



He Said It Right

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Michael Cianchette on Maine Politics

Government isn't run like a business

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Should we run government like a business? That is a question that will be asked over the next several months.

Those on the left generally deride this concept, claiming government is different. They aren't necessarily wrong. After all, in business — or non-profits, or most human organizations designed to work efficiently — there is a hierarchy with an ultimate decision maker. American government is different; tension and strife were built into the system via the “checks and balances” of our constitutional regime.

For those experienced in organizational leadership, the tug-of-war over authority can be frustrating. A clear-headed analysis of alternatives may be lost amongst political calculations and ramifications. Since the three branches of government are co-equal, it is “the people” who are the ultimate sovereign. But the public writ large is not the best equipped to handle intricate nuance of complex policy questions; that is why Plato considered direct democracy one of the worst forms of government and why our founders provided us with a representative republic.

But, while we should recognize the unique aspects of the public sector, the analogy of “running government like a business” is not misplaced, even if it is not perfect. After all, businesses — and other organizations — run the way they do in order to efficiently meet their customer's needs, whatever they may be. If they fail to do so, they will not be around for long.



BDN Photo by Brian Swartz

In the private sector, managing your expenses wisely is likely to improve the organization and be rewarded. In the public sector, there seems to be a mad dash at the end of fiscal years to spend money. If not, “they” — whoever “they” are — will take it away or cut your budget in the following year. So we get perverse incentives leading to profligate spending.

Businesses attempt to assess whether they need to do something “in house,” or whether it is better to buy from someone else. The public sphere won’t always undertake that analysis; “I created a new program!” sounds better when politicians are giving speeches to interest groups or managers are advocating for more tax dollars.

In the private sector, organizations attempt to put together long-term plans. When will capital replacements be required? What is the trade-off between technology upgrades, workforce investment, and cash flow? Does it make sense to acquire new or repair existing? What does the environment look like in five or 10 years?

Government doesn’t work that way. The “planning” window works backwards from the next election; in Maine, that’s a two-year cycle. “Grant” money will often enable public agencies to obtain capital equipment; running and repairing it is an operating cost which may not be available.

That brings us back around to bonding. A business will look at their cash flows and capital requirements. If they believe borrowing money will enable them to generate revenue to pay it back — with interest — and still make economic sense, they will do it (if they can).

However, borrowing in the private sector is a means to an end; it is not supposed to fill operating annual needs year after year. But with government, particularly in Augusta, that is exactly what is happening.

Maine's annual general and highway budget — ignoring special accounts like federal money or tobacco settlements — is about \$3.75 billion. The current fight in the Legislature is whether we will ask voters to borrow \$100 million, or about 2.5 percent of our overall budget. Of course, in 2018, we paid over \$100 million in debt service. So all we are really doing is adding interest cost.

The benefit? Our elected officials can talk about how much of our money they “invested” in important initiatives and send out flyers. It is much sexier than putting long-term plans in place to manage the state treasury efficiently and pressuring future legislatures to stay the course.

If we actually tried to run government like a business, Augusta would be honest with us on needs for the near-term and long-term, while suggesting stable, sustainable ways to address them. It shouldn't include routine borrowing, and it should include acknowledging some things are better delivered outside the aegis of agencies. The challenge? Sometimes you will have to tell people they can't have whatever it is that they want.

Nothing personal. It's just business.