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What is This?
Following the Money
Using Expenditure Analysis as an Evaluation Tool

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Abstract: This article describes the nature and utility of fiscal analysis in evaluating complex community interventions. Using New York University’s evaluation of the Robert Wood Johnson Foundation’s Urban Health Initiative as an example, the authors describe issues arising in defining and operationalizing constructs for fiscal analysis. The approach’s utility is demonstrated in the use of interim findings to help redefine the program’s goals for resource allocation, to modify its theory of change to include greater emphasis on state-level action, and to emphasize the importance of local public schools as resource centers and intervention targets. The fiscal analysis also provides new insights into the limitations of “preventive” versus “corrective” spending categories and helps make goals for such functional reallocation more realistic. The authors discuss limitations of fiscal analysis due to available data quality, the extent of cooperation needed from public officials to collect relevant data, and the level of expertise needed to interpret the data.

Keywords: systems change; tool kit; methods; benchmarks; spending; public budgeting

What role does money play in evaluation? No, not the size of the evaluation budget or the earnings of the evaluator. Rather, how do evaluators consider and measure money as part of a program’s causal model? More specifically, how do evaluators think about money when it is an outcome, rather than an input, of that model?

Using the traditional inputs-activities-outputs-outcomes approach to evaluation, money is treated as an input. Resources are expected to influence program activities and outcomes. In such cases, resources may be measured at a point in time. An evaluator might ask, Is the amount of money spent consistent with the program design? Has the money been spent as initially planned? In answering these questions, the evaluator is able to explain possible disappoint-
ments in program outcomes; that is, the program was not fully implemented because money was diverted or spent in a manner inconsistent with the program’s design. This approach assumes a discrete intervention, with clearly stated activities and targets. In recent decades, however, social programs have moved toward interventions aimed at influencing entire systems of service delivery, such as the mental health, criminal justice, and special education systems (Creating Systems Change, 2001; Morrissey, Steadman, & Kilburn, 1982; O’Connor, 1995). Even further, “comprehensive community initiatives” (CCIs) seek to alter multiple systems simultaneously to improve outcomes in a particular neighborhood (Coulton, 1995; Milligan, Coulton, York, & Register, 1998) or for a particular population (Henderson et al., 1999; Rog, 1999; Weitzman, Silver, & Dillman, 2002).

Trying to change large, multiple systems requires complex evaluation designs (Weiss, 1995; Weitzman et al., 2002). These interventions require long periods of time and shift the emphasis away from increased services to restructuring the processes and relations among the institutions constituting these systems (Kubisch, Weiss, Schorr, & Connell, 1995; O’Connor, 1995). Such efforts often must galvanize public opinion, engage diverse civic or institutional leaders, and alter public policies. Implicit in these models is the assumption that money must be spent differently. Money is no longer simply an input into an intervention; rather, changing the flow of resources becomes an interim goal of the intervention. Yet this intended output has rarely been measured. The uncertain causal relations and the long time periods that characterize these CCIs have led some sponsors to change their expectations of evaluations and evaluators. Evaluators are still expected to reach a judgment about the eventual impact of a project on the defined population, but they also may be asked to provide technical assistance and interim feedback during the project (Milligan et al., 1998; Weiss, 1995). Sponsors may ask evaluators to determine if a project is “on course” during its lifetime and to provide interim data that confirm whether the intended sequence of events is in fact happening. These interim readings provide guidance in deciding whether to continue the effort unchanged, to encourage revisions, or even to conserve resources for more promising opportunities by terminating the project early (Herbert & Anderson, 1998; Milligan et al., 1998; Reid, 1990).

Interim readings, or proximate outcomes, however, can be difficult to specify. Both public and private systems are complex, and changes to systems may be hard to identify and measure. Yet the wait for outcomes and the investments required to make changes in large systems compel evaluators to try new tools to address this problem. For instance, an evaluation of changes within the mental health system used social network analysis to measure cooperation between agencies through the exchange of clients, resources, funds, and information (Morrissey, Calloway, & Paulson, 1992; Rivard, Johnsen, & Morrissey, 1999). Others have used key informant interviews to examine the impact of policy changes on the behavior of those implementing the changes (Rog & Randolph, 1998).

