposals emerging from the study phase of the partnership process. These framing activities incorporate the practices of professional management into a work culture of delivering excellent city service.

Fourth, synthesizing activities enhance the work conditions that lead to a collaborative environment and productive interactions among the internal and external partnership members. In other words, through synthesis, the mayor and his partnership managers remove the obstacles and create opportunities for the participants to build relationships of trust so that they can focus on the achievement of results. In effect, synthesis behaviors develop a citywide orientation among internal participants that culminate in the successful completion of the partnership's goals and objectives.

Fifth, sustaining behaviors integrate the public-private partnerships methodology of operations improvement into day-to-day municipal governance, resulting in long-term (transformational) urban change. The integration of the partnership's methodology into day-to-day municipal administration makes it less likely for long-term city employees to view operations improvement as the "pet project" of a short-term mayor whose term in office is limited.

Research Setting and Methodology

The research setting for our analysis of the two mayoral-led public-private partnerships focuses on Cleveland, Ohio, in 1979 and 2006. Our single-city setting is consistent with Mendel and Brudney's (2012) argument that this method controls for contextual differences inside public-private partnerships. Given our long view of Cleveland's partnership history, we can differentiate between the short- and long-term (transformational) impacts of the Voinovich OITF partnership and the Jackson OETF partnership, respectively. In this way, our analysis deepens understanding of how the two public-private partnerships successfully helped the city of Cleveland adapt to a changing environment.

Our research uses multiple data sources to provide an inside view of Cleveland's public-private partnerships. The first source is the Voinovich Documents Collection in the Ohio University Library. The Voinovich archives reveal a hidden history of the key actors who worked on Mayor Voinovich's OITF partnership nearly 40 years ago. The second source is a document analysis.

We use information gathered from the private collection of Mayor Voinovich and the senior authors who served as volunteers on Mayor Jackson's OETF partnership. Personal interviews are the third data source. Besides interviewing Mayor Voinovich and Mayor Jackson, we gathered information from seven key leaders associated with the Voinovich OITF and Jackson OETF partnerships.¹

The Five Good Government Partnership Behaviors in the Voinovich OITF

Table 1 organizes the milestone activities of Mayor Voinovich's OITF partnership by the five good government behaviors listed in the top row. The first column divides the Voinovich OITF partnership into four phases: (1) the formation of the public-private partnership concept; (2) the development of the OITF partnership; (3) the partnership operations; and (4) the partnership's follow-up activities.

Activating Behaviors of Mayor Voinovich (1979)

Studying government through public-private partnerships inhered in Mayor Voinovich's work ethic. Steiner (1999) described Voinovich as a calm public servant who applied a thoughtful, analytical, and nonpartisan approach to every challenge. Steiner also observed that Voinovich consistently empowered others to help him set a course of action that was best for making a positive difference in the lives of citizens. Voinovich summarized this leadership philosophy of empowerment as "Together We Can Do It" as follows:

I believe government's highest calling is to empower people and galvanize their energy and resources to help solve our problems, meet our challenges, and seize our opportunities. I also believe it's a leader's role to reach deep into every individual, draw out the goodness that's inside, and inspire people to use that goodness to help themselves, their families, and their communities (cited in Riffe, 1999, p. 1).

Moreover, Voinovich combined this leadership philosophy and analytical management approach of operations efficiency with an unwavering commitment to Cleveland.

Voinovich's steadfast conviction to his hometown was evident in his unexpected decision to resign as Ohio's lieutenant governor and run for the Cleveland mayoralty in 1979. At that time, Cleveland was broke — "in fact and spirit" (deWindt, 1981). Due to the high inflation of the late 1970s, Cleveland's expenditures increased dramatically. The city's spending was exacerbated by its geographic size, which was based on 1 million residents. Given that Cleveland's population fell to 573,822 by 1979, budget shortfalls were inevitable. Instead of addressing these budget and structural issues, the city relied on short-run strategies that included the selling of municipal assets, such as its transportation and sewer systems, to receive one-time revenue and by using

¹ For information on the Voinovich OITF partnership, we interviewed Ben Bryan, the OITF implementation coordinator, one departmental administrator, and one line manager. For information on the Jackson OETF partnership, we interviewed COO Darnell Brown, the OETF chair, and Michele Whitlow, the manager of the OETF project management office (PMO). Additionally, we interviewed two city council presidents, Martin Sweeney and Jay Westbrook. Of the seven interviewees, two were involved both in the Voinovich OITF and the Jackson OETF partnerships. All hour-long interviews, some in person and others by telephone, took place between June and September 2014.

federal program funds, such as the LEAA and CBDG, to pay for city operations (Voinovich, 2013).

Moreover, Cleveland residents were suffering due to deplorable living conditions with streets strewn with litter, blighted neighborhoods, racial polarization in the unresponsive police department, and the countless breakdowns in the machinery of government (deWindt, 1981). According to Voinovich (2013), Cleveland was in a dire situation.

The mayor and city council were at war with each other. the administration was at war with the neighborhoods. It was reported that a key administration official punched a nun. The neighborhood people were at war with the police department for a lack of a police response and perceived excessive force. The organization representing black policemen was suing the city for racial discrimination in the department. The city was up in arms over schooling busing and a federal judge that mishandled it. Neighborhoods devastated from the riots of the late 60s [had approximately] 5,000 properties that were in need of immediate demolition. The city-owned electric company became a public football in spite of being on the verge of collapse. Unemployment was about 18%, and the city had a real hunger crisis.

Furthermore, Mayor Dennis Kucinich rejected attempts by the business community to help him address these problems. Instead, he declared war on Cleveland's corporate leaders, publicly denouncing them in national arenas as "fat cats" who wanted to dictate to the "little people" (deWindt, 1981; Vogelsang-Coombs, 2007). The combination of the city's financial instability, its political infighting, and Kucinich's divisive administrative style sparked a special election to recall the mayor. Although Mayor Kucinich narrowly survived the recall, he was unable to secure credit from the Cleveland bankers when \$14 million in short-term municipal loans came due. In particular, the business community wanted Kucinich to privatize the city's municipal utility (known as Muny Light). Kucinich's refusal to sell Muny Light prompted the Cleveland Trust to demand repayment of its loans, forcing the city to default in 1978.

After the national disgrace of Cleveland's default, E.M. deWindt, the chairman of the Eaton Corporation, organized an intense corporate effort to recruit Lt. Governor Voinovich to run for mayor. To help Voinovich reverse the city's dire direction, de Windt (1981) pledged that he would secure corporate funding to underwrite and provide the human capital necessary for establishing a public-private partnership aimed at improving the operations of Cleveland. Given this pledge, Voinovich shelved his gubernatorial ambition because he realized, he could "do more as mayor...and because of the dire situation it could be the most significant contribution [he] could make in [his] career in government" (Voinovich 2013). Voinovich's vision for a public-private partnership centered on operations improvement convinced the city's corporate leaders that:

Cleveland would give birth to a rare animal: a task force that would result in action rather than rhetoric. Like most big cities, Cleveland had been studied to near death. In recent years, five separate studies, including a Little Hoover Commission, focused on Cleveland. Each study ended up with a thick, spiral-bound tome and precious little action. We had had enough pretty pictures

Table 1. OITF Implementation Phases by Good Government Partnership Behaviors of Mayor Voinovich

	Activating 1979	Mobilizing 1980	Framing 1980	Synthesizing 1980-82	Sustaining 1982-89
OITF Partnership Concept Formation	-GV PPP premise -Urgency - Default -GV recruited by business community -Business support for PPP premise & OITF -GV elected mayor	-Overall Champion -GV -External Champion - deWindt -PPP Internal Champion - Council President Forbes -Support of Greater Cleveland Roundtable	-OITF Goal -Exec. Committee policy objectives -GV elimination of patronage culture	-Legislative support of City Council	-Ongoing vital communication between public & private sectors
OITF Partnership Development	-de Windt, Eaton Corp. Chair and CEO -OITF Executive Committee -Ways and Means Committee	-Cleveland and Gund Foundation Challenge Grants of \$250,000 -deWindt and Mandel raised \$544,000 from 264 sponsors	-Ways and Means set time frames & formats -Orientation and training by Warren King -GV memo to directors and commissioners	-OITF Coordinator moved into Mayor's office -Working relationship between the OITF Coordinator and city commissioners	-Cleveland Tomorrow -Community Capital Investment Strategy and Build Up Greater Cleveland -Downtown partnerships
OITF Partnership Operations	-Centralized and top-down corporate governance structure -Operating Committee	-PPP Process Leaders: Warren King and Govt Services Institute -Internal Process Champion: Bryant, OITF Coordinator -Financial Audit Task Force -89 loaned executives for 12 weeks organized into four OITF study teams	-Objectives: to reduce expenses by 5-10% & find productivity improvements -Study teams produced 650 recommendations	-Dept. heads required to write OITF plans and evaluated on progress -Council passed 60 OITF ordinances -94% of OITF implemented -Saved \$200 Million -Workforce down 4% -Default ended	-1982 charter changes -14 additional study teams formed and funded -Improved labor and police-community relations -Expanded network of neighborhood organ.
OITF Partnership Follow-up	-Project MOVE established	-Project MOVE Implementation Coordinator managed 8,000 volunteers	-Culture shift to professional management	-Original loaned executives stayed involved	-End of state fiscal control in 1987 -Three All-America City awards

and multicolored charts. This time there had to be action...and plenty of it (deWindt, 1981).

In November 1979, Voinovich, a Republican, decisively defeated Mayor Kucinich, a Democrat, by receiving 56% of the votes cast in solidly blue Cleveland.

One day after his election, Voinovich went to work with deWindt to develop the OITF public-private partnership. Within three weeks of Voinovich's election, deWindt had the OITF's governing structure in place (see table 2). At the top was a 12-member executive committee that acted as a board of directors, setting the policy objectives, and providing the financial and personnel resources for the OITF. As shown in table 2, the executive secretary of the Cleveland AFL-CIO was incorporated into the OITF's executive committee. Headed by deWindt, the executive committee engaged twenty-one business leaders as members of the ways and means committee. The ways and means committee meticulously recruited and assigned top business specialists to fit the precise technical needs of the OITF study teams. The OITF's implementation rested with a five-member operating committee, headed by Robert Hunter, the CEO of the Weatherhead Corporation. Thus, the OITF public-private partnership was structured as a "business enterprise of global proportions" (deWindt, 1981).

Mobilizing Behaviors of Mayor Voinovich (1980)

One day after his inauguration Mayor Voinovich sought to determine the true financial condition of the city. A state audit revealed that the city's accounting records were "unauditable" (Voinovich, 2013). Therefore, the Ohio General Assembly placed Cleveland under the fiscal supervision of the state's financial planning commission in January 1980. Consequently, the mayor established the volunteer financial audit task force, which was comprised primarily of accountants from the big-eight firms. The auditors found that the city was \$110 million in debt. In effect, Cleveland's financial position was much bleaker than Voinovich expected. Thus, negotiating a debt repayment plan, restoring the city's positive credit rating, and ending the state's supervision of Cleveland's finances were the mayor's fiscal objectives folded into the scope of the Voinovich OITF public-private partnership.

The external champion of the OITF partnership was deWindt, and, under his leadership, the executive committee raised \$794,000, including challenge grants of \$150,000 and \$100,000 from the Cleveland Foundation and Gund Foundation, respectively. Additionally, deWindt and Morton Mandel, a prominent Cleveland entrepreneur and philanthropist serving on the ways and means committee, generated widespread community support that resulted in \$544,000 in additional funds for the operation of the Voinovich OITF partnership. Specifically, 264 private firms (88%) and 36 not-for-profit organizations (12%) in Greater Cleveland served as sponsors of the OITF partnership. Among the OITF sponsors were eight (8) labor unions (OITF, 1982).

Our interviews revealed that the internal champion of the Voinovich OITF partnership was Council President George Forbes. Shortly after assuming office, Mayor Voinovich met with the council president to persuade him that his OITF partnership agenda was aimed at making Cleveland a better place for everyone everywhere in the city to live. According to Voinovich (2013), the council president was impressed that the Greater Cleveland Roundtable supported the mayor's OITF partnership agenda. By securing the support of the roundtable, the OITF partnership tapped into "our United Nations that dealt with jobs, economic development, and education, labor, and race relations" because "its membership included CEOs, elected officials, religious leaders, union officials, neighborhood activists, and the leaders of the African-

Table 2. The Voinovich OITF Partnership Structure

Executive Committee	Job Title	Company
E.M. De Windt, Chairman	Chairman of the Board	Eaton Corporation
Claude M. Blair, Vice President	Chairman of the Board	National City Corporation
Carole Hoover, Vice Chairman	President	Greater Cleveland Growth Association
Stanley C. Pace, Vice Chairman	President	TRW Inc.
Frederick K. Cox	Vice-Chairman	Ameritrust
Dr. Nolen M. Ellison	District Chancellor	Cuyahoga Community College
Fr. Marino Frascati	Priest	Our lady of Mt. Carmel Church
Robert E. Hunter	Ret. Chairman of the Board and CEO	Weatherhead Company
Joseph A. Kocab	Vice President/Asst. Principal	Czech Catholic Union/South High School
Sebastian Lupica	Executive Secretary	Cleveland AFL-CIO
Charles McDonald	Chairman	Council of Smaller Enterprises
Dr. Ruth Miller	News Analyst	WBBG Radio
John W. Hushen, coordinator	Vice President-Corporate Affairs	Eaton Corporation
Ways and Means Committee	Job Title	Company
E.M. De Windt	Chairman of the Board	Eaton Corporation
Claude M. Blair	Chairman of the Board	National City Corporation
Harry J. Bolwell	Chairman and CEO	Midland-Ross Corporation
John T. Collinson	Chief Executive Officer	Chessie System, Inc.
William H. De Lancey	Chairman and CEO	Republic Steel Corporation
John J. Dwyer	President	Oglebay Norton Company
George J. Grabner	President and CEO	The Lamson and Sessions Company
Robert D. Gries	Founder and Managing Director	Gries Investment Company
Ray J. Groves	Chairman	Ernst and Whinney
Roy H. Holdt	Chief Executive Officer	White Consolidated Industries, Inc.
Allen C. Holmes	Managing Partner	Jones, Day, Reavis, and Pogue
William E. MacDonald	President and CEO	The Ohio Bell Telephone Company
Morton L. Mandel	co-founder and Chairman	Premier Industrial Corporation
Charles McDonald	Chairman	Council of Smaller Enterprises
Arthur B. Modell	Owner	Cleveland Browns, Inc.
Stanley C. Pace	President	TRW Inc.
Patrick S. Parker	President, Chairman and CEO	Parker-Hannifin Corporation
Samuel K. Scovil	President and CEO	The Cleveland-Cliffs Iron Company
Herbert E. Strawbridge	President	The Higbee Company
Hays T. Watkins	President and Co-CEO	CSX

M. Brock Weir	President	Ameritrust
Alton W. Whitehouse, Jr.	Chairman and CEO	The Standard Oil Company
Operating Committee	Job Title	Company
Robert J. Hunter, Chairman (1980)	Ret. Chairman of the Board and CEO	Weatherhead Company
Stanley S. Czarnecki	Special Agent in Charge	FBI
Robert W. Hartwell	President	Cliffs Electric Service Co.
James J. McGowan, Chairman (1981-1982)	General Manager	Ohio Bell Telephone Company
Gustav E. Schrader	Vice President	TRW, Inc.

Source: OITF (1982)

American, Hispanic, and ethnic communities” (Voinovich, 2013). It is important to note that the mayor excluded tax policy and city council operations from the OITF partnership’s scope. In this way, Mayor Voinovich respected the council’s prerogatives and gained the support of the council president. Without the council president’s behind-the-scene political leadership the work of the Voinovich OITF partnership would have failed.

Two consulting organizations, the Government Research Institute (GRI) of Cleveland and Warren King and Associates (WKA), served as the process leaders of the OITF partnership.² GRI managed the finances of the OITF partnership and provided logistical support to the operating committee. WKA provided the templates for the time frames and the scope of the loaned executive work, the formats of the OITF change recommendations, and the preparation of the final report. The internal process leader was the OITF Implementation Coordinator Ben Bryan who was a contract employee, and his salary was funded by the OITF partnership. Bryan reported directly to Hunter as the operating committee chairman. When Hunter retired in 1982, Bryan was hired as a full-time city employee in the mayor’s office, and he reported to Tom Wagner, the city’s law director.

The ways and means committee successfully recruited 89 loaned executives for 12 weeks of OITF duty. These volunteers included “lawyers, accountants, administrators; CEOs, and CFOs; engineers experts in computers and human relations and every management discipline” (deWindt, 1981). Four study teams of business volunteers were formed to study the 63 agencies within the city, and the chair of each team was a member of the operating committee.³ In effect, every city department and administrative process was within the OITF partnership’s purview. Before the loaned executives were embedded in the study teams, WKA trained them about the differences between the public and private sectors, reminded them their purpose was to share best practices respectfully with city employees, and praised them for their willingness to help their hometown.

² Voinovich (2013) modeled the Cleveland Operations Improvement Task Force (OITF) on the successful public-private partnership that Governor Ronald Reagan implemented in California with the assistance of Warren King and Associates.

³ Led by the vice president of TRW, one team focused on the departments of public properties, port control and public service. Another team, led by an experienced FBI executive, headed the protective services team, focusing on police, fire, and emergency management services. Chaired by a former executive vice president of Detroit Edison, the third team studied public utilities, health, and community development. Led by an Ohio Bell vice president, the fourth team focused on general government, and its scope included the mayor’s office as well as the departments of personnel and finance (OITF, 1982).

Framing Behaviors of Mayor Voinovich (1980)

The stated goal of the Voinovich OITF partnership was: “To help improve the quality of life for the people of Cleveland by making local government more responsive to citizen needs.” To frame the work of the OITF study teams, the executive committee set the following objectives: (1) identify immediate opportunities for increasing efficiency and improving cost effectiveness that could be realized by executive or administrative order; (2) suggest managerial, operating and organizational improvements for immediate and long-term consideration by the mayor and city council; and, (3) pinpoint specific areas where further in-depth analysis could be justified by potential short or long-term benefit (OITF, 1982).

Mayor Voinovich’s unwavering commitment to the OITF partnership set a positive tone throughout the city and framed his larger focus on the primacy of professional management. However, when Voinovich assumed office, city hall operations were chaotic, and staff morale was low. As a group, the city commissioners (the highest civil service ranking employees) felt broken, and the rank-and-file employees were afraid that “heads would roll” based on what the loaned executives would do.

Within three weeks of taking office, Mayor Voinovich sent a memo to reassure city managers and build their support for the OITF study process. Specifically, he asked all department directors and city commissioners to provide an itemized list of the status of service in their units, using a rating scale of “inadequate,” “adequate,” and “more than adequate” service. The mayor also encouraged them to share their thoughts about how to organize their departments to function better and more efficiently. Their responses were fed back to the OITF study teams and ultimately became a part of the OITF partnership’s change proposals. Voinovich believed this employee-centered process helped him gain the management staff’s confidence in the partnership’s goal of operations improvement.

To build staff morale, Voinovich established a culture of professional management at city hall. One way he did this was to remove the patronage politics that pervaded city administration. In particular, he eliminated the requirement for city employees to kick back a portion of their salary by buying or selling tickets for mayoral campaign fundraisers. Voinovich made it clear to all city employees that he would base their evaluations on their job performance rather than on the number of campaign tickets they sold or on their personal relationships with the mayor (Voinovich, 2013).

Another way Voinovich professionalized the culture was by his involving city employees in the OITF study process. In framing the OITF, he approached them to find out what they were doing right by soliciting their ideas about what they could do better. The message he sent was: how can we help you do your job better, smarter, and in the most cost-effective way? (Voinovich, 2013). In addition, the OITF implementation coordinator met regularly with every city commissioner, thereby tapping into their expertise and institutional knowledge of the 63 operating units. Without this employee-centered process to frame the OITF partnership, Voinovich believed that improving the city’s operations would not have been possible (Voinovich, 2013).

