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Proposal to Establish the Government Finance Research Center (Temporary Status)

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I. Reasons for Seeking Temporary Status and Approval

Over a decade ago, the College of Urban Planning and Public Affairs designed a case statement for a new research center whose focus is on government finances. Recently, an anonymous gift of \$1 million was given to CUPPA to begin operations of a center called The Government Finance Research Center. Half of the gift will be set aside in an endowment fund and the other half for current-use spending. The reason for requesting “temporary” approval is that a sustainable center would require an additional endowment of some \$2 million. The College will continue soliciting additional funds such that a sustainable endowment can be achieved prior to requesting permanent approval by the university and IBHE.

II. Mission and Goals of the Proposed Center/Institute

The purpose of the Government Finance Research Center: To shape and inform public policy and scholarly discourse on government and public finance by identifying, planning and executing research, providing periodic reports and informed analyses, and offering venues at which to convene national and local discussion on fiscal and governmental issues.

The unique design of the GFRC is its emphasis on the local level with connections to the state level. Focusing on state and local government finances allows a bottom-up understanding of the possibilities and constraints on government actions that most closely connect to the daily lives of citizens and residents. The approach also draws on CUPPA's long-standing partnership and collaboration with the National League of Cities, the Brookings Institution, the Civic Federation, the Government Finance Officers Association and other civic and professional associations, both regionally and nationally. Through this intertwining of bottom-up research and policy leadership, the GFRC will work to be the nationally recognized center of informed fiscal policy and scholarly discourse, thereby shaping the debate on state, municipal and regional governance and public finance.

The objectives of the GFRC will include the identification, planning and execution of research that will be the focus of regular and periodic reports, informed analysis, and the most inclusive and up- to-date forums and workshops for discussion of fiscal and governance issues.

The purpose of the GFRC is consistent with the strategic priorities of UIC. In particular, contributions of the GFRC will align with the following strategies of UIC. First, the GFRC will raise the visibility and impact of research. Across the landscape of U.S. higher education, there are no more than eight universities that have such a large number of scholars who research in the broad area of 'government finance'. The GFRC will bring these scholars together in one place to collaborate on projects of high visibility and impact. At present there are least eight faculty members who have appointments in CUPPA, three in the Department of Finance (College of Business Administration), and two in Economics (College of Liberal Arts and Sciences). Second, the focus of much of these scholars' research is on the Chicago region. The GFRC will most assuredly bring resources to bear on the challenging fiscal issues confronting Chicago and the environs. Third, the GFRC is beginning its operations as a result of a gift to CUPPA. The college will continue to seek additional non-state sources to provide a secure and sustainable financial base of operations. Only through successful entrepreneurial behavior will the GFRC attain long-term sustainability. Finally, as the GFRC expands its resource base, more and more students at both the undergraduate and graduate level will be involved with its research.

III. Demand for the Services/Product of the Proposed Center/Institute

The economic recovery after the Great Recession places in bold relief the necessity and importance of an examination of the fiscal health of subnational governments. The most recent data demonstrate that cities' overall fiscal health has yet to return to the pre-recessionary levels. The economic crisis highlighted critical linkages between and among levels of government that influence and are influenced by the fiscal well-being of other governmental units in the American federal system. Although recent signs point to a fiscal recovery, long-term liabilities (e.g., pension, infrastructure) continue to challenge a robust and sustainable recovery of fiscal health. The College of Urban Planning and Public Affairs, with a rich and extensive history of scholarship in the broad area of state and local finance, is poised to be a national center and the premiere college for the study of subnational government finance.

The intergovernmental system of public finance has become increasingly politicized, structurally deficient and fiscally limited such that the condition of the public fiscal state threatens both the efficiency and efficacy of governance. Among the key challenges to the intergovernmental system and the system of public finance are:

1. Legacy costs resulting from unfunded employee benefit costs and deferred infrastructure maintenance.
2. The changing economy and an outdated revenue system.
3. An unraveling partnership among federal, state, and local governments.
4. Demographic trends that increase demands for government services and require new regional geographies of governance, planning and policy making.
5. Lack of trust in government.

The substantive problem, then, is a growing disconnection between the conditions of contemporary modern life and the fiscal resources that states, cities and other local governments apply to meet the needs of their residents. To effectively restructure governments and governance systems to fulfill these unmet needs, we need a clear understanding of the current fiscal conditions, and proactively plan for the conditions and future requirements of governance in contemporary America.

Such understanding requires focused data and information, research and analysis on the fiscal conditions of subnational governments. The increasing impact of governmental devolution and fiscal restructuring at all levels of government will only heighten the need for such a center.

