

Transforming Public Governance Institutions

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Draft work product of a National Academy of Public Administration Working Group on Transforming Public Governance Institutions

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Action items:

Please attend the second Zoom session of the working group (October 1, 2025, 1-2:30 pm Eastern), where improvements to the draft will be one agenda item. Registration link:

<https://us02web.zoom.us/meeting/register/1LQPGGLoQ2iHvgmUw1z8EQ#/registration>

To advance discussion in the working group, this draft identifies a possible structure of an eventual written document with the goal of a complete draft in late fall 2025 and final product in early 2026.

Discussion from the first working group meeting (7.9) and subsequent comments have informed the draft.

Some sections are partially developed while others are skeletal place holders.

All is advanced in the expectation of improvement.

Please send comments, edits, and other suggestions to one or all of us.

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The TPGI working group builds on earlier attention to institutions

Transforming Public Governance Institutions (TPGI) is a distinct framing and ambition to address issues confronting the United States of America, many of which are shared with peer economically advanced and formally democratic nations. Public governance institutions warrant more attention than they have received by public administration professionals and scholars in the recent past. At the founding of the profession, they were the major focus—in analyses and advocacy for neutral competences of public employees (Goodnow 1900), regarding budget processes (President Taft’s Committee on Economy and Efficiency 1912), to create the Executive Office of the President (Brownlow Committee 1937), to assess and restructure federal departments (Hoover Commission 1949), further changes in department organization and career civil service (Hoover Commission 1955), and for council-manager forms of local government (Childs 1952). These were also arguments about societal impacts and the roles of citizens, elected officials, and professionals with expertise, elevated by Appelby (1945).

There was a second explosion of institutional creation in the mid-1960s through 1970s, when federal policies spread into many areas of society (Kirlin 2010). The proliferation of policies, departments, independent agencies, and quasi-governmental entities (Congressional Research Service 2011) gave rise to the apt “silo” metaphor. That set the institutional matrix for the professionalization of nationalized ‘stakeholder’ representation in specific policy domains, displacing citizen-driven civic organizations that were place-based (Skocpol 2004). Policies which result in path-dependence on certain technologies, as Unruh (2000) argues is the case for fossil-fuels, or for certain policy approaches, as a disease focus and insurance tools in US Medicare (Jencks and Schieber 1991, Campbell and Sheppard 2020, Hammond, Johnson, and Serna 2025), or for “super-wicked” problems of global climate change (Levin, Cashore, Bernstein, and Auld 2012), constrain future choices, dramatically increasing political effort required for change. Heclo (1978) argued that “issue networks” dominated by technical professionals were critical

for the working of the federal government and were a barrier to effectiveness and to change. As summarized, “The profound influence of the rise of these issue networks on government is manifold, Heclo thinks, especially in adding new layers of complexity to government. First, networks keep issues, potentially simple to solve, complex instead, primarily to gain power and influence by virtue of their own specialized expertise. Second, rather than fostering knowledge and consensus, issue networks push for argument, division, and contention to “maintain the purity of their viewpoints,” which in turn sustain support from their natural but narrow public constituencies. Third, issue networks spawn true believers who become zealots for narrow interests rather than seekers of broad mandates of consensus, support, and confidence for public programs. Finally, rather than pushing for closure of debate, issue networks thrive by keeping arguments boiling and disagreements brewing. They survive by talking, debating, and arguing the alternatives, and not by finding common grounds for agreement and getting down to making things happen.”

The design of these institutions is being challenged and changes made by President Trump’s administration in his second term, one factor forcing return to these issues. A few participants in the July 2025 session of the TPGI Working Group spoke of the time before Trump’s second term starting in January 2025 and the time after, and others suggested this NAPA working group initiation is reactive to this presidency. To the contrary, our research and writing on these issues started in early 2024 and the Transforming-focused gift to the National Academy of Public Administration by Jane and Mark Pisano was initiated then also. Others are also arguing currently for fundamental reframing of conceptualizations and institutions (Roberts 2019, 2025) and critiques of the elevation of expertise and management characteristic of much Public Administration literature and standard practice are not new (Miller 1989, Resh 2019; Kirlin 1996a, 1996b, 2001).

Several Fellows participating in the July session called for transformation in thinking and in action regarding public governance institutions, including a statement that the nation is “virtually

ungovernable,” with similarities to before the Civil War, and a call for return to the foundational values expressed in the Declaration of Independence as a starting point for design. Others suggested strategies for what is effectively constitutional level design change, such as elevating regions as governance institutions. Another approach to possible transformational change identified a series of analytical and action steps. One participant advocated increasing revenues, arguing that government would have greater impact with sufficient resources.

President Trump and his appointees have created an active, consequential presidential administration. However, the causes of the current institutional challenges emerging from large societal dynamics and past institutional and policy choices. As Brooks (2025) expresses it “The ailment is the tide of global populism that has been rising across the developed world for years, if not decades. And the cause is that our societies have segregated into caste systems, in which almost all the opportunity, respect and power is concentrated within the educated caste and a large portion of the working class understandably wants to burn it all down.” Among Trump’s actions, those related to Article 1(Legislative) and Article 2 (Executive) powers are central to public administration, including:

- ✓ Organizational structures (e.g., “Independent” agencies, terms of leadership, locations of employment)
- ✓ Personnel (e.g., civil service structure and provisions, including SES, terminations, unions)
- ✓ Expenditures of funds (e.g., discretion in spending, actions to identify and control “waste, fraud, and abuse,” GAO roles)

His actions have had impacts, many are under legal challenge, and they receive mixed judgments in surveys. Respondents in a Pew survey in August 2025 were disapproving overall of President Trump’s performance, declining from a January 2025 survey, with significant partisan differences (Kiley, Borelli, Copeland, Garcia 2025).

The strategy of this working group is to reengage questions of the design and transformation of public governance institutions in the current and emerging context. The earlier periods of transformation of public governance institutions combined theoretical and political components and that should be expected now. Whatever institutional designs are advanced will only be considered, legitimized, and implemented through political processes. As the ideas of Goodnow, White, Childs and others provided intellectual frameworks and proposals that were advanced by presidents, members of Congress, local government officials, and those interested in reform in the earlier time, ideas and proposals may again have impacts.

To provide a common reference, Public Governance Institutions are defined here as by North (1990) as the “...humanly devised constraints that shape...” authoritative collective choice and action, including:

- ✓ Constitutions and formal governments they create (national, state, substate)
- ✓ Policies which shape capacity for collective choice and action (e.g., Congressional Budget and Impoundment Control Act of 1974; federal devolution of funding responsibilities for Medicaid, and SNAP to states and counties; civil service systems; state permissive authority for sub state units and finance)
- ✓ Court decisions which shape capacity for collective choice and action (e.g., *Loper Bright Enterprises v. Raimondo*, 603 U.S. 369 (2024))
- ✓ State initiatives and propositions which affect capacity for collective choice and action

This focus is consistent with the charter of the National Academy of Public Administration (1984) which includes as purposes.