Synthesizing Behavior of Mayor Voinovich (1980–1982)

Unlike the strife characterizing Mayor Kucinich’s relationship to the city council, Mayor Voinovich restored civility between Cleveland’s executive and legislative branches. Moreover, the council president as the internal OITF partnership champion was a true ally of the mayor

because privately he built the political majority necessary to enact the OITF change proposals. Eventually, the council passed 60 OITF-related ordinances that focused on operations, management, and service delivery.

Within 90 days of its inception, the OITF partnership delivered a comprehensive evaluation of Cleveland's city government. This report had 650 workable recommendations, each of which was vetted and edited by the operating committee. Afterward, Mayor Voinovich required his department directors to develop implementation plans for their units, and he evaluated their performance heavily in terms of their progress. The mayor also met weekly with the operating committee and the OITF implementation coordinator, whose sole responsibility was to track and facilitate the progress made in carrying out the improvement recommendations. Once a month, the mayor devoted time at his cabinet meeting for the department heads to report to their peers their progress in implementing their OITF action plans. Informally, Mayor Voinovich conferred "eagle" and "jackass" awards to those department heads who made an outstanding or a limited effort, respectively, in carrying out their OITF commitments. The leadership and direct engagement of Mayor Voinovich in synthesizing the OITF implementation activities was vital to the partnership's success.

Overall, 94% of the OITF recommendations were implemented that reduced the city workforce by 4% and saved \$200 million collectively (OITF, 1982). Additionally, Mayor Voinovich reorganized 10 departments, instituted an accounting system with internal auditing capabilities, and achieved savings of \$57 million annually. He also set controls on police overtime and adopted a computerized communication system to speed up the response time of safety forces, streamlined purchasing transactions, instituted a city-wide vehicle control and maintenance system, revamped the snow removal process, upgraded data-processing capabilities, and improved personnel procedures (deWindt, 1981; OITF, 1982). By the end of 1981, Cleveland was no longer in default, and the city achieved an investment grade for its credit rating; fiscal control was returned to the city when the state's supervisory commission disbanded in June 1987.

At its conclusion in March 1982, the leadership of the OITF partnership delivered a second report to Mayor Voinovich. This report directed the mayor's attention to the needed middle- and long-term strategies for the professional management of Cleveland's finances and service delivery. Based on this report, Mayor Voinovich and the OITF executive committee identified 14 major improvement projects, including an enhanced computer-aided dispatch system for the police department; a wage and salary administration study; a building maintenance system; EEO program assistance; a fire location study; and a payroll system. The mayor used 66% of the funds raised by the OITF public-private partnership (or \$596,000) to cover the cost of implementing these 14 projects.

An important synthesizing feature of the Voinovich OITF partnership was that it fostered professional relationships between the loaned private sector executives and their city counterparts. As deWindt (1981) noted the OITF recommendations were integrated into city operations for two reasons. The first reason is that city employees embraced the OITF study process because they participated in making the decisions about what to change in their own work settings. The second reason is that the loaned executives found that most city employees were dedicated, hard-working, and willing to go beyond the call of duty, despite laboring under inefficient practices, untrained managers, inadequate resources, outdated equipment, and faulty technology.

Overall, the Cleveland business community became fully invested in Mayor Voinovich's OITF partnership to restore good government in the city. The leadership of the OITF public-private partnership reported that Cleveland:

...expanded vital channels of communication between the public and private sectors. Without the cooperation of the city's employees, the progress achieved would not have been possible. In addition, task force members have developed a better understanding of the complex problems of municipal government management through their work with agency officials (OITF, 1982).

In fact, many loaned executives stayed involved with their city counterparts on their own time long after the study period ended, and some loaned executives joined the city's workforce. Strategically, the mayor expanded these channels of communication between the public and private sectors to sustain the results of the OITF partnership.

Sustaining Behaviors of Mayor Voinovich (1982–1989)

Mayor Voinovich in partnership with Council President Forbes institutionalized the OITF's legacy. In 1981, the council voted to place two OITF-inspired charter amendments on the ballot. One amendment lengthened the terms of the mayor and council members from two to four years in addition to strengthening the mayor's executive powers; the other amendment clarified the prevailing wage requirements for city workers. Both charter changes were approved by the voters. The voters also approved an earnings tax earmarked for debt repayment and capital improvements (Vogelsang-Coombs, 2007).

To sustain the work of the OITF partnership internally, Mayor Voinovich, assisted by philanthropist Morton Mandel, created Project MOVE (Mayor's Operation Volunteer Effort). Overall, Project MOVE channeled 8,000 volunteer business and community leaders into most levels of all city departments (Garda, 2014). To recognize the contributions of the volunteers, Voinovich established the Mayor's Award for Volunteerism and designated "a wall of fame" in Cleveland City Hall, where plaques still hang to honor the MOVE volunteers.

Much has been written about the immediate outcomes of the OITF partnership, so we will only present some highlights. As a result of the OITF, the city secured \$149 million in urban development action grants that leveraged \$770 million in private investments, including projects for neighborhood revitalization (Mendel & Brudney, 2012). With the financial assistance of Cleveland Tomorrow, the Voinovich administration facilitated the expansion of Cleveland's neighborhood development organizations (CNDCs) to improve the residents' quality of life, and the number of CNDCs grew from 12 to 35 (Voinovich, 2013).⁴ Because of the OITF partnership, the city was much more active in all of Cleveland's neighborhoods than under previous mayoral administrations.

Additionally, Mayor Voinovich worked with the Greater Cleveland Roundtable, an early supporter of the OITF, to improve race relations, and he integrated the Cleveland police and fire departments under a court order. Given the constraints of limited tax revenue and debt

⁴ Comprising the CEO's from 44 major Cleveland-based corporations, Cleveland Tomorrow also raised \$855,000 for economic development projects to attract and retain businesses in Greater Cleveland (Voinovich, 2013).

financing, the mayor worked with Build-Up Greater Cleveland to raise \$1.6 billion to renew the city's aging infrastructure (Voinovich, 2013). Finally, the OITF partnership laid the groundwork for the creation of two public-private partnerships that transformed Cleveland's downtown neighborhood. The first partnership developed the North Coast Harbor, where several landmark cultural institutions, including the Rock and Roll Hall of Fame and the Great Lakes Science Center, chose to locate. The second partnership developed Cleveland's signature Playhouse Square. According to Voinovich (2013), more construction happened during his mayoral administration than any other time in Cleveland's history.

Overall, the implementation of Mayor Voinovich's public-private partnership and its sustained effects enabled Cleveland to rise from the ashes of the municipal default into the "comeback city." Cleveland received national recognition by winning the prestigious All-America City Award from the National Civic League three times in the 10 years of the Voinovich administration. On retiring from the Cleveland mayoralty in 1989, Voinovich (2013) had a proud moment because *USA Today* wrote an article about him and Council President Forbes "as the short white Republican mayor and the tall African-American [Democratic] Council President that worked together to bring about the Cleveland Renaissance."

It is important to note that the OITF leadership identified four critical areas that required ongoing attention by city leaders: personnel management; data processing/information technology management; management organization; and capital investment and maintenance (OITF, 1982). Three issues—personnel management, data processing/technology management, and management organization—resurfaced in 2006 as the priorities of Mayor Frank Jackson's Operations Efficiency Task Force (OETF).

The Five Good Government Partnership Behaviors in the Jackson OETF Partnership

Table 3 organizes the milestone activities of Mayor Jackson's OETF by the five good government partnership behaviors listed in the top row. The first column divides the OETF into four phases: (1) the formation of the OETF partnership concept; (2) the development of the OETF; (3) the OETF operations; and, (4) the OETF's follow-up activities.

Activating Behaviors of Mayor Jackson (2006)

Pundits described Frank Jackson's character as "honest" and "contemplative," a self-effacing politician without "ego or ambition" (Roberts, 2012). His council colleagues perceived him as a man of high integrity, an exceptionally good listener, and an excellent reader of people. Jackson described himself as a "servant-leader" with a social equity mission to make a difference in the lives of citizens, especially "for those among us who have the least." In his view, government was different from the private sector. Although government, he said, benefitted by applying business-oriented efficiency practices in its operations, its bottom line was quality service to people.

Council President Frank Jackson made history in November 2005 for becoming the first sitting council member elected Cleveland mayor since 1867 (Roberts, 2012). After 13 years on the city council, including four years as council president and finance committee chair, Jackson developed extensive technical knowledge of Cleveland's operations. His cooperative relations with Mayor Jane Campbell deteriorated in 2004 when she failed to keep the council informed

Table 3. OETF Implementation Phases by Good Government Partnership Behaviors of Mayor Jackson

	Activating 2006	Mobilizing 2006	Framing 2006-07	Synthesizing 2007-08	Sustaining 2009-14
OETF Partnership Concept Formation	-FJ became mayor -Operations efficiency as good government model -FJ Social equity mission -Budget deficit	-Executive Sponsor-FJ -PPP Champion - COO Brown -Suburban mayors	-OETF Charter -Mayor's annual budget meeting with employees -Fiscal discipline required of dept. heads	-Transparent govt. <i>-Plain Dealer</i> briefing -Mayor's Annual Report to Citizens	-Cooperation with the business community -Cleveland K-12 Plan
OETF Partnership Development	-OEC Council -Project Management Office (PMO) -Communication Team -City Council as ally -Union cooperation	-Diverse Volunteer Recruitment: -Process Leader: PMO Manager Whitlow -Councilman Westbrook on OEC Council	-PMO Methodology -Technical Training, Customer Service Training -Performance Measurement Training	-COO Management by walking around -City of Choice hotline and email for employee input -OETF Performance Dashboards for Action Teams	-CitiStat Initiated -CitiStat and 311 systems merged -Citywide performance dashboards
OETF Operations	-Public sector driven -Bottom-up, employee- centered structure -No outside funding	-406 OETF Participants -24 Action Teams, co-chaired by internal lead and external lead (volunteer)	-Phase 1 - 8 teams -Phase 2 - 16 teams -Work Process Mapping & Process Improvements -Performance Targets identified -394 Recommendations	-94% implemented -Saved \$71 million -Balanced budget -Strategic IT Council -QOL for citizens -311 System -Social equity initiatives	-Data-driven performance appraisals -Cleveland Management Academy -Career paths
OETF Partnership Follow-up	-Sub-cabinet cluster: revitalized neighborhoods & created thriving downtown residential district	-Regional economic development strategy -Participation in NOCCA	-City employees as internal champions -Shift to a Performance Culture of Customer Service	-Citywide perspective -Inter-local agreements -Regional cooperation	-Emerging Leaders Cadre -Brain Gain -2014 Gay Games -Won 2016 Republican Pres. Nominating Convention

about the city's operating deficit and her plans for layoffs and an income tax levy. Jackson felt compelled to run for mayor because, as the chair of the finance committee, he clearly understood Cleveland's fiscal problems and knew what had to be done.

When Mayor Jackson assumed his new office, Cleveland's population was 406,427 (or 167,400 less than 24 years earlier under Mayor Voinovich), and the U.S. Census Bureau identified Cleveland as the nation's poorest (Vogelsang-Coombs & Denihan, 2008). Despite losing approximately one-third of its 1980 population, Cleveland's service delivery infrastructure had changed little since the Voinovich administration. Moreover, few Fortune 500 companies remained headquartered in the city, Cleveland's steel mills were closed, and local manufacturing companies were struggling. Given that city employees lacked up-to-date hardware, software, and basic computer training, the city's operations were inefficient because few administrative processes were automated. Labor relations were tense because of the layoffs done under the Campbell administration, and the staff downsizing disrupted service delivery to residents.

As the newly elected mayor, Jackson inherited a deficit of \$30 million from his predecessor. Nevertheless, Jackson refused to sell city assets or use one-time revenues sources to balance the city's budget. For him, good government meant that Cleveland operated efficiently within its tax and revenue base. Thus, the overarching purpose of Mayor Jackson's public-private partnership was to eliminate the city's recurring budget shortfalls and restore its financial stability while rightsizing Cleveland's government and maintaining quality essential city services. Furthermore, the OETF partnership served as the platform from which Mayor Jackson launched his vision of securing a positive future for Clevelanders in addition to making Cleveland a great city again.

Before launching his public-private partnership, Mayor Jackson consulted with Tom Wagner, the law director who supervised Mayor Voinovich's OITF partnership. In the end, Jackson chose not to adopt a cookie-cutter approach to activate his OETF partnership because Cleveland's environment had changed substantially from the time of Mayor Voinovich. Moreover, he was firm that his OETF partnership's approach to operations efficiency would be driven by government and public sector values. Thus, he created the OETF partnership as a broad-based coalition, drawing members from government, business, academia, nonprofit organizations, state and local officials, and former cabinet officials (OETF, 2006). In effect, the mayor structured the OETF partnership to fit Cleveland as he found the city in 2006 and his own leadership style.

Within a month of taking office, Jackson activated the Operations Efficiency Task Force (OETF). At the top of the OETF partnership was the operations efficiency council (see table 4). This council set the partnership's strategic direction in addition to serving as the oversight body. The council's chair was the city's chief operating officer (COO) Darnell Brown. Besides him, seven volunteers, the city's chief technology officer, and three mayoral assistants served on the operations efficiency council. The seven volunteers were prominent community and business leaders, information technology experts, and leadership experts from Cleveland State University.

It is important to note that an active member of the operations efficiency council was Jay Westbrook, a highly respected councilman and a former council president. The Westbrook appointment insured that the city council had significant input into the OETF partnership process and up-to-date knowledge of Cleveland's financial condition. This financial transparency led to the city council's willingness to support the changes emerging from the Jackson OETF partnership with legislation.

Table 4. The Jackson OETF Partnership Structure

Executive Sponsor	Job Title	Organization
Frank G. Jackson	Mayor	City of Cleveland
Operations Efficiency Council	Job Title	Organization
Darnell Brown, Chair	Chief Operating Officer	City of Cleveland
William M. Denihan	Chief Executive Officer	Cuyahoga County Community Mental Health Board
Lee Friedman	President & Chief Executive Officer	Cleveland Leadership Center
Fred Nance	Managing Partner	Squires, Sanders, and Dempsey LLP
Charles Phelps	Director of Leadership Programs	Levin College of Urban Affairs, CSU
Dr. Vera Vogelsang-Coombs	MPA Program Director	Levin College of Urban Affairs, CSU
Jay Westbrook	Councilman, Ward 18	Cleveland City Council
Ron Woodford, PMP	Senior Program Manager	VW Group
Natoya J. Walker	Special Assistant to Mayor, Public Affairs	City of Cleveland
Barry Withers	Special Assistant to Mayor, Employee Services	City of Cleveland
Michele C. Whitlow	OETF PMO Program Manager	City of Cleveland
Dr. Melodie Mayberry-Stewart (2006)	Chief Technology Officer	City of Cleveland
Communications Advisory Team	Job Title	Organization
Natoya J. Walker, Chair	Special Assistant to Mayor, Public Affairs	City of Cleveland
Montrie Rucker Adams (2006-2007)	President	Visibility Marketing, Inc.
Carol Caruso (2006)	Senior Vice President, Advocacy	Greater Cleveland Partnership
Marie Galindo (2006)	Owner	Luchita's Restaurant
Wayne Hill, APR (2006)	President	Edward Howard and Co.
Mary Ann Sharkey (2006-2007)	Chief Executive Officer	Mita Marketing LLC
Tom Andrzejewski (2007)	President	Oppidan Group
Scott Osiecki (2007)	Director, External Affairs	Cuyahoga County Community Mental Health Board
Sheila Samuels (2007)	Former Development Director	Levin College of Urban Affairs, CSU
Erica Chrysler (2006)	Deputy Press Secretary	City of Cleveland
Jason Wood (2006)	Special Assistant to Mayor, Boards & Commissions	City of Cleveland
Michael House (2006-2007)	General Manager, Channel 23	City of Cleveland
Francis Margaux (2007)	Special Assistant to the Mayor	City of Cleveland
Maureen Harper (2007)	Chief of Communications	City of Cleveland
Ossie Neal (2007)	Marketing Manager, Division of Water Pollution Control	City of Cleveland
OETF Project Management Office	City of Cleveland Employees	City of Cleveland Employees

Michele C. Whitlow, PMO Manager	Gwen Bryant (2006-2007)	Hollis Crump (2006-2007)
Eduardo Romero (2006)	Shahid Sarawar (2006)	Cynthia Sullivan (2006-2007)
Elaine Woods (2006-2007)	Valencia Wright (2006-2007)	Phyllis Fuller Clipps (2007)
Bertha Glover (2007)	Ossie Neal (2007)	Celeste Ribbins (2007)
Vinita Bose (2007)	Tyeshia Minniefield (Intern)	Jeremy Taylor (Intern)
Source: OETF (2007, 2008)		

Similarly, the city's labor unions became the strategic allies of Mayor Jackson. In March 2006, the mayor briefed the union leadership about his employee-centered operation efficiency plans in light of the city's bleak fiscal condition and unfavorable financial forecasts. Boldly, Jackson asked the labor leaders for temporary contract concessions so that he could balance the city's budget without disrupting service to the residents. Furthermore, the mayor pledged that if the unions made concessions to help him achieve a budget in structural balance, then he would maintain the city's employment levels and not lay off staff. All but one union leader agreed, and the roll backs in the labor contracts immediately saved the city \$30 million. Mayor Jackson succeeded in gaining labor's cooperation for his OETF partnership because the union leaders trusted him and believed in his integrity.

As shown in table 4, the OETF partnership had a communications advisory team whose membership included public relations professionals from business, government, and the media as well as mayoral assistants and the city's press secretary. This team was responsible for keeping stakeholders and the public informed about the work of the Jackson OETF partnership.

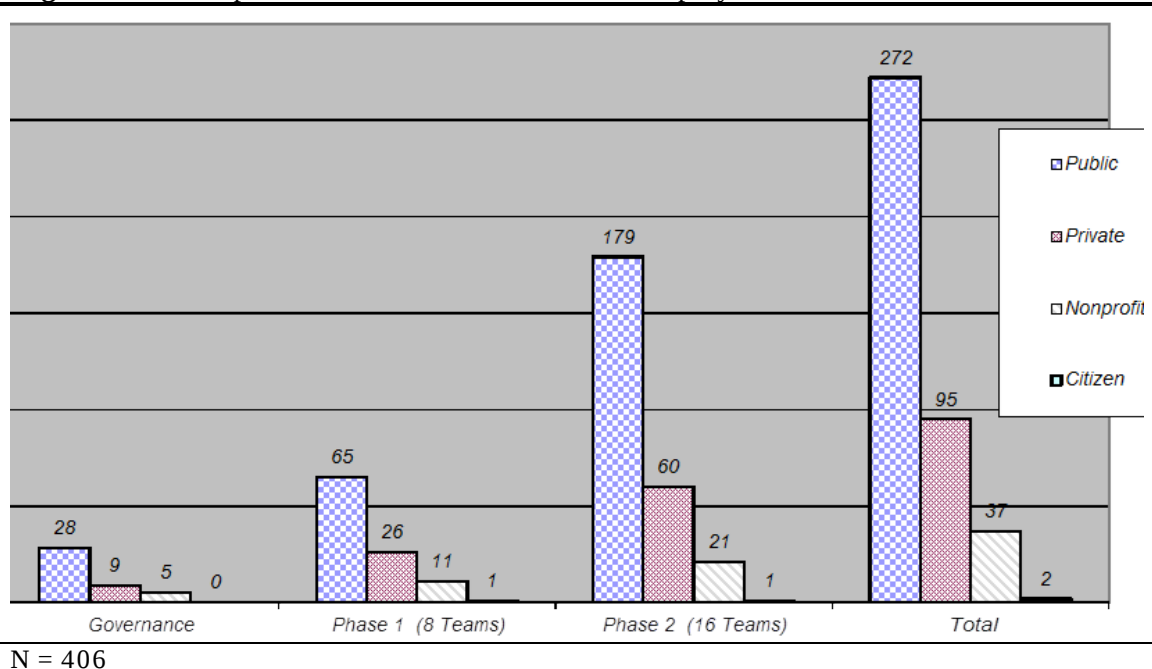
Mobilizing Activities of Mayor Jackson (2006)

Although Mayor Jackson was the executive sponsor of the OETF partnership; the overall partnership champion was COO Brown. Under Brown's leadership, the operations efficiency council recruited approximately 406 volunteers from the Greater Cleveland Partnership (the regional business chamber) and its affiliate, the Cleveland Leadership Center, as well as alumni of Cleveland State University's MPA Program and Local Officials Leadership Academy (see figure 1). These volunteers contributed more than 12,000 hours of service worth approximately \$1.7 million in expertise (Vogelsang-Coombs & Denihan, 2008). Whereas the leadership of Mayor Voinovich's OETF partnership raised approximately \$1 million from the private and nonprofit sectors, Mayor Jackson's OETF public-private partnership existed entirely on the donated time and in-kind services of the volunteers.

