



# FACTS & OPINIONS

*On Public Interest Issues*

## Quotes

The era of big government is over.

--President Bill Clinton, 1996  
State of the Union Address--

If democracies are to survive in the twenty-first century, it is crucial to attend closely to the health of institutions of economic liberty.

--Michael Novak,  
Distinguished Scholar,  
American Enterprise  
Institute--

We learn to build houses by building houses, play the harp, by playing the harp, to be just, by doing just acts.

--Aristotle--

The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing.

--Jean Baptiste Colbert,  
Minister of Economic Affairs  
to Louis XIV--

## How to Get a Grip on Government

By Bob Williams, Evergreen Freedom Foundation

Since our report *Reducing the Size and Cost of Government* was printed we have received numerous calls from legislators in our state and others. The principal question these lawmakers ask is, "How do we get control of the budget?"

That is a very valid question. Many excellent legislators have gone to Olympia and other state capitols committed to reducing the cost and size of government, only to be swal-

lowed up by the budget process. We recommend beginning by focusing on renovating the budget process. *Process* is important as a means to an end. A good budget process will help us get where we want to go while a bad process will eat us alive.

The current budget-building process is loaded with perverse incentives, *e.g.*, the more you spend, the larger your future budget will be. If you save your money, your budget will be cut. The more employees you have,

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*FACTS & OPINIONS* is our quarterly membership newsletter arriving in February, May, August, and November. It consists of short articles and essays on topical issues. If you have an article that you believe is worth sharing, submit it to:

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**IDEAS DO MATTER.**

# How to Get a Grip

(continued)  
Bob Williams

Only after core principles have been defined and forwarded does managerial and organizational excellence matter much.

Bob Williams is President of the Evergreen Freedom Foundation (Olympia, Washington)

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the more you will be paid. This is the *use it or lose it* budgeting rule, and it is foolish.

We believe the solution to building good budgets is a four-step process:

1. Determine government's core mission.
2. Institute performance-based budgeting.
3. Use competitive-bidding techniques.
4. Conduct performance audits.

## Step I: Determine Government's Core Mission

Successful government reforms have discovered the necessity of determining what we call "core principles." Core principles come from a person's or party's understanding of the role of government. Only after core principles have been defined and forwarded does managerial and organizational excellence matter much. Laboring to develop systems to deliver the goods more efficiently is hardly significant unless what is being delivered and why are understood.

For example, why reorganize the Department of Social and Health Services to more efficiently manage particular services if it is determined that those services are better handled outside the agency?

Evergreen Freedom Foundation (EFF) is working with the staffs of the Governors of Virginia, Massachusetts, and California on defining core

government principles and missions. Our own Governor Lowry has shown interest in this area as well.

## Step II: Use Performance-Based Budgeting

To be effective, state government must first define its core functions. After all, what difference does it make how well an agency is performing a particular function if that function is not something they are supposed to be doing in the first place?

Then comes performance-based budgeting. This means each major item in the budget should contain clear and precise goals that are realistic, and explicit expectations of outcomes and results. These outcomes or results are called performance measures and specify in quantifiable terms what an agency or program is expected to achieve. They should be easily understood and agreed to by those who will judge the success of agencies and programs (such as legislative standing committees) and by those who will be held accountable (such as agency program managers).

For example, welfare performance indicators should not be based on how many people are served or how high the benefit levels are. Appropriate indicators are how many people successfully transition to self-sufficiency, how many kick drug and alcohol

# How to Get a Grip

(continued)  
Bob Williams

The idea is to deliver core functions in the most efficient, economical manner possible.

Competition in the marketplace improves performance and keeps the costs down.

dependency, how many families are reunited or kept together, etc.

Key performance measures must also be included to allow lawmakers and the general public to gauge their success.

Texas has made the most progress in this area. EFF is also reviewing the progress of Oregon, Minnesota, North Carolina, and Utah as they embark down the performance-based budgeting road. The goal is to develop a closer link between dollars spent and results obtained. Completing Step I first ensures the results obtained are what they ought to be in the first place.

### **Step III: Competitive Bidding**

As governments review their core missions, leaders will decide certain services are not a function of government. Those services can best be left entirely to the private sector. But determination that a function *is* related to government's core mission does not mean that only government can provide the service. The idea is to deliver core functions in the most efficient, economical manner possible.

The competitive-bidding process should be instituted to accomplish this. This means that job specifications to

deliver core functions are designed, and delivery of those jobs is put out for bid to both private sector and state employees. State employees must have the ability to become competitive by getting rid of unnecessary regulations and middle management.