“(2) foreseeing and examining critical emerging issues in governance, and formulating practical approaches to their resolution;

(3) assessing the effectiveness, structure, administration, and implications for governance of present or proposed public programs, policies, and processes, and recommending specific changes;

(4) advising on the relationship of Federal, State, regional, and local governments, and increasing public officials', citizens', and scholars' understanding of requirements and opportunities for sound governance and how these can be effectively met;”

Though much of its work has focused on management issues, making valuable contributions, the Academy has also focused on institutional reforms over the years. Examples include these reports: Resolving the Paradox of Environmental Protection, An Agenda for Congress, EPA, and the States (1997), The Challenge to New Governance in the 21st Century: Achieving Effective Central-Local Relations (1999, with the National Institute for Research Advancement, Japan), and Environment.gov: Transforming Environmental Protection for the 21st Century (2000).

This effort requires shifting from any expectations that either the past or simply a focus on bureaucracies is sufficient. Instead, the approach should be:

- ✓ Start with the needs of people where they live, work, play, and pray
- ✓ Understand the forces and dynamics needed to meet people's goals in places
- ✓ Develop a game plan on how to meet these goals and needs, the institutions and policies that will get the outputs that achieve desired outcomes
- ✓ Accept the risks of changing what we have done in the past
- ✓ Act quickly and iteratively, with the goal of transformation, including multiple “modest” actions
- ✓ Learn and adapt

The current context is examined first, followed by discussion more specific to public administration, and examination of the case of substate institutional change, ending with consideration of next steps.

Demographic, economic, and fiscal contexts require institutional transformation

Governance, the creation of institutions of collective choice and action, and then making and implementing policies, occurs always in contexts. This exploration of contexts begins with broad analyses, then turns attention to demographic, economic, and fiscal dimensions of context. Most analyses are of nations. Notably, attention is to outcomes that are both significant to individuals and broadly distributed. This examination supports the need for transformational, rather than incremental, changes.

Five analysts of long-term cycles of economies and governance agree this is a period of upheaval in the United States.

The works of Huntington, Friedman, Howe, Goldstone and Turchin, focused on the United States, and of the global perspective of Dalio, are usefully summarized, including graphics, by Mehlman (April 13, 2025) <https://brucemehlman.substack.com/p/six-chart-sunday-crisis-consensus> Huntington (1981) analyzed cycles of “moral convulsion” with distrust in institutions leading to an uprising of elements of society to forge new institutions, including the Revolutionary Period, Jacksonian Uprising, the Progressive Era, and the Protest Era, and predicting a moral convulsion about now, which Mehlman labels “Modern Populism.” Friedman (2020) analyzes “institutional” (80 year) cycles (1787-1865; 1865-1945; and 1945-2020) and “socio-economic” (50 year) cycles (by presidents: Washington, Jackson, Hayes, Roosevelt, and Reagan). He argues the cycles are currently overlapping for the first time in the history of the nation. Howe (2020), extending earlier analyses of Howe and Straus (1997), emphasizes the changing social moods of generations (20-year cycle), with larger, more divisive periods of civic upheaval every fourth cycle, which Howe argues is happening now. Goldstone and Turchin (2016) argue that the interaction between indices of well-being and political stress predict an “age of discord” in this

period, with the years before the United States Civil War showing similar patterns. Dalio (2020) focuses on finances of nations dominant in different time periods, resulting in attention to the rise and fall of the Dutch, English, and American “reserve currency empires,” plus other significant historical empires. Mehlman (2025, p 3) summarizes the conclusion of Dalio’s prediction as “...an archetypal big shift in relative wealth and power in the world order” is occurring now.

Separately, Mehlman’s (August 3, 2025) analysis of parallels between the 1920s and 2020s suggests the United States is in similar turmoil in the two periods. He finds parallels in six dimensions: Conservative Counterrevolution, Retreat from Globalization, Immigration Backlash, Technological Transformation, Revolution in Military Affairs, and Asset Bubbles Fuel Rising Disparities.

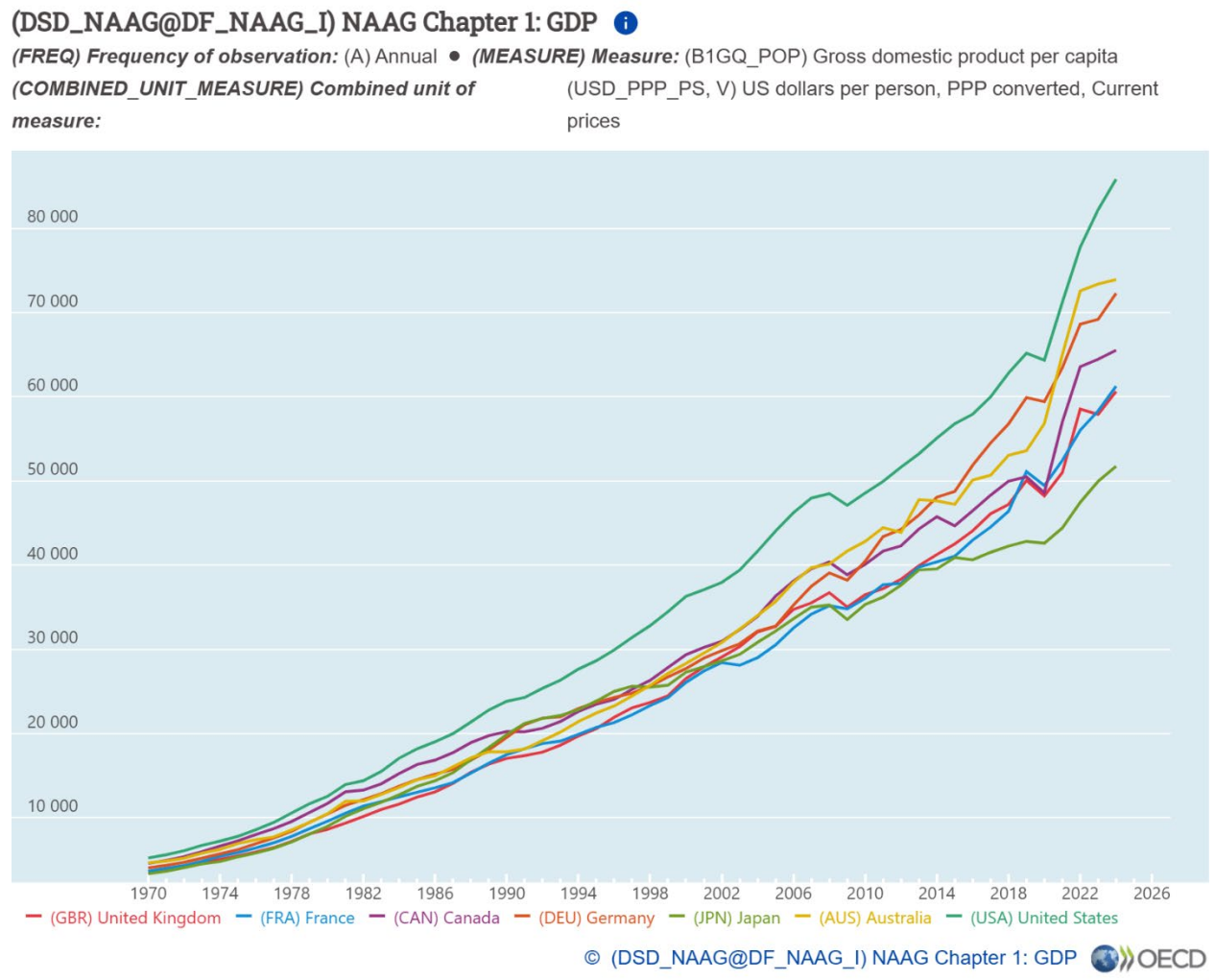
<https://brucemehlman.substack.com/p/six-chart-sunday-echoes>

Comparatively, the United States is doing very well economically.