The internal process leader of the Jackson OETF partnership was Michele Whitlow, an employee with the Cleveland Water division; she had a mobility assignment to head the OETF project management office (PMO). The PMO staff developed the operations efficiency methodology; standardized formats for the action teams to gather, analyze, and share critical information developed the templates for tracking performance measures; and provided technical assistance during the implementation of the recommendations of the OETF action teams. The PMO staff also had the daily oversight of the action teams and reported monthly to the operations efficiency council.

Finally, the leadership of the Jackson OETF partnership reached out to inner-ring suburban mayors. Three mayors, all of whom had chaired the Cuyahoga Mayors and Managers

Figure 1. Participants in Jackson OETF Partnership by Sector



Association, participated in a focus group.⁵ The suburban mayors offered suggestions to increase operational efficiencies with a special emphasis on inter-local service agreements. During the Jackson administration, Cleveland joined the Northeast Ohio City Council Association (NOCCA). Additionally, Mayor Jackson supported a “no poaching” economic development strategy, whereby municipal officials agreed not to lure businesses to relocate from one Greater Cleveland location to another (Vogelsang-Coombs & Denihan, 2008).

Framing Activities of Mayor Jackson (2006–2007)

In April 2006, Mayor Jackson held his first meeting with all OETF volunteers and participating city employees, where he unveiled the charter of his public-private partnership. This charter established the OETF partnership’s urgent good (efficient) government purpose. Additionally, the charter expressed the OETF partnership’s guiding principles that included Mayor Jackson’s commitments to value the expertise of employees, give them with opportunities for retraining, and enable them to share their learning. Besides clarifying the roles and responsibilities of OETF participants, the charter cited 13 critical success factors, including the elimination of service gaps across city departments, the use of innovative solutions in service delivery, and the utilization of technology to enhance data collection and guide decision-making. Thus, the public-private partnership charter framed the mayor’s plans to foster a citywide culture of excellent performance and customer service.

To reinforce his commitment to good government principles, Mayor Jackson held meetings with all city employees and stakeholders, including the unions. At these meetings, he reiterated the OETF’s partnership purpose of operations efficiency, shared information about the city’s financial condition and revenue projections, and pledged to maintain employment under a

⁵ The participating suburban mayors were Republican Bruce Akers of Pepper Pike, Republican Deborah Sutherland of Bay Village, and Democrat Martin Zanotti of Parma Heights.

structurally balanced budget. The mayor continued these meetings annually to renew the employees' confidence in the usefulness of the partnership's approach to operations efficiency and to maintain morale.

Also, as a part of the framing process, Mayor Jackson informed his cabinet directors that he expected them to live within their budgets. Accordingly, he ended the practice of padding one department's budget to pay for cost overruns generated in another department. He also informed his directors that the cost savings generated by their departments and divisions would be redistributed to those city operations where they would produce the greatest efficiencies, customer service improvements, and productivity gains.

Specifically, the work of the OETF partnership was divided into two phases: eight action teams operated in Phase 1 (2006–2007), and 16 action teams in Phase 2 (2007–2008). Taken as a group, the OETF action teams covered all aspects of city operations except public safety.⁶ To build the capacity of the action team members, the staff from the OETF project management office (PMO) organized technical, leadership, customer service, and performance measurement training programs for the partnership volunteers and the city employees to participate together at the beginning of their OETF assignments. Given their common training experience, city employees felt comfortable in opening their units up to the outsiders on their action teams. These training sessions also built camaraderie among the city employees who worked in different departments and fostered good will between the city employees and the outside experts.

Each action team was co-chaired by a department director and a volunteer expert (called the external lead). The action teams were given the following four objectives: (1) to reduce operating costs by at least 3%; (2) to enhance city services by using performance indicators and targets; (3) to increase employee productivity through better use of technology; and (4) improve customer service to internal and external customers (OETF, 2006, 2007). The action teams applied the PMO's performance methodology by assessing the current or "as is" work process for their assigned department or citywide service. After mapping these work processes, the action teams proposed recommendations that contained performance targets and customer service standards designed to achieve the four OETF objectives. Overall, the action teams produced 394 recommendations for improving more than 100 city processes operations from the inside out (OETF, 2007).

Based on their success in producing workable improvement recommendations, city employees developed an identity as the internal champions of operations efficiency. Because these employee-participants were scattered throughout Cleveland's 60 departments and divisions, their work on the OETF action teams informally facilitated a shift in the city's work culture. This shift to a citywide culture of excellent performance and customer service occurred without an

⁶ Phase 1 Teams focused on the departments of public health, building and housing, public service, and parks, recreation and properties and the citywide services of IT service delivery, human resources, procurement and purchasing, and customer service. Concurrently, the Department of Public Safety, which comprised 60% of the city's budget, conducted an internal assessment and identified 50 improvement opportunities for implementation. Also, the Greater Cleveland Partnership funded loaned executives to assess the city's fleet of motor vehicles. Phase 2 Teams focused on the departments of aging, city planning, the civil service commission, community development, consumer affairs, economic development, port control and public utilities, Cleveland Public Power (formerly Muny Light), water, and water pollution control. Four additional teams focused on the general support functions provided by the departments of finance and law as well as the Mayor's Offices of Communications and Equal Opportunity (OETF, 2007).

incident because it was driven by the bottom-up, employee-centered approach of the Jackson OETF partnership.

Synthesizing Behaviors of Mayor Jackson (2007–2008)

Mayor Jackson delegated the day-to-day supervision of the OETF action teams to COO Brown. However, if department heads were not meeting their OETF expectations, then the mayor would forcefully “get into their business,” demanding to know when and how they would change their lackluster performance. In fact, the mayor removed one intransigent division head that blocked the implementation of the OETF recommendations at the city. In effect, he made it clear that the implementation of the OETF partnership recommendations was a priority, and he was serious about seeing results.

COO Brown and PMO manager Whitlow combined data-driven decision-making and management by walking around. In particular, the PMO staff developed performance dashboards built on the performance targets identified in the OETF recommendations, collected and tracked performance measurements, and reported the results to the action teams. Additionally, the COO and the PMO staff met with the action teams, including the community volunteers and line employees, in the city’s departments and divisions. This practice gave line employees an opportunity to engage with top city officials about their operational needs and aspirations. Interestingly, this practice was replicated by some department directors who opened opportunities for their employees to contribute ideas for operations efficiency and improved customer service.

Furthermore, a “city of choice” hotline and an email address were set up as other channels of safe communication between line employees and the city’s top leadership. This propensity for openness among the highest city officials reinforced the validity of Mayor Jackson’s employee-centered approach to operations efficiency. The leadership of the OETF partnership extended this propensity for transparent government to the general public. At the end of Phase 2, the communications team published the *2008 Mayor’s Annual Report (MAR) to the Citizens of Cleveland*. This report highlighted the city’s improved performance stemming from the change recommendations of the Jackson OETF partnership, and the city has continued publishing an annual *MAR* since then.

When the OETF partnership concluded its operations in 2010, the city implemented 94% of the OETF recommendations. Collectively, the action teams saved \$71 million between 2006 and 2009. Given the substantial annual savings produced by the OETF partnership process, the mayor balanced the city’s budget in every year of his first term (2006–2010), including 2008 and 2009 during the Great Recession, all without disruptive staff layoffs. Additionally, the Jackson OETF partnership improved the quality of life for citizens, including more timely snow removal, street repair, and waste collection, and more frequent sweeping of residential streets. The city also instituted a recycling program. With no new additional resources, Mayor Jackson reopened the city’s neighborhood-based recreation centers that were closed under previous mayors due to tight budgets. As a result of the OETF improvements, the recreation centers extended their hours to Saturdays, and the city added a new recreation center.

The Jackson OETF partnership facilitated opportunities for employees to develop a citywide perspective. In Phase 1 of the OETF partnership, the city established the Strategic Information Technology Council. This council had the oversight of the deployment and utilization of IT systems across the departments to insure the city’s technology aligned with the OETF

partnership's strategic goals. As a result, the city adopted web-enabled interactive portals for citizen access, established a system of e-permitting, and provided field personnel with hand-held computers that had direct access to their operational systems. In 2008, the city launched a "3-1-1" communication system that allowed residents to report and receive faster service in non-emergency situations.

In addition, the city established two noteworthy cross-departmental initiatives to serve older and younger residents. The senior initiative involved six departments that helped older residents (persons aged 60 and over) upgrade their homes to meet housing codes. The youth initiative, called "One Voice, Zero Tolerance," involved staff from three departments and the mayor's office; together they developed a package of education, prevention, intervention, and workforce training services. Both initiatives were still working in 2014.

Finally, the Jackson OETF partnership process extended the cooperation between the city of Cleveland and suburban jurisdictions. As a result of some OETF recommendations, the city established agreements with contiguous jurisdictions related to overlapping functions, such as snow removal and street repair. Mayor Jackson also worked with the Cuyahoga County Mayors and Managers Association to develop joint economic agreements tied to Cleveland water service, in which participating cities shared taxes from relocating industries (Jackson, 2009).

Sustaining Behaviors of Mayor Jackson (2009–2014)

One way Mayor Jackson sustained the OETF improvements internally was by investing in CitiStat, a data-driven work management system developed in Baltimore. In 2011, the city merged the CitiStat and "3-1-1" systems to create a citywide performance dashboard. This enhanced dashboard gave employees up-to-date data on their response time to citizen complaints, while department directors gained information about under-served areas of the city. The general public had access to these performance data because the city published the citywide performance dashboard in the *Mayor's Annual Report* to the citizenry.

Another way the city sustained the OETF efficiency and productivity gains was by making staff training and development mayoral priorities. Cross-functional training, mobility assignments, and internships were used to develop in-house talent and help establish career paths for city employees. In a partnership with Cleveland State University and the Cleveland Foundation, the city established the Cleveland Management Academy (CMA) in 2009. Specifically, the CMA was a year-long management development program aligned with the objectives of the Jackson OETF partnership (Starzyk, 2009). Mayor Jackson (2009) reported that he promoted eight CMA graduates into positions of department directors and city commissioners (without knowing they were CMA alumni) because they were the best candidates. Thus, the Jackson OETF partnership facilitated the creation of a citywide cadre of emerging leaders who successfully competed for upper-level leadership positions.

Although Cleveland business leaders were nervous about Mayor Jackson in 2006, he captured their support because of his stewardship of the city through the OETF public-private partnership. The mayor impressed the business community because the cost savings and productivity improvements that emerged from his OETF partnership enabled Cleveland to survive the Great Recession better than many other cities in the nation (Trickey, 2013). Mayor Jackson—who was reelected in 2009 and 2013—used the respect he earned from the business

community to implement his visionary “Cleveland Plan” to transform the city’s underperforming and insolvent school district (Garda, 2014).⁷

Finally, Cleveland received national attention for its success in implementing the “new urban renewal” (Hyra, 2012). As a part of the OETF, Mayor Jackson created an economic development cluster in his cabinet to work with the private sector to generate extensive neighborhood revitalization in addition to transforming the city’s aging downtown into a thriving residential district. Cleveland also experienced a “brain gain,” as young professionals made Cleveland their “city of choice.” Trickey (2013) attributed these transformational effects to Mayor Jackson’s leadership:

A mayor from Cleveland’s poorest neighborhoods is presiding over a downtown population boom, and a surge of vitality is attracting young professionals to the city’s near West Side. Jackson helped those changes along with reliable services, a rejuvenated economic development department, strategic spending at key moments, and the more tangible aspects of his sustainability effort, from bike lanes to support of the local food movement.

Additional evidence that Cleveland was a city of choice occurred in 2014. Besides serving as the venue for the international Gay Games, Cleveland was chosen in a highly competitive selection process as the venue for the Republican Party’s 2016 presidential nominating convention. The transformation of Cleveland into a city of choice would not have occurred without the results of Mayor Jackson’s public-private partnership that were reinforced by his vision of good (efficient) government and his philosophy of servant-leadership.

Lessons Learned & Governance Implications

Our analysis of the public-private partnerships of Mayor Voinovich and Mayor Jackson from the inside out produced three lessons. The first lesson is that each mayor tailored the structure and the objectives of his public-private partnership to fit not only to his particular leadership style but to succeed in addressing declining population and revenue needs of Cleveland during their moment in office. Specifically, Mayor Voinovich organized the OITF public-private partnership as a tactical strike force. His partnership used a top-down hierarchical structure and was generously funded by Cleveland’s business, nonprofit, and labor communities to deal with the urgency of the municipal default. He achieved the objectives of the OITF partnership for increasing the efficiency and the cost-effectiveness of administrative operations to end the default. Given his strategic alliance with Council President Forbes, Mayor Voinovich achieved long-term managerial, operating, and organizational improvements in municipal governance. Based on the work of the OITF partnership, Mayor Voinovich pinpointed 14 major administrative projects in need of additional study; he used funds raised by the OITF partnership to implement productivity improvements for the long-term management of Cleveland’s finances and service delivery.

⁷ This Cleveland Plan integrated the city’s network of charter schools into the Cleveland municipal school district. In this way, Cleveland families living in neighborhoods with underachieving public school had access to high-quality options available for their children’s education. Then, in 2012, the mayor mobilized a bipartisan coalition comprising prominent business and community leaders, teachers’ unions, teachers, parents, as well as key state and county officials that secured legislation and a tax levy to sustain the innovative Cleveland Plan (O’Donnell & Guillen, 2012; Trickey, 2013).

In contrast, Mayor Jackson organized his OETF public-private partnership as a strategic campaign. His partnership used a bottom-up, flat structure driven by public sector values and the donated contributions of the outside volunteers. Mayor Jackson successfully achieved a structurally balanced budget and modernized administrative operations. He also achieved the objectives of the OETF partnership of reducing operating costs by 3%, applying performance measures to improve city services, using technology to increase employee productivity, and improving service delivery to internal and external customers. Building on the success of the OETF partnership, Mayor Jackson garnered the support of the Cleveland business community, and he achieved major transformational changes in the city, such as the innovative Cleveland Plan for reinventing K–12 education.

The second lesson highlights how the mayors gained the trust of city employees for their public-private partnerships. Both the Voinovich and Jackson partnerships created an employee-centered process to study and improve administrative operations. Specifically, the Voinovich partnership concentrated on gaining the support of the city commissioners (the highest civil service employees), thereby tapping into their expertise, institutional knowledge, and role in supervising staff. The Jackson partnership concentrated on gaining the support of the city's labor unions to ease tensions in employee relations. Both partnerships set ground rules for the volunteers to treat city employees respectfully by listening to their ideas, advising them on best practices from the corporate and nonprofit sectors, and suggesting operational improvements. After the employees and the volunteers merged ideas and improvement recommendations, they co-designed performance measures. This process contributed to employee ownership for the implementation of the partnership's change proposals. It also led to creativity, innovation, and sustained improvements in city operations.

The third lesson focuses on the effects of participation in the Voinovich and Jackson public-private partnerships. Feedback from city employees revealed how much they gained from the perspective of the volunteers; the volunteers reported they had a “newfound respect” for the professionalism and competence of city employees. For city employees, in particular, their participation in the mayoral public-private partnerships served a liberating experience. These “liberated” employees became the advocates of professional management at city hall and informally created a city-wide network of internal change agents. This network of internal employee-change agents seamlessly engineered the professionalization of the city's work culture from the bottom up. For the outside volunteers, their participation in the mayoral public-private partnerships had an educative effect. The volunteers were impressed by the dedication and competence of city employees from whom they learned how Cleveland's government really works, and many developed permanent friendships with their city counterparts. Through this educational experience, the volunteers deepened their affiliation with the city of Cleveland.

Three governance implications emerge from these lessons. The first implication is that a public-private partnership oriented toward operations efficiency is not just for a newly elected mayor facing a crisis. Both Mayors Voinovich and Jackson advocated using a public-private partnership oriented toward operations efficiency on a regular basis. Mayor Voinovich felt that Cleveland would benefit by renewing a public-private partnership oriented toward operations efficiency every six years because “people get stale and their good habits disappear.” Similarly, Mayor Jackson (2009) felt that the implementation of another OETF partnership would keep people from “going back to their old ways” because “someone was watching.” Apart from the Hawthorne effect, a public-private partnership oriented toward operations efficiency can alert a mayor to data-processing problems and to the availability of new technology and software to drive performance decisions. Thus, a public-private partnership can help a city avoid getting dangerously behind on automation. Also, the cross-departmental relationships fostered in a

public-private partnership can help a mayor develop a comprehensive approach to service delivery rather than to rely on a complaint-driven system that fragments administrative responses.

The second implication concerns the timing of a mayoral-led public-private partnership. The implementation of a public-private partnership is easier politically for newly elected mayors than for incumbent mayors. Incumbent mayors may be reluctant to implement a needed public-private partnership because they may not want to give the voters the impression that their administrations are unstable. The perception of an unstable administration could erode their chances for reelection. Thus, incumbent mayors should tailor their public-private partnership to address a few priority issues, as Mayor Voinovich did in his follow-up to the OITF partnership.

The third implication concerns citizen participation. Neither the Voinovich OITF partnership nor the Jackson OETF partnership incorporated lay citizens. The tendency in a mayoral-led public-private partnership is to recruit outsiders who can bring specific expertise to advise city employees. However, there is value for a mayor to work with council members to include lay citizens in a public-private partnership oriented toward operations improvement because lay citizens are the true barometers of service quality. As partnership members, lay citizens can assess the status of service delivery in their neighborhoods, contribute to the design of a public-private partnerships change proposals, and evaluate service delivery improvements, all from the perspective of the end users.

Conclusion

This research paper analyzed the good government characteristics of the public-private partnerships led by Mayor Voinovich and Mayor Jackson in Cleveland, Ohio. Our research method applied and extended the network theory of McGuire and Agranoff. We evaluated the Voinovich and Jackson partnerships against the backdrop of five network (partnership) behaviors: activating, mobilizing, framing, synthesizing, and sustaining. These behaviors were general categories that not only provided a complete inside picture of both mayoral-led partnerships but enabled the discernment of their short- and long-term (transformational) results. The sustained effects of the Voinovich OITF public-private partnership transformed Cleveland into the “comeback city” after the 1978 municipal default. The sustained effects of the Jackson OETF public-private partnership positioned Cleveland as the “city of choice” in 2014. In effect, both mayoral-led public-private partnerships quietly transformed Cleveland’s government to meet the demands of fewer resources, greater complexity, more transparency, and more timely decisions in the delivery of public services to citizens.

Finally, it is important to note that no algorithm existed for designing a mayoral-led public private partnership, even in the single setting of Cleveland. Consequently, the five network (partnership) behaviors can guide a mayor in adapting a public-private partnership to fit his or her leadership style, the environment of urban governance, and the urgent needs of citizens. Furthermore, the findings from our application of network theory may serve as propositions for future researchers to test. Empirical testing will deepen knowledge about the transformational effects of a mayoral-led public-private partnership in municipal governance.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Survey Article

The Status of Budget Forecasting

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This article examines the breadth of the current forecast literature as it relates to public budget making. It serves to provide summary information to decision-makers who otherwise do not have the resources to learn more than a small amount focused on much more narrowly defined areas of forecasting (such as the politics of forecast bias). Next, it serves those who perform forecasting related to budgeting by reviewing the current methods and practices commonly used in this domain. It also provides a ground level for future public budget forecasting research. Finally, this article identifies several areas in which the public forecasting literature needs additional development. Several of these areas, such as the effectiveness of nonregression-based forecasting techniques, are quite important to the majority of governments in the United States and other subnational jurisdictions, where budget offices are limited and resource investments in technology are scarce.