Competition in the marketplace improves performance and keeps the costs down. On the other hand, government monopolies with no competition-induced incentives are characterized by higher prices and limited production. Competitive bidding acknowledges these principles while recognizing that most public employees are able to compete head-to-head with the private sector, if given the opportunity. The challenge is to find a way to release worker creativity and reward initiative in government, while making sure taxpayers receive the best value for their money. **We estimate our state could save up to thirty percent of the budget by successfully implementing Steps I-III.**

### **Step IV: Performance Audits**

Once the role of government is determined (core principles), performance-based budgets developed, and competitive bidding implemented, the state is ready for performance audits. Attempts at auditing prior to completing the

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# Iowa Property Tax Update

## Iowa Tax Update By Peter Small Iowa Correspondent

### Legislative Committee To Study Local Property Tax

An interim committee of the Iowa General Assembly will be formed to study the system of local government property taxation in the state. The committee, which will meet for two days and will consist of five members from each legislative chamber, is to conduct a comprehensive review of Iowa's property tax system that will identify the various classes of property taxpayers, the portion of property taxes collected from each class of taxpayer, the distribution of those taxes to local governments, and the value of local government services received by each class of taxpayers in relation to the amount of property taxes paid by that class.

The committee will examine the current system of property tax credits and exemptions, tax abatement, and tax increment financing, with specific attention to the effects of tax abatement programs and tax increment financing on the tax rates applied to other classes of property, along with the general authority of local officials to abate property taxes.

The committee will review the budgeting procedures and

practices of local governments, including the process of estimating and spending fund balances; the authorization to use, or the practice of using, unexpended funds or ending fund balances for capital improvements or other nonrecurring expenditures; and the impact on property taxes of actions by the school budget review committee or the state appeal board, the application of the property tax rollback, and the application of equalization orders issued by the Department of Revenue and Finance.

The committee will review the use of property taxes as the main source of funding for school, city, and county services and the use of alternate sources of revenue to pay for such services; the use of alternate sources of revenue to repay bonds and other debt obligations; and the current statutory requirements for the issuance of bonds or other debt obligations by local governments.

The committee is to address the goals of property tax simplification, equity, and reduction. The committee will consult with representatives of farm organizations, the Iowa State Association of Counties, the Iowa League of Cities, education organizations, business and industry organizations, labor organizations, and others who may be of assistance to the committee. The Legislative Council approved the formation of the property tax interim committee on June 20.

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## Helping The Down and Out

By Marvin Olasky

### NEW GENERATION OF PROGRAMS FIGHTS HOMELESSNESS AND DRUG ABUSE

Marvin Olasky is  
editor of *World Magazine*

## Healing Body and Soul

This is a tale of two low-budget charitable organizations and their hard choices. The first, HOB0 (Helping Our Brothers Out), started in Austin in 1987 to get homeless men clothes and food, plus some Bible study and prayer. The program was small and often crude, but it helped the needy. With numerous volunteers and the support of local churches, it reunited the homeless with their families where possible, and encouraged them to take responsibility for their lives, with God's help.

But in 1989 the HOB0 board of directors faced a choice: remain a financially challenged, Bible-based organization, or snag big bucks from the feds. As director John Porterfield put it, "We became aware of grants that we could just pick up. We knew there were strings attached, but... the money was there in our hands; the only question was whether we should put it in our pockets." Board members, who cared about both bodies and souls, faced a terrifying choice: supply material to help many, using government funds, or supply spiritual help to a few, and suffer nightmares about those left unserved.

HOB0 chose to take the government money and drop the ministry orientation. Soon, HOB0 sported legal services, a health clinic, hot showers, even Sharon Stone movies-- everything to enable an addict

or alcoholic to remain homeless. The only thing lost was the pressure to change. God was dead, and so was real hope at the new HOB0.

Which brings us to our second organization. An innocent bystander might think that a religious charity that followed the opposite course-- no government grants-- would be free of state interference. Not so.

This summer, Teen Challenge in San Francisco stuck with its highly effective policy of treating alcoholics and addicts by teaching them about Christ, and in that way filling the holes in their souls. For this, the state's Commission on Alcohol and Drug Abuse tried to close it down. That's not real treatment, the agency asserted. Turn in your license!

Teen Challenge insisted that it was treating the cause, not just the symptoms, and it provided evidence that such an approach is far more effective than those the state prizes. (For example, a Department of Health and Human Services investigator examined 300 anti-addiction programs and found Teen Challenge the best--and the least expensive.) Refusing to give up or make a quiet deal, Teen Challenge staged a public rally at the Alamo that featured testimonies from ex-junkies on how Teen Challenge saved their lives. Several hundred people, mostly black and Hispanic, sang and waved placards with messages like, "Once a Burden, Now a

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## Helping the Down and Out

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Marvin Olasky

Historically, compassionate efforts succeed in changing lives when they are challenging, personal, and spiritual--all the things that programs like Teen Challenge are, and that government programs are not.

