The Center for Local, State, and Urban Policy

Gerald R. Ford School of Public Policy >> University of Michigan

Michigan Public Policy Survey **June 2012**

Data-driven decision-making in Michigan local government

The local government fiscal crisis—driven largely by state revenue sharing cuts, falling tax revenues, and rising costs to provide services—has pushed jurisdictions in Michigan to search for operational efficiencies and cost savings. Performance measurement and data-driven decision-making are strategies some local governments use to help navigate the difficult decisions they face today. This report presents Michigan local government leaders' assessments of the use of data in their governments' decision-making. The findings are based on statewide surveys of local government leaders in the Fall 2011 wave of the Michigan Public Policy Survey (MPPS).

>> The **Michigan Public Policy Survey (MPPS)** is conducted by the **Center for Local, State, and Urban Policy (CLOSUP)** at the University of Michigan in partnership with the **Michigan Association of Counties**, **Michigan Municipal League**, and **Michigan Townships Association**. The MPPS takes place twice each year and investigates local officials' opinions and perspectives on a variety of important public policy issues. Respondents for the MPPS this wave include county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers from 1,331 jurisdictions across the state.

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Key Findings

- Just over two-thirds (68%) of Michigan local governments say they use performance data for decision-making in some fashion—either internal data for measuring their own operations or external data for benchmarking against other units— while just under one-third (29%) say they do not use data in these ways.
  - » Data use varies by jurisdiction size, with 95% of the state's largest jurisdictions reporting some use of performance data, compared to 55% of the smallest jurisdictions.
- Most jurisdictions (70%) that use data do so on an ad hoc basis, rather than a systematic or formal basis. Meanwhile, nearly a quarter (24%) of data-using jurisdictions say they collect and use data as part of a formal performance measurement and management program.
- Among data users, large percentages believe these efforts are effective for a wide range of purposes, such as guiding budget decisions (88%) and identifying cost savings or program efficiencies (83%).
- The use of performance data is growing, with 36% of data users reporting that their jurisdictions began using data within the last 5 years. This growth is widespread, including jurisdictions of all sizes and in all regions of Michigan.
- Among jurisdictions that do *not* use performance data, one of the biggest concerns is the expected costs of data use. Officials from 62% of jurisdictions *not* currently using data predict that costs associated with data use would be a problem. However, among jurisdictions that *do* use data, only 28% report that costs have been a problem.

Background

The local government fiscal crisis—driven largely by state revenue sharing cuts, falling tax revenues, and rising costs to provide services—has pushed jurisdictions in Michigan to search for operational efficiencies and cost savings. One approach that local governments can adopt to deal with these challenges is the use of performance measures and data-driven decision-making.

Performance measurement is a process by which local governments collect and analyze data—sometimes about their own operations and services, and sometimes about other comparable jurisdictions for "benchmarking" performance or costs—in order to better understand their operations. Local governments might collect many types of data, for example, measures of tons of trash collected, emergency response times, comparative employee wages, etc. Many jurisdictions then use these measures as part of a performance management process (sometimes referred to as data-driven decision-making), to help make budget, policy, and management decisions and to plan for the future.

Performance measurement and management can also serve a variety of goals beyond maximizing limited financial resources, such as boosting accountability and transparency, and improving communication between citizens, government and nonprofits in order to foster trust in government.[1]

Performance measurement and management has been a growing movement in the public sector since long before the current fiscal challenges arrived. There is a long history of public sector reform efforts associated with tracking performance—programs such as total quality management, benchmarking, pay-for-performance, managing for results, entrepreneurial budgeting and strategic planning—with a common logic that government should collect performance information and use this information to inform decision making.[2]

Here in Michigan, Governor Rick Snyder's administration has specifically encouraged data use by tying local government revenue sharing to the creation of local government "dashboards" that summarize key fiscal and performance data about individual jurisdictions.[3]

To get a better understanding of the state of data-driven decision-making in local governments across Michigan today, the Fall 2011 MPPS asked Michigan's local leaders about their jurisdictions' efforts to engage in these practices. The survey covered a wide-range of questions, from basics such as whether and how jurisdictions use data, to evaluations of the effectiveness of data use, problems encountered in the use of data, and much more.

Most Michigan jurisdictions report using data in decision-making, but many do not

According to local officials' responses on the MPPS, 68% of Michigan jurisdictions overall use data in their decision-making processes (see *Figure 1a*). This includes about one-third (30%) of all local jurisdictions that report using both internal data that measure their own operations, as well as external data to benchmark against other local governments.