Keywords: Budget Forecast, Revenue, Expenditure, Balanced Budget,

Consider the forecasting practices of New York City: In May 2014, the New York City Independent Budget Office (IBO) questioned the mayor's revenue projections, suggesting that the surplus for 2015 would be \$1.8 billion, over \$100 million more than the mayor's proposed budget (Independent Budget Office, 2014; Katz, 2014). According to the New York State Comptroller, the actual surplus was \$3 billion, almost twice the amount suggested by the IBO (Office of the New York Comptroller, 2015). In December 2015, the IBO predicted an \$900 million surplus for fiscal year 2016, \$800 million more than predicted by the mayor's office (Durkin, 2015). In May, the state comptroller reported an expected surplus of \$3.4 billion (Office of the New York Comptroller, 2016). These recent news items reflect the continuation of a decades-long practice: New York City recurrently underestimating revenues and, until recently, anticipating nonexistent shortfalls (D. W. Williams, 2012; D. W. Williams & Onochie, 2013).

While the magnitude of this uncertainty or bias is greater in New York City than in other local jurisdictions, this article reviews evidence that such forecasting practice is actually quite common. Such practice influences budgetary decisions, which can restrict or liberate policy making. D. W. Williams and Onochie (2013) show that, when funds are found after the year begins as a result of underforecasting during the budget process, decision-making authority may be shifted from legislative bodies to executives. Levine, Rubin, and Wolohojian (1981) identify similar shifting with respect to related revenue practices. Shifting decision authority is just one of many ways in which forecasting is as much a political function as it is a technical one.

This article examines the breadth of forecast literature as it relates to public budget making.¹ It can serve to provide information to decision makers who otherwise do not have the resources to learn more than a small amount focused on much more narrowly defined areas of forecasting (such as the politics of forecast bias). Next, it serves those who perform forecasting related to budgeting by reviewing the current methods and practices commonly used in this domain. It

¹ Because of the unique nature of capital budgeting, forecast-like practices for capital budgeting are not discussed.

also provides a ground level for future public budget forecasting research. Finally, this article provides suggestions for future research. Because the methodological side of forecasting is replete with technical terms, there is an appendix of definitions, which include “forecast” itself.

Forecasts² are needed to enable planning. From the first decade of the twentieth century in the United States and earlier in Europe, budgeting has been a means of adding a planning stage to appropriating. Here we discuss the current state of forecasting as it specifically relates to public budgeting. While a substantial number of publications address budget-related forecasting, they are found in a wide array of journals and disciplines. Our goal is to summarize this literature in one place.

Commonly, budget forecasting is treated as synonymous with revenue forecasting (for subnational jurisdictions) or budget balance forecasting (for nations), which is conducted primarily for the budget year with an eye toward also predicting subsequent years. While the article addresses these topics, it also addresses numerous other matters that clarify budget-related forecasting and identify the current state of the practice. Specifically, it examines forecast bias resulting in systematic errors, the use of forecasting in expenditure planning, techniques and practices, and the risk of dynamic forecasting.

The following sections examine: Forecasting for budgeting; state and local government revenue and expenditure forecasts; national budget forecasts; forecast techniques; forecast practices; forecasting, predicting, estimating and dynamic estimation; and opportunities for future research. The article summarizes research and discusses topics that do not frequently appear in the literature.

Forecasting for Budgeting

It is useful to think about how forecasting is related to the budget process. It has different functions within three distinct budget periods. The most immediate period is the appropriated period, which is the remainder of the current fiscal year.³ The second period is the budget year, which begins the day after the current year ends. The third period begins the day after the budget year ends and is labeled “out years” here.

The Current Year

For the current year, the purpose of forecasting is to support tracking of revenue and spending during the fiscal year. Actual revenues and expenditures are compared with their budgeted values in the form of variance reports, which are typically then used by analysts to examine the causes of significant deviations from appropriations based on prior forecasts. As variance analyses are performed midyear, governments need predictions of how much revenue or expenditure to expect within the remaining part of the year. Because many revenue and expenditure lines are seasonal, the remaining part of the year cannot be treated as a simple straight line. D. W. Williams (2008) shows how forecast confidence intervals can be used to achieve precision for such tracking. However, any method that provides within-year periodic updates accounting for seasonality as appropriate can be used to estimate whether revenue and expenditures at year-end will match expectations.

² Here the word “forecast” is used to refer to using some forecast method or practice, not simply preparing the financial component of a budget request. Further definition is in the appendix.

³ As most budgeting is for an annual period, we refer to fiscal periods as years.

Current year forecasts are also used for cash management, the choice among investing, holding, cashing out, and borrowing to pay for current expenses. Techniques for cash management can be relatively sophisticated (Stone & Wood, 1977; M. Williams, 2013) or fairly simple (Chen, Weikart, & Williams, 2015). For these purposes, the forecast needs to be sufficiently granular to be beneficial. During most of the fiscal year, this likely means updating the forecast with monthly data for revenue tracking and possibly weekly or daily for cash management. Near the end of the fiscal year, forecasts may need to be updated weekly or daily for both purposes.

The Budget Year

In budget making, forecasts are made for the upcoming fiscal period. Forecasts are used to predict resource constraints.⁴ Unlike forecasts for the current year, budget year forecasts only need to address the entire fiscal year (D. W. Williams & Kavanagh, 2016). For budget constraints, forecasts include predicting the availability of revenue from various taxes, fees, and transfers from superordinate governments and for predicting extrinsic sources that drive expenditures, such as school populations, health care users, or jail and prison inmates. For these forecasts, the primary objective is accuracy.

For subnational jurisdictions in the United States and a mixed set of jurisdictions elsewhere, there is a secondary objective of risk reduction, which may be labeled “prudence” or “asymmetric loss function.” Risk reduction means selecting a forecast that has a higher probability of favorable error than unfavorable error. For revenue this means underestimating the revenue; for expenditures this may mean overestimating expenses. However, for expenditures, appropriations are generally distributed to spending agencies, so overestimation can lead to overfunding of these agencies and creating unintended discretion. Consequently, the motive for overestimation of expenditures may be much weaker than the well-established tendency to underestimate revenue. While forecasts with granular data may perform better than annualized data, the forecast for the budget year need only be accurate for the entire year.

The Out Years

For the period subsequent to the budget year, the forecast predicts structural balance or structural imbalance, sometimes labeled structural deficit. A structural balance occurs when for the length of the forecast the revenue is adequate to meet the currently forecast expenditures, assuming that all obligations are being fully met with recurring revenue. Excess future revenue is generally treated as acceptable, as it allows room for either tax reductions or policy options. A variety of conditions can hide imbalance, such as (1) using debt or nonrecurring revenue to meet recurring obligations; (2) underfunding the current share of future obligations, typically retirement commitments; (3) overforecasting future revenue; or (4) underforecasting future expenditures. No literature addressing the possible use of forecasts to hide structural imbalance for subnational governments has been identified. When risk-reducing forecasts of the budget period are extended into future periods, they can create a false belief in structural deficit (D. W. Williams, 2012). This misperception may be accidental, or it may more likely serve the strategic purpose of suppressing policymaking that leads to long-term expenditure commitments. For the US federal budget, there is evidence of optimistic bias over the out years (Kamlet, Mowery, & Su, 1987), which may mask structural deficits or create an appearance of available tax or policy options.

⁴ The article describes the policymaking uses in the section “Forecasting, Estimating, Predicting, and Dynamic Estimation” below.

State and Local Government Revenue and Expenditure Forecasts

This section examines research that has looked at the revenue side on its own and then examines research that focuses on the expenditure side of the budget on its own. This discussion is focused primarily on state and local governments within the United States and also includes material from other subnational governments as well as material that is related to national practices.

Revenue Forecasting

Much of the extant relevant literature focuses on the revenue side of forecasting. The literature is largely in agreement that forecast errors are not simply the result of technical shortcomings in how forecasts are established but also reflect political decisions, as discussed below. Beginning with Burkhead (1956), most of this literature finds that American state and local governments engage in underestimation bias. Hou (2006) demonstrates that the average revenue error rate is positive, meaning actual revenues exceed forecasts on average across the 50 states. D. W. Williams (2012) similarly shows that revenues as of year-end are above forecast for New York City from 2001–2011.

The practice of revenue underestimation serves as a rational hedge against future revenue uncertainty (Bretschneider & Gorr, 1992; Bretschneider, Gorr, Grizzle, & Klay, 1989; Rodgers & Joyce, 1996). Local public finance managers and elected officials use conservative revenue forecasting as a budget constraint. This practice has the effects of limiting expenditure growth and generating incidental reserves (Frank, 1993; Kelly, 2013). Frank and Zhao (2009), in fact, define the revenue constraint as the key political factor in the budget process and find that approximately 90% of surveyed cities underestimate revenues by 1% to 7% annually. Frank and McCollough (1992) identify conservative revenue forecasting as a means to constrain expenditure growth from political pressure to increase particular spending categories. Tyler (1993) notes that conservative revenue forecasting is also one strategy employed to accumulate fund balances and other reserves. Only about one-half of the states have statutes or constitutions that legally bind budgets by revenue forecasts Morozov (2013), yet even the optics of forecasting expenditures in excess of revenues may be enough to limit spending.

Revenue underestimation bias may lead to year-end budget surpluses, meaning this bias can result in de facto stabilization funds or funds for other uses (Anessi-Pessina, Sicilia, & Steccolini, 2012; Dougherty, Klase, & Song, 2003; D. W. Williams & Onochie, 2013). Hou (2003) and Marlowe (2005) find that states and localities use funds accumulated during earlier fiscal periods to address fiscal stress, which can result from structural, managerial, or cyclical sources (Hou, 2006). Hence, revenue underestimation bias can be one of the ways by which decision makers increase savings during good economic times, so that, during lean times (whether self-inflicted or external), expenditure reductions or tax increases are not necessarily required. Alternatively, legislators might use such surpluses to fund tax cuts or to add programs. When these surpluses are partly resultant from cyclical upturns, such decisions become difficult to sustain over time (Nelson A. Rockefeller Institute of Government & Pew Center on the States, 2011). Hou (2006) notes that multiyear budgeting rather than single-year budgeting might better address revenue and expenditure swings; D. W. Williams (2012), however, finds evidence that longer forecast are associated with severe underestimation of revenue.

Beyond the budget stabilization function, revenue underestimation can fund within-year budget changes, which may serve political or managerial purposes. Forrester and Mullins (1992) note that jurisdictions frequently re-budget money during the year. Dougherty et al. (2003) and D.

W. Williams and Onochie (2013) find evidence that municipalities do in fact use revenue underestimation for such purposes and are able to use revenue underestimation to generate a budget stabilization fund even when explicitly prohibited (by statute, constitution, or process). Rodgers and Joyce (1996) also note that conservative revenue forecasts reduce pork barrel politics because these lower revenue estimates reduce discretionary funds available for ingratiating politicians with constituents. Choate and Thompson (1988, 1990) hypothesize that the source of conservative revenue estimation derives from the political decision maker rather than the technical forecaster. While their work is consistent with other analyses that find conservative revenue forecasting in governments, the authors argue that the goal of this behavior is not risk aversion but rather tax minimization.

Related to this literature on revenue forecast bias, others examine the source of the forecast to explain revenue forecasting behavior. Bland (2007) notes that some forecasters are “revenue conservers,” that is—those forecasters who are biased toward more pessimistic forecasts. This might be expected in executive budget offices. Such bias not only serves as a hedge but also maintains a lower target for public agencies as they prepare budget requests. Forecasters from legislative and agency budget offices, therefore, may estimate less biased (that is, more accurate) revenue forecasts because their goal is to fund expenditures (Bretschneider, Straussman, & Mullins, 1988). On the other hand, Krause and Douglas (2006) find evidence of herding behavior between various forecasters, in which forecast differences are minimized between parties.

While the typical state and local practice in the United States is underforecasting, Rubin (1987) notes that accurate revenue forecasts or even overforecasting revenues might be a sign of fiscal stress because these estimated revenues are needed to cover immediate spending. Regardless of the direction of a systematic error, the literature consistently finds evidence of political motivation for these biases. Somewhat relatedly, there is substantial overforecasting at the onset of cyclical downturns. A report by the Nelson A. Rockefeller Institute of Government and the Pew Center on the States (2011) finds that states tended to overestimate revenues for one to two fiscal years following the recession, which began in 2007–2008. More than 70% of states overestimated their revenue in fiscal year 2009, compared with just 45% in the prior recession (2001–2003). These errors may not reflect deliberate political decisions.

There is literature that shows that some subnational jurisdictions in other countries behave similarly to US state and local governments. Imbeau and Tellier (2012) detail the literature on conservative revenue forecasting by Canadian provinces. Chatagny and Soguel (2012) find underforecasting of revenues by Swiss cantons from 1980–2002, which leads to reductions in actual expenditures, and Chatagny and Siliverstovs (2013) similarly find conservative revenue forecasts over a longer time period (1944–2010) but increasingly less so (that is, forecasting became more accurate over time). Czech municipalities similarly underforecast revenues (although smaller cities underforecast less), and longer budget processes lead to increased revenue underforecasting (Sedmihradská, 2013; Sedmihradská & Čabla, 2013; Sedmihradská & Klazar, 2011), which is consistent with the American context (see D. W. Williams, 2012). Benito, Guillamón, and Bastida (2015) find opportunistic behavior by Australian politicians, who overestimate revenues during election years. Anessi-Pessina et al. (2012) find revenue underforecasting leads to more re-budgeting in Italian municipalities as well. The international context reveals that forecast bias is not merely an American phenomenon. In fact, the literature shows that regional biases differ, which suggests they are deliberate.

Whether underforecasting or overforecasting, the frequent appearance of bias shows that revenue forecasting is not simply a technical activity. This literature shows that top decision-

maker preferences, whether managerial or political, influence the point estimates creating a systematic error.

Expenditure Forecasts

While there is relatively rich and consistent literature on revenue forecasting and bias, little exists on the expenditure side. Hou (2006) finds evidence of expenditure overestimation in all 50 states. In principle, accurate expenditure-related forecasts are desirable because expenditure authority is commonly appropriated to the diverse agencies of government. As a result, excess expenditure authority may create unintended discretion for agency heads. However, insufficient expenditure authority prevents agencies from accomplishing their assigned responsibilities. There can be conflicting interests concerning expenditure overforecasting, as the implicit discretion created is potentially desired by public managers or decision makers.

The lack of attention to expenditure forecasting may reveal a belief that expenditures are fundamentally a choice of government and therefore do not need forecasting. In this sense, government expenditures represent the willingness to supply public goods and services to meet demand. Further, because public budgets are almost entirely on the cash or modified accrual basis of accounting, delaying or deferring payments can alter annual expenditures. For example, governments may choose to defer contributions to pension funds during times of fiscal stress (that is, when revenues fail to materialize as expected) to bring expenditures in line with available resources.

While governments might have control over certain expenditures, they certainly cannot control all expenditures. Public schools require a minimum number of teachers; Medicaid must pay service providers; and employee health insurance is usually established through multiyear contract negotiations with municipal labor unions, are but a few examples. While public officials may be unable to control these expenditures, they do suggest that a government could forecast the underlying causes of expenditures.

Although the budget and public finance literature does not frequently address expenditure forecasting, literature within subject matter domains discusses forecasting of underlying factors that lead to expenditures. Astolfi, Lorenzoni, and Oderkirk (2012) review 25 models used to forecast health care expenditures in OECD countries. Barnett (1987) forecasts prison population using demographic and sentencing policy variables. Such information is useful for forecasting justice system expenditures. Similarly, Campolieti (2015) forecasts applications for a disability program in Canada, which would inform projected expenditures as well. Deschamps (2004) discusses the consensus forecasting procedure for Medicaid forecasts in Washington state. A significant driver of state and local expenditures is education. Ploughman, Darnton, and Heuser (1968) evaluate forecasting of school age children for capital planning purposes and also for drawing district boundaries. Johnstone (1974) notes the need to forecast for education spending; almost paradoxically, Johnstone (1974) finds that, as forecast models become more complex, they tend to perform less accurately. Ferland and Guénette (1990) notes that decision makers need not just the total number of school age children but also the types of children. These forecasts give public officials data to assess reorganizations and resource distribution.

Overall, the public budgeting literature leaves expenditure forecasting underdeveloped. While there are diverse articles found in a variety of domains, this lack of focus within public budgeting may result in unidentified risks within budget making or in a lack of coordination with established research findings found within other disciplines.

National Budget Forecasts

The study of national budget forecasts includes four overlapping components. The first component focuses on the forecasts of developing nations; the second focuses on forecasts related to the United States; the third focuses on forecasts within the European Union (EU); and the fourth focuses on budget and forecasting in the Organization for Economic Cooperation and Development (OECD) and other countries.

Developing Nations

Caiden and Wildavsky (1974) and Caiden (1980) long ago determined that poor countries and countries experiencing economic or fiscal distress engage in repetitive budgeting (also called continuous budgeting or re-budgeting), which typically means that budget plans, including forecasts, made before the beginning of the fiscal year are materially revised after the budget is approved. Consequently, this sort of budget may be insufficiently useful as a fiscal or accounting device. This literature has expanded over the years (Bird, 1982; Gollwitzer, 2011; LeLoup, Ferfila, & Herzog, 2000; Martinez-Varquez & Boex, 2001; Patto, 1975; Peterson, 1994; Schick, 1998; Sharkansky, 1984; Vanagunas, 1995) focusing on a variety of less-developed countries and providing mixed evidence that countries with distressed economies may overestimate their revenue or underestimate expenditures, that is, make optimistic forecasts.

This behavior may allow decision makers to promise a richer package of public benefits than is supported by their revenue. Rubin (1987) and Levine et al. (1981) find evidence of similar behavior with distressed local governments in the United States. Such behavior is consistent with the more political characteristic of forecasting, as will be found in the following sections, which show that many countries reveal similar motivations resulting in biases.

The United States

Generally, after the 1974 creation of the Congressional Budget office and primarily after the passage of the *Balanced Budget and Emergency Deficit Control Act of 1985* (Gramm-Rudman-Hollings) researchers have been interested in the accuracy, efficiency, and possible biasedness of forecasts related to the federal budget. This interest may partly reflect a reaction to David Stockman's cynical claim that supply-side economics were really a Trojan horse to achieve a trickle-down tax policy (Greider, 1981, 1982).

Federal budget forecasts are generally associated with macroeconomic data, particularly unemployment, inflation, and the change in gross domestic product (GDP).⁵ In addition, there are many private forecasts of these variables and of federal revenue, expenditure, deficit, and debt. At least six federal government entities make some or all of these forecasts:

1. The Council of Economic Advisors (CEA)
2. The Office of Management and Budget (OMB)
3. The Federal Reserve Board (FRB)
4. The Congressional Budget Office (CBO)
5. The Social Security Administration (SSA)
6. The Bureau of Economic Analysis (BEA)

⁵ In earlier periods, the gross national product (GNP) was the preferred variable. This list should not be taken as exhaustive.

Numerous studies of the economic, budget, and deficit forecasts are made by these organizations, sometimes including private forecasts (Auerbach, 1994, 1997; Belongia, 1988; Blackley & DeBoer, 1993; Booth, Timmerhoff, & Weiner, 2015; Campbell & Ghysels, 1995; Cohen & Follette, 2003; Corder, 2005; Ericsson, 2013; Frendreis & Tatalovich, 2000; Howard, 1987; Huntley & Miller, 2009; Kamlet et al., 1987; Kliesen & Thornton, 2001, 2012; Kowalewski & Edelberg, 2015; Krol, 2014; Lipford, 2001; Martinez, 2011, 2015; McNees, 1975, 1976, 1978, 1981, 1990, 1995; McNees & Ries, 1983; Penner, 2001; Plesko, 1988).⁶ These studies examine a variety of forecasted variables, such as budget balance, deficit or debt, revenue, outlays, and macroeconomic variables that are associated with these governmental variables. They examine:

1. Are the forecasts accurate, efficient, rational, or unbiased in the budget year? In out-years?
2. If biased, what is the bias?
3. Are some better than others?
4. Are they better or worse than private sector forecasts?