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Taxpayer" and "Because of Jesus I am No Longer a Debt to the State of Texas." Citizens deluged Texas governor George W. Bush with calls and letters; more came in when the *Wall Street Journal* and *World* ran articles explaining the controversy.

Facing an uprising from Christian and conservative voters who had helped elect him, Gov. Bush said, "I support faith-based programs. I believe that a conversion to religion... by its very nature promotes sobriety. There is a logic to what Teen Challenge is doing, and I support it strongly."

Bush also agreed to push for new laws and regulations: "Teen Challenge should view itself as a pioneer in how Texas approaches faith-based programs... Licensing standards have to be different from what they are today."

This battle is far from over. The government social

services empire is ready to strike at faith-based organizations. The test will come next year, when block grants to states will permit officials to redirect resources from failed government social programs to successful private charities. Historically, compassionate efforts succeed in changing lives when they are challenging, personal, and spiritual--all the things that programs like Teen Challenge are, and that government programs are not.

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### Thoughts on Democracy

"Americans of all ages, all stations of life, and all types of disposition are forever forming associations... Thus the most democratic country in the world now is that in which men have in our time carried to the highest perfection the art of pursuing in common the objects of common desires."

--Alexis de Tocqueville

## BOOK REVIEWS

### *Democracy on Trial*, Jean Bethke Elshtain, Basic Books, 1995.

In this quick little book, Elshtain's style is forthright and ardent. She clearly believes that our present condition will not abide endless qualifications and arcane, insulated discussions. Nevertheless, there is a dense and systematic political theory being articulated here.

Elshtain says that in order for democracy to work, there needs to be a balance: between public and private, hope and reality, the universal and particular. American democracy is now in crisis because the private side of this balance has been overvalued at the expense of the public. To restore that balance, we must restore the dispositions, the civic virtues, upon which democracy depends. Elshtain believes that these dispositions

*Books reviewed by Dr. Christopher Beem, Fellow of the Institute for American Values, 212-246-3942. Reprinted by permission of the Institute.*

## Book Reviews

(continued)

Christopher Beem

are cultivated by a flourishing civil society; in large measure, the future of the American experiment rests on our ability to revitalize these institutions.

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***Trust: The Social Virtues & The Creation of Prosperity,***  
**Francis Fukuyama,**  
**Free Press, 1995**

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Civil society advocates tend to ignore economics. They generally contend that economic institutions and interactions lie outside the social network of civil institutions; the market is therefore essentially beside the point.

Fukuyama quietly demolishes this position. His impressive and extensive survey of capitalistic economies shows that capitalism, like democracy, depends on cultural endowments that lie outside the system itself. For better or worse, any nation's economy inevitably reflects that nation's cultural inheritance.

Societies that possess wide social trust (Germany, Japan, and the U.S.) have lower transactional costs; these nations are therefore more efficient. In America, social trust has traditionally emerged through the institutions of civil society. In light of the competitive demands of an emerging global economy, the sorry conditions of those institutions is cause for grave concern.

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***Democracy's Discontents: America in Search of a Public Philosophy,***  
**Michael J. Sandel,**  
**Harvard Press, 1996**

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Sandel argues that anxieties about our culture and our politics are born of a deficient political theory. Americans almost universally believe that freedom revolves around individual choice, and that the government's job is to secure that choice, while staying neutral about its content. Sandel argues that there is another, more substantive American political tradition: civic republicanism, and he seeks to reinvigorate this alternative conception.

Sandel's analysis of American history--centered, in turn, on Supreme Court rulings and political economy--is truly a *tour de force*. Indeed, his historical achievement ultimately compromises his political objectives. In his recounting, the efforts of American civic republicans to sustain the virtues and habits of citizenship appear ever more futile, their objectives ever more diminished. Ultimately, the story Sandel tells could be read as a tragedy. Sandel, of course, refuses to do so; but the "boats against the current" feel that he evokes is not sufficiently relieved by his hopeful but rather cursory conclusion. ◻

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**Executive Director**  
Dr. Don Racheter

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**"How to Get a Grip"**

Bob Williams

first three steps will mostly be unsuccessful and unfruitful.

A performance audit will determine the efficiency, effectiveness, and economy of an operation. For example, the state may run an efficient and effective print shop, but it may not be economical, particularly when compared with the private sector. The state may run a very economical greenhouse, but is it really a core function of government?

Performance budgets and performance audits will enable taxpayers and legislators to determine what they are receiving for the money spent. Programs failing to live up to their

objectives can be altered or terminated. Programs that work can be rewarded and continued. □

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