Meanwhile, almost a third (29%) of Michigan's local jurisdictions report that they don't use performance data in decision-making in any significant way.

Across Michigan, larger jurisdictions are more likely than smaller ones to report using internal or external data (see *Figure 1b*). This finding is consistent with earlier national research.[4] Among the state's largest jurisdictions (those with over 30,000 residents), 95% say they use internal and/or external data in some fashion. By comparison, 55% of the state's smallest jurisdictions (those with fewer than 1,500 residents) say they use internal and/or external data.

It may not be surprising that larger jurisdictions are more likely than smaller jurisdictions to use data. Larger jurisdictions have more operations to measure, more staff with greater expertise to manage data systems, and more resources to devote to data analysis. What may be more surprising here is that a majority of even the state's smallest jurisdictions report they use data-driven decision-making in some fashion.

The use of data is fairly widespread across the state in geographic terms too. While jurisdictions from Southeast Michigan are the most likely to report using performance data, nonetheless a majority of jurisdictions in every region of the state also say they use data in decision-making (see *Figure 1c*).

Figure 1a
Percentage of Michigan jurisdictions reporting use of performance data

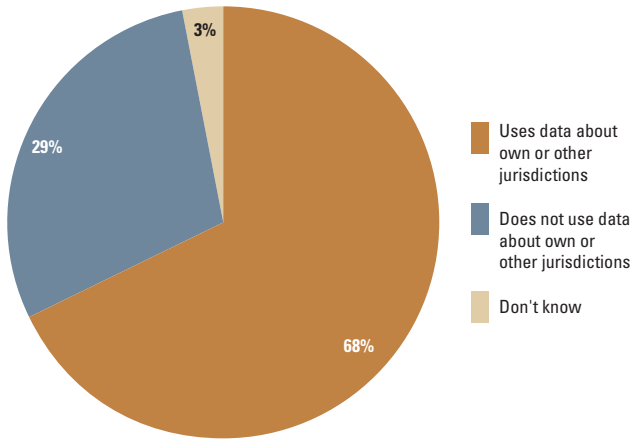


Figure 1b
Percentage of Michigan jurisdictions reporting data use, by population size

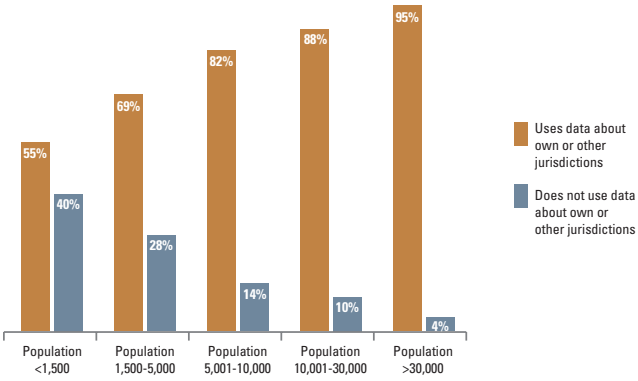
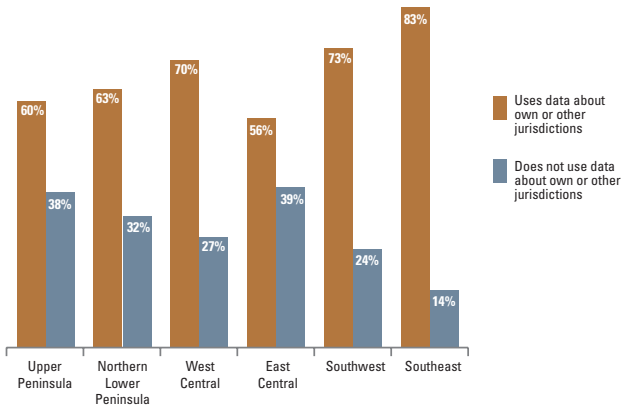


Figure 1c
Percentage of Michigan jurisdictions reporting data use, by region



Data use is growing

Among jurisdictions that use performance data in some fashion, 36% report that their efforts began within the last 5 years. Interestingly, this recent growth in the use of data is fairly consistent among jurisdictions of all sizes, from the smallest to the largest (see *Figure 2a*). For instance, 38% of the smallest jurisdictions report beginning their data-use efforts within the last 5 years, compared to 44% of the largest jurisdictions.