Illinois and its local governments are among the most fiscally challenged in America. The outputs and products of the GFRC ought to be of utmost importance to the public policy challenges of Illinois, its local governments as well as state and local governments in the region.

IV. Educational mission

Although the GFRC is not an academic center, it will contribute to the educational mission of the College by:

- (1) recruiting qualified graduate students, training them as research assistants to the GFRC, and creating a professional pipeline for them when they graduate,
- (2) providing workshops and seminars as part of the regular programming of the GFRC, which will create a value-added to the coursework of students,
- (3) providing research materials to the relevant classes on government finance and budgeting.

V. Audience Served by the Proposed Center/Institute

The internal audiences of the GFRC include the students and faculty with research interests in government finance and budgeting. These faculty and students will be affiliated with departments in CUPPA (public administration and urban planning and policy) as well as others in LAS (e.g., economics, political science), CBA (e.g., finance), and Engineering (e.g., civil and

material engineering). Moreover, the internal audience will include research centers whose work may include aspects of public finance and budgeting (e.g., Great Cities Institute). The GFRC will also collaborate with the ‘fiscal futures’ project of the University of Illinois system’s Institute of Government and Public Affairs on various projects when appropriate (the IGPA faculty member who is responsible for the project is also a member of the GFRC advisory board [see VIII below]).

Research of the GFRC will address contemporary fiscal policy issues confronting state and local governments. As such, the external audience for the work of the center will include governments (states, cities, counties, school districts, special districts), other research centers (e.g., Brookings Institution, Urban Institute, Lincoln Institute of Land Policy), and other researchers with overlapping interests.

VI. Sources/Amounts of Present and Future Funding

No state funds will be requested to support the operations of the GFRC. Internal support is evident by the anonymous gift of \$1 million, half of which will be current-use funds and the other half will be invested in the endowment. The current-use funding will be used for programming, hiring staff (1.5 FTE staff plus 2-4 graduate assistants), and sponsoring research projects. The GFRC will be charged with generating external support for projects that are related to the mission of the Center. During the past six years, external grant support for projects related to government finance that were generated by Principal Investigators at UIC amount to nearly \$2 million, demonstrating that there is interest in supporting government-finance projects and that UIC faculty are recognized by these external grantors as leaders in their field.

In its first two years of operation, the GFRC will be directed by a faculty member (partial appointment) who will hire a researcher/administrator (e.g., a post-doc or visiting researcher) to coordinate and promote the research activities of the Center and to secure external funding. The Center would also make the following appointments: a part-time office manager (who would also be the business manager and assigned from CUPPA’s administrative support pool), two research assistants (selected from a national pool), a part-time events planner, and 3-4 faculty members each of whom would have a two-course reduction in their teaching load over a 3-semester period. The faculty would be selected from a pool of candidates from UIC’s faculty, who would propose a two-semester research project around the Center’s theme, which would change biennially. The principal activities for the start-up year, FY2018-19, include:

- Identifying and securing additional endowment funds to become self-sustaining within 2-5 years
- Creating an external advisory board selected from government, private sector, academic and state/local associations (including, among others, the Government Finance Officers Association, the Brookings Institution, National League of Cities, National Governors Association) and an internal advisory board from the UIC academic community.
- Convening 2 Colloquia/conferences in the spring 2019 with invited keynote speakers
- Researching and writing up to 8 reports on select topics, such as the following (subject to change, based on the interest and quality of the proposals from the faculty and recommendations from the advisory board):

- o Pension reform
 - o Debt reform
 - o Infrastructure finance
 - o Fiscal Benchmarking
- Speakers series (bi-monthly). Invitation to regional, national and international scholars, practitioners, and analysts.
 - Publications. Working papers would be posted on the website, published/disseminated through appropriate channels in academia and policy circles (e.g., policy officials and elected officials in Illinois as well as those via contacts with the National League of Cities, National Governors Association, Government Finance Officers Association, Brookings Institution, National Association of State Budget Officers).

See table below for estimated costs and sources of funds for the GFRC over the first four years of its operation.

