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INNOVATIVE GOVERNMENT

By

Laura Elizabeth Huggins

**Thesis submitted in partial fulfillment
of the requirements for the degree**

of

**UNIVERSITY HONORS
WITH DEPARTMENT HONORS**

In

Political Science

**UTAH STATE UNIVERSITY
Logan, UT**

1988

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American citizens are often dissatisfied with government. They are upset over crumbling city streets, unmowed county lawns, trash on the side of state highways and neglected canyons and parks. In general, they are discontented with the amount of taxes they pay compared to the benefits they see.

On the other hand, hardworking and intelligent public employees are frustrated with citizen dissatisfaction, but are unclear over how to move toward change. They are often lacking incentives to produce new ideas and feel trapped within a web of laws and regulations. However, this does not need to be the case. Many cities are currently breaking free from the bonds of traditional government and becoming creative and innovative.

Enterprising Government

It is not difficult for governments to become entrepreneurial. It is often as simple as seeing a situation from a different angle. As Marcel Proust wrote, "The real voyage of discovery consists not in seeking new lands, but in seeing with new eyes."¹ Developing innovative government

agencies can be as easy as creating a new mission, enacting a user fee, or establishing a performance-based budget.

The purpose of this paper is to spawn new and creative ideas by observing current examples of entrepreneurial governments. One way for bureaucracies to become more innovative is to encourage employees and citizens to become more entrepreneurial. "Entrepreneurs" are people who can use resources in new ways, people who are seekers of opportunity, and people who strive to minimize costs while maximizing the benefits.

Case Study:

Paddlefish in Glendive, Montana.

Joseph Frank Crisafulli, a sprinkler irrigation engineer in Glendive, Montana, is a good example of a successful entrepreneur. Glendive is a small agricultural city located on the lower Yellowstone River. People flock to Glendive each spring to fish the river for the tasty paddlefish.

Crisafulli knew that paddlefish are the main source of American Caviar, which sells in New York markets for \$80 to \$200 per

pound.² However, the fishermen are not interested in the fish eggs, otherwise known as roe. As a result, the roe accumulated on the river banks as the fishermen cleaned their fish. The roe was not aesthetically pleasing or pleasant to smell, and attracted large numbers of obnoxious rodents and insects.

In 1987, Glendive was suffering from drought and low agricultural prices. Businesses were suffering as the city's tax base shrank. Crisafulli saw an opportunity to utilize the roe that had, until this time, been only a problem.

Crisafulli, along with members of the Glendive Chamber of Commerce, developed a plan to clean paddlefish, an activity fishermen don't particularly enjoy, in exchange for the roe. It was illegal to sell wild game products in Montana, so the Chamber of Commerce lobbied the state

legislature for an exemption from the law. The exemption was granted in 1989, when Governor Stephens signed a bill making it legal for Glendive to sell the roe as long as half the revenue went to local community projects and the other half was returned to the state for paddlefish management and research.

In 1990, the Glendive Chamber of Commerce and a Russian caviar expert transformed an abandoned dairy into a caviar processing plant. In the program's first season, the total income was \$110,000 and in 1991 it reached \$292,905. After seven years, the program has grossed \$1,060,000. Of that amount \$220,000 has gone to grants for community projects and \$260,000 to the Montana Department of Fish, Wildlife and Parks. After seeing the success of the paddlefish program in Montana, another group of enterprising people in North Dakota have started a similar project.

Considerations for promoting innovative government.

1. Effectively communicate the need for change to the community and or government employees.
2. Offer incentives to stimulate creative and innovative ideas.
 - a) The entrepreneur might get a portion of the revenue from a beneficial project he or she designed. A finder's fee might be set up for the public or a commission given to government employees.
 - b) Publicly reward the entrepreneur. For example, in Indianapolis the Mayor presents the "Golden Garbage" award to the city employee who finds the most objectionable example of government waste. The winner receives a toy truck glued to a piece of wood along with lots of press coverage.³
3. Create a strategic plan.
 - a) Ensure that all participants are clear on the plan and can execute it well.
 - b) The plan should remain flexible so it can be changed if needed to make it more efficient.
 - c) Notify the community if it will be affected.