Similarly, all regions of Michigan have experienced this new wave of data use. For example, 30% of data-using jurisdictions in the Upper Peninsula began these efforts within the last 5 years, compared to 39% of such jurisdictions in Southeast Michigan (see *Figure 2b*).

Looking ahead, there are significant differences by jurisdiction population size regarding plans to either expand or reduce data-driven decision-making efforts in the next year. Overall, about 7% of jurisdictions that currently use data expect to reduce their use of data in the next 12 months, while 23% expect to expand their efforts in that same time frame. However, while only 15% of the smallest jurisdictions expect to boost their data-use efforts in the next year, 52% of the largest jurisdictions plan to do so (see *Figure 3*).

Figure 2a
Michigan jurisdictions' history of data use (among current data users), by population size

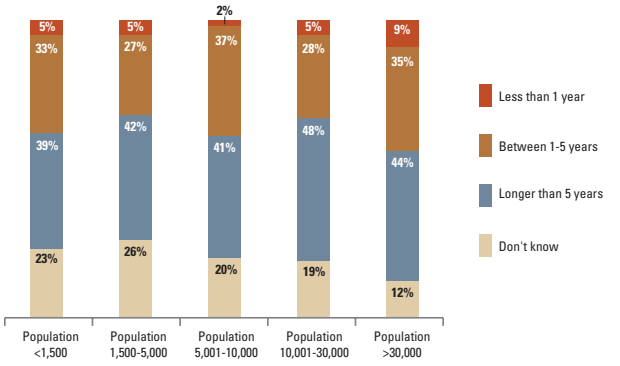


Figure 2b
Michigan jurisdictions' history of data use (among current data users), by region

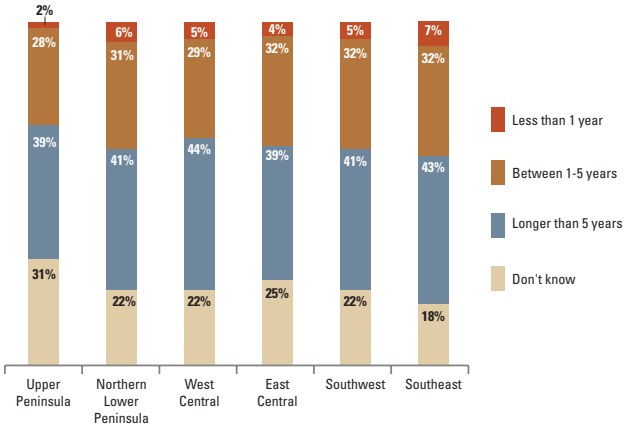
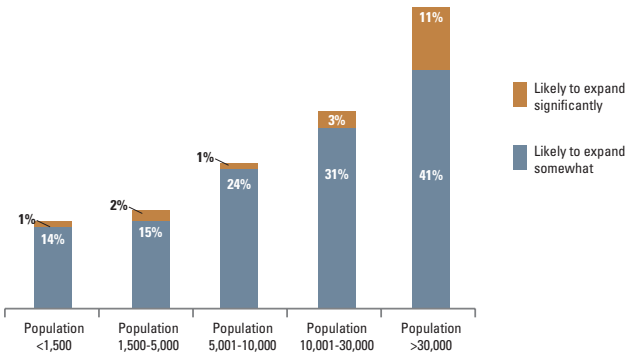


Figure 3
Michigan jurisdictions' plans for expanding future data use (among current data users), by population size



While many use data, few do so systematically

While data use appears to be fairly widespread at the local level, most of these jurisdictions (70%) use data on an ad hoc, informal basis, not as part of a systematic or formal program. Among data-using jurisdictions in Michigan, only one-quarter (24%) say they use data as part of a formal, systematic program of performance measurement and management for some or all of their operations (see *Figure 4a*).

Since 68% of Michigan's local jurisdictions say they use data in decision-making, and 24% of those jurisdictions say they use data systematically, then about 16% of *all* jurisdictions across the state use data-driven decision-making as part of a formal program of performance measurement and management.

Among data-using jurisdictions, the state's larger local governments are more likely than smaller ones to report using data systematically, as part of a formal performance measurement and management program. For example, while only 24% of the smallest jurisdictions use data systematically, 39% of the largest jurisdictions do so (see *Figure 4b*).