Figure 1 is a comparison of GDP per capita of the US vs selected peer nations in US dollars adjusted for Purchasing Price Power (PPP), 1970-2024 (OECD 2025). Not shown on the figure are the values for 2024, from the highest down:

Nation	U.S. dollars, 2024
United States	85,832
Australia	73,922
Germany	72,295
Canada	65,533
France	61,258
United Kingdom	60,620
Japan	51,673

Figure 1. GDP/Capita US and peer nations, 1970-2024



The strong economic performance of the United States receives attention, seen in Luhnaw and Fairless's arguments that "Europe is Losing" (WSJ 2025), with its nations have fallen "far behind" in economic dynamism, technology, and economic and diplomatic influence.

Challenges are predicted in sustaining economic performance and financing governments

McKinsey (2025) focuses on the impacts of slower population growth and an aging population on economic performance in the United States. <https://www.mckinsey.com/mgi/our-research/dependency-and-depopulation-confronting-the-consequences-of-a-new-demographic-reality>

The OECD (2025) projects increasing fiscal challenges from the same factors for member nations, including the United States.

https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/government-at-a-glance-2025_70e14c6c/0efd0bcd-en.pdf The Congressional Budget Office (2025) makes similar projections regarding demographics, economic performance, and fiscal strain in the United States.

<https://www.cbo.gov/publication/61187> Other analyses show similar structural constraints on public finances. Debt is 122 % of GDP and current deficit is 6.3 % of GDP (Federal Reserve Bank of St. Louis, 2024). An aging population reduces growth of the labor force, projected to drop from .8% annually for the past 30 years, to .4% for the next 30 years, slowing growth in the economy and government revenues (Congressional Budget Office, 2024).

States are required to adopt balanced budgets and the Pew Charitable Trust's ongoing "Fiscal 50" project analyzed state fiscal balance of revenues and expenditures over a fifteen-year period (2008-2022). To address the variability in states the summary fiscal health data used is total revenues (state and local) as a percentage of total expenditures. The 50-state median revenue was 103.6% of expenses over the 15 years. Additionally, each census region accumulated a long-term surplus, with the median for the West leading at 105.2%, followed by the South (104.3%), Midwest (104.1%), and Northeast (101.7%). However, six states had revenues less than expenses over 15 years, listed in ascending order of shortfall: New York, Hawaii, Massachusetts, Connecticut, Illinois, and New Jersey.

<https://www.pew.org/en/research-and-analysis/data-visualizations/2014/fiscal-50/fiscal-balance>

When full liabilities for pensions and OPEB (other post-employment benefits, such as health and life insurance) are included, the fiscal situation of states is more constrained. Truth in Accounting (2025a) publishes a report which includes data provided in compliance with the accounting standards upgrade from the Governmental Accounting Standards Board (GASB), requiring states to disclose their liabilities related to pension benefits (GASB 68, effective fiscal years beginning after Jun 1 2015) and retiree health

care benefits (GASB 75, effective beginning fiscal years beginning after June 1 2017) on their balance sheets. That analysis concludes that “Collectively, all fifty states had \$2.1 trillion in assets available to pay their bills. However, their total debt, including unfunded retirement benefit obligations, reached \$2.9 trillion. This debt includes \$840 billion in pension liabilities and \$492 billion in other postemployment benefits (OPEB), primarily from retiree health care costs.” (TIA, 2025a, p7) In ascending order of debt burden per taxpayer, the five “sinkhole” states were California-\$17,400, Massachusetts-\$25,400, Illinois-\$37,000, New Jersey-\$42,500, and Connecticut-\$44,300.

A similar calculation including unfunded liabilities (especially for Social Security and Medicare) increases the debt of the United States from \$37.2 trillion reported by the US Treasury (<https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/>) to \$158.6 trillion, equivalent to \$974,400 for every taxpayer (Truth in Accounting 2025b)

<https://www.truthinaccounting.org/library/doclib/Financial-State-of-the-Union-2025.pdf> The Penn Wharton Budget Model calculates “Complete Measures of U.S. National Debt” differently but to an equivalent result: “Focusing only on explicit debt is misleading due to significant underfunding of OASDHI [Social Security and Medicare] programs. Adding explicit debt (\$26.2 trillion) and implicit obligations (\$65.7 trillion) brings total federal indebtedness to \$91.9 trillion, or 340% of 2023 GDP.

Extending tax and spending projections to cover all current and future generations, the infinite horizon fiscal imbalance is \$162.7 trillion, or 6.6% of the present value of all future GDP.” (Penn Wharton 2025, p 5)

<https://static1.squarespace.com/static/55693d60e4b06d83cf793431/t/6798f49b6db8aa082e041662/1738077339355/Complete+Measures+of+US+National+Debt.pdf>

In summary, current revenues are inadequate to meet current obligations of the federal government and the current finances of states vary. However, when unfunded liabilities are included, both the national and state government financial situation worsens. Moreover, future revenues will diminish

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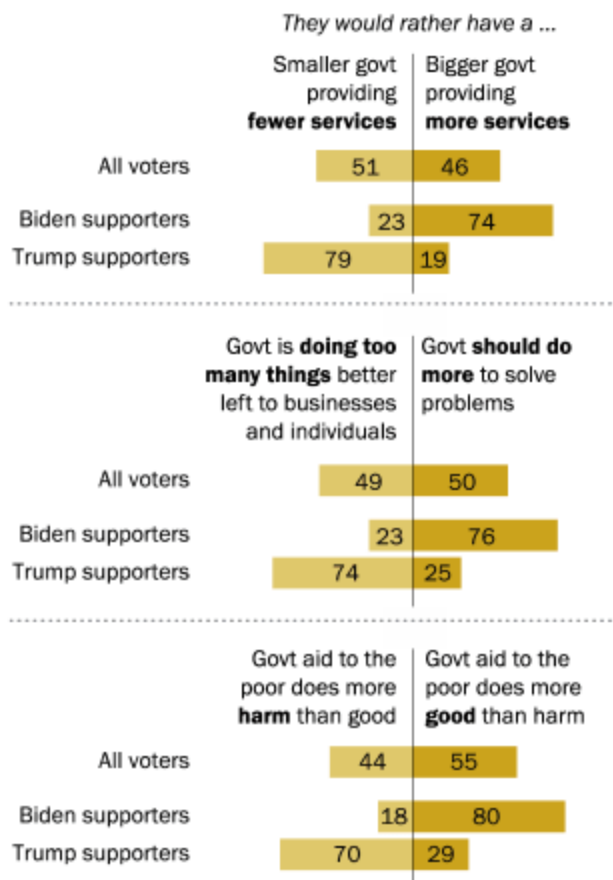
because of demographics. Approaches to addressing pressing issues based on expectation of increased public expenditures from current revenue sources are unlikely to succeed. In August 2025, German Chancellor Merz recognized these limits, stating “the welfare state that we have today can no longer be financed with what we produce in the economy.” (Wall Street Journal 2025)