With the wide variety of variables and forecasters examined, there are only a few relatively consistent results. Most studies find that the budget year⁷ forecasts are relatively accurate. However, there is some evidence of optimism, particularly in the OMB forecast. Optimism can be defined as a forecast that leads to an underestimated deficit. This error may be associated with underestimation of unemployment or inflation or an overestimation of GDP growth. Underestimation of unemployment leads to overestimation of revenue and, simultaneously, leads to underestimation of expenditures.

For the budget year, these errors are typically small. However, out-year errors and out-year bias are larger, which is consistent with other revenue forecast research (D. W. Williams, 2012). For some but not all periods, an OMB forecast is more biased than CBO's. In particular OMB's out-year forecasts are significantly more biased than CBO's. There is little difference in error between CBO and other federal agency forecasts. For variables in some periods, private forecasts may be marginally better than government forecasts, but typically these differences are small. Some OMB forecast errors may reflect a failure of Congress to adopt proposed presidential policies, or they may reflect other policy adjustments such as subsequent year changes in tax policy.

Overall, the studies suggest accurate and unbiased, or nearly so, forecasts for the budget year. However, there is rapid deterioration in forecast accuracy in the out-years. This deterioration should provoke users to question the reliability of assertions about the structural (multiyear) budget balance. While the pattern is not completely consistent, anti-tax political affiliation is sometimes associated with optimistic bias (for example, the *Economic Growth and Tax Relief Reconciliation Act of 2001* championed by the Bush administration).

⁶ Martinez (2015, p. 19) summarizes many of these studies in Table 1. The CBO has produced 15 reports between 1999 and 2015.

⁷ The legislative portion of the federal budget begins in January and, when on time, ends by September for the budget year that begins in October. Forecasts for this budget are made in advance of the legislative process and are updated through the legislative process. While not all studies are clear on the exact timing, the results typically imply that forecasts made for the federal budget have relatively small errors for the budget year.

European Union

The 1992 Maastricht Treaty, which created the European Union, sets out objectives for national economic performance, including limits on deficits (3% of a nation's GDP) and debt (60% of GDP). In 1997 these rules were strengthened through the Stability and Growth Pact (SGP). The SGP was strengthened in 1999 with preventive rules and in 2005 with corrective rules (European Commission, 2016). Since the advent of the SGP, there has been considerable concern about forecasting practices of EU member states.

The full scope of EU forecast practice research is immense. Here, the article briefly summarizes findings. There is general agreement that there has been an optimistic bias in forecasts of revenue or budget balance since the implementation of the SGP (Barberi, 2014; Beetsma, Bluhm, Giuliadori, & Wiertz, 2013; Bluhm, 2009; J. Frankel, 2011; J. A. Frankel & Schreger, 2013a, 2013b; Giuriato, Cepparulo, & Barberi, 2016; Jonung, Larch, Favero, & Martin, 2006; Milesi-Ferretti & Moriyama, 2006; Moulin & Wiertz, 2006; Rülke & Pierdzioch, 2014). This bias may be more pronounced during the run up to elections, reflecting the political business cycle. Optimistic bias may allow for the appearance of compliance with the Maastricht Treaty and the SGP during budget development, while end-of-year performance may no longer be in compliance. Use of practices such as an independent forecast entity may ameliorate bias. In Europe, optimism may be associated with liberal political affiliation and with the electoral cycle (election years). As with the United States, bias becomes more severe over longer horizons. Rülke and Pierdzioch (2014) suggest that this apparent bias reflects an asymmetric loss function (the penalty for error differs depending on the direction of error).

OECD and Other Countries

Jón Blöndal and co-authors have examined the budget practices of many countries (Blöndal, 2001a, 2001b, 2003a, 2003b, 2005, 2006, 2010; Blöndal & Bergvall, 2008; Blöndal, Bergvall, Hawkesworth, & Deighton-Smith, 2008; Blöndal & Curristine, 2004; Blöndal, Goretti, & Kristensen, 2003; Blöndal, Hawkesworth, & Choi, 2009; Blöndal & Kim, 2006; Blöndal, Kraan, & Ruffner, 2003; Blöndal & Kristensen, 2002; Blöndal, Kristensen, & Ruffner, 2003; Blöndal & Ruffner, 2004; Blöndal, von Trapp, & Hammer, 2016). Countries examined by Blöndal can be found in all the categories previously discussed and a few are not members of the OECD. While these studies do not examine forecast effectiveness, they include descriptive information about the use of the forecasts in budget development. Blöndal et al. typically frame the forecast discussion as a brief review of economic assumptions included in the budget. In most they address either optimism or prudence (pessimism). Prudence may be achieved either of two ways: either within the forecast itself (bias or an asymmetric loss function) or through some overt form of reserves. Blöndal et al. describe prudence or underestimation in Australia, Netherlands, Sweden, Canada, Indonesia, and Thailand. In contrast, the United States (inconsistently), the Phillipines, and Brazil overestimate revenue. For Brazil, Blöndal et al. (2003, p. 112) say, "[I]n most cases these actions do not reflect the early adoption of unrealistic economic assumptions." Finland and Austria are said to not use deliberate prudence; likewise, they are not reported to exhibit optimism. While independence and use of consensus forecasting are remarked on for a few countries, no clear pattern is identified.

In other research, Calitz, Siebrits, and Stuart (2013a, 2013b) show that, in South Africa, revenue forecasts are optimistic and recommend increased legislative oversight. As with other findings, Parkyn (2010) finds that, for 1995 through 2009, New Zealand overestimated revenue, with increasing error over longer horizons. Posner and Blöndal (2012) and Debrun and Kinda (2014) discuss the beneficial use of fiscal councils or other independent entities to improve forecast

accuracy and reduce bias. In similar work Krause and Corder (2007); Krause and Douglas (2005, 2006, 2013); and Krause, Lewis, and Douglas (2006, 2013) have examined the relationship between institutional designs and organizational structure to identify elements that may affect forecast accuracy and bias. Some of their findings are that organizations that produce competing forecasts may obtain similar results and be associated with less effective forecasts (Krause & Douglas, 2006) and that consensus group forecasting, in which forecasters representing different stakeholders or points of view (usually from the executive and legislative branches of government) are assembled to arrive at a joint forecast, may improve forecast accuracy (Krause & Douglas, 2013). This second finding is similar to those of Mikesell and Ross (2014).

Forecasting Techniques⁸

The discussion in the previous sections has focused on forecast results. The next sections turn to how budget-related forecasts are made. This section discusses quantitative techniques. The next section discusses additional forecast practices including some qualitative techniques. Then, there is discussion of related matters involving estimation when it is not forecasting. Generally speaking, quantitative budget forecasters use either time series or causal/causal-like methods, the latter of which can be divided into simulation⁹ and econometrics. Within each class are techniques of varying degrees of complexity. This section also addresses decomposition, mixed approaches, and the use of intentions.

Time Series Methods

Data for which observations repeat periodically are frequently labeled time series. Time series are typically autoregressive, that is, two sequential observations will be correlated, so that the earlier observation contributes to predicting the next. Autocorrelation is the theoretical justification for the use of time-series methods, which can be either simple or complex. Simple time-series methods include moving average, simple exponential smoothing, Holt exponential smoothing, and damped trend exponential smoothing (see D. W. Williams and Kavanagh [2016] for a complete description of these methods and the formulas by which they are produced). Frank and Zhao (2009) suggest that most quantitative forecasting at the local government level is likely simple moving averages or trend analysis. Additionally, other ad hoc simple techniques used may include using the last period's observed value for the next period's value, an average of past data, the rate of change, the growth rate (expressed as a percentage), and time-index regression (D. W. Williams & Kavanagh, 2016). These ad hoc techniques may be appealing to forecasters with moderate sophistication because of ease in learning how to use these techniques; however, they are generally inaccurate and should be avoided (Armstrong, 2001a; D. W. Williams & Kavanagh, 2016). Further discussion of exponential smoothing methods can be found in Gardner (1985), Gardner (2006), De Gooijer and Hyndman (2006), and Hyndman, Koehler, Snyder, and Grose (2002).

⁸ This section uses a number of technical terms, which are defined in the Appendix. For those interested in the equations used for many of these techniques see D. W. Williams and Kavanagh (2016) for simpler methods or Makridakis, Wheelwright, and Hyndman (1998) for an extensive treatment.

⁹ We use "simulation" to refer to any approach that uses math to imitate real world processes. These can be deterministic, which are sometimes labeled algorithms, or they can involve statistical modelling, such as Monte Carlo simulations.

There are many complex time series methods. Some of the more common ones¹⁰ are autoregressive integrated moving average (ARIMA), which is sometimes labeled Box–Jenkins following their text (Box & Jenkins, 1970) and is intended to be a systematic way of selecting the optimal univariate time series model; X-11/X-12/X-13 (Findley, Monsell, Bell, Otto, & Chen, 1998; Monsell, 2007, 2009), which is used to optimally determine seasonal factors; Kalman filtering (Morrison & Pike, 1977), which provides time-variant parameter fitting; vector autoregressive techniques (Clements & Galvão, 2013; Sinclair, Stekler, & Carnow, 2015), a multivariate time-series method; empirical Bayesian techniques (Carriero, Clements, & Galvão, 2015; Miller & Williams, 2003), which typically correct for excessive variance; or neural networks (Voorhees, 2006), which are borrowed from neurology. Sometimes these methods are used in combination.

These complex methods generally perform well; however, they may require specific statistical software or the ability to implement complex mathematical procedures, knowledge on how to build proper models, and how to interpret output correctly for forecasting purposes. Thus, they are more appropriate for jurisdictions with a substantial budget for forecasting.

Makridakis et al. (1982) compared the accuracy of many of the forecasting techniques available at the time and concluded that simple methods outperformed complex. In fact, they found de-seasonalized simple exponential smoothing (SES) is the most accurate forecasting method available. Makridakis et al. (1993) and Makridakis and Hibon (2000) further test different quantitative methods against each other and find that increasingly sophisticated techniques do not universally improve forecast accuracy or errors. The most recent literature suggests damped trend, a modified form of Holt exponential smoothing, is likely the most accurate (Makridakis & Hibon, 2000; D. W. Williams & Kavanagh, 2016).

Causal and Causal-Like Methods

Reddick (2004a, 2004b) labels both simulations, which he calls deterministic methods, and econometric methods as causal.¹¹ This article labels deterministic methods as “causal-like.” This usage may be imprecise; however, it usefully distinguishes these methods from time-series methods. Some deterministic methods are likely insufficiently complex to truly reflect even weak causal theories and are better treated as simple or simplistic time-series methods. Frank and Wang (1994) compared a simple deterministic approach for two revenues for one locality with several other methods. The authors find that these methods may be no worse than the other methods they consider. No other studies of simple causal methods have been identified, although some research does note that some econometric models take advantage of correlation without clear causality (McDonald, 2013, 2015).

Simulation Models. Simulation models show the relationships between variables (Chen et al., 2015), and forecasters work through them to determine what the consequences of specific decisions are. Some nations and large subnational jurisdictions use simulations or systems of statistical models to forecast their economies and related budgetary data (Congressional Budget Office, 2011; New York City Office of Management and Budget, 2016). There is no identified research into the marginal benefit of using these complex methods despite the importance of these models to many governments’ budgets.

¹⁰ These methods are defined in the Appendix.

¹¹ Some simulations, especially those used by larger governments, are econometric models.

There are also many simpler simulation models that are often deterministic. These deterministic simulation models include payroll simulations, in which salary and benefit levels are forecast with great accuracy based on several factors such as cost of living adjustments, efficiency pay, longevity, and performance incentive pay. In addition to salary, employees earn fringe benefits such as Social Security, Medicare tax, unemployment compensation, health insurance, accrued leave, and retirement benefits. These simulations incorporate pay lags, vacancies, and increment timing (that is, when specific “steps” are incorporated into payroll). Using several years of data to determine the average, these factors can then be used to estimate future payrolls reasonably well. For a complete example of this type of simulation, see Chen et al. (2015).

Another example of a deterministic simulation model used in forecasting relates to the property tax. Forecasters know how much property is located within a jurisdiction from prior year assessments and also have estimates of this property’s taxable value from market changes and physical changes. The property tax is forecast by simply applying the approved tax rate to this taxable value. Some minor estimates of tax delinquency, tax-exempt property being purchased or sold, and other tax abatements or expenditures are made, but the bulk of the property tax forecast is determined by relatively known factors.

Only a few studies that examine the effectiveness of deterministic simulation (Brown & Harding, 2002; Smith, Pearce, & Harland, 2011) have been identified. None of these empirically examines simulation in the context of revenue or expenditure forecasts. This is peculiar given that these deterministic simulations account for the largest expenditure line item (personnel) and revenue source (property tax) for most governments and are important tools for forecasters.

Econometric Models. The state of the art of econometric modeling, particularly as it applies to national macroeconomic variables, is beyond the scope of this article. However, the basics of these models, when used for forecasting of individual variables, is relatively simple.¹² A forecast is produced by associating a dependent variable (the revenue or expenditure item to be forecast), with a set of independent variables through regression. Typically, these models are causal in that the independent variables are precursors of the dependent variable. A typical model may predict sales tax revenue through various measures of commerce and possibly demographic data. If tax rates vary over time, they also may be treated as an independent variable. A condition that is required is that the independent variables have known or reliably predicted values for the time period for which the forecast of the dependent variable is desired. This is achieved either through lagging (associating the dependent variable with a temporally earlier instance of the independent variable) or through additional forecasting of the independent variables. Because both the dependent and independent variables are found in time series, the regression residual is subject to autocorrelation, which can be measured with the Durbin Watson statistic. There are various techniques for correcting autocorrelation of errors, most of which require sophisticated software. Makridakis et al. (1998) provide instructions for forecasting with regression, and Kavanagh and Williams (2016) provide relatively simple guidance for use with revenue forecasting.

¹² These basics do not closely approximate complex macroeconomic models. There is controversy (a small part of which is cited here) in the macroeconomic literature largely having to do with the relationship between models and economic theory, which is, therefore, outside the scope of this article (Adolfson, Linde, & Villani, 2007; Diebold, 1997; Edge, Kiley, & Laforge, 2010; Negro, Schorfheide, Smets, & Wouters, 2007; Smets & Wouters, 2004). Despite this controversy, the macroeconomic forecasts actually in use are relatively accurate.

Not all econometric models are causal. Regression can only establish correlation. Correlation is not adequate to establish causality. There are substantial conditions (see “causal/causal-like” in the appendix) and sophisticated tests for causality (Granger, 1988a, 1988b); however, the most basic tests are whether there is a theoretical reason for causality and whether the supposed cause precedes in time the effect. The second condition, alone, is inadequate because there can be some other reason for this temporal relationship, including the possibility of a mutual prior cause or simple accidental relationship. If the accidental relationship is ruled out, it is possible to use non-causal (or indirect causal) relationships to forecast, which may result in improved forecast accuracy (McDonald, 2013, 2015).

Decomposition and Mixed Approaches

It can be beneficial to decompose a time series by its causal elements before forecasting the components (Armstrong, 1985, 2001b; Armstrong, Collopy, & Yokum, 2005; Green & Armstrong, 2015). To decompose revenue, a government separately estimates each type of tax. The total forecast is the deterministic sum of the taxes. At a deeper level, a single tax may be decomposed by units (for example property transfers) and the value of those units (the recorded sales price of the property transfers). Each may be forecast independently; then the value may be computed deterministically as the multiplication of forecasted units times forecasted value, which would then be further multiplied by the tax rate. These represent mixed approaches that bear some resemblance to a deterministic simulation but may rely primarily on other forms of forecasting. The method for forecasting each element may be distinct from the method for other elements. For example, the tax rate may be set by law and not require forecasting. Decomposition may also help incorporate anticipated policy changes that may affect particular elements of the forecast.

For some governmental revenue problems, particularly concerning intergovernmental transfers, especially where there is high variability from year to year, it is likely that determining the intentions of policymakers is the best method of forecasting. There has been substantial research into the use of intentions in other contexts (for a few examples see Morwitz [2001] and Armstrong and Green [2005]). There is no identified research regarding the use of intentions in budget forecasting. Where intentions are relevant but cannot be accessed, exponential smoothing methods or moving averages that reduce year-to-year variability may be the most effective. More research in this area may be beneficial.

Forecasting Practices

Governments may use quantitative techniques mixed with other practices to arrive at final forecasts. Forecasters, for example, frequently employ judgments to adjust quantitative output before finalizing forecasts. This technique is quite common in local governments (Frank & Zhao, 2009) and relies upon forecaster insight or expertise on particular taxes, spending categories, or determinants of revenue or spending categories. Some research identifies judgment as antithetical to accuracy (Hogarth & Makridakis, 1981). Others, however, identify judgment as benefiting forecast accuracy even with the existence of forecast bias (Lawrence, Goodwin, O'Connor, & Önköl, 2006).

While Makridakis et al. (1982) compared quantitative models with each other, Lawrence, Edmundson, and O'Connor (1985, 1986) were the first to compare quantitative to judgmental forecasting. In this study, the researchers found that judgmental forecasting was nearly as accurate as statistical techniques and, in certain cases, was much more accurate. Perhaps more

importantly for budgeting purposes, Lawrence et al. (1985) found that the standard deviations of the judgmental forecast errors were smaller than the statistical techniques, suggesting more consistent accuracy. Later studies found that the accuracy of judgmental forecasting depends upon the biases of the forecaster, and these can lead to less accurate forecasts than statistical methods (Moore, Kurtzberg, Fox, & Bazerman, 1999). Sanders and Manrodt (2003), on the other hand, find quantitative models result in lower forecast errors than judgmental forecasts. Overall, then, Lawrence et al. (2006) note that judgmental forecasting may be as good and accurate as statistical techniques, but it is highly dependent upon the forecaster's biases.

For the moderately skilled forecaster, an appealing approach is the use of forecasting software (D. W. Williams & Kavanagh, 2016), which provide less sophisticated forecasters with more advanced methods. Hyndman and Khandakar (2007), for example, document two automatic forecasting methods implemented in R, which is a free statistical software package: the exponential smoothing method and an ARIMA model. R, however, requires a considerable learning curve. D. W. Williams and Kavanagh (2016) find that Forecast Pro and Autobox generally produce results that modestly outperform typical spreadsheet approaches. Both of these products implement ARIMA and other sophisticated techniques that the modestly skilled forecaster is unlikely to successfully use without assistance. They provide that assistance through artificial-intelligence-style automation. Frank and Zhao (2009) note that, despite the availability and cost of these software, few local governments actually employ them. This finding is similar to a survey of businesses, which found low uptake of software usage for forecasting, mainly because the software is not easy to use, and results are not easy to understand (Sanders & Manrodt, 2003). Because these studies are seven to 13 years old, and because software usage changes rapidly, these results may be dated.

A third practice that is prevalent in the public sector is consensus forecasting. This practice is used in part to remove politics from the forecasting process and to prevent politicians from increasing these revenue estimates especially in election years (Nelson A. Rockefeller Institute of Government & Pew Center on the States, 2011). Mikesell and Ross (2014) note that, in government, political acceptance of revenue forecasts (a hard budget constraint) is critical. Even when simple techniques are more accurate, political actors might reject the forecasts for political gain. Further, Mikesell and Ross (2014) identify significant heterogeneity in the actors involved in the consensus forecast between states. Relatedly, Krause and Douglas (2013) and Krause et al. (2013) find that too much or too little political inclusion in the consensus forecasting exponentially increases forecast error. Consensus forecasting may serve an alternate purpose of obtaining forecast acceptance, particularly among included participants.

A fourth practice involves combining forecasts (Armstrong, 2001c; Clemen & Winkler, 1986; Gardner, 1985; Timmermann, 2006). Some literature aims to identify optimal weights for combining forecasts, but some evidence suggests simple forecast averaging achieves most of the benefit. Averaging forecasts obtained through sharply different methods may achieve the greatest benefit.