Table 1: Estimated Costs and Sources of Funds for the GFRC					
		Year of Operation			
		1 st Year	2 nd Year	3 rd Year	4 th Year
Expenditures					
Personnel					
Faculty and Admin support	# of FTE	3.0	3.0	3.5	4.0
	Costs in \$	\$107,000	\$117,000	\$127,000	\$147,000
Other Personnel Costs in \$	RA, faculty buyout	\$177,000	\$197,000	\$227,000	\$227,000
Supplies, Services Equipment in \$		\$20,000	\$10,000	0	0
Facilities in \$		\$27,000	\$27,000	\$27,000	\$27,000
	TOTAL	\$331,000	\$351,000	\$381,000	\$401,000
Resources					
Current Unit	Gift Fund	\$333,000	\$333,000	\$333,000	\$333,000
Other Internal Sources		0	0	0	0
Federal Funds		0	0	0	0
Fees, Sales, Other Income	Grants and Contracts	0	\$50,000	\$75,000	\$100,000
New State Appropriation		0	0	0	0
	TOTAL	333,000	383,000	408,000	433,000

VII. Location of the Center/Institute

The GFRC will be housed in CUPPA Hall within the College of Urban Planning and Public Affairs at the University of Illinois at Chicago. Because the permanent staff will increase by 1.5 FTE and the number of graduate assistants will be 2-4 per semester, the new staff and graduate students can be housed in the 3 offices that are being vacated on June 30, 2018, on the third floor of CUPPA Hall or, if more space is required, in offices on the 4th or 6th floors of CUPPA Hall. Therefore, no new space is necessary.

VIII. Organization and Reporting Authority

The GFRC will be organized as a research center within the College of Urban Planning and Public Affairs and will mirror the organizational structure of other centers within the College. Nine research centers operate under the CUPPA umbrella, including the Great Cities Institute, Urban Transportation Center, Center for Public Safety and Justice, Nathalie P. Voorhees Center for Neighborhood and Community Improvement, Survey Research Laboratory, Institute for Research on Race and Public Policy, Institute for Policy and Civic Engagement, the Urban Data Visualization Lab, and the Center for Urban Economic Development. The director of GFRC, along with directors of the other centers, will report to the Dean and will hire administrative support staff to manage the activities of the GFRC. The Director will award research grants to faculty, centers and students on the advice and counsel of an internal advisory board comprised of UIC faculty whose research aligns with the proposed work of the GFRC. The GFRC will also include an external advisory board comprised of associations, researchers, and other thought-leaders in the field of government finance who will advise on collaborative research opportunities, salient fiscal policy problems, and appropriate partners to further the mission of the GFRC.

Until the financial viability of the GFRC can be established within approximately two years, after which time the GFRC will seek permanent approval by the IBHE and search for a new director will commence, the Dean of CUPPA will also serve as the director of GFRC. The affiliated faculty, who have agreed to serve on the internal advisory board, are the following:

- David Merriman, Professor, public administration
- Rebecca Hendrick, Professor, public administration
- Yonghong Wu, Associate Professor, public administration
- Thomas Snyder, clinical associate professor, public administration
- Rachel Weber, Professor, urban planning and policy
- Philip Ashton, Associate Professor, urban planning and policy
- Josh Drucker, Associate Professor, urban planning and policy
- Kate Lowe, Assistant Professor, urban planning and policy

An external advisory committee is also in the process of being created. To date, the following have agreed or been invited to serve (invitations will be sent to at least eight others not listed below):

- Christopher Hoene, executive director, California Budget & Policy Center
- Chris Morrill, chief executive officer, Government Finance Officers Association
- Clarence Anthony, executive director, National League of Cities
- Scott Pattison, executive director, National Governors Association
- Amy Liu, director, Metropolitan Policy Program, Brookings Institution (invited)
- Richard Mattoon, Chicago Federal Reserve Bank
- Richard Ciccarone, president, Merritt Research, Inc.
- Tracy Gordon, Urban Institute

During the first quarter of 2018, recruitment for a full-time manager and researcher will begin, with a start date of summer 2018. Staff support (HR, finance) will come from the support

services pool in the college and could be the equivalent of 0.5 FTE staff. Two graduate research assistants will be recruited and assigned to the GFRC, effective fall semester 2018.

IX. Measurement of Quality

The internal advisory board, comprised of UIC faculty, will be tasked with the responsibility of periodically reviewing the quality of the Center's work in light of both the university's mission and statewide goals. In particular, the director's annual report will require the GFRC to identify how it links directly to all four of the University's strategic goals and especially to the goals of raising the visibility and impact of UIC research and of focusing its research on the Chicago region.¹ The Director will also be required to explain how the research of GFRC prepares students for professional opportunities in the broad area of government finance and budgeting.

Because the director (once hired) will report to the Dean, the director's performance in meeting UIC's strategic goals and of efficiently and effectively operating a research center will be assessed annually as all other directors of research centers in CUPPA. The annual review addresses issues of adequacy of support staff, measures of effectiveness and impact, and vision for future projects and programming.

¹The Strategic Priorities document, approved 2016, listed four critical strategic priorities: Student experience and success; National and international impact and visibility; Chicago and community engagement; Entrepreneurial university. See, http://strategicpriorities.uic.edu/files/2016/09/UIC_Strategic-Priorities.pdf