Citizen division and pessimism must be recognized and addressed

Citizens in the United States are divided about the size and scope government, not optimistic about the nation, and have mixed expectations about citizen capacity to work together. Pew (2024, p 3) surveys show partisan differences regarding the preferred scope and size of government and the performance of government.

Deep divides between Biden and Trump supporters on size, scope of government

% of registered voters who say ...



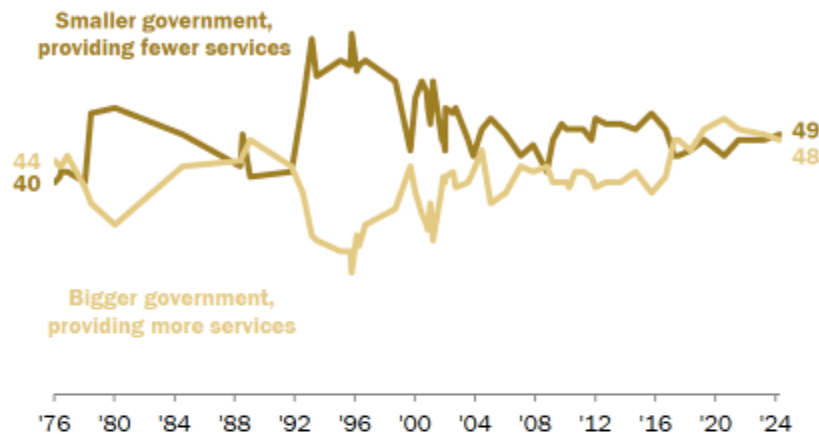
Note: Based on registered voters. No answer responses not shown.
Source: Survey of U.S. adults conducted April 8-14, 2024.

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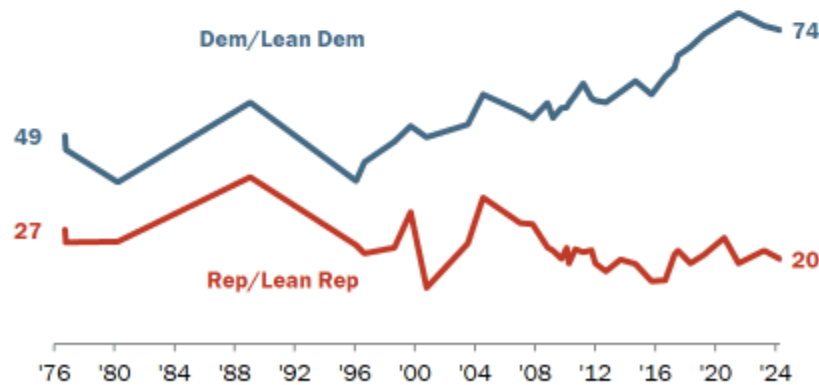
The differences are increasingly partisan (Pew 2024, p 7).

Americans are closely divided on size of government, and these views are increasingly partisan

% who say they would rather have a ...



% who say they would rather have a **bigger government, providing more services**



Note: No answer responses not shown.

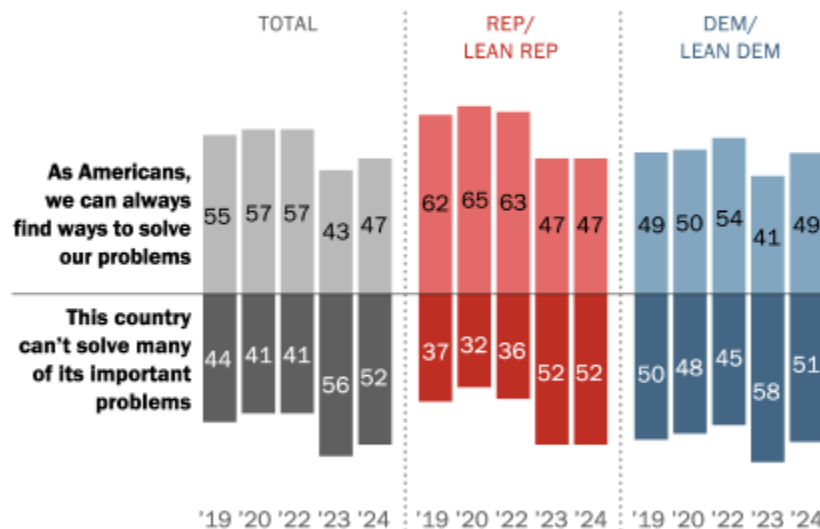
Source: Survey of U.S. adults conducted April 8-14, 2024.

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Republicans/Lean Republican have more positive expectations about the capacity of the nation to solve important problems than do Democrats/Lean Democrat respondents. In four of five years surveyed, they reported more positive expectations. (Pew 2024, p

Americans are evenly divided on whether the U.S. can solve many of its important problems

% who say ...



Note: No answer responses not shown.

Source: Survey of U.S. adults conducted April 8-14, 2024.

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However, young adults are notably pessimistic about the country's ability to solve problems. About half of Americans (52%) in 2024 said the U.S. cannot solve many of its important problems, while 47% say it can find a way to solve problems and get what it wants. Six-in-ten adults under age 30 (62%) say the nation cannot solve major problems, the highest share in any age group and sixteen points higher than two years ago. (Pew 2024, p 6)