Forecasting, Estimating, Predicting, and Dynamic Estimation

The word “forecast” is ambiguous in that it can refer to future values or it can refer to all output of a statistical model built to predict the future. From a model-building point of view, the forecast is all of the model's output data, which may range from before the beginning of the

actual data¹³ through the end of the predicted future periods. Segments of the data may be labeled “backcast” (predicted values for the period before the temporal beginning of the input data), “nowcast” (predicted values for times roughly contemporaneous with the end of the series), and “forecast” (predicted values beyond the end of the series). Typically, the common use of “forecast” refers to predictions of the future. However, even predictions of the future are conditional in that they may predict the future assuming current practices continue or, instead, the future hypothesizing alternates. For governmental revenue and expenditures, these alternatives typically reflect policy changes.

We label a prediction with respect to the result of a deliberate policy change as an “estimate.”¹⁴ Estimation reflects the prediction of future values where there is limited or no directly relevant historical data series, or where such data is incorporated through analogy or computation not contained within the core historical series. Estimation may be accomplished through a variety of methods:

1. It is commonly taught in colleges and universities that economic policy analysis is the best method for making an estimate. While there are many specific forms of this method, the general approach is to build a regression model that correctly captures the *a priori* rationally selected independent causal variables and uses these to predict the dependent variable of interest, such as the revenue produced. Econometric causal modeling can be used to estimate the effect of changes in current practices or, when proposed practices occur in other locations, they may be used to impute the effect of those practices if implemented in a different locality. For this use, simple association is inadequate because the statistical model is used to impute the effect, which is a causal construct, to the proposed policy. If it is assumed that revenue is the product of rate times base, econometric modeling also can produce reasonable estimates of the tax base even where there has been no prior practice of taxing such a base in any locality. An estimate made with econometric models may be similar to a forecast, particularly if the causal model is also used for forecasting; however, care should be taken to understand how the future values of the independent variables are determined. Causal modeling requires access to data sources, skilled users of statistical methods, and a sound basis for causal modeling. Some of these resources may not be available for many estimates.
2. If there is a regression-style forecast model, then, by adjusting the future value of independent variables to reflect a policy change and comparing those to the future value of those independent variables under current policy, one can determine the difference resultant from the policy change. For example, a simple regression of a sales tax revenue series may include the tax rate as an independent variable. An estimation of the consequence of changing the rate could be produced by substituting the proposed new rate for a continuation of the old rate within the statistical model for temporal periods beginning with the change. By comparing the output with the substitute data with the output of the original data, one estimates the value of the change in the tax rate. However, even sophisticated use of this method may be controversial because methods for modeling may assume continuation of historical

¹³ For regression modeling this would be the temporal beginning of the dependent variable.

¹⁴ There is no definite border between forecast and estimate. When predicting a single proposed change or determining the effect of some highly probable future event, the likely term is estimate; however, a forecast that incorporates one or more estimates remains a forecast.

relationships that may not be continue under new policy (Leamer, 1985; Sargent, 1979, 1984; Sims, 1986; Sims, Goldfeld, & Sachs, 1982).

3. Where estimators do not have the benefit of the resources implied with the previous methods (Grizzle & Klay, 1994), estimates can be made through deterministic calculations. For example, if an econometric model produces an estimate of a tax base (as with the first method), that estimate is converted to a revenue by deterministically multiplying it by the tax rate. In other circumstances, both the base and rate may be determined through less robust methods and be combined to compute a revenue.
4. Some estimates or values of variables for estimates may be determined through expert judgment.

Few identified studies have examined the effectiveness of deterministic policy estimates (Brown & Harding, 2002; Smith et al., 2011), and none that empirically examine the relative effectiveness of a variety of approaches to estimation.

One form of estimation related to econometric causal modeling is dynamic estimation, which is also called dynamic forecasting or dynamic scoring. As with all estimation, dynamic estimation is not forecasting. However, it is often treated as a form of forecasting, and, to be performed at all, it requires effective causal models. The basic idea of dynamic estimation is to include behavioral change within the policy change estimation. For example, if property taxes were increased, citizens may “vote with their feet” and move to another locality where property taxes are lower. The dynamic effect would be the gradual decline in property value leading to lower than expected revenue with the higher rate. Dynamic scoring is associated with anti-tax advocates and with the Laffer curve (Laffer, 1981, 2004; Oudheusden, 2016), a theoretical view that, if tax rates are too high, then reducing the rate will produce more, not less, revenue because the current taxes excessively discourage economic behavior. Consequently, a tax reduction may pay for itself. The empirical evidence does not support the view that taxes in the United States or Europe exceed this theoretical limit, although they may be close in Europe (Trabandt & Uhlig, 2009, 2011). The recent experience of the state of Kansas, where tax changes have not produced the expected revenue effect, should serve as a warning that ideological commitment to dynamic scoring is risky for politicians (Fox, 2016; Stapleton English, Løppenthin, & Roca Diaz, 2015). Generally, states have been disappointed when expecting dynamic results (Bluestone & Bourdeaux, 2015).

While not universal, the typical national practice includes some inaccuracy and forecast optimism. Consequently, this overforecasting may interact with dynamic scoring. If actual dynamic effects are small or absent and forecasts are already optimistic, the consequence of adjusting forecasts for dynamic effects to include tax policy changes may exacerbate the optimistic bias.

Opportunities for Future Research

Throughout this article, we have discussed budget-related forecasting and identified topics that would benefit from future research.

1. There is little empirical research into the relative effectiveness of various approaches to estimation. As a practical matter many jurisdictions may not have access to regression-

based policy analysis, yet there is limited or no evidence on the effectiveness of other approaches.

2. While there is a vast literature of sophisticated forecasting techniques that generally use econometric and time-series methods, a fair amount of actual forecasting, particularly among smaller governments, is completed using deterministic techniques (Frank & Zhao, 2009). We classify a technique as deterministic when the forecast is made using equations that are not fit by minimizing a statistic (excluding equations that combine multiple individually fit forecasts); some cited literature may use alternate definitions. These methods can be as simple as increasing an expenditure by an anticipated inflation rate and can be as complex as accounting for all of the elements of a payroll system and computing expected future expenditures. Frank and Wang (1994) compared a simple deterministic approach for two revenues for one locality with several other methods obtaining mixed results and Reddick (2004b, p. 46) examines deterministic forecasting somewhat more broadly, finding “very modest support” for deterministic forecasting. We are otherwise unaware of any research within the past 30 years that examines the effectiveness or relative effectiveness of deterministic techniques used by governments for budget forecasting. The largest single source of local government revenue is property tax, and the largest local jurisdiction in the United States, New York City, uses a deterministic quasi-simulation to forecast property tax revenue (New York City Office of Management and Budget, 2016). Reddick (2004a) finds that 53% of local governments use deterministic methods, including 27% using them for property taxes and nearly 30% for other fees. Forrester (1991) finds that 44% of cities use deterministic approaches for property taxes.¹⁵
3. There is an intriguing inconsistency in revenue forecast bias for different jurisdictions. Some, such as state and local governments in the United States, prefer underforecasting as a strategy that likely minimizes risk, while others, such as members of the European Union, prefer overforecasting, which as a strategy that likely provides maximum short-term benefits to the public. While these differing practices clearly reflect institutional or cultural differences, it is not clear what the differences are. It is particularly intriguing that, with the United States federal government, overforecasting revenue is a conservative strategy, but the same practice in Europe is a liberal strategy. These phenomena require further examination.
4. Subnational jurisdictions in the United States exhibit strategic forecasting of revenue through underestimation. This behavior does not appear to be matched with strategic overestimation of expenditures possibly because of the way appropriation works. However, we are unaware of any research into whether there is or is not such strategic overestimation.
5. With respect to the United States’ federal economy, there are numerous forecasters in at least three classes: (a) the government itself, (b) forecasters associated with private firms, and (b) forecasters associated with public-policy-oriented nonprofits. In Europe, there are also publicly sponsored nongovernmental entities that forecast. Finally, international organizations such as the World Bank engage in forecasting. While sometimes two or three forecasters, sometimes from different sectors, are compared, there is no apparent literature that addresses the entire domain. Questions that might be

¹⁵ Forrester’s table labels are vague, “Deterministic & others” where the “& others” occurs for every category except “Unspecified.”

addressed from this array of forecasters include: (a) Do more forecasters from more sectors increase or decrease bias? (b) Would some aggregate of multiple forecasts be more accurate and less biased than any single forecast?

6. Multiyear forecasting appears to have substantial risk, yet multiyear budgeting remains a likely best practice. Consequently, more research is needed on the effectiveness of multiyear budgeting and the availability of low-bias multiyear methods.
7. When it is addressed in this research, out-year forecasts quickly exhibit substantial bias. What are the consequences of this bias? In the United States, where the bias may lead to a perception of severe debt in the mid-term future, does it contribute to current state of political gridlock? Are there other consequences when bias misleading suggests surplus or even just balance? Has the proliferation of forecasters contributed to bias and possibly to the inability to achieve political consensus?
8. There are numerous studies within several components of budget-related forecasting. Over the last 40 years, there have been 28 identified studies of the US federal budget related to forecasting. There are a similarly large number related to the European Union. There are numerous studies of state and local budget forecasting in the United States. While there is some diversity in precisely what is studied, it is likely that these component domain collections are ripe for aggregate evaluation through meta-analysis, which may lead to a better understanding of forecast practice
9. There is no identified research into forecasting where intentions are relevant, particularly with respect to intergovernmental revenue transfers. Such research would be beneficial.

Conclusion

In all organizations, budgets are plans that reveal objectives established by decision makers, how the organization will obtain resources, and how it will use these resources to reach goals. Organizations typically budget not just for the upcoming fiscal year, but for several years beyond as well so that the organization may strategically move toward its goals over time. Because of the prospective nature of financial planning, forecasting these resources or the underlying causes of revenues or expenditures is a core function of budgeting.

In public organizations, however, forecasting is not merely an attempt to accurately predict future values; that is, forecasting is not merely a technical exercise in which budget analysts aim to predict with minimal error revenue and expenditure line items. Instead, the extant literature consistently reveals that forecasting serves other ends that are valuable to managers and decision makers. Most importantly, most US subnational governments use conservatively biased revenue and expenditure forecasts. Given widespread balanced budget requirements, these biases make it easier to meet statutory and constitutional financial requirements. These pessimistic biases also provide funds for midyear re-budgeting/budget modifications, which are potentially valuable for politicians (either to curry favor with other elected officials or the public at large). International studies confirm the political nature of forecasting within different government systems as well. Of particular importance, out-year budget forecasting indicates large errors, suggesting that such out-year budgeting is of limited value for decision making.

Beyond the politics of budget forecasting, budget analysts also face the question about the best techniques for forecasting. With the proliferation of data and computing power, the costs of complex forecasting are increasingly minimized. However, most assessments of forecasting techniques find that simple methods work as well or better when compared with complex methods, or, in the absence of skilled forecasters, the use of forecast software.

Forecasting practice also reveals heterogeneity across the United States as well as internationally. The literature quite consistently shows that forecasters apply judgments to their own technical forecasts. Some experts even eschew statistical models and forecasts based on their own knowledge. In other cases, consensus forecasting is found to result in more accurate forecasts. The literature overall, therefore, does not dismiss judgmental forecasts, assuming knowledgeable people are the forecasters.

Finally, we identify a number of areas in which the public forecasting literature needs additional development. Several of these areas, such as the effectiveness of nonregression-based forecasting techniques, are quite important to the majority of governments in the United States and other subnational jurisdictions, where budget offices are limited and resource investments in technology are scarce.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Author Biographies

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Thad D. Calabrese teaches and researches in the field of public and nonprofit financial management. He is especially interested in the areas of employee benefits, the financial implications of collaborative governance and contracting, and capital structure decisions in public service organizations.

Appendix¹⁶

Terms as used in this discussion include:

Accuracy – A measure of how close predicted values are to actual values. For forecasting, the two most common measures of accuracy are RMSE and MAPE. Smaller values are more accurate. MSE is commonly used when examining a single series. MAPE is commonly used when examining accuracy across multiple series.

ARIMA – Autoregressive Integrated Moving Average model; a statistical technique in which a lagged variable is used to predict current values, and incorporates past error terms.

Autoregression – The correlation between sequential observations.

Asymmetric Loss Function – The penalty for an error differs depending on the direction of the error. Similar to bias. Also see confidence interval.

Bias – To systematically over-predict or under-predict. When ME is positive, the forecast is systematically under-predicting, and in reverse it is over-predicting.

Cause/Causal/Causal-Like – Hill (1965) asserts that two variables are causally related when a change in the variable labeled “cause” is temporally prior or simultaneous with a change in the variable labeled “effect,” where there is a plausible reason why the cause leads to the effect, the relationship is consistent, and there is a dose effect (the size of the change in cause is related to the size of change in effect). He includes four additional or alternative criteria (strength of relationship, specificity of relationship, subject to experimental modification, and reasoning by analogy) and one criterion (coherence) that is at the level of epistemology. Granger (1988a, 1988b) adds a complex test for causality when performing statistical modeling. With statistical models the change/change relationship can be established by correlation. When plausible causal variables are included in a statistical model, it is widely understood that plausible alternative causal variables – representing alternative hypotheses – should be excluded (Newton & Rudestam, 2012), which may be achieved through the relative strength of correlation diagnostics. Because correlation relates to only one of the conditions of causation, there is a widely known principle that “correlation is not causation.” This principle can be too broadly applied in that sometimes correlation is disparaged as irrelevant to causation. In this article “causal” refers primarily to the temporal, plausibility, alternate, consistency, and dose criteria, particularly when established through correlation and possibly meeting the Granger criterion. When the temporal and plausibility criteria are met, but there is limited or no evidence of the other criteria or when correlation methods are not used, this article labels the model of the relationship causal-like.

Central Tendency – The estimated middle of a set of observations. In its simplest form, the average of some observations. For more complex methods, the predicted location on the center line. For forecasting, this value may be labeled a point estimate.

¹⁶ Many of the terms here are defined in Makridakis et al. (1998) Statistical terms are defined broadly in most statistics textbooks. Terms related to bias are defined diffusely through the forecasting literature. Formulae for many of these methods can be found in Makridakis et al. (1998) or in D. W. Williams and Kavanagh (2016).

Confidence Interval – An estimate of the range of values surrounding the point estimate for within which there is a specified large probability of finding the actual observation.

Consensus Group Forecasting – A system in which forecasters representing different stakeholders or points of view are assembled to arrive at a joint forecast.

Conservative Forecast – See “pessimism”.

Damped Trend – A variation on Holt’s exponential smoothing in which the trend element of forecast is reduced by a small percentage over each successive period eventually leading to zero trend.

Decompose – To break a time series into smaller component time series.

Dependent Variable – The variable that is predicted in an econometric or other model.

Deterministic Model – A tool in which all independent variables are treated as known with certainty.

Deviation – See “error”.

Dynamic Scoring/Forecasting – A method for analyzing policy options in which economic actors’ behavior changes are forecasted based on the policy’s incentives. These forecasted behavioral changes are then used to forecast tax or expenditure changes.

Econometric Model – The use of sophisticated statistics to model and predict a variable. Typically, econometric modeling relies on regression or closely related correlation based techniques.

Effective/Effectiveness – A measure of how much a forecast influences decisions.

Efficient/Efficiency – A relative measure of whether a forecast can be improved by using more information.

Empirical Bayesian Analysis – Empirical Bayesian methods use information from similar data to adjust mean values and narrow confidence intervals. They are especially useful with small samples.

Error – Actual results minus forecast. Also labeled deviation in some statistical literature.

Estimate – A prediction of the consequences of some change, either deliberate or anticipated. For budgeting, an estimate is expressed in dollars.

Exponential Smoothing – Technique in which a weighted average between older and more recent observations in a time series is determined (usually where more recent observations are more heavily weighted than older ones), and this mean is then used as a forecast.

Favorable Error – Error in which actual expenditures were less than forecast, or actual revenues were greater than forecast.

Flexibility – See “policy options”.

Fiscal Year – A twelve-month period that can begin with any date during which revenue and expenditures are appropriated (authorized). The most common fiscal years begin on July 1 and end on June 30 (46 states and many localities) or begin on October 1 and end on September 30 (the federal government and 2 states). Smaller localities may have their fiscal years coincide with the calendar year. Commonly appropriations are for years, however they may be for other periods such as two sequential years (biennial budgets).

Forecast – A prediction, commonly of the future, resulting from a technique or method that is intended by its user to produce future values. A forecast is not merely the preparation of the financial component of a budget. As discussed in the article, forecasts are distinct from estimates, where the future value is contingent on a future decision; however, it is not uncommon for estimates to be treated as forecasts. For revenue and expenditures, forecasts are of dollars or units, such as individuals or transactions that contribute to dollar values. Forecast can also refer to any output of a forecast model, whether of the future, present, or past.

Holt Exponential Smoothing – A type of exponential smoothing in which separate equations estimate the time series level of observations and the time series trend (or change) of observations.

Horizon – The length of time between the production of a forecast (or its release) and the time period to which the forecast applies.

Independent Variables – The variables that are thought to contribute to a prediction.

Lags – Associating a dependent variable with a temporally earlier instance of the independent variable.

Mean Absolute Percent Error (MAPE) – The average of the absolute errors divided individually by the actual values times 100. MAPE treats errors proportional to their size. Because it is expressed in percentage, it is not sensitive to the magnitude of the data.

Mean Error (ME) – The average of the errors.

Mean Squared Error (MSE) – The average of the errors after each error has been squared.

Model – (1) The estimated central tendency and variance of a set of observations. For example, the mean, also called the average, is the unadjusted central tendency of a set of observations with a standard deviation that is the square root of the variance. In general, models are more sophisticated than the simple average. A model is providing a method for predicting the value of a dependent variable. See econometric model and time series methods. (2) An algorithm that is used to produce a predicted value. See deterministic model.

Moving Average – Time series forecasting technique in which values are averaged over some time period and then this average is used to forecast.

Neural Networks – A forecasting technique that, unlike ARIMA methods, does not assume a linear relationship in the data.

Optimism – Bias that over-predicts revenue, under-predicts expenditures, or both.

Pessimism – Bias that over-predicts expenditures, under-predicts revenue, or both.

Policy options – The perception that funding is available allowing for voluntary choices such as increasing expenditures or reducing taxes.

Point Estimate – See “central tendency”.

Predict – Specify an unknown value.

Prudence – Either pessimism or deliberately not spending all expected revenue.

Rational/Rationality – For a forecast, efficient and unbiased.

Repetitive Budgeting – A system in which a budget for the upcoming and current period(s) is (are) modified on an ongoing basis, diminishing the value of the budget for planning and control purposes.

Root Mean Squared Error (RMSE) – The square root of MSE. RMSE values large errors much more than small errors as a result of squaring. It is sensitive to the magnitude of the data, thus it is not good when comparing series that are of different size. This statistic is nearly identical to the common form of the standard deviation.

Seasonal/Seasonality – Time series data with an underlying predictable variation during the fiscal year.

Shortfall – More expenditures than revenue during a fiscal year.

Simulation - Any approach that uses math to imitate real world processes. These can be deterministic, which are sometimes labeled algorithms, or they can involve statistical modeling, such as Monte Carlo simulations.

Standard Deviation – For the simplest statistics, RMSE. Otherwise comparable values determined through statistical theory.

Stochastic Model – A tool in which random variation exists in the independent variables.

Structural Deficit – Over the foreseeable horizon recurrent revenue is less than recurrent expenditure requirements.

Surplus – Revenues in excess of expenditures during a fiscal year.

Systematic Error – Bias.

Time-Index Regression – A model in which a variable is predicted using time as the chief or only independent variable.

Time Series – A variable that takes on alternate values demarked by time units.

Time Series Methods – Techniques that implicitly rely on an expectation that change in a time series is gradual.

Trend – Tendency for a time series to increase or decrease from observed point to observed point.

Uncertainty – The degree to which a forecast, which is yet to be actualized, may ultimately be in error.

