Key Take Aways

Public service delivery is affected by government administrative and financial policies.

Governance systems must be modernized but budgets and infrastructure challenges present administrative hurdles.

Adjustments to budget processes can help alleviate current challenges.

Pennsylvania's state government needs to invest in recruitment strategies.

Infrastructure needs must be addressed.

Transparency is key.

FISCAL POLICY AND ADMINISTRATION AT THE STATE, REGIONAL AND LOCAL LEVELS

Central Pennsylvania Chapter

The delivery of public services to the citizens of the Commonwealth of Pennsylvania is significantly affected by administrative and financial policies and practices of officials at every level of government. The size and complexity of the state's governance system—with overlapping and competing spheres of influence of almost 5,000 units of government and regional and nonprofit organizations—requires evaluation and modernization of its financial and administrative systems. The uncertainty of budget negotiations, an aging physical infrastructure system, increased use of technology and changing public sector workforce demographics present real opportunities to do so.

The Challenges

Escalating costs of basic public services, increased citizen needs and wants and inadequate revenue streams are just some of the fiscal pressures that contribute to budget-making challenges. For example, Pennsylvania's 2015-16 state budget impasse, "resolved" nine months late, had lasting impacts on public services, including operations at the county level, and nonprofit organizations. Coping with budgetary shortfalls and competing objectives has become the norm. To be sure, improving the annual budget negotiation process is imperative. Yet the situation proves challenging as leaders must cope with the reality that needs outweigh available resources.

Take Pennsylvania's aging infrastructure, from roads and bridges to school buildings and wastewater management systems. The American Society of Civil Engineers' 2014 Infrastructure Report Card gave Pennsylvania a C- overall. Infrastructure investment is essential to the well-being of individuals and families, especially to economic development outcomes associated with job creation, productivity and competitive advantage. Supporting infrastructure investment within a constrained budgetary process—and accounting for initial construction costs and recurring operating and maintenance costs—is complex (Barrett and Greene, 2017). As leaders undertake new infrastructure investments and initiatives, they need a comprehensive framework of information systems, information technology and hardware and software.

State, regional and local leaders are tasked with the managing information systems to understand concepts and invoke critical thinking, especially as citizen demands and needs evolve over time. The expansion of the Internet and social media—and, more recently, the "Internet of Things"—provides government unparalleled opportunities to harness the power of technology and enhance citizen interaction (Bright and Margetts, 2016). Social media platforms provide avenues

of direct interaction that can be quantified and analyzed to help guide policy and achieve citizen satisfaction.

Our leaders, in Pennsylvania and elsewhere, are under increasing pressure to operate more transparently and collaboratively when it comes to budgeting, infrastructure investments and management information systems. Innovative efforts that help government and nonprofit organizations develop more efficient and effective systems—those that are responsive and user-friendly, yet balance cost and benefits—likely will result in greater citizen satisfaction.

Recommendations

Consider piloting or adopting a biennial (two-year) budget-making process. Pennsylvania Senate Bill 526 provides for a constitutional amendment for the State budget. For more information, visit www.legis.state.pa.us and enter the bill number in the upper right-hand corner.

Improve and modernize revenue forecasting and budget processes to allow for greater consensus, use of outside expertise and public transparency. Effective state budgeting requires that the legislative and executive branches work within established timelines to produce budgets that benefit agencies, local governments and other constituencies ill served by delay and stalemates. More comprehensive, transparent and rational revenue forecasts, covering multiple years and integrating expert input, can help state and local governments set more realistic budget targets and expectations (McNichol, 2014).

Streamline public sector recruitment and selection processes to address the looming retirement wave. Invest in public sector employees' critical skills and knowledge. Outdated public sector recruitment and selection systems, including current civil service systems, make it increasingly difficult for government to attract and retain Millennials in the face of looming Baby Boomer retirements. University partnerships to attract high-qualified interns and recent graduates can enhance the likelihood of a high-quality future workforce, as can ensuring comparability with private sector pay and benefit systems. It is essential that public leaders improve the productivity and innovation of the state and local workforce. This can be accomplished with more training and development investments, plus greater empowerment and gain sharing/incentive plans that offer employees direct benefits thanks to cost-saving measures they initiate.

Engage state leaders and non-profit organizations in active conversations about how to best utilize transportation funds. Pennsylvania's Act 89 provides almost $2.4 billion in new revenue annually for the state's interconnected, multimodal transportation system. New revenue, grants and enhanced initiatives—including "PennDOT Connects," a collaborative state-regional-local conversation on transportation investments and priorities—continue to evolve, providing an effective infusion and investment of taxpayer dollars.

> **"Usually, it is not a matter of whether a disaster or crisis will occur, but when and how well leaders have planned for mitigation, response and recovery of administrative and information systems."**

Expand investments in cybersecurity infrastructure to address potential and actual threats. Cyber threats are increasing in volume and complexity at an alarming rate; governments often are the target as they are vast repositories of sensitive information about citizens, public services, financial and property data and other highly desired digital information. As governments seek to meet citizen demands and expand their consumer transaction capacity, and as they link to larger state and regional data systems, the risks become greater. Greater investments in this area can protect governments and the citizens they serve.

Increase and strengthen public-private partnerships and investments to meet the needs of an aging infrastructure. Pennsylvania's history of disinvestment of water and sewer systems, roads and bridges, and public buildings has created a fiscal crisis that continues to jeopardize health and safety and negatively affect productivity and economic vitality. There is a unique opportunity to make strategic investments at the state level, working with regional and local partners to spur new private sector investment, support job growth, and improve quality of life. In Pennsylvania, agencies can see whether they qualify for such a partnership by visiting www.PennDOT.gov.

Emphasize continuity planning in government to foster resiliency and adaption to changing environments. Usually, it is not a matter of whether a disaster or crisis will occur, but when and how well leaders have planned for mitigation, response and recovery of administrative and information systems. This is more apparent than ever given greater reliance on core technologies to help plan and manage

public services. With a similar array of services and systems, initiating collaboration and partnerships across communities can address this ongoing challenge.

Foster more transparency and enhance public trust, especially in government finance and the public workforce. State and local governments enjoy much higher levels of trust than national government, a trend that has been remarkably consistent over the past two decades. Nearly seven in 10 respondents to Gallup surveys report a "great deal" or "fair amount" of trust in local government to handle problems; about six in 10 suggest the same about state government (McCarthy, 2016). More direct interaction and greater familiarity with state, regional and local public services are important reasons. Cynicism and negative feelings about institutions and government are disturbing features of the modern societal landscape that leaders cannot underestimate or ignore.

> **"State and local governments enjoy much higher levels of trust than national government..."**

Invest in comprehensive succession planning to identify and develop new leaders. Consider selecting Millennials to help manage new initiatives or projects. Create a succession path where a Millennial can shadow a lead manager of the new initiative or project so that they gain applicable skills for when they are appointed the next lead manager for another initiative or project. This will result in a transition of knowledge that will build a strong foundation for the future of the organization.

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