Most analysts agree that how money is spent is an important indicator of how systems are or are not changing. But few researchers have used expenditures as a measure of whether an intervention is having the desired proximate or long-term effects. One exception is Morrissey, Johnsen, and Calloway (1997), who in examining interventions in a community mental health system assessed how diverse providers cooperated as a “system.” Morrissey and his colleagues relied on exchanged information about programs and clients and shared resources as indicators. Although this framework recognized that resource exchange is an important indicator of interagency collaboration, the authors focused on resources such as information and clients. Shared financial resources were described only by key informants in interviews, rather than assessed systematically and independently. More typically, researchers in a variety of fields, for instance, education, have examined expenditures to measure system change post hoc (Murray,
Evans, & Schwab, 1998) or have used cost-benefit analyses to assess a program (Karoly et al., 1998).

With a focus on changing service delivery systems and the ways in which those systems interact, CCIs challenge evaluators to examine the distribution of public dollars. Many CCIs are based on critiques of the correct allocation of resources. Kubisch et al. (1995, p. 2) noted that one of the key rationales for developing CCIs was that “experience in several domains [was] revealing the high costs and uncertain success of remediation,” leading to a search for effective prevention strategies. Despite efforts by many CCIs to reallocate public dollars among institutions and services, to our knowledge, no other evaluators of such initiatives have systematically analyzed over time whether the flow of funds has changed in a manner consistent with the efforts of CCIs.

The remainder of this article reports on our effort to conduct a fiscal analysis of all federal, state, and local public dollars spent on children at two points in time. The effort is part of the evaluation being conducted for the Robert Wood Johnson Foundation (RWJF) of its Urban Health Initiative (UHI). The next section of the article describes the UHI, its evaluation design, and the role of this fiscal analysis within that design. Two subsequent sections address the issues that have arisen in applying fiscal analysis to a theory of change evaluation and the preliminary lessons learned from the experience.

The UHI and Its Evaluation

The UHI seeks to improve health and safety outcomes for children and youth in five cities: Baltimore; Detroit; Oakland, California; Philadelphia; and Richmond, Virginia. The UHI grew out of a sense among senior staff members at the RWJF that problems facing urban youth constituted a crisis that should be addressed urgently. Some key features of the initiative are (a) collaboration among local voluntary, private-sector, and public-sector leaders to pursue better outcomes for children; (b) commitment by the collaborating leaders to use data-driven planning to select priorities and programs; and (c) financial assistance to a voluntary “lead agency” that supports the collaborating parties’ activities. The UHI sites were supported for 2 years of planning (1996 and 1997) and then began receiving 8 years of support (initially, approximately $1 million annually per site) for implementation. The lead agencies included a city government, a chamber of commerce, community foundations, and a health planning agency.

The UHI was conceived of as “nonprescriptive.” It allowed the sites to choose the health problems that were the most pressing locally and to select the strategies used to address these problems. Underlying this approach was the assumption that health and safety problems were interrelated, and effective strategies would improve multiple outcomes (Silver, Weitzman, & Brecher, 2002). Although embracing a nonprescriptive approach, the RWJF staff established some programmatic expectations. The UHI was to improve measurably health and safety outcomes for children across the entire city, not only in one neighborhood. Thus, the scale of the UHI differed from those of many CCIs that targeted neighborhoods. Still, the UHI shares many features with other CCIs: its focus on changing multiple systems, its emphasis on broad involvement and collaboration, and its assumption that complex problems need interventions at different levels.