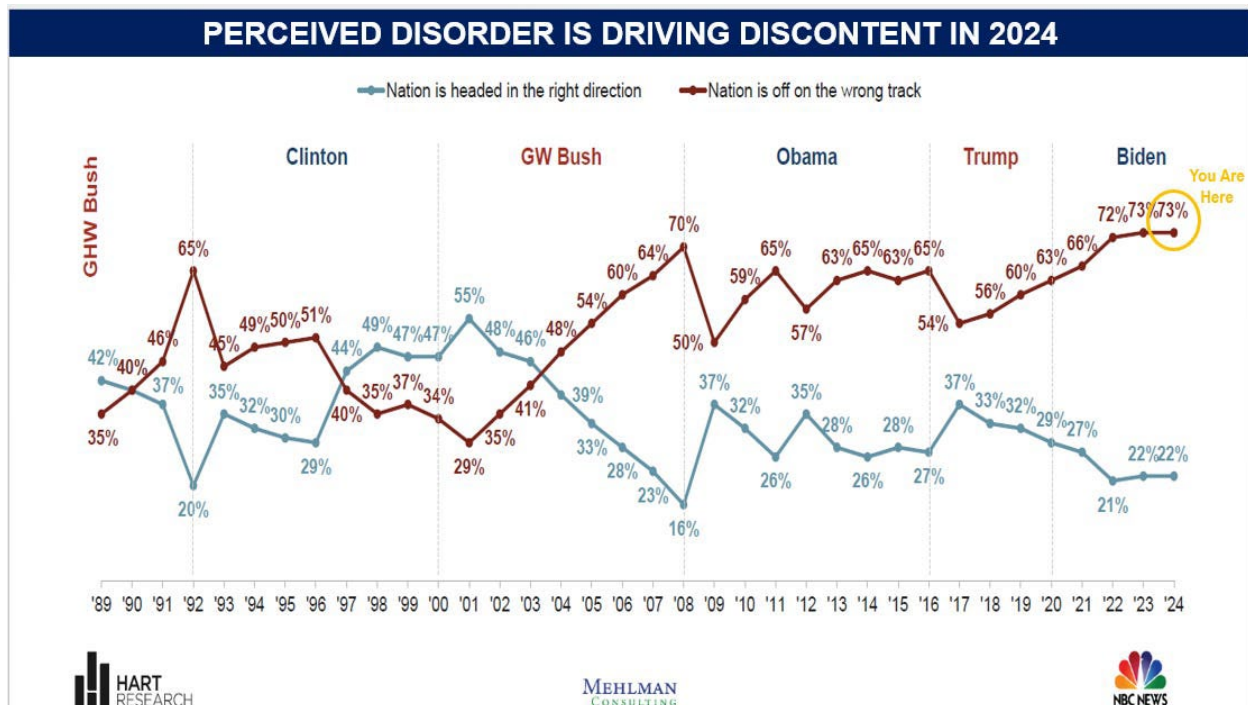
Relatedly, Cox (2025) reports on a survey by the Center on American Life finding:

Overall, Americans have a generally positive view of their fellow citizens. For instance, 57 percent of the public say they have a fair amount or a great deal of confidence that Americans honestly report their full income when paying their taxes. Nearly six in 10 (58 percent) members of the public say they have at least a fair amount of confidence that Americans can work together to solve community problems (58 percent) or that they will generally treat others with respect (59 percent). More than six in 10 (63 percent) say they have a fair amount or a great deal of confidence that Americans will do what they can to help those in need. Two-thirds (67 percent) of the public say they are confident that Americans will obey federal and state laws, although a smaller portion (56 percent) believe this is the case when Americans disagree with those laws.

However, Americans are far less confident that their fellow citizens are willing to compromise on issues important to them. Only 42 percent of the public say they have a fair amount or a great deal of confidence that Americans will compromise on the issues they care about.

Liberals have a far more negative view of the American public than conservatives do. Fewer than one in three (31 percent) liberals believe Americans are willing to compromise on important issues, compared with nearly half (48 percent) of conservatives. Just under half (49 percent) of liberals believe the American people can work together to solve community problems, a view held by nearly two-thirds (64 percent) of conservatives. Only 49 percent of liberals are confident in their fellow citizens' capacity to treat other people with respect; in contrast, more than two-thirds (68 percent) of conservatives are confident in the American public's capacity to do this.

From a different perspective, Mehlman (August 2024) analyzed responses to the survey question “is the country headed in the right direction?” or “off on the wrong track” to illustrate increased pessimism over time. https://brucemehlman.substack.com/p/six-chart-sunday-29-whos-the-change?utm_source=publication-search



This sentiment is reflected also in a WSJ/NORC survey responses about opportunities for the next generation (Ip 2025). In contrast to “How confident you could...” vs. “How confident are you that your children’s generation will be able to...,” more than half of respondents were “not very/not at all confident” that their children’s generation would be able to “pay unexpected medical expense” or “buy a home.”

Past choices of public governance institutions and public administration practices contributed to current challenges


The current government action institutional matrix evolved over time as single-focus agencies

established to work on named policy problems of the moment, commonly with some combination of regulatory, grant, and research powers. This is most evident at national level, but also in states, and larger local governments which also have service delivery responsibilities.


Because of these institutional designs, adopted public policies were consistent with silos, seen in the instability and demise of policies of revenue sharing or block grants. Moreover, adopted policies were often universalistic and controlling in contrast to permissive policies.

Among the dysfunctional consequences of the current government action institutional matrix are:

- ✓ Unspecified and/or loose relationships to current pressing wicked problems, such as extreme weather events, housing, and homelessness, falling life expectancy at birth, poor performing K-12 schools, rising income/wealth/opportunity inequalities, social disorder, and infectious disease prevention.
- ✓ Siloed competencies inconsistent with complex functional relationships in any policy area (Kirlin 1996)
- ✓ Congested policy arenas, conducive of paralysis (Olson, 1984)
- ✓ Unacknowledged, but large, transaction costs. Transaction costs---to make and to implement public policies—are broader than a typical calculation of the “cost of regulations,” as those focus on costs of compliance by the regulated parties and the benefits to society of those regulations. The Congressional Research Service (2016) distinguishes between “bottom up” or “top down” approaches to calculating costs and benefits of federal regulations, finding weaknesses in both. Both approaches rely on professional judgments – of costs and benefits in the bottom-up approach, and of proxy measures of total regulatory costs in the top-down approach. They

concluded that the challenges in making estimates “raises the question of the utility of using such figures in the regulatory reform  debate.”

- ✓ Coercive federalism (Kincaid, 2017)
- ✓ Existing institutional designs inadequately anticipate and address complex, intractable, societal problems (Roberts, 2019)
- ✓ Consider whether past contributions regarding formal organizations and core expert-dominated functions (finance, budget, personnel, audit), and policy focused departments —the dysfunctional silos— encouraged centralization, top-down, large organizations alienating citizens and weak at addressing current societal challenges.
- ✓ Consider whether popular nostrums, such as collaboration, networks, or bridge-building, can lead to increased transaction costs, diminished citizen knowledge of and participation in governance, weakened accountability to elected officials, and diffused needed authority for societal problem solving.

Add discussion of importance of focus on outcomes. Contrast to attention to inputs that is common and how efforts to focus on “results” became outputs of agencies and programs, and rarely outcomes experienced by  citizens.

Consequences for public administration

Positive vs. negative assessments of career civil servants declined from 61%-39% in 2018 to 52% - 46% in 2022 (Pew Research Center 2022)

Unlikely to return to any “golden age” of unquestioned acceptance of expertise.

Precipitating events: COVID-19 response; inflation; change in Presidential administrations.

Shift in rhetoric (e.g., Trump, Musk)

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DOGE upends expected approach to “reform”

Challenge to core premise of public administration – value in professional expertise – is direct and raw.

Expected success in improving people’s lives and to have work of public employees recognized and appreciated is challenged.