Thanks to Crisafulli's idea and the hard work of Glendive's Chamber of Commerce, a win-win situation has been created. "Not only do these two projects pay for baseball fields, museums, and libraries in towns strapped for financial resources, they also help sustain the Yellowstone River paddlefish population."⁴

Two other examples of innovative government can be seen in the way Milwaukee and Phoenix utilize sewer waste. In Milwaukee the sewage district transforms 60,000 tons of sewer sludge into fertilizer which earns \$7.5 million in revenue annually. In Phoenix \$750,000 is earned each year by siphoning off methane gas generated by a wastewater treatment plant and selling the gas to Mesa City for home heating and cooking.⁵

User Fees

Another way government can become more innovative and productive is by enacting user fees. User fees not only raise money, but they also reduce the demand for a public good. When consumers are not required to pay for a good, they will consume more of the good than if they had paid the full cost. As Norm King, city manager for Moreno Valley, California, stated, when the dinner bill is going to be evenly shared, "I have the Filet Mignon." When he pays his own bill, "I may well have the chicken and not the filet mignon."⁶

When there is no user fee, the poor often subsidize the rich. For example, the well-to-do, with their larger homes and more expansive lawns, use more water than the less fortunate. When governments pay for water systems out of general tax receipts, or when unmetered water is sold to the residents, the poor often pay a

disproportionate share of the cost. User fees help to assure sustainable resources and revenues.

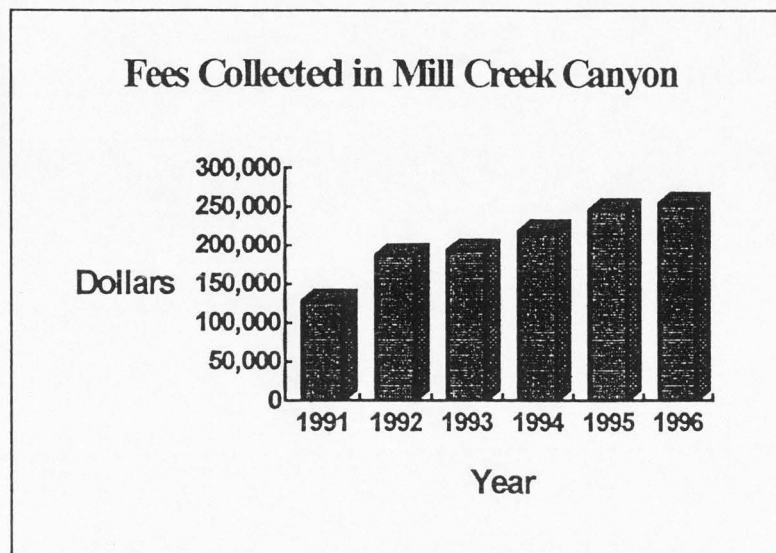
Case study:

Mill Creek Canyon, Utah.

Mill Creek Canyon is an example of the effective application of user fees. Mill Creek Canyon is a popular recreation area within the Wasatch National Forest, east of Salt Lake City, Utah. The canyon became an environmental disaster and a human safety hazard because of over use and limited funding from congressional appropriations. In response to the problem, Salt Lake County and the Forest Service developed a joint management plan. Under the plan, the county collects a small entrance fee, then returns the money to the Forest Service to be spent solely on Mill Creek Canyon.

Since 1991, when the fees were implemented, local government, the Forest Service and the community have benefited greatly. The fees have led to dramatic decreases in vandalism, sexual assault, traffic offenses and other disruptive activity. The numbers of visitors have been reduced and funds are now available for the rehabilitation of the ecosystem and the restoration of the facilities in the canyon.

Salt Lake County began collecting the fees in May of 1991. The first year, \$127,000 were collected, and the amount has increased every year since (see chart). All the fees in excess of collection costs were turned over to the Forest Service. This is an extraordinary amount, compared to the \$3000 per year the Forest Service was formerly receiving from congressional appropriations for the management of the canyon.



SOURCE: Salt Lake County Department of Parks and Recreation.

A user fee was a creative answer to a problem that had been worsening for years in Mill Creek Canyon. The plan is supported by a majority of the public, who have observed the positive affects the user

fee has produced. After seeing the benefits in Mill Creek Canyon, the managers of other heavily used recreation areas are considering similar plans.

Things to consider when applying a user fee:

1. User fees work only under favorable conditions.
2. User fees should be limited to goods and services that are primarily private goods.⁷
 - a) User fees must be collected efficiently, and used only when those who do not pay can be excluded from the service.
 - b) Fees charged for collective goods should not cover the entire cost. Fees should not discourage the use of the service. For example, mass transit benefits everyone by limiting traffic congestion and pollution. If it were priced to recover the full cost, fewer people would use it and society would lose a benefit.
3. Let the consumers know the true value of the good so they are more willing to pay.
4. Equalize the customers.
 - a) All customers should be treated equally.
 - b) Fees should not exclude the poor from using the good or service.