The RWJF funded New York University to evaluate the UHI at the start of the planning phase. The team at New York University worked with the foundation staff at RWJF and the National Program Office (the NPO, based in Seattle, monitors the program and provides technical assistance) to construct a “theory of change” for the UHI. The evaluators then selected a group of nine comparison cities that shared some of the demographic characteristics of the UHI cities and developed a quasi-experimental design that integrated this theory of change. The the-
ory of change, which has been described elsewhere (Weitzman et al., 2002), made explicit the key assumptions about collaboration, changing systems, using data, and measuring outcomes. By spelling out the steps that the RWJF believed the sites would follow, the national evaluation was able to plan its data collection activities to monitor how these steps unfolded and to test the model’s assumptions. One key element of the theory is that sites would shift public expenditures to improve outcomes; that is, the theory assumed that public systems would need to change before citywide improvements in outcomes could be realized. In the theory, system changes included “increased resources and investments to bring to scale effective prevention and treatment approaches to support the health and safety of children” and a “move toward more appropriate allocation of public and private dollars from management of youth health and safety problems to prevention approaches.” The evaluation sought to measure systematically the movement of money as an interim benchmark.

Currently, the evaluation is using multiple methods of data collection and a quasi-experimental design to test the theory of change, to draw lessons from the implementation of the model, and to determine changes in outcomes attributable to the CCI. These data collection activities include a national telephone survey of parents and teens about family, school, and neighborhood life, with oversampling in each of the five UHI cities, their suburbs, and the comparison cities; yearly key informant interviews with civic leaders in each of the UHI and comparison cities regarding the public and private systems that serve youth and families; annual site visits to each of the five UHI cities; a regular review of archival documents and media stories; and a trends analysis of over 30 health, safety, education, and demographic indicators in the UHI and comparison cities.

The evaluators also chose to analyze public expenditures on children in each of the UHI cities at 3-year intervals to measure changes in the scale of public expenditures for children and their allocation between remediation and prevention.

To conduct the fiscal analysis, the evaluation team sought data that would identify changes in the total amount spent on children’s services, the amount spent per child, and the amounts spent on different types of services. In the first phase, the fiscal analysis “mapped” the flow of dollars, illuminating for the sites the complexity of the funding streams and the variation in relative wealth across agencies and levels of government. Fiscal year 1997 was chosen as the baseline because that is when the implementation phase (as distinct from planning) at the UHI sites began. Three-year intervals were deemed appropriate for follow-up because the evaluators did not expect significant changes on an annual basis but wanted to provide interim feedback (hence the year 2000) and to have fiscal results for a year late in the project to draw longer run conclusions (fiscal year 2003 actual rather than budgeted data were expected to be available in 2004, with the project ending in 2005).

The remainder of this article describes the evaluators’ experience in analyzing public expenditures for children for 1997 and 2000. Because it was anticipated that the fiscal analysis would be difficult and labor intensive (requiring nearly 1.5 professional full-time equivalents per year and extensive phone and travel expenses, amounting to over $100,000 per year), and because it was viewed as an innovative tool to be tested, similar analyses are not being conducted in the nine comparison cities. The evaluators instead anticipate comparing change in the UHI cities with national benchmark data relating to similar types of public expenditures. Before discussing the issues and accomplishments, it is instructive to distinguish the fiscal analysis used here from three other analytic tools relating to public expenditures: cost-benefit analysis, program audits, and “children’s budgets.”

Cost-benefit analysis seeks to compare the costs of a particular intervention with the dollar value of the benefits of that intervention (Nas, 1996). The results of such analysis can be used to determine whether a program provides net benefits to society, and the results of such analyses
of multiple programs can be used to rank the value to society of programs that may be competing for public funding. The fiscal analysis conducted for the UHI evaluation relates only to the expenditures or "cost" element of public interventions. No effort is made to value the resulting benefits. The goal is only to track changes in the allocation of funds that may be a result of the efforts of collaborating members in a UHI city.