Unfavorable Error - Error in which more actual expenditures were spent than forecast, or actual revenues were less than forecast.

Variable – An object or characteristic that can take on values when observed.

Variance – For the statistics included in forecasting, MSE.

X-11/X-12/X-13 – A complex nonparametric procedure used to determine seasonal factors. These methods are closely associated with the United States Census Bureau. The X-12 version integrates older approaches with older multi-level moving averages. The X-13 version integrates the method with more complex statistical procedures.

Current Issues in Practice

The Fiscal Impact of Local Property Tax Abatement in Indiana

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Property tax abatement is widely used by local governments in the U.S. with the goal of attracting and retaining businesses. This analysis examines the efficacy of such abatement using data on Indiana counties from 2002 through 2011. The analysis suggests that local tax abatement tends to be correlated with higher effective tax rates in a county. These correlations exist in the absolute size of abated property relative to the existing assessed value of property taxes and in the frequency of use of tax abatements. In addition, there is not a strong relationship between abatement and the growth of assessed value over time. The implication is that, on average, the use of abatements as a tool for growing a property tax base is not particularly effective. These findings cast doubt on the ability of Indiana's system of property tax abatements to increase the tax base or control property tax rates.

Keywords: Property Taxes, Tax Abatement, Local Government, Indiana

This article contains data and analysis on Indiana's local property tax abatement from 2002 through 2011. Earlier work on Indiana tax incentives (Faulk & Hicks, 2013) focused primarily on state tax incentives. The magnitude and relatively poor performance of local tax incentives in Indiana as reported in that study motivated this more in-depth treatment of these incentives. That report included estimates that Indiana's counties have increased their abatement to as much as \$8 billion in property value annually, representing a large share of total assessed valuation growth and that these abatements perform poorly as job creation tools. This analysis provides a more in-depth analysis of local property tax abatement first by explaining the scope and type of local tax abatements in Indiana, which is followed by a brief review of existing research on local tax incentives in Indiana and elsewhere. This is followed by a history and analysis of the fiscal impacts of tax abatement offered by local governments in Indiana.

Existing Local Tax Abatement in Indiana

The legislature has authorized several types of tax abatement for use by local governments. These include abatement of real and personal property taxes for qualifying firms. There are also credits on personal income tax for firms investing in specific locations or activities (see table 1). Data on the magnitude of these tax abatements in any given year are provided at the county level by the Department of Local Government Finance (DLGF). These abatements have the clear intent of incentivizing firms to locate (or remain) within the geography in which abatements are offered. While the most often-stated purpose appears to be local job creation, the eventual increase in taxable property is often part of the consideration for offering limited-term property tax abatement. Though other reasons may exist for attracting firms to a region, the bulk of the existing analysis of the issue focuses on these two items.

In Indiana, local property tax abatement is granted for new construction or improvements to real property in an economic revitalization area (ERA), enterprise zone (EZ), or newly installed personal property in an ERA or EZ. For each of these forms of abatement, assessed value is reduced by the amount of the abatement. The value of the abatement in lost tax revenues is the

Table 1. Local Tax Abatements in Indiana, 2013

Tax Abatements	Description
Enterprise Zone Deductions	Deductions for personal income tax on one half of income earned up to \$7,500.
Personal Property Business Investment Deductions	Deductions for existing businesses against personal income tax for qualified investments.
Personal Property Business Veteran Deductions	For qualified veteran-owned businesses.
Personal Property Economic Revitalization Deductions	Abatements on all new personal property (up to 10 years).
Real Property Business Investment Deductions	Deductions for existing businesses against personal income tax for qualified investments.
Real Property Economic Revitalization Deductions	Abatement value is a percentage of the increase in assessed valuation that results from rehabilitation or redevelopment.

Source: Department of Local Government Finance (2012)

tax rate multiplied by the reduction in assessed value, which is not available in the reported data. Property tax abatements shift the property tax burden onto other property owners, including other businesses or residents. In Indiana, business property tax abatements are approved by local city and/or county councils for a maximum of 10 years for real property and personal property in ERAs and up to four years in an EZ. Abatement that is granted for multiple years is reduced each year according to a sliding scale. For example, real property improvements receiving a 10-year abatement would be able to deduct 100 percent of the AV of the improvement in the first year, 95 percent of the AV of the improvement in the second year, 80 percent in the third year, etc. Personal property has a slightly different abatement schedule. (These abatement schedules are shown in tables 2 and 3.) Businesses in manufacturing and research and development industries are eligible to apply for abatement in an ERA. Newly installed manufacturing or research and development equipment are the types of personal property eligible to receive abatement.

Businesses applying for abatement must file a statement of benefits form to apply for abatement and a compliance form for each year that abatement is received. The statement of benefits (application) form includes information on employees and salaries resulting from the project, estimates of the cost and assessed value of proposed property improvements, and estimates of solid and hazardous waste conversion. The annual compliance forms that are filed by the business include information on actual employment, salaries, project costs, assessed values, and waste conversions. The actual amounts are compared with the estimates that were provided in the original application. Once granted, it is rare for a local government to adjust or revoke abatement even if there are discrepancies between the promised benefits initially stated in the application and the actual benefits shown on the annual compliance form.

Table 2. Economic Revitalization Area Deduction (Abatement) for Real Property

Year	1	2	3	4	5	6	7	8	9	10
1st	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2nd	0%	50%	66%	75%	80%	85%	85%	88%	88%	95%
3rd		0%	33%	50%	60%	66%	71%	75%	77%	80%
4th			0%	25%	40%	50%	57%	63%	66%	65%
5th				0%	20%	34%	43%	50%	55%	50%
6th					0%	17%	29%	38%	44%	40%
7th						0%	14%	25%	33%	30%
8th							0%	13%	22%	20%
9th								0%	11%	10%
10th									0%	5%
11th										0%

Table 3. Economic Revitalization Area Deduction (Abatement) for Personal Property

Year	1	2	3	4	5	6	7	8	9	10
1st	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2nd	0%	50%	66%	75%	80%	85%	85%	88%	88%	95%
3rd		0%	33%	50%	60%	66%	71%	75%	77%	80%
4th			0%	25%	40%	50%	57%	63%	66%	70%
5th				0%	20%	34%	43%	50%	55%	60%
6th					0%	25%	29%	38%	44%	50%
7th						0%	14%	25%	33%	40%
8th							0%	13%	22%	30%
9th								0%	11%	20%
10th									0%	10%
11th										0%

Literature on Local Tax Incentives

Local governments have long used property tax abatement to promote business expansion and attraction. These incentives are part of a large body of research examining the relationship between tax incentives and economic development, the most germane of which were reviewed in Faulk and Hicks (2013). This research analyzes the role and impact of various tax incentives, and we recommend the reading of that analysis. Here we focus on reviewing those studies that focus on local property tax abatement. The existing research focuses heavily on the determinants of abatements (what leads to their use) and the impact of those abatements.

Determinants of Property Tax Abatements

Several studies have revealed that locations suffering from economic distress offer higher levels of property tax abatements. Byrnes, Marvel, and Sridhar (1999) examined the determinants of the generosity of property tax abatements to businesses in Ohio's enterprise zones based on location characteristics and firm characteristics. They examined 859 EZ abatement contracts in 230 school districts in 1993 and 1994, finding that school districts that enter into more abatement contracts, districts with lower house values, and districts with higher business millage rates all offer more generous abatement. They also found that firms with higher credit ratings and firms that provide more new jobs receive more generous abatement offers from the district than firms proposing to retain jobs. Byrnes et al. (1999) concluded, "...cities do seem 'rational' in their negotiations with businesses, offering more favorable tax abatement packages

to 'better' firms. ... it appears that Ohio cities that must overcome negative location characteristics offered higher abatements" (p. 817).

Anderson and Wassmer (1995) focused on the timing of abatements, analyzing when abatements are first utilized by local governments following their approval at the state level. Using a hazard model and 1974–1992 data for 112 municipalities in metropolitan Detroit, they reported that the median household income and the property tax price of local public services (median house value/total property tax base) are the primary determinants of the timing of abatement offers (length of the non-abatement spell) and that first-time abatements are offered in response to offers in other jurisdictions (emulation effect). Jurisdictions with higher median household income and higher property tax price wait longer to grant abatement, which suggests that distressed areas are more likely to offer abatements.

Reese (1991) studied abatements in Michigan cities with populations greater than 10,000 people, asking whether more prosperous cities are more likely to grant abatements and investigating the political factors that influence abatements. Using data from the 1970s and early 1980s, she found that cities with larger or growing populations, higher income levels, and more new development grant more abatements. This suggests that growing, rather than distressed, areas may offer more abatements. She also reported that "... professionalism in the economic development arena, noncompetitive mayoral elections, and reformed governments" (p. 30) are associated with lower abatement levels.

In a more recent study, Cassell and Turner (2010) examined the generosity of property tax abatement offered to firms in Ohio's enterprise zones and found that, as more local jurisdictions have been authorized by the state to offer abatements, the abatements have become more generous, indicating an increased level of competition among local governments to attract and retain businesses. They also found that distressed communities offer larger incentives than affluent areas.

Effects of Property Tax Abatements

Research on property tax incentives has examined the impact on employment, investment, property value, and other indicators. Much of the analysis to date shows that abatement has limited effects. Some examples specific to Indiana include a study done by Papke (1994), which showed that EZ designation in Indiana decreased unemployment claims in the zone by 19 percent and led to increases in the value of firm inventories by 8 percent. Coffin (1982) examined whether tax abatements offered in Indianapolis have led to an increase in new investment or simply altered the location of investment to areas that qualify for tax abatements. He estimated that property tax abatement reduces the investment costs on structures by 1.88 percent to 7.85 percent, depending on use. However, he drew no firm conclusions about other impacts of tax abatement.

Wassmer (1994) examined the effects of five types of incentives—industrial property tax abatement, commercial property tax abatement, Downtown Development Authority (DDA), tax increment financing (TIF), and industrial development bonds—for 112 cities in the Detroit metropolitan area using data at five-year intervals from the mid-1900s through the 1980s. He found that the effect of incentives depends on how development is measured and the type of incentive used. Industrial property tax abatements "can induce an elastic response in real manufacturing value added" if local conditions that "repel industrial firms are large enough" (p. 11). This suggests that distressed areas are more likely to offer abatement to compensate for negative local characteristics so that abatement increases manufacturing value added.

Another issue is the proposition that local governments offer abatement as a result of competitive pressure from other local governments. Wassmer and Anderson (2001) examined the effect of various economic development incentives on manufacturing property value, commercial property value, the residential employment rate, and the poverty rate using panel data (1977, 1982, 1987, 1992) for 112 cities in the Detroit metropolitan area. They reported that local offers of manufacturing property tax abatements had a positive influence on manufacturing property value in 1977—the first year examined. In other years, the impact was negative or not significant, indicating that, as more local governments began to offer abatement, the impact diminished. Commercial property tax abatements exerted a negative effect on commercial property values in each of the four years examined. The authors suggested that this relationship results from communities experiencing decreases in local property values offering more abatement.

Studies of enterprise zones (EZs) are of interest because one of the primary benefits of locating in an EZ is property tax abatement. The empirical literature on the effectiveness of enterprises zones is mixed. Bollinger and Ihlanfeldt (2003) examined the effect of fiscal and transportation policies on employment in enterprise zones. In particular, they examined the distribution of employment in Atlanta neighborhoods, as defined by census tracts, that are in commercial-industrial enterprise zones, housing enterprise zones, or that qualify for job tax credits. Using panel data for the years 1985 through 1997, the authors found that these policies are positively related to the neighborhood's share of employment.

In contrast, Lambert and Coomes (2001) provided a detailed analysis of Louisville's enterprise zone. They used a quasi-experimental analysis comparing various socioeconomic indicators for Louisville's EZ with similar regions in the same county and found that the Louisville EZ is not particularly effective. Population, employment of zone residents, and the number of owner-occupied housing units decreased after controlling for national job growth and industrial concentrations. Employment growth did increase in the area around the airport, which experienced a major increase in federal, state, and local funding to expand the airport.

Papke (2000) used annual data for 1981–1982 through 1991–1992 for zones and non-zones before and after EZ designation to analyze the effect of EZs on inventory, machinery, equipment, and real estate values. Using a fixed effects model, she found that EZs have no significant effect on the value of real estate, while the value of inventories increased, and the value of machinery and equipment decreased. Her estimates suggest that inventory investments may have substituted for investment in machinery and equipment. Another point that she makes is that the EZ inventory tax credit is the most valuable incentive. In 2000, Indiana began a 10-year phase-out of the tax on inventories.

In a series of studies, Engberg and Greenbaum examined the effects of enterprise zones on various economic indicators. Engberg and Greenbaum (1999) concluded that zones do not increase housing values on average, but in tight housing markets they do have a positive impact. Greenbaum and Engberg (2004) determined that, on average, zones have little effect on employment, number of business establishments, shipments, payroll, or capital spending. However, analysis of gross and net changes shows that zones have a positive effect on new establishments and a negative effect on previously existing establishments.

Figure 1. Assessed Value of Abated Business Property (millions of \$), 2002

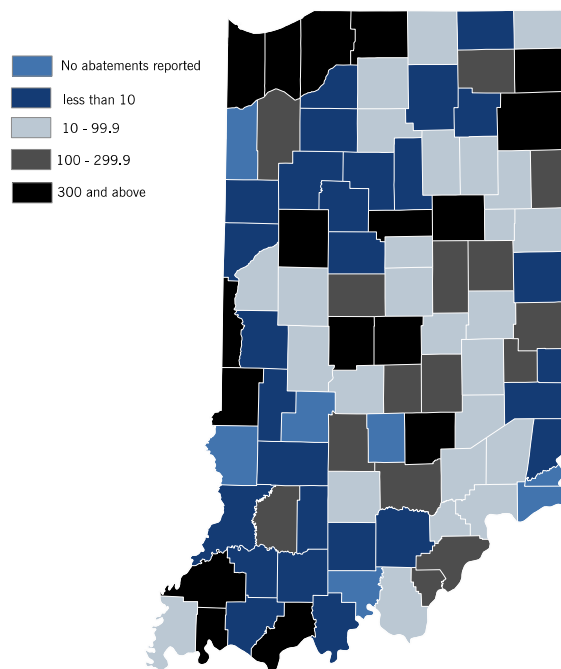


Figure 2. Assessed Value of Abated Business Property (millions of \$), 2011

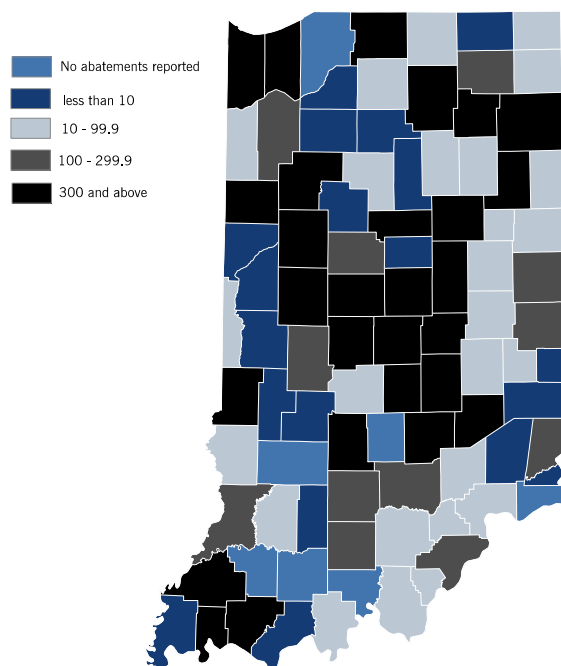


Table 4. Indiana's Abatement History

Year	AV of Abated Business Property		Reduction in Property Tax Revenue due to Abatement		Abatement as a share of the Net Tax Levy	
	5% Lower Bound (\$M)	100% Upper Bound (\$M)	Lower Bound (\$M)	Upper Bound (\$M)	Lower Bound	Upper Bound
2002	316.6	6,331	9.6	191.9	0.2%	3.6%
2003	506.1	10,123	9.7	193.7	0.2%	3.8%
2004	373.5	7,471	7.5	150.6	0.1%	2.8%
2005	360.9	7,218	7.6	152.0	0.1%	2.7%
2006	357.8	7,155	7.9	157.4	0.1%	2.6%
2007	425.2	8,503	8.9	178.7	0.1%	2.8%
2008	441.6	8,833	8.1	162.8	0.1%	2.8%
2009	435.8	8,717	9.5	189.1	0.2%	3.3%
2010	419.8	8,396	9.4	187.5	0.2%	3.2%
2011	414.2	8,284	8.6	171.2	0.2%	3.2%

Notes: Authors' calculations using data from the Indiana Department of Local Government Finance (DLGF). M=Million

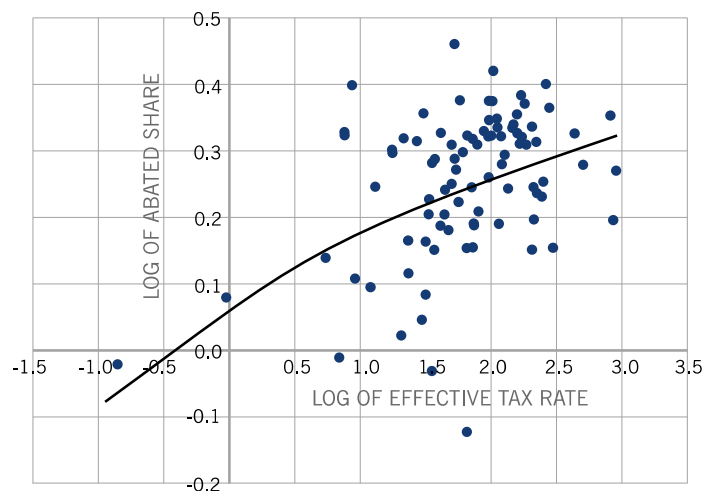
Incentive Use in Indiana

The research discussed above addresses several questions of interest for Indiana taxpayers. Among them are the size and scope, geographic variability, and potential impact of incentives. The data available for this analysis does not provide an unambiguous accounting of the size and value of abatements. The best that is possible is an estimate of the scale of abatements at the county level. The major impediment to a full accounting of abatements is that they are persistent, lasting for as many as 10 years. Because our data are only available from 2002 onward, we do not have a lengthy period from which to assess the full size of abatements. The data available from DLGF is the assessed value (AV) of property, which has been approved to receive real or personal property tax abatement. The value of the abatement depends on where each property is on the abatement schedule, the share of real and personal property that is abated and the property tax rate of the business. We do not have data on any of these and therefore provide two estimates that represent the upper and lower bounds for the level of property tax abated during the study period.

Table 4 illustrates the estimated value of abatements during our sample period. We provide two estimates that are the lower and upper bounds based on the extremes in the sliding scale abatement schedules (tables 2 and 3). The upper bound estimate is calculated under the assumption that 100 percent of AV is abated, and the lower bound is calculated under the assumption that 5 percent of AV is abated. The actual level of abatement is between these two extremes. Based on the data available, we believe that actual abatement is in the middle of these extremes because the aggregate level of AV eligible for abatement in the state has decreased since 2008. This suggests more business property is coming off of the abatement schedule than is being added, though this varies considerably by county. Figures 1 and 2 show the distribution of assessed value for abated business property in Indiana counties in 2002 and 2011.