Change in core beliefs of public administration and engrained professional practices will be a “large lift,” but required.

Conclude this discussion with positive possibilities of engaging institutional design and operation.

Transition to next section on wealth creation as a goal

Wealth creation as a goal, including addressing inequities in opportunities, expressed in places

World Bank (2021) definition of wealth: “...net economic assets, and human, and natural, capital”

A dynamic, sustainable goal.

A foundation with which to address wicked problems.

Hall (1998): contributions of twenty-one great cities to civilization

Acemoglu & Robinson (2012): democratic institutional designs and private property rights determine nations’ growth or decline (Nobel prize 2024)

Chetty, et al (2014): distinct substate geography of intergenerational opportunity

Jetty, et al (2022): governed places determine future economic and social well-being of individuals.

Paul Collier, (2024): *Left Behind*, Inclusion within communities increases opportunities and productivity, advancing wealth creation and reduction of societal conflict. This transformation is made possible

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through goal-oriented and actionable by increased agency of all within the community; and political leadership that understands that politics is the art of the possible.

Parker et al (2022): Federal place-based policies have positive effects for children who migrate in adulthood.

McGregor (2002): wealth of nations determined by policies rather than by “management,” highlights the need for a public administration role in institutional design and competent, accountable running of
Generating revenue streams from successful adaption to climate change and other pressing actions will be imperative and is possible.

Continued attention to reducing and controlling expenditures is also imperative.

Substate institutional change already underway

Transition to necessity to act to learn.

Necessity of action to learn which requires legitimization and allocation of resources

Critique of “counsels of despair” such as those in guise of no possibilities in face of wicked problems.

Political systems DO make decisions in these contexts and CAN seek the best knowledge on which to act.

Illustrate with past decisions, especially regarding institutions. Draw on Kotter and Lawrence, Schon for conceptual framing, among others. Following discussion of substate adaptations will be an example.

Possible additional example of action in wicked problem case: successful effort to create a network of Marine Protected Areas in waters subject to authority of the State of California. The State had failed in two efforts to implement statutes requiring creation of a “network of improved marine protected areas,” building on a modest number of small marine protected areas that had been created in past

decades. Marine Life Protection Act Initiative process led to creation of a network of 120+ MPAs in near shore areas by the California Fish and Game Commission that is singular globally. The action satisfies conditions for success proposed in Levin, Cashore, Bernstein, and Auld (2012): a sticky action, builds support over time, enhancing path dependency, etc. Contributing to long-term success of the MPA effort is a robust “adaptive management” component that engages and enlarges interested parties and can modify past policies as evidence supports.

Substate institutional change as an example of transforming public governance institutions

The arc of creating new substate institutional forms is testimony to the effectiveness of permissive state provisions to join authority and finance capacity to act. States allow creation of municipalities or equivalents, a wide variety of special districts, and Joint Powers Agreements, among others, all with specified powers, requirements for decision structures, and access to debt. States similarly create permissive authority for a variety of debt instruments, from general revenue to a variety of revenue specific debt instruments. Multi-Functional Special Districts and Enhanced Infrastructure Financing Districts are a logical expression of this arc, but stripped to the essentials of setting boundaries to fit a desired goal, with authority to make decisions, with broad access to revenue sources and to instruments of finance. Table 1 shows creation of new institutions, 1970s-2020s:

Table 1. Growth in types of substate units, 1970s-2020s

	Municipalities	Special districts (does not include education)	"Other" multi-function special districts	Home Owner Associations

1970s	18,517	23,885	122	10,000
1980s	19,076	28,588	785	36,000
1990s	19,279	31,555	1,044	130,000
2000s	19,429	35,052	1,627	240,000
2010s	19,519	38,266	4,188	323,600
2020s	19,491	39,555	5,227	362,000
% change, 1970s- 2020s	5.26%	65.61%	4184.43%	3520.00%

Not shown in Table 1 are counites and equivalent units as their numbers are effectively unchanged (1950=3103; 2020=3143). Note the differences between the growth in traditional general-purpose municipalities and more specialized units. Counties are exhaustive of all territory in a state and cannot overlap so once they are created in a state, their number rarely changes. Municipalities are not exhaustive but cannot overlap, and historically their number increased along with population growth.

- ✓ municipalities plateau (5.26 %)
- ✓ special districts increase (65.61 %)
- ✓ “other” multi-function districts explode (4128.43 %)
- ✓ Home Owners Associations increase nearly as fast (3520 %)
- ✓ Business Improvement Districts increase substantially (395.05 %)

ALSO: Neighborhood and Community groups (without funding source authorities; no available estimates of numbers):

- ✓ Neighborhood entities created by cities and counties, sometimes with consultative roles (e.g., land use, public safety)
- ✓ Community organizations are in arc of 1960-70s and more recent community empowerment, where foci include human capital, social services, public safety.

Tax Increment Financing authority in forty-nine states (not in AZ), a valuable tool for wealth creation and value capture

California's Enhanced Infrastructure Financing Districts (2014), Climate Resiliency Districts (2022), and Community Reinvestment and Investment Districts (2018). Forty-five (45) such districts exist and twenty more are in formation (SCAG, 2023)

Maryland's Sustainable Communities Tax Increment Financing (TIF) Designation and Financing Law (2013)

Non-Contiguous Tax Increment Financing Districts, proposed to address abandoned housing in Baltimore, MD (Lerner, 2024)

Use of existing institutions or new authorities for specific extraordinary efforts (e.g., base reuse). For example, see multi-purpose plan for reuse of Concord Naval Station (City of Concord, 2012)

Common features of the "other" multi-function special districts:

- ✓ Defined decision-making body.
- ✓ Broad range of activities
- ✓ Identified independent funding sources, plus debt issuance.
- ✓ Can usually cross existing governmental boundaries, some need not be geographically contiguous.

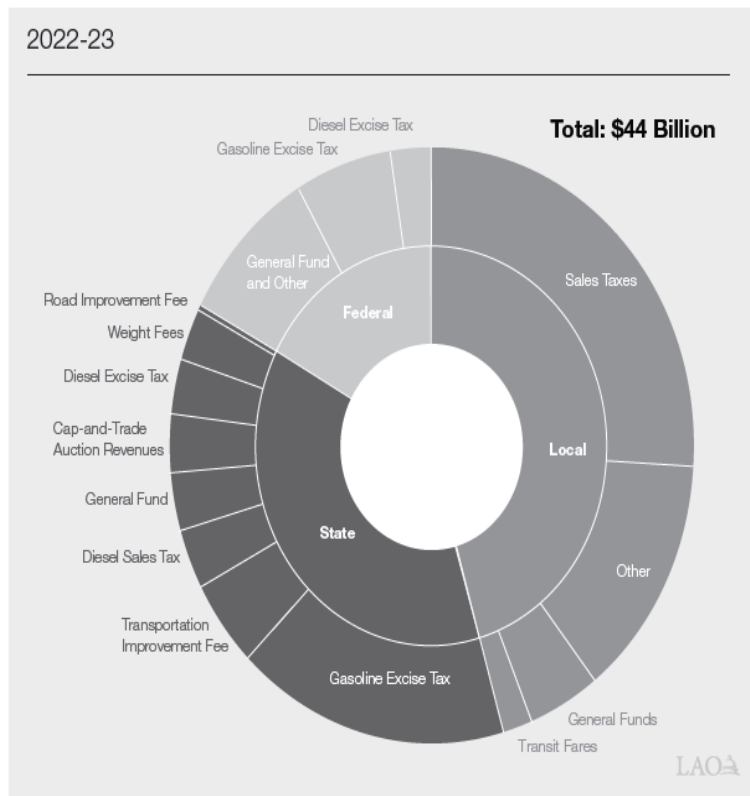
Strategies to transform public governance institutions