Program audits are a type of fiscal analysis that have evolved from more traditional fiscal audits. Initially, audits were intended to address the question of whether money was used for its intended purpose. If, for example, Congress appropriated money to the U.S. Department of Defense to buy blankets for soldiers, the U.S. General Accounting Office (GAO) was supposed to conduct an audit to see if the amount appropriated was actually used to buy blankets that soldiers used. As government grew larger and its programs more complex, however, the auditing function became more sophisticated. The GAO’s auditors began to ask if programs receiving money were accomplishing their purposes. Instead of asking if the money bought blankets, the question became “Was the quartermaster corps keeping the soldiers well supplied with essential items?” Or, in a domestic version, the question became not whether a job-training contract went to a qualified vendor but whether the program actually provided unemployed people with skills needed for jobs. These types of audits have become known as performance audits or performance evaluations (U.S. General Accounting Office, 1998).

The UHI fiscal analysis seeks to identify the purposes for which public money is allocated, but it does not ask how effectively the money was used. In this sense, contemporary GAO audits and similar performance audits take into account performance measures (usually output or outcome indicators) that were not sought as part of the UHI fiscal analysis. The UHI overall evaluation will consider outcome measures and the effectiveness of the 10-year intervention, but the fiscal component addresses only changes in the amounts of money allocated to different purposes.

The fiscal analysis presented here also differs from children’s budgets. Children’s budgets are documents created primarily to inform the public about a unit of government’s fiscal commitment to children (Friedman & Denegger, 1998). These documents are typically created by public officials to demonstrate what their agencies are doing on behalf of children or by children’s advocates to determine what is being done by public agencies and to make judgments about the adequacy of planned changes in such spending. They often confine themselves to describing the spending by a single level of government, for example, a city. That is, a mayor may seek to show what his or her administration is doing for children, or advocates in a city may seek to show how a mayoral administration is proposing to change the level of resources it devotes to children’s services. In contrast, the UHI evaluation fiscal analysis examines all public expenditures for children within the city (including those by the state and federal governments), because the UHI sites may have sought to influence not only city-level but also federal-, state-, and county-level spending on children.

Children’s budgets also tend to focus on what was budgeted by that level of government, not what was actually expended. Budgets are often changed during their adoption and implementation process. Actual spending typically varies notably from budgeted amounts. The fiscal analysis used in the UHI evaluation relies primarily on sources indicating actual expenditures rather than budgeted amounts. Actual experience, rather than stated intentions at the start of a budget cycle, is the more relevant evidence for the UHI evaluation.3

Method

The UHI evaluators have completed two rounds of fiscal analysis: one relating to fiscal year 1997 and another to fiscal year 2000. Expenditure data for certain agencies and purposes were
available from the audited financial statements of relevant government units (county and city governments, as well as independent school districts and other relevant independent entities such as housing authorities) and from some state government agencies. In most cases, however, the published data had to be supplemented with requests for unpublished data on expenditures for particular purposes by the agencies because the published data were reported only in aggregate categories that did not permit the allocation of spending to particular children’s services. Furthermore, some agencies did not keep records that permitted specification of these expenditure allocations, so other data on numbers and percentage of clients who are children were used to estimate the share of spending allocated to children. Children were defined as those younger than 18 years old.

Most federal expenditures for children’s services take the form of intergovernmental transfers and are counted in budgets of state and/or local agencies. For the relatively few direct federal expenditure programs, data were obtained from relevant federal agency Web sites. Specifically, data for spending on Social Security, Supplementary Security Income and Food Stamps, and the federal share of education dollars are available by county. For the UHI cities that are not coterminous with counties (Oakland and Detroit), estimates of expenditures in these cities were made on the basis of the proportions of children in the counties in families with incomes below the federal poverty threshold who lived within the cities.

To identify and classify expenditures properly, evaluation staff members contacted staff members in various government agencies to obtain necessary details. Some of the assumptions and calculations regarding these data are noted below. This effort required a year’s time for each cycle. It also required staff members with strong skills in public expenditure analysis. At some of the sites, where similar but independent local analyses were conducted, the sites hired political consultants or former budget analysts from city agencies to complete these analyses rather than academics or other traditional evaluators.