Local governments track a variety of measures

The MPPS asked a series of questions regarding the types of internal data that jurisdictions use. Among the jurisdictions that use internal data, most report they use measures of inputs (i.e., the amount of resources used to provide services, such as the number of fire engines), workload (such as the number of fire runs, tons of trash collected, etc.), and efficiency (such as cost per fire run, cost of providing trash collection services per capita, etc.). Somewhat fewer say they track measures of effectiveness (such as a decrease in fires due to fire prevention efforts) or citizen satisfaction (see *Figure 5*).

Figure 4a
Percentage of Michigan jurisdictions reporting ad hoc vs. systematic data use (among data users)

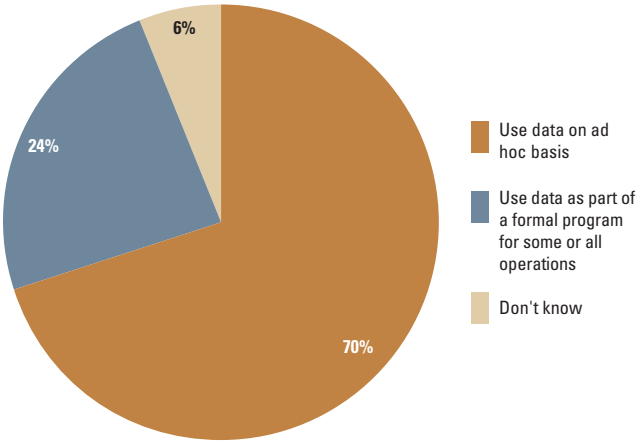


Figure 4b
Percentage of Michigan jurisdictions reporting ad hoc vs. systematic data use (among data users), by population size

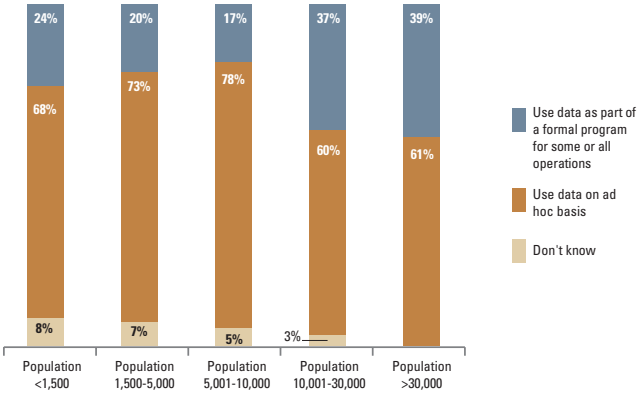
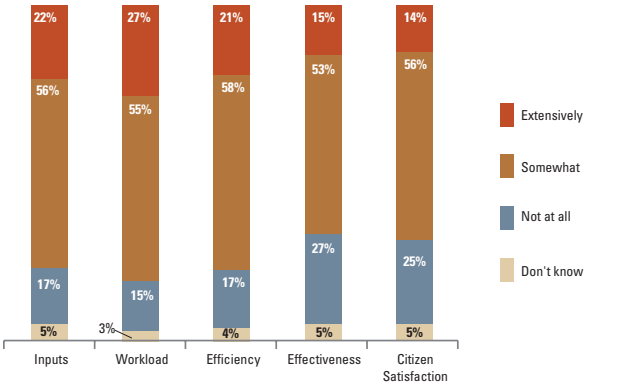


Figure 5
Percentage of Michigan jurisdictions indicating how extensively they use particular types of data (among those who use internal data)



Jurisdictions often develop performance measures on their own

When asked how their internal performance measures were developed, nearly 8 in 10 local officials (78%) say that their jurisdictions' own employees or officials developed some or all of their internal measures in-house (see *Figure 6*). Although larger jurisdictions are more likely than smaller ones to report that they also used consultants, available models, and outside assistance, they still overwhelmingly report developing their jurisdictions' performance measures themselves.

When it comes to collecting external data for benchmarking their operations against other governments, most data-using Michigan jurisdictions say they obtain external data from government membership organizations, the U.S. Census Bureau, and informal exchanges with other jurisdictions (see *Figure 7*). Among different jurisdiction types, 86% of data-using county officials say they get data from the Michigan Association of Counties (MAC); 84% of city officials and 91% of village officials report using data from the Michigan Municipal League (MML); and 91% of township officials say they get data for external comparisons from the Michigan Townships Association (MTA). Jurisdictions also report gathering data from the Michigan Department of Treasury, regional organizations such as the Southeast Michigan Council of Governments (SEMCOG), and consultants or private organizations.