The need to identify, assess, and test strategies to transform current institutions is pressing. Strategies should be developed at levels of government -federal, state, local – and in major policy systems, such as health, housing, or adaptation to climate change. Many strategies will cross governmental levels, but the focus should be on institutional changes, not on improvements in operations of a single agency or program. The use of permissive authority in California is examined as one example.

Permissive authority

Introduction of permissive authority to access a new revenue source can have substantial effects which rise to a level of institutional change. California’s Local Option Sales Tax for transportation and Tax Increment Financing for infrastructure and housing are examples. Twenty-five counties in California have “Local-Option Sales Taxes (LOST),” which are voter approved rates on top of the state sales tax, devoted to specific transportation projects. In FY 2020-21, these summed to more than \$5.8 billion. The California Legislative Analyst Office (2025) concludes that total federal, state, and local transportation expenditures in 2022-23 totaled \$44 billion. Federal funds were about one-fifth, state funds about one-third, and local funds slightly less than half. The LOST revenues equaled 13% of the total, about two-thirds the amount of federal funds. Two analyses found institutional level impacts on transportation projects funded: a slight reduction in Vehicle Miles Traveled (Barbour and Thoron 2025) and increased political accountability to county voters (Wachs, Marks, King, Lederman, and Guy 2020).

Transportation Funding Comes From Various Sources



Transportation funding in California comes from federal, state, and local sources. In 2022-23, we estimate that transportation funding in California

While federal funds are about one-fifth of total government spending on transportation, they are significantly less in government spending on housing in the state. In 2008, California received \$39.3 million in CDBG funds from the federal government (Department of Housing and Community Development, State of California 2025) and \$81.7 million in federal Low Income Housing Tax Credits (Treasurer, State of California 2008), for a total of \$121 million. In contrast, total Tax Increment revenues available to local Redevelopment Agencies in FY 2008-09 were \$5.7 billion. The State was also allocating bond funds approved by voters in 2002 (Proposition

46) and 2006 (Proposition 1C) and had allocated approximately \$1.8 billion of Proposition 46 funds and approximately \$1.1 billion of Proposition 1C funds by 12/31/2008. Allocating Proposition 46 and 1C funds equally over the years since passage, RDA and State bond funds approximated \$6.6 billion in 2008, more than fifty times the federal LIHTC and CDBG funds received that year.

The use of Tax Increment Financing (TIF) in California reveals widespread adoption by cities, counties and some special districts between first availability in 1952 and elimination in 2012, mostly by Redevelopment District Authorities (RDAs), at which time there were over 400 RDAs created mostly by cities, then numerically by counties, and a few joint powers authorities and nearly 800 project areas with an estimated \$5.2 billion of increment revenue. RDAs had statutory obligations directing 20 percent or more of tax increment received to the State Low- and Moderate-Income Housing Fund and to meet targets if they built new or replaced housing. When RDAs directly built housing, 30 percent or more had to be affordable and 50 percent or more of these units had to be for very low-income households. These units were most of the affordable and very low-income units built in the state during this period.

In the FY2001-FY2008 RDAs created 63,600 new affordable housing units, of which approximately 44 percent were at very low-income levels. California voters approved Proposition 46 Bond (2002) and Proposition 1C Bond (2006). In the comparable 2001-2008 period, approximately 26,600 affordable housing units and approximately an additional 4,300 units designated by program rule to very low-income households with funds from these two bonds, though some other programs also provide very low-income housing (Housing and Community Development various years). RDAs additionally rehabilitated housing units: in 1994-

1995 RDAs spent \$3.3 billion to build approximately 5,000 primarily low-income units and rehabilitated approximately 6,000 housing units (Public Policy Institute of California 1998).

Analyzed as institutions, the statutes providing permissive authority for Redevelopment Authorities and Tax Increment Financing were widely used by California Cities and Counties for infrastructure, improvements, and housing in area designated as “blighted.” The RDAs provided most of the new affordable and very low-income housing constructed with State and locally generated funds during the 1952-2012 period and rehabilitated additional housing. Ending the authority to create RDAs in 2012 dramatically changed the institutional matrix of publicly supported housing construction and rehabilitation in California. While there were complaints that some RDAs were stretching definitions of blighted areas and some not doing enough housing projects, the immediate trigger to terminate RDAs was a projected \$13 billion structural deficit for FY2012-13 (LAO 2011). “The State’s main motivation for dissolving RDAs was to reallocate redevelopment funds back to school districts, a step that would then reduce the need for the State to backfill these budgets (Governor’s Office of Planning and Budget 2020 pp 19-20).

The new institutional matrix is structured by state bond funds, local bond funds, and appropriations from general funds when possible and provides reduced funds than would have been available if RDAs still existed. More decision making moved to state level where difficulties and high transaction costs (Reid 2025) in moving projects through different processes grants, loans and federal Low Income Housing Tax credits led Governor Newsom to create a new Housing and Homeless Agency, which only partially addresses current fragmentation and duplication (Reid 2025; Christopher 2025).

Discussion of public housing must take place within the context of construction of housing by the private sector, as it is intended to meet needs not met by private actors. In 2015, the California Legislative Analyst's Office (2015) reported that "Beginning in about 1970, however, the gap between California's home prices and those in the rest country started to widen. Between 1970 and 1980, California home prices went from 30 percent above U.S. levels to more than 80 percent higher. This trend has continued. Today [2015], an average California home costs \$440,000, about two-and-a-half times the average national home price (\$180,000). Also, California's average monthly rent is about \$1,240, 50 percent higher than the rest of the country (\$840 per month)."

This pattern continues. Johnson and McGhee (2024) report "...California's median value for owner-occupied housing...is \$753,000... more than twice the national median value and the state's median rents remain about 50% higher." Among the consequences of higher prices are lower homeownership rates (fourth lowest among states) and rates of renters paying over half their income in rents substantially higher than the national average. "But the gap in housing stress between California and the rest of the country has been growing most among the middle class. It is a sign of the severity of the housing crisis that one in six middle-class renters in California are now spending over half their income on housing." They also conclude that high housing costs contribute to increased homelessness and drive Californians to leave the state, with "...the net outflow has been highest among precisely the lower- and middle-income Californians who have been hit hardest by the cost crisis."