Once drafts of the fiscal analyses were completed, these drafts were shared with key members of the UHI sites and with senior government officials, such as those in a city manager’s office. Adjustments were made to these figures on the basis of their responses and points of clarification. This process is discussed in greater detail below.

Issues Arising in Defining and Operationalizing Constructs for Fiscal Analysis

The fiscal analysis posed both substantive and practical challenge (Weitzman et al., 2002). As noted earlier, the theory of change guided the evaluation team in making the key decisions noted below.

What Kinds of Public Expenditures Should This Analysis Include?

*Distinguishing “children’s services” from other governmental services.* The correct approach to defining an appropriate range of children’s services depends on the purpose of the analysis. For the UHI evaluation, the definition was derived from the scope of expenditures that might be considered for reallocation in pursuit of more effective public interventions. The theory of change developed for the UHI was used to identify for inclusion the possible set of strategies the sites could select to improve the health and safety of children. These included strategies aimed at services and institutions that serve children with direct developmental impacts, such as education, day care, medical care, recreational services, and child protective services including foster care.
Decisions on what to include became trickier with respect to services directly affecting children’s development but not necessarily provided with that positive objective. The clearest such examples are activities of the criminal justice system, including police investigations of crimes committed by youth, the prosecution of these crimes in court, and the punishment of youth by correctional agencies.

Also problematic are services providing benefits to children but not necessarily of a developmental nature. For example, local governments typically collect household refuse, including much trash generated by children. Similarly, public transit agencies have many children as riders. Many such broad or universal services have children as beneficiaries, but the benefits are not targeted to influencing the development of children.

As noted previously, the UHI theory of change called for reallocating funds from “corrective” or “back end” interventions to preventive purposes. Accordingly, criminal justice system activities affecting children were included in the analysis. In contrast, services such as refuse collection and local transportation (except school buses) were typically not considered part of the “pot” of funds appropriate for reallocation, and they were not included in the analysis. Notably, none of the UHI sites selected strategies aimed at changing refuse collection.

Including “family” programs in children’s services. Many public expenditures intended to benefit children do so by aiding the entire families of which children are members. Examples include cash allowances under the Temporary Assistance to Needy Families (TANF) program, food stamps, and a variety of subsidies to help families with children pay for suitable housing. For these expenditures, in contrast to those “universal” services such as refuse collection, it seemed appropriate to include the entire family expenditure.

In coming to this decision, three options were considered: exclude such expenditures entirely (as in the case of refuse collection), estimate a share of these expenditures that can be attributed to the child or children in the family as opposed to the adult members, or include the entire expenditure. The UHI analysis opted to include the entire expenditure. The evaluation team reasoned that excluding the expenditures entirely would omit large and highly relevant programmatic efforts, involving funds that many of the UHI participants viewed as potential targets for reallocation (notably the TANF “surplus”). Indeed, staff members at the RWJF often used such dollars as examples of their intent when describing how they imagined the UHI unfolding, and these ideas were incorporated in the theory of change. Similarly, estimating a share attributable to the child would be a necessarily arbitrary calculation, with much “false precision.” It also would misrepresent the policy options, because this fraction of the spending is unlikely to be subject to reallocation separate from the rest of the allowance or subsidy. Indeed, some social service programs are not available to adults without children. Thus, although including the entire sum may exaggerate somewhat the level of expenditures for children, it is the most policy-relevant method for calculating expenditures for children from the perspective of the UHI participants.

Estimating children’s shares of universal services. Some of the public services children receive are not available only to children but are offered to residents of all ages. Common examples are libraries, parks, and police protection (and prosecution).

For these universal services, the UHI evaluation has sought to estimate the share of the program spending that benefits children. Again, these data are typically not maintained by the relevant agency, and estimates must be made using proxy measures. With the cooperation of local officials, it often was possible to identify an appropriate proxy indicator that could be used to allocate total program spending between children and adults. In some cases, periodic client survey data were available. For example, some park and library systems survey their users and
include age as a question. In other cases, administrative data include age, and these reports were made available to the evaluators. For example, most court systems track the share of cases involving juveniles and police records indicate the number and share of arrests involving juveniles. Although such allocations require simplifying assumptions (such as that juvenile and adult services consume equal resources and staff time), they yield reasonable expenditure estimates for children’s services.