Figure 6
Michigan jurisdictions' sources for developing internal performance measures (among those who use internal data)

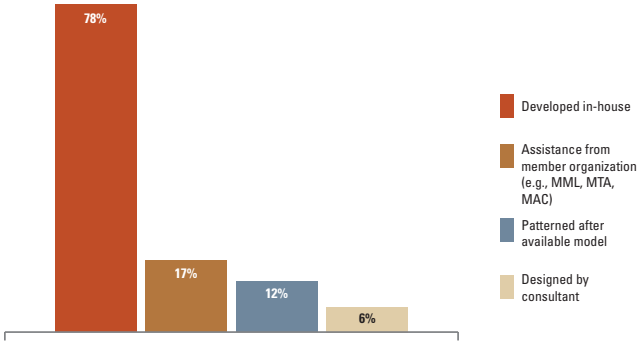
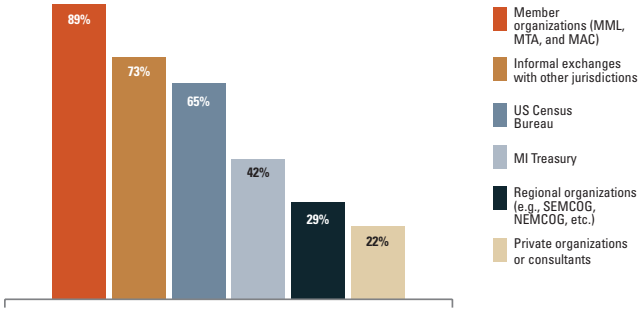


Figure 7
Michigan jurisdictions' data sources for benchmarking against other jurisdictions (among those who use external data)



Jurisdictions that use data are mostly positive about its effectiveness

Overall, most local leaders in data-using jurisdictions believe their use of data is effective across a wide variety of purposes. For example, 88% of these officials think their data use is "somewhat" or "very" effective at guiding budget decisions. Large percentages of these officials also see their use of data as effective for improving management decisions, improving their jurisdictions' accountability and transparency, and improving communication with their jurisdictions' council or board (see *Figure 8a*). And given the fiscal challenges facing so many local governments today, it is particularly notable that 83% of officials rate their use of data for identifying cost savings as "somewhat" or "very" effective.

Furthermore, beliefs about the effectiveness of data use are similar across jurisdictions of all sizes. For example, 85% of officials from Michigan's largest jurisdictions rate their data use as effective for identifying cost saving or program efficiencies, while 78% of officials from the smallest jurisdictions feel the same.

Figure 8a
Local officials' assessments of the effectiveness of data use for particular purposes (among data users)

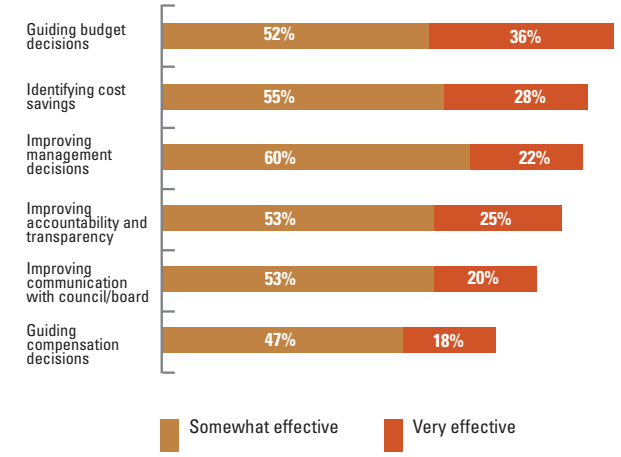
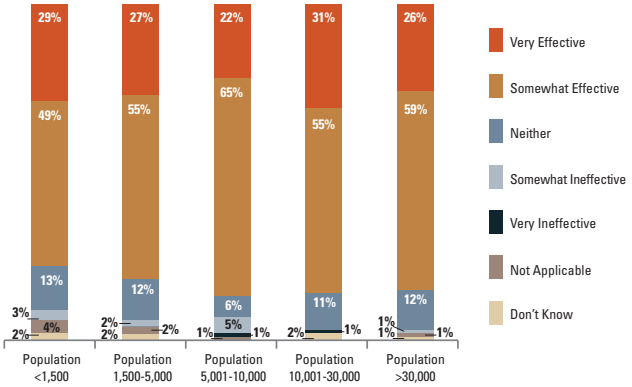