To calculate the reduction in property tax revenue due to abatement, we multiply the assessed value of the abated property by the effective (average) property tax rate in each county. This is an imperfect measure of the taxable value of the abated property for several reasons. First, the new property growth may, in some years, have exceeded budget growth restrictions and so new property growth may, in some years, have exceeded budget growth restrictions and so would have simply reduced the rate for existing property taxpayers. Second, some of this property would not have been constructed without the abatement. Third, the actual rate for each piece of

Figure 3. Abated Share of Assessed Value vs. Tax Effective Rate, 2011



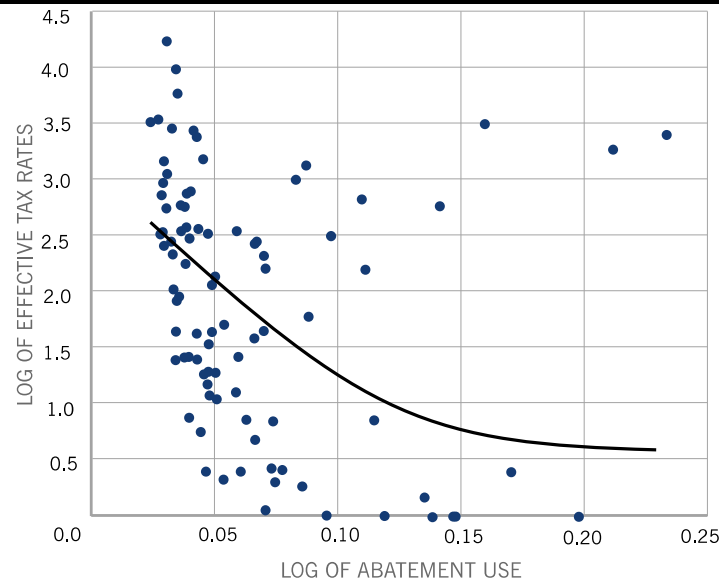
property will vary depending on the location of the property within the county, so the effective tax rate for the county would not be a fair representation of the actual tax rate on a piece of property. However, we believe this would most likely understate the tax rate because the effective tax rate calculation involves all property classes. For these reasons, this measure of potential tax losses associated with abatements is an imperfect measure of the actual lost taxes, which would otherwise be available to a community. Nonetheless, the magnitude of the value of the abated property provides an estimate of the level of economic activity that local governments have exempted from taxes.

Given the peculiarities of Indiana's local property tax calculation methods, along with a significant change in assessment procedures and property tax caps, it is not directly clear whether the abatement had any effect on overall tax rates for existing residents. Moreover, at least in some instances, the business receiving the tax abatement would alter its investment decision. This could have resulted in choosing an alternative location or a reduced level of investment. In such circumstances, the abatement would not be highly correlated with lost local tax revenue. So, a simple accounting of abated property and effective tax rates cannot provide a direct estimate of fiscal impacts.

In order to understand how abatements may have influenced non-abated taxpayers, it is necessary to measure the sensitivity of effective tax rates to abatement activity. If effective tax rates are uncorrelated with abatement levels, then we can confidently conclude that abatement activity has not influenced overall tax burdens in a county. However, if abatements and tax rates are correlated, then we can potentially draw two different inferences regarding abatements and taxes. Either abatements increase local tax rates, or local governments with higher effective tax rates must engage in more abatement to lure businesses to their communities. To conduct this analysis, we place both the effective tax rate and the total abated share of assessed valuation in each county into the same scale through a logarithmic transformation. These are plotted with the best-fitting statistical line, as shown in figure 3.

This graphic strongly suggests a relationship between effective tax rates and the level of abatements within a county. A fitted statistical line reveals more detail on this relationship. A simple regression analysis of this type finds that each doubling of the abated share of assessed valuation increases the effective tax rate by more than 12 percent. As expected, this effect is

Figure 4. Effective Property Tax Rates and Use of Abatements, 2011



nonlinear, in that the impact on tax rates dampens as total abated share rises. This is expected because property tax caps may limit effective tax rates in many locations.

Another issue with local tax abatements is the frequency or consistency of their application. Counties that use abatements sparingly may have a single, large project, examples of which may include a large automobile assembly plant or wind turbine site. Other communities may abate a nearly constant level each year. The question of interest with respect to the frequency or “lumpiness” of the use of abatements is whether or not they are correlated with the effective property tax rate in a county. If the frequency of abatements is positively correlated with effective tax rates, then we have further evidence that the use of abatements increases the tax rate paid by the remaining residents and businesses of a county.

We use the coefficient of variation in abatements for each county from 2002 through 2011 to measure the frequency or “lumpiness” of abatement use. The coefficient of variation is a measure of variability that can be compared across counties. A low coefficient of variation implies a fairly uniform use of abatements, while a high coefficient of variation means that there are fewer, larger abatements—an occurrence that might be thought of as “lumpy.” For example, a county that had a one-time abatement for a new wind turbine farm would have a high coefficient of variation, while a county that abated \$3 million to \$5 million each year would have a low coefficient of variation. Both of these examples are drawn from actual experience in Indiana’s counties. To perform this analysis, we plot each of Indiana counties’ effective tax rates (vertical axis) against the coefficient of variation in abatement use (horizontal axis), as shown in figure 4, and perform traditional statistical analysis evaluating the correlation between tax rates and the application of abatements. The graphic portrays a strong correlation between these two factors. The relationship suggests that infrequent use of abatements is strongly correlated with lower effective tax rates, and high use (a low coefficient of variation) is correlated with higher effective tax rates. Counties that regularly use abatement have higher tax rates. Again, we are not able to distinguish whether these counties with higher rates offer more abatement to attract businesses or if the use of property tax abatement is causing rates to increase.

The data on tax abatements in Indiana from 2002–2011 provides some insight into the use and effect of abatements on tax rates. In particular, there is compelling evidence that the size and

uniformity of tax abatement use has a negative impact on property tax rates in Indiana counties. To test this further, we also perform a joint statistical test, where effective tax rates in 2011 are a function of past abatement (UPPER BOUND), the coefficient of variation of abatement, and the interaction of these two measures of abatement use. That test supports what we report in figures 1 and 2 but suffers the same problem of having an unclear direction of causation. So, it may be that places with higher taxes find that the use of abatements offsets some of the negative consequences of higher rates, a finding reminiscent of Byrnes et al. (1999).

In our recent study (Faulk & Hicks, 2013), we reported that, in a model of the impact of abatements at the state and local level, local tax abatements contributed to roughly one job for every \$30,000 in abated property taxes (UPPER BOUND). This type of modeling is useful because it permits us to isolate the effect of local tax abatements from other confounding effects such as existing industrial structure, existing tax rates, changes to state tax abatements, or recession-related activity. This level of impact on local employment is much lower than most contemporary estimates of tax incentive effects.

The role of tax abatements in affecting future total assessed property value also may affect assessed value in a county. For example, a county may abate taxes for an assembly plant with the expectation that a number of suppliers will locate regionally and therefore add to the countywide property tax base. To test this, we performed a basic statistical test comparing the growth of total assessed value to the growth of abated property value from 2001 through 2011. We find that, for every 1 percent increase in abatements in a county, the property tax base rose by 0.2 percent, which is a small impact. We have encountered no other research on the role of abatements in affecting the growth of assessed value, but it appears that this growth is largely the result of the actual abated property and not the additional assessed value from other businesses.

Our findings are consistent with those studies performed by Engberg and Greenbaum. This interpretation would be consistent with our findings regarding the effect of abatements on property tax rates. These findings of higher tax rates associated with more liberal use of abatements, along with the relatively expensive job creation effects, argue for considerable scrutiny of Indiana's local tax abatement policies and practices.

Summary and Recommendations

The research presented in this study and in the much more detailed analysis of state tax incentives found in Faulk and Hicks (2013) finds that local tax abatement use tends to be correlated with higher effective tax rates on existing households and businesses within a county. These correlations exist in both the absolute size of abated property relative to the existing assessed value of property taxes and in the frequency of use of tax abatements.

We report findings that suggest that, as a job creation tool, local tax incentives in Indiana appear to be minimally effective. We also report that there is not a strong relationship between abatements and the growth of assessed value over time. The implication is that, on average, the use of abatements as a tool for growing a property tax base is not particularly effective in the short to intermediate term.

These findings cast significant doubt on the efficacy of Indiana's system of property tax abatements in creating jobs, increasing the tax base, or controlling property tax rates.

Consequently, we recommend several actions to be undertaken by various stakeholders in Indiana.

We recommend that a comprehensive review of data on local tax abatements be undertaken. In particular, more detailed data on the size and focus of these incentives should be made publicly available in a centralized location, such as on county-specific websites. The state should aggregate and report this information in an electronically readable form along with other local tax information. As noted above, the abatement information currently available is not sufficient to perform more detailed analysis of sub-county effects.

We recommend that a significant study of local tax abatements be undertaken, which involves not only the types of aggregate estimates provided or reviewed in this study, but also case studies of individual counties and projects in order to assess their effectiveness. This study also should involve the full gamut of efforts to better understand abatements, from county experience and anecdote, to a more involved technical analysis of local abatements and their effect on Indiana communities, businesses, and taxpayers.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Book Review

The Philosopher-Lobbyist: John Dewey and the People's Lobby, 1928-1940 by Mordecai Lee

Vincent Reitano – North Carolina State University

Lee, M. (2015). *The philosopher-lobbyist: John Dewey and the People's Lobby, 1928-1940*. Albany, NY: SUNY Press. \$95.00 (hard cover), ISBN: 978-1-4384-5528-0.

As a prolific scholar, Dewey ascertained legitimacy among his contemporaries. His work transcends the traditional notion of academic fields, with seminal contributions to psychology and education, in addition to debates regarding democracy common to public administration and policy. The latter made him prominent among the polis, too. Dewey became a household name by the mid-twentieth century, which was no small feat for an academic philosopher. Given these accomplishments, it may appear somewhat strange to ascribe the label of a lobbyist to Dewey because lobbying can convey a negative connotation, which lacks any hint of intellectualism to the modern observer. However, Lee weaves together an intriguing historical account of how Dewey as a lobbyist was informed by Dewey as philosopher.

In particular, archival records are used to construct a previously unexplored account of Dewey's tenure as president of the People's Lobby (PL), a nonprofit advocacy group he co-founded with a tenured Washington lobbyist named Benjamin Marsh. The PL was critical of both Hoover and FDR and sought more progressive solutions such as taxing the rich to a greater degree and expanding public ownership. Under Dewey's leadership, the Lobby attempted to influence policy, challenge special interests, which marginalized the interest of the public, and also educate the common citizen through various channels such as radio. This allowed Dewey to use his insights as a philosopher to formulate progressive policy positions, which were construed as a lobby for the interest of the public. Even with the acerbic nature of Lobby co-founder Marsh, which attracted the ire of conservative critics, the PL was an informed lobbying organization seeking change from within democratic institutions rather than through revolution.

Lee distills the role of Dewey as philosopher-lobbyist in three distinct sections. Each section guides the reader through the historical and intellectual context that Dewey and the PL operated within. This proves essential to understanding the evolution of the Lobby in response to issues the US government faced, such as the Great Depression and World War II. Further, Lee incorporates interludes that detail the similarity between the political debates of the past and ongoing debates of the present, which further draws the reader into the text.

Part I contains two chapters that contextualize the creation of the PL. It recounts how Dewey sought a more experimental democracy, in which the public actively challenged the economic and political status quo. Lee collects a variety of sources to demonstrate that Dewey was as an active leader of PL who worked with Marsh to publicly espouse progressive views, garner members, and obtain funding. Such an account advances the limited scholarship on Dewey's involvement with the PL, which has largely mischaracterized him as being a namesake rather than an active member.

Dewey was actively involved with the PL, which allowed him to use his insights as a learned philosopher with an ability to translate the abstract for the layman and develop progressive policy suggestions. Part II of the text is devoted to detailing these policy suggestions in relation

Reitano, V. (2016). The philosopher-lobbyist: John Dewey and the People's Lobby, 1928-1940 by Mordecai Lee. *Journal of Public and Nonprofit Affairs*, 2(2), 174-175.
doi:10.20899/jpna.2.2.174-175

to the Hoover Administration and FDR's New Deal, which the PL sharply criticized as being conservative. Lee's masterful review of documents, conferences, and public hearings reveals that the PL was a group of political outsiders akin to a third political party, which was consistently able to command attention from the mass media. As a group of outsiders, the PL still managed to attract the attention of the FBI, which misidentified the Lobby as being communist sympathizers, despite repeated and public disavowals by Dewey and Marsh.

Part III of the text focuses on how the PL operated as Dewey's involvement in PL waned by 1940 due to his increasing age. The book shifts focus from Dewey to the Marsh and his ongoing involvement with the Lobby through WWII. It may initially appear that this section is detached from the text, given an emphasis on Marsh and the eventual closure of the Lobby due to his age. However, the third section only reinforces the role that Dewey played in building the framework and policy positions of the PL. The philosophy Dewey espoused in his seminal 1927 text *The Public and its Problems* was enacted by the PL, which was carried forth by Marsh through the lifetime of the Lobby.

Few philosophers of the modern era can claim their work was heard by Washington and the public at large. The research of the typical academic is often unheard as well because it may be construed as too theoretical or abstract for practical purposes. The supposed conflict between being both a philosopher and lobbyist is rooted in this very concern, given that a philosopher may be abstract and rigid, while a lobbyist may be spineless and lacking intellectual rigor. Dewey transcended such simple and dichotomous notions by serving in both roles.

As demonstrated in Lee's *The Philosopher-Lobbyist*, Dewey is a figure of importance to public administration and policy. Given debates over dichotomy in public administration and questions of democracy in technocratic policy schools, Dewey can provide fresh insight into how to put written thoughts into action. This can prove critical to the student of administration and policy who will work in a practitioner function as well as scholars seeking to expand the reach of their work beyond academic journals. *The Philosopher-Lobbyist* and even Dewey's own work will not provide the exact course of action but will convey the philosophy of active and experimental involvement in a democracy.

Disclosure Statement

The author declares that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Book Review

The Business Improvement District Movement: Contributions to Public Administration and Management by Seth A. Grossman

Stephen Kleinschmit – Western Michigan University

Grossman, S. (2016). *The Business Improvement District Movement: Contributions to Public Administration and Management*. New York, NY: Routledge. \$49.95 (paperback), ISBN: 978-1-1386-6889-8.

Business improvement districts (BIDs) are an important mechanism for promoting local economic development. These public–private partnerships have played a vital role in the redevelopment of urban cores by leveraging private investment to promote economic growth, facilitate civic engagement (Banyan, 2008), reduce poverty, and reduce crime (Macdonald, Stokes, & Grunwald, 2014). These organizations are often the primary means of promoting revitalization, though often complement other local and regional strategies. Additionally, their policies often lead to positive economic spillovers in adjacent areas (Hoyt & Gopal-Agge, 2007). Consequently, familiarity with their operations is a crucial skill needed by municipal administrators tasked with promoting economic development.

In this work, Seth Grossman provides an introduction to multisectoral-managed business districts (MBDs), emphasizing public–private partnership (PPP) administration and special district governance. The text is based on the Business District Management Certification Program at Rutgers University-Newark and, consequently, focuses on the managerial enterprise over a review of techniques. The author feels that the BID manager is neglected in the subject's literature because their intersectoral work makes them “hard to pin down professionally” (p.2.), so he presents this review of theory and practical applications for audiences (namely, public managers and graduate students) that may be called upon to fill this role. Chapters 1-3 comprise of the managerial and organizational theory underlying the movement, while chapters 4 & 5 address issues of MBD implementation, governance and practice.

Chapter 1 begins with a review of BIDs, their purpose and their antecedents, couching their presentation within larger discussions of trends within the field of public administration. The author argues that the BID manager is “a different kind of animal in the public management field,” which requires a combination of skills and professional competencies derived from a number of allied fields, including business, marketing, finance, politics, and urban planning (p. 37). This entrepreneurial public manager is a blended specialist who must master the art of the community, building dialogues in ways that public and private institutions cannot. The chapter concludes with a discussion of the author's partnership model, which is applied in different contexts throughout the book.

Chapter 2 addresses foundations of the BID movement, touching on a number of its criticisms. These include aspects of accountability, commitment to democracy, and its challenges to the norms of administration, all which inform the hypotheses he presents. Grossman argues that “at the edge of public administration” lies a dysfunctional “no man's land” where BIDs operate (p. 61), a result of a unique institutional arrangement for which they possess economic and political legitimacy (p. 62). The author challenges the separation of public and private management by

Kleinschmit, S. (2016). The business improvement district movement: Contributions to public administration and management by Seth A. Grossman. *Journal of Public and Nonprofit Affairs*, 2(2), 176-178. doi:10.20899/jpna.2.2.176-178

arguing for the complementarity of public entrepreneurship, whose agents promote social change and, through formalized PPP “exemplify a new pragmatism in public management” (p. 74). Though it does address issues of civic trust at length, it also identifies many core conflicts in the administrative enterprise; consequently, the work may benefit from a wider exploration of the BID manager’s professional ethos. The conversation then shifts to comparisons with new public management before addressing its function in promoting social capital, theories of participant motivation, and issues underlying performance measurement. At 70 pages, this chapter proves the most substantial of the book, both in content and examination of public management theory. Its ability to relate the enterprise with paradigms in public administration no doubt increases its relatability with students of the field.

Chapter 3 shifts the conversation toward a comparatively short (18) page review of the BID organization, discussing its authorization, operation, and legitimacy. It examines sectoral interdependence for the sake of explaining the importance of place management, where community revitalization is pursued with a customer service orientation. This reflects the value dynamics inherent within current other trends in public administration scholarship, namely, the distinctions “between those things public and those things private is no longer as meaningful as it once was” (p. 129). The narrative then reverts back to the manager as the subject of analysis, through a section of which is reprised from Chapter 1, though the author notes this chapter was previously published in *Public Performance & Management Review* (p. 140). The analysis then returns to the BIDs, which now seems a bit discontinuous in terms of conceptual progression, though the chapter concludes with a useful discussion of criteria that underlie BID failure and success.

Cooperative forms of commercial management become the focus in Chapter 4. Emphasizing retail, Grossman explores how managers pursue development when the goals of actors (particularly malls and “big box” development) do not align with those of the MBDs. He argues that town centers provide a “higher volume public use” (p. 150) that draws people into the area. He posits that the decline of downtowns might be of partial consequence of the lack of professionalized business district managers present within local government and chambers of commerce (COC) in the past (p. 151). It is under this frame that he explores COCs, which he finds to be an institutional mismatch with the mission of business district management; they are actors and advocates premised on networking and lack the authority of MBDs. A communitarian approach underlies the following discussion of asset-based development, asking managers to consider what residents like about their town. This dovetails into a discussion of destination marketing, as tourism is a component of a comprehensive place management strategy to realize the value (natural, historical, artistic, etc). To inventory these assets, the author suggests using principles of ALPP & SWOT analysis to provide a systemic review.

Success (or failure) of BIDs may be difficult to assess, so performance measurement is a consideration that must be incorporated to ensure their continued support. Chapter 5 provides an introduction to these measures, which combine public impact (quality of life) with private (return on investment). The author again stresses trust as a foundation, as it underlies the development of social capital and is critical in pushing a model of leadership where the community “may pursue things worth failing at” rather than accepting the status quo (p. 168). The latter half of the chapter stresses strategies for implementing PPPs, including management tools such as scorecards. It then addresses NPM and its emphasis on privatization, seeking to reframe the conversation to one of partnership, though this risks agencies shirking public responsibility or may alarm those in the private sector by overstating the political nature of BIDs (p. 178). After reviewing BID fundamentals, the author concludes the chapter by presenting the framework for the universal PPP & BID performance survey included in Appendix B.

Chapter 6 consists of a brief epilogue, broadly covering trends in global development and its influence on management theory. In advocating for his PPP model, Grossman urges public administrations to address the neglected base of governance that undermines trust in government. These “remarkable examples of public administration” offer an alternative lens for understanding contemporary community development and may challenge existing assumptions about the practice of public management, as detailed throughout the book. The appendices present previous research on the topic as well as the aforementioned survey, which is part of a manual for BID boards. The work concludes with an annual report for the *Ironbound Business Improvement District* (Newark, NJ), which serves as a useful guide for those seeking cues on BID program design and structure.

This text provides a strong introduction to the BID movement and excels at providing the reader with an expansive treatment of the theory that underlies their design and management. The author makes a convincing case that increasing business buy-in requires more than simply leveraging private capital, it means managing a community of interests that create public value. In linking public and private sector frames, Grossman provides a more pragmatic managerial approach to BID administration than have others. Consequently, the work is a valuable review for public managers and a helpful resource for graduate study in the subjects of economic development, local government administration, and urban planning.

Disclosure Statement

The author declares there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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