Interestingly and ironically, the logic behind estimating a children’s share of these widely available services is the same as not estimating a separate children’s share for the family-linked services described earlier. The underlying reason in each case is the relevance of the sums of money to the strategy of the UHI initiative. As noted earlier, family-linked expenditures such as Food Stamps and TANF grants are likely to be reallocated in total, not on the basis of separate shares for children. In contrast, spending by agencies such as libraries or police departments is not likely to be reallocated in total but is much more likely to be subject to review and reallocation for only that portion devoted to children’s services. For example, a library is not likely to have all its funds shifted to a recreation department; however, the funds allocated for children’s services, such as after-school reading and special weekend children’s hours, could realistically be subject to reallocation, along with a wide variety of after-school activities conducted by multiple local agencies. Indeed, some of the UHI sites considered pursuing such reallocations. For these reasons, the children’s share of such universal developmental services was estimated in each city.

In retrospect, a more cautious approach might have been taken in making these decisions about the kinds of public expenditures to include in the analysis. Rather than making the decisions in the baseline round of data collection, the team could have collected sufficient data to create alternative definitions and then considered some sensitivity analysis of the findings to the choices made. This would have required more effort, in an already labor-intensive undertaking, but might have been instructive for guiding future similar studies. Fortunately, the potential reclassification appeared to be small relative to the total sums and clear patterns of findings discussed below. Thus, it is reasonable to assume that so far, alternative definitions and estimation techniques, within the range of assumptions relevant to the theory of change, would not have substantially altered the preliminary findings to be discussed below.

What Categories Can Be Created for Classifying These Expenditures?

Establishing functional categories of expenditures. Governments typically report expenditures by administrative agency. Within agencies, there may be program categories, but the sub-agency detail is more likely to relate to objects of expenditure such as salaries, fringe benefits, and various types of supplies. The names of agencies vary, and the assignment of responsibilities to agencies varies among localities. Because this evaluation concerns multiple sites, one requirement of the public expenditure analysis was to establish categories that could be standardized and used across cities to allow for comparisons. Nine functional categories were identified for categorizing expenditures across cities.

Table 1 summarizes the categories. Allocation of all or a part of an agency’s expenditures to one or more of the nine categories was based on judgment by the evaluation staff using information in the public reports and provided by contacts at the relevant agency. Working documents also track the expenditures by subcategories within functions, so that more refined comparative analysis is possible.

The functional categories were reviewed with governmental leaders to ensure that the classifications had face validity for those involved. The draft analyses for the baseline year, when the functional categories were first developed, were also shared with them. In general, they agreed...
these were the important functional distinctions and affirmed the importance of having common functional definitions across sites for purposes of comparison. They recognized that agency and objective categories established within a single city could not be applied to all sites and confirmed the accuracy of the reclassified expenditures in their cities. Officials at the sites, including deputy city managers, commissioners and deputy commissioners, staff members in local government budget offices, and budget analysts in city agencies also reviewed drafts of the second cycle of analyses (including comparisons with the baseline year), and again, the functional classifications were supported as useful for comparative purposes. Thus, the team’s classification of expenditures was confirmed as essentially accurate.

The general lack of controversy over what might have been viewed as an arbitrary set of functional classifications is noteworthy. The broad agreement in classification reflects both a shared sense of the important service functions among those in the field serving children and a limited degree of ambiguity in the functions served by most programs sponsored by public agencies. Local experts agreed that the nine categories captured the scope of relevant public service activities. The difficulties identified, both by the evaluation team and by some reviewers, are in the data collection phase, related to the classification of particular programs within agencies. For example, to what extent could substance abuse counseling offered to youth in the prison system be identified and classified as mental health services rather than part of the criminal justice system? To what extent could the provision of counseling to troubled youth and their families by public school social workers be identified and classified as a social service rather than part of public education? However, there was little disagreement about the most desirable classification. The issues related more to the availability of detailed data with which to make the proper allocation.