Figure 8b
Local officials' assessments of the effectiveness of data use for identifying cost savings (among data users), by population size



Concerns about data-use, among non-users

Among jurisdictions that do *not* use data in their decision-making processes today, local leaders express a number of concerns about problems they would expect to face if they did adopt performance management practices in the future. For instance, 62% of these officials say that the costs associated with data use would be a problem (see *Figure 9a*). Smaller, but still sizeable percentages of officials also foresee potential difficulties in tying data to their jurisdictions' goals, obtaining and analyzing data, and keeping data measures current.

Actual problems with data use not as bad as non-users fear?

Interestingly, officials from jurisdictions that *do* currently use data are significantly less likely to report their jurisdictions have encountered problems with their use of data. For example, compared to the 62% of officials in jurisdictions that don't currently use data who predict costs would be a problem, only 28% of officials from data-using jurisdictions say that costs actually have been a problem for their jurisdictions. (see *Figure 9b*).

Similarly, in terms of a jurisdictions' ability to analyze data, perceived or expected problems are worse among non-users, than are actual problems experienced among current data users (see *Figure 9c).* For example, among current data users, 27% of officials report experiencing problems in analyzing data, including just 3% who report significant problems. By contrast, among non-data users, 44% predict they would experience such problems, including 13% who expect the problems would be significant.

Whether current non-users would indeed experience problems at higher rates than have been experienced so far by their data-using peers can't be known in advance. However, statistical analysis finds that, even when controlling for a wide variety differences such as jurisdiction size or fiscal health, data users are significantly less likely to report cost or other issues as problems compared to the predictions of non-users. There may yet be some other difference about the current jurisdictions that don't use data, such that they would indeed experience problems at a higher rate than current users have experienced so far. Still, it seems likely that the perceived or expected problems among non-users are higher than they should be, given the actual experiences of their counterparts who are using data.

Figure 9a
Local officials' assessments of potential problems with performance measures (among jurisdictions that do not use data)

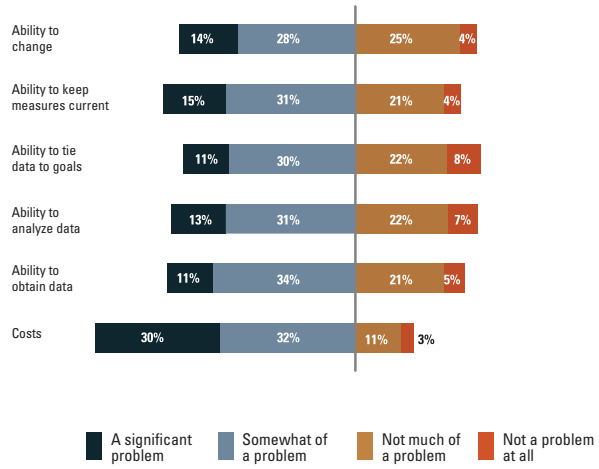


Figure 9b
Local officials' perceptions of cost as a problem for jurisdictions' data use (comparing jurisdictions that do and do not use data)

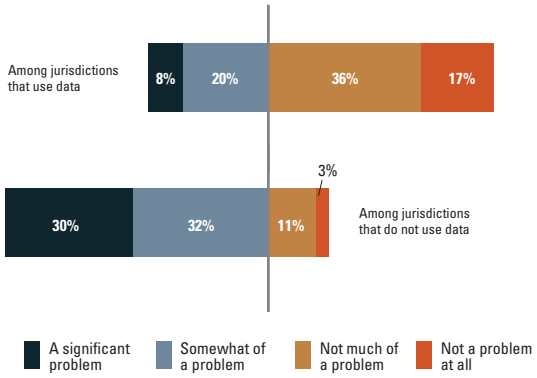
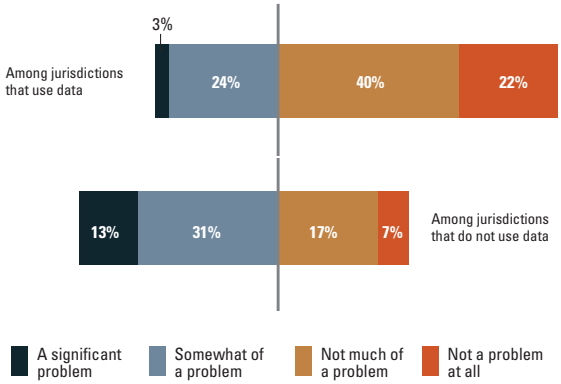