The opportunities for user fees are unlimited. An innovative government might save or even earn money by charging fees to those convicted of drunk driving for the cost of processing their arrests (as San Jose, California, does), or charging fees to those whose malfunctioning security systems set off false alarms.⁸

Entrepreneurial Performance-Based Budgeting

The public sector often unintentionally rewards managers for decreasing productivity. For example, if crime goes up, police departments get more money, or if test scores go down, school budgets are increased.⁹ Instead of rewarding inefficiency, incentives for high productivity and excellent performance should be created.

One way for governments to create incentives is to change their budgeting process from one that measures internal concerns, such as line items and inputs, to a process that measures outputs such as customer satisfaction.¹⁰ This process has been termed "entrepreneurial performance based budgeting." The focus of performance budgeting is efficiency and effectiveness.

Case studies:

Sunnyvale, California and Texas State Parks.

Sunnyvale, California, has seen positive results from performance based budgeting is. Its budgeting system rewards managers with increased salaries dependent on the achieved level of performance. Between 1990 and 1995 the average cost of delivering services dropped by 20 percent,

and in a recent city comparison Sunnyvale's taxes were lower per capita than any other city surveyed.¹¹

The Texas State Park System provides another successful example of an entrepreneurial budget system. Before 1990, Texas state parks were dependent on the state's general funds. As public demand for park services grew and state appropriations shrank, the Park Service faced serious budget problems and considered closing several parks. Instead, it adopted entrepreneurial budgeting. Under this program state park managers are rewarded for saving money as well as for increasing revenues.¹² Today, all Texas State Parks remain open and operate independent of state appropriations.

Suggestions for incorporating performance based budgeting:

1. Form long term goals in order to achieve desired outcomes.
2. Emphasize customer service, product quality and employee performance.
3. Empower local managers and ensure that they are accountable for their actions. This gives managers more incentive to succeed.
4. Control budgets strictly; it forces managers to cut costs while increasing efficiency.¹³

Conclusion

It is easier than many may think to change the culture of government. Simply rethinking a mission may lead to positive change. For example, The Coast Guard

Office of Marine Safety and Environmental Protection's previous objective was the inspection of seagoing vessels, the more inspections the better. However, the Coast Guard decided its main concern should be to save lives. It quickly discovered that most accidents were caused by human error, not the poor equipment inspectors once focused on. The Coast Guard began intensive training for new workers, who were more prone to accidents. In only five years, using fewer people at lower costs, the Coast Guard reduced fatality rates by more than two thirds.¹⁴

Basic questions often inspire desired outcomes. Questions such as, what is our mission, how can we accomplish our mission and measure performance? Performance based budgeting is one productive technique that is used to assess efficiency and outcomes. If funds are lacking to accomplish a desired goal, an agency might consider enacting a user fee. The user fee in Mill Creek Canyon led to rehabilitation of the ecosystem, restoration of the facilities, and improved public safety. There are many ways to recharge stagnant bureaucracies. Some might even be as creative as selling paddlefish eggs to help fund community projects. Perhaps the ideas given in this paper can act as a catalyst for new ideas promoting innovative government at all levels.

Notes

1. David Osborne and Ted Gaebler, *Reinventing Government* (New York: Addison-Wesley Publishing Company, 1992): xxii.
2. Terry Anderson and Donald Leal, "Environmental Entrepreneurs," *Forbes*, (16 Dec. 1996):194.
3. William Eggers, *Rightsizing Government: Lessons from America's Public Sector Innovators*. How To Guide No. 11. (Los Angeles, CA: Reason Foundation 1994):23.
4. Ibid.
5. Osborne and Gaebler, *Reinventing Government*, 197.
6. Osborne and Gaebler, *Reinventing Government*, 205.
7. Private goods as used here are defined as goods that are consumed by individuals, and can only be obtained by the user with the consent of the supplier. See *Privatizing the Public Sector: How to Shrink Government*, by E. S. Savas (Chatham, NJ: Chatham House Publishers, 1982):33
8. Ibid., 218
9. Eggers, *Rightsizing Government*, 9.
10. Ibid.
11. Osborne and Gaebler, *Reinventing Government*, 145.
12. Ron Holiday, "Texas Entrepreneurial Budget System," *Different Drummer*, (Summer 1995):24.
13. Eggers, *Rightsizing Government*, 11.
14. Douglas Stanglin, "What Are You Trying To Do?" U. S. News and World Report (3 March 1997):36.