The most significant exception to the general satisfaction with the functional classification relates to “child care.” As used, this category included both preschool and after-school services, with a detailed subclassification sought but not always available. The logic of this category derived from viewing the service goal as increased female labor force participation. This was widely shared as a goal with respect to the preschool program, but after-school activities were often viewed as serving multiple and usually equally significant other goals such as academic achievement and recreation. Thus, not all after-school programming was well captured or appropriately classified into this child care category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Regular instruction, indirect costs, special instruction</td>
</tr>
<tr>
<td>Income support</td>
<td>Food Stamps, TANF, OASDI, SSI</td>
</tr>
<tr>
<td>Social services</td>
<td>Child protective services, foster care and adoption, domestic violence services</td>
</tr>
<tr>
<td>Health</td>
<td>General medical care; Medicaid managed care premiums; prenatal, delivery, infant care, maternal and child health</td>
</tr>
<tr>
<td>Housing</td>
<td>Public housing subsidy, housing-related services</td>
</tr>
<tr>
<td>Criminal justice</td>
<td>Police investigation and enforcement, detention and corrections, crime and delinquency prevention</td>
</tr>
<tr>
<td>Child care</td>
<td>After school, preschool</td>
</tr>
<tr>
<td>Employment services</td>
<td>Job training, summer jobs</td>
</tr>
<tr>
<td>Youth development and recreation</td>
<td>Parks, library programs</td>
</tr>
</tbody>
</table>

Note: TANF = Temporary Assistance to Needy Families; OASDI = Old-Age, Survivors, and Disability Insurance; SSI = Supplementary Security Income.
Distinguishing preventive from corrective services. As noted earlier, an important theme in the UHI’s theory of change was to increase investments in “preventive” services, with a belief that this would reduce the need for corrective services that arose because of previous failures to provide adequate preventive services. Given that the preventive services often are less expensive than the corrective services, there was an expectation that public funds could be used more effectively by shifting resources from corrective to preventive activities. The theory, however, failed to recognize that although the per child costs of preventive services are typically much lower than those of remediation, these costs are greater because many more of the children are targeted; this issue came back to haunt some of the sites as they moved forward with their plans.

To determine whether such shifts were occurring, the evaluation team sought to categorize expenditures for children as preventive, corrective, or “maintenance,” as well as to classify them by the nine functional categories summarized in Table 1. The maintenance category was initially expected to be relatively small and consist only of expenditures that supported a standard of living for children in the neediest families. In reviewing these distinctions with UHI participants, including lead agency staffs, however, it became apparent that there were differences of opinion about what constitutes a preventive or corrective service both among leaders within a city and among the leaders across cities.

Consider two examples. In one city, some leaders viewed school-based counseling services for youth abusing a variety of substances to be corrective on the grounds that the abuse could have been prevented through better education and earlier support from school officials and families. In contrast, other lead agency and school staff members felt that the programs were preventive in the sense that these troubled youth were likely to go on to more serious drug abuse and criminal activity if these counseling services were not provided at a relatively early stage. In another city, some lead agency staff members questioned the categorization of detention of youths convicted of crimes as corrective, a classification accepted in the other cities. Their counterargument was that these youth were convicted criminals and that their incarceration was a preventive activity, keeping them from committing additional crimes, but with no meaningful corrective component given the limited services in the local detention facilities.

In general, within corrective systems, such as police or prisons, service providers and government officials had their own “continuums” of prevention to correction. They saw some of the programs as preventive (e.g., alternative-to-incarceration programs) and were reluctant to classify all their activities as corrective. Still, because the client for the evaluation was the funder, not the sites, and the guiding theory of change for the initiative came primarily from this client, the evaluation team chose eventually to make our own judgments about how to classify expenditures. As discussed below, the outcome of this analysis is affected by the classification decision. One important lesson we have learned, however, is that there is surprisingly limited agreement as to how to classify children’s services in terms of preventive versus corrective, and this dichotomy may be less relevant for programmatic reforms than was originally believed.