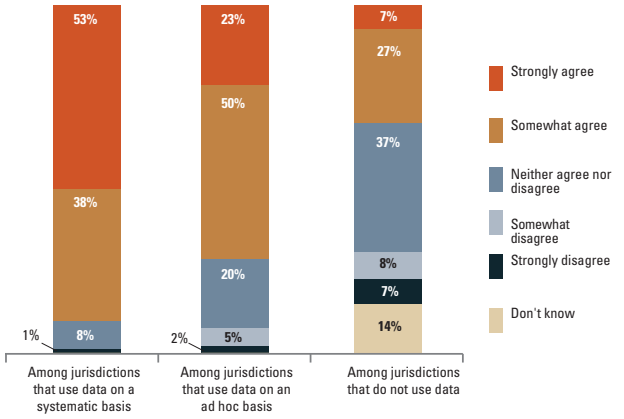
Figure 9c
Local officials' perceptions of ability to analyze data as a problem for jurisdictions' data use (comparing jurisdictions that do and do not use data)



Data users believe performance measurement and management is worthwhile, non-users less certain

Large percentages of officials from jurisdictions that currently use data believe performance measurement and management is worthwhile. Leaders from jurisdictions that use data systematically are the most positive about data use, with 91% saying that performance management is worthwhile for their jurisdictions, including 53% who strongly agree with that statement. By comparison, 73% of officials from jurisdictions that use data on an ad hoc basis also agree, including 23% who agree strongly. Meanwhile, only 34% of officials from non-data using jurisdictions say they believe performance management would be worthwhile for them, and only 7% "strongly agree" it would be worthwhile (see *Figure 10*).

Figure 10
Local officials' assessments of whether performance management is, or would be, worthwhile for their jurisdictions



Beliefs about the potential merits of performance measurement and management among non-users are mixed and associated with community size. While 88% of officials from non-data using jurisdictions with more than 10,000 residents believe data use would indeed be worthwhile for them, just 31% of officials from jurisdictions of 5,000 or fewer residents feel the same way.

Interestingly though, among small jurisdictions (those with 5,000 or fewer residents) that do use data today, 76% of officials say their data use is worthwhile, including 26% who strongly agree with the statement.

The Fall 2011 MPPS asked leaders of data-using jurisdictions what suggestions they would give to other jurisdictions who are either looking to introduce new measures or to improve their current use of data in decision making. Hundreds of responses were provided, many of them emphasizing themes of transparency, collaboration with surrounding communities, and involving a wide variety of stakeholders from both inside and outside a unit's administration. Examples of such advice are provided below.

Voices Across Michigan

Quotes from local leaders, on what suggestions they would give to other jurisdictions that are either looking to introduce new measures or to improve their current use of data in decision-making.

- "Keep it simple, especially at the start."
- "It will take time. It is an evolving process, subject to constant changes and tweaks."
- "If you are not measuring it, you are not managing it. If you are tracking it, ask yourself why, and how you will use the data to improve your operation."
- "Don't re-invent the wheel; lots of resources are out there. Also, you are already collecting a lot of the data you need as part of daily operations."
- "Engage employees in the process; make targets achievable but ambitious."
- "Educate your board and managerial staff on what you are doing and why, establish the practice as part of the operating culture, and hold those responsible accountable."
- "Get going on it. Do not be afraid to find comparative shortcomings. In fact, find those areas that appear to be coming up short in your jurisdiction and start asking questions."
- "Implement a manageable set of performance metrics per department that are aligned with the overall strategic goals. Implementing too many measures can result only in data collection activity, rather than on needed change."
- "Most importantly, there must be strong leadership that drives the initiative. There will be a great deal of push-back, and it must be clear politically that management will focus on the ongoing analysis of performance numbers."

Conclusion

The Fall 2011 MPPS finds that data-driven decision-making is widespread and has grown significantly in the last five years, among local governments of all sizes, and across all regions of Michigan. While large jurisdictions are more likely than small ones to conduct performance measurement and management practices, more than half of the state's smallest jurisdictions also report that they engage in data-driven decision-making processes in some fashion today. Regardless of jurisdiction size, most leaders in these local governments believe their data use is effective and worthwhile, especially for guiding budget decisions and finding cost savings or program efficiencies.