Levin, Botts, Tobias, Kendall, and Yee (2025) report that the most recent point in time survey found 187,084 unhoused individuals in California, an increase of nearly 40% in five years. "That

means 24% of the country's entire homeless population lives in California. Of those, an estimated 123,974 are "unsheltered," meaning they sleep outside, in tents, in cars or in other places not meant for human habitation. Nearly half of the country's unsheltered homeless population resides in California, making the Golden State the epicenter of the crisis nationwide."

A major factor in California's shortfall in housing was dramatic slowing of construction of housing in coastal areas where two-thirds of the state population live. In the 30 years between 1940 and 1970 the housing stock in those areas increased 200 percent, but in the 30 years between 1980 and 2010, the housing stock increased by only 34 percent (California Legislative Analyst's Office 2015, pps 10-11). One reason is that preparation of sites for development and building of housing has become subject to increased requirements, numbers of permits required, and greater discretion by regulators across the nation, with California often leading the nation in requirements.

Longtin (1999) analyses evolution of these regulations over 150 years with the greatest change occurring in the 1970-1980 decade. Federal acts focused on environmental pollution, including waste (1970 and 1976) water (1972), noise (1972), and clean air (1977). California often enacted state statutes in the same areas, but other changes had larger effects, including required subdivision consistency with mandated long-term comprehensive land use plans of cities and counties (1972), a tightened the Subdivision Map Act (1974), and adoption of the California Environmental Protection Act (1970) which the Mammoth decision (1972) of the California Supreme Court applied to public approvals of private projects such as subdivisions to build housing . The Coastal Protection Act (1972) Proposition passed by voters imposed new

planning requirements and restrictions on land uses adjacent to the coast. The impacts of these laws were amplified by court decisions on delayed vesting, tight ripeness criteria, short statutes of limitation, strict judicial review, and limited remedies. Local growth control restrictions adopted by city councils or local initiatives created further barriers to housing construction in specific locales.

The cases illustrate the necessity to develop strategies to change the complex functional system relevant to any policy area (Kirlin, 1996). Both the transportation and housing cases examined seek to achieve results in the complex functional system of the built environment, including at least:

- ✓ land use and construction permitting authorities,
- ✓ an ecosystem of federal and state regulations of environmental issues and workforce use,
- ✓ another ecosystem of organizations establishing standards for all elements of construction (e.g., grading and evacuation, electrical, plumbing, and wood, steel, or concrete construction),
- ✓ insurance industries,
- ✓ construction firms,
- ✓ supply chains of construction materials,
- ✓ finance of construction,
- ✓ finance of users,
- ✓ and demographics and economic status of users

For more on state and local initiatives, Add discussion of local funding for Sea Level Rise in CA, NY, etc. See the list developed.

Add discussion of value capture literature, much centered at Lincoln Institute of Land Use

<https://www.lincolninst.edu/resources/land-based-financing/>

HUBs as a strategy for NAPA to act and to learn

Concept of “Hub:”

Focused on actions to address an issue/problem in a defined geographic sub national place.

- ✓ Emphasizes capacities of public institutions to make decisions and to act including organizational competencies and access to financial resources, including specific funding sources.
- ✓ Commonly assumes sufficient knowledge of problem and possible plausible policy response to develop effective responses and to then learn from action (as needed, clarify and improve knowledge of specific issues as required to advance decision making and action).

A specific transformation: adapting to extreme weather events.

- ✓ Requires engaging in a complex functional system.
- ✓ Emerging efforts to adapt and increase resilience to extreme weather events.

Extreme weather events (e.g., hurricanes, floods, wildfires) affect all areas of the nation, with 403 weather and climate disasters since 1980 with damages of \$1 billion or more (CPI adjusted) (National Centers for Environmental Information, 2024)

Projected revenue needs for building resilience to climate change by 2050 are large, up to US \$38 trillion, compared to 2023 US GDP of \$28 trillion (Wellington Management, 2025; Kotz, Levermann & Wenz, 2024)

Increased attention to “adaptation/resilience” vs “mitigation” costs (Kotz, Leverman & Wenz, 2024; Wellington Management, 2025)

City of New York is identifying “flood protection districts” to increase resilience to storm surges and sea level rise, anticipating that most financing required will be generated locally (Lee, 2025; City of New York, 2021)

County of Los Angeles is moving forward in creating a Community Redevelopment District (Dugan 2025 for financing replacement of infrastructure destroyed by extreme heat in the Palisades fire and burial of power lines to reduce future fire risk with a bond secured by increased property tax revenues. The County sought and received a modification to the 2022 legislation providing permissive authority for CRDs to address issues of liability and ??? (cite new statute 2025).

Possible sub-groups within the TPGL Working Group?

While the major focus of the working group is expected to be completion of this document, articulation with other work within NAPA, and whatever broader dissemination is desired, subgroups could be formed around topics and interests. Here are examples.

1. Evolution of governance institutions to address Loper Bright decision crimping of administrative discretion under Chevron deference. The Congressional Research Service (2024) provides an extensive analysis of the cases and identifies considerations for the Federal Judiciary, Executive Branch Agencies, and Congress. Craig (2025) observes that courts cited Chevron over 18,000 times in its 40-year existence (approximately 450 times annually) and cited Loper Bright more than four hundred times in the first six months after that decision. He finds variation in application among state courts and differences in interpretation of meaning emerging among lower federal courts. He finds “A decided difference has emerged between how the lower federal courts are treating new administrative rules, invalidating them almost 84 percent of the time, and how they treat all other federal activities, especially federal agency orders. While many of these rules would have been vulnerable regardless of Loper Bright, it remains worth watching how federal court review of new agency rules continues to unfold.” (109:2672)
2. Regional institutions, raised and advocated by at least two participants in the July 9 discussion.

3. Elaboration of the HUB strategy, where the Extreme Weather Hub is launched with a mission statement and is involved in conversations for possible funded projects.

Mission Statement: The National Academy of Public Administration's (the Academy) Extreme Weather Resilience Hub's (the Hub) mission is to drive transformational changes in governance structures that enable local communities and governments to implement adaptive solutions and work effectively to navigate the increasing challenges of extreme weather events. Communities become resilient, having made decisions and completed projects that manage the risks of extreme weather events, allowing the community to thrive economically and socially over time.

The Hub achieves this through designing and piloting governance structures with the legal authority to make needed decisions, competencies to implement those decisions, and capacity to generate revenues to implement their decisions. Those governance structures will be place-focused at the scale which matches the extreme weather event of concern and driven to complete adaptation projects competently, within an adopted financing plan and timeline. Defining the boundaries of the needed governance structure to fit an extreme weather threat in a specific place will very frequently not match boundaries of existing local governments. The Hub will focus largely on projects within the United States but may also participate in projects abroad.

4. Selectively transform current cross-cutting institutions (e.g., states reforming civil service systems). (Walters 2002)) or improving audit capacities and effectiveness (is it possible to address inability for DOD to complete audit, persistent fraud in health care payments, and attacks on GAO role?)
5. Others?

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