Practical Issues

The thorny conceptual issues involved in structuring a fiscal analysis likely have some intellectual appeal to evaluators. Although difficult and sometimes ambiguous, these issues challenge one’s conceptual abilities and lead to results that help clients define their questions and permit the analysts to provide useful answers to evaluation questions. Less appealing to many evaluators are the “nitty-gritty” issues that arise in applying the concepts in the course of collecting fiscal data. Yet the experience with the UHI evaluation illustrates vividly that serious issues arise in adhering to such decisions. Unless attention is paid to the four issues discussed below, successful replication or adaptation of this approach will not result.
Treatment of capital expenditures. Conceptually, capital resources used in producing a service ought to be counted as part of the cost of that service. Although many developmental services are more labor intensive than capital intensive, capital facilities often are still an important part of the service delivery process. For example, underinvestment in education can be evident not just in large class sizes caused by teacher shortages but also in crowded classrooms and broken classroom windows caused by long-term failures to make appropriate capital investments. Similarly, recreation facilities have a strong capital component, with parks systems requiring the acquisition of property and adequate, periodic rehabilitation.

In the private sector, capital costs are accounted for in two ways. First, the consumption of assets is estimated on the basis of the concept of depreciation. When an asset is acquired, it is assigned a “useful life,” and rules are established for subtracting value from the cost of the asset for each year of its useful life. This annual reduction in the value of the asset is depreciation. Second, if a firm has borrowed to acquire the asset, then the interest paid on the loan for acquiring the asset is also counted as an operating expense. Thus, for private firms, depreciation and interest constitute the cost of capital used in production.

The method for accounting for the use of capital by state and local governments is in transition. Rules promulgated by the Governmental Accounting Standards Board in 1999, and becoming effective in the period 2001 to 2003 depending on the size of the government, move these jurisdictions closer to the private sector rules. However, until at least 2001, and hence during the period covered by the first two fiscal profiles of this evaluation, a different system was used by state and local governments.

The old system of accounting treated most of the physical assets of governments as “infrastructure” with no value to parties outside of government. Accordingly, governments did not value these facilities and structures as assets on their balance sheets and did not report depreciation of these assets. Instead, governments kept a separate account of capital expenditures, which were reported as expenditures each year as they were incurred. Also, if loans were taken to finance the acquisition of the asset, then the annual payments due on these loans were reported as an annual operating expense labeled “debt service.”

Given this system of accounting, a suitable technique for estimating capital costs for a government is to equate it with debt service. The validity of this method rests on the assumptions that most assets are acquired by borrowing, that the schedule for repayment of principal corresponds to depreciation or the use of the asset, and that the interest included as part of debt service should be counted as part of the cost of capital. Although reality often varies from these assumptions, debt service remains a reasonable way to estimate governments’ capital costs, given the distinctive financial reporting systems.

In the UHI fiscal analysis, debt service is the proxy measure for the use of capital in state and local governments’ production of children’s services. Generally, the debt service related to the major services requiring large capital investments, notably public schools and public housing, was identifiable. However, debt service related to other services usually was not identifiable and is omitted from the fiscal analysis. This is because units of general government typically report debt service for the entire jurisdiction and do not allocate it among agencies or services. For many specific children’s services, it was not possible to identify the share of government-wide debt service attributable to them. This omission generally is not significant because common practices were applied across cities, and the debt service for children’s services other than education and housing is usually relatively small. We are, however, exploring the issue of capital investments in parks and recreational services as a potentially significant expenditure.

Treatment of expenditures for fringe benefits and pension fund contributions. Fringe benefits and pension fund contributions funded by employers are part of employee compensation costs
and should be counted as expenditures in the same manner as salary and other cash compensation. Typically, fringe benefits for