Still, most data use in Michigan local government today is relatively informal and ad hoc. Only about 16% of *all* local jurisdictions report that they engage in formal performance measurement and management activities.

Most of the local governments that do not use data today are relatively small jurisdictions, with fewer than 5,000 residents. Numerous concerns are voiced by leaders of these jurisdictions, especially the belief that costs associated with data use would be a problem. In most cases, however, the concerns have not materialized among jurisdictions that do use data today. This is particularly true on the question of costs: while 62% of leaders from non-data using jurisdictions believe costs would be a problem, only 28% of their peers in data-using jurisdictions report that in fact costs have been problematic.

For Michigan's smallest jurisdictions—those that have few (if any) employees, that provide relatively few services and that have generally stable and uncomplicated budgets—it may be the case that little value would be added through the use of formal performance measurement and management activities. But for the many local governments in Michigan that continue to struggle with fiscal challenges, performance measurement and management may help policymakers deal with their resource constraints. Developing a culture of data-driven decision-making may offer other benefits as well, such as improved accountability and transparency, more efficient service provision, improved policy communications, and greater trust in government.

For those jurisdictions or other stakeholders looking to expand the use of data in local government decision-making, numerous resources are available. In addition to regional, statewide, and national governmental associations, the following organizations provide a wealth of information to help users learn more about performance measurement and management:

- The Michigan Local Government Benchmarking Consortium, a program sponsored by the Michigan State University Extension Service's State and Local Government Team. See: http://slg.anr.msu.edu/benchmarking/BenchmarkingHome/tabid/221/Default.aspx
- The Public Performance Measurement and Reporting Network at Rutgers University, which provides free resources to stakeholders designed to improve public sector performance. See: http://ppmrn.net

Survey background and methodology

The MPPS is a biannual survey of each of Michigan's 1,856 units of general purpose local government. Surveys were sent by the Center for Local, State and Urban Policy (CLOSUP) via the internet and hardcopy to top elected and appointed officials (including county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers) from all 83 counties, 277 cities, 256 villages, and 1,240 townships in the state of Michigan.

The Fall 2011 wave was conducted from October 3 – November 28, 2011. A total of 1,331 jurisdictions in the Fall 2011 wave returned valid surveys, resulting in a 72% response rate by unit. The margin of error for the survey as a whole is +/- 1.43%. However, the margin of error may differ for analyses that include only a subset of respondents. Contact CLOSUP staff for more information. The key relationships discussed in the above report are statistically significant at the p<.05 level or below, unless otherwise specified. Missing responses are not included in the tabulations, unless otherwise specified. Data are weighted to account for non-response.

Detailed tables of the data analyzed in this report broken down three ways—by jurisdiction type (county, city, township or village); by population size of the respondent's community; and by the region of the respondent's jurisdiction—are available online at the MPPS homepage: http://closup.umich.edu/mpps.php

The views reported herein are those of local Michigan officials and do not necessarily reflect the views of the University of Michigan.

Notes

1. Rutgers Public Performance Measurement and Reporting Network (PPMRN). "Statement on the Value of Performance Management and Reporting." May 2012. http://www.ppmrn.net/about-ppmrn/overview.
2. Moynihan, Donald P. 2008. The Dynamics of Performance Management: Constructing Information and Reform. Washington, DC: Georgetown University Press.
3. Center for Local, State, and Urban Policy. "Local officials react to state policy innovation tying revenue sharing to dashboards and incentive funding." January 2012. http://closup.umich.edu/files/mpps-evip-dashboards.pdf.
4. Folz, David H., Reem Abdelrazek, and Yeonsoo Chung. 2009. "The Adoption, Use and Impacts of Performance Measures in Medium-Size Cities: Progress Toward Performance Management." *Public Performance and Management Review.* Vol. 33: 63-87.

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The **Center for Local, State, and Urban Policy (CLOSUP)**, housed at the University of Michigan's Gerald R. Ford School of Public Policy, conducts and supports applied policy research designed to inform state, local, and urban policy issues. Through integrated research, teaching, and outreach involving academic researchers, students, policymakers and practitioners, CLOSUP seeks to foster understanding of today's state and local policy problems, and to find effective solutions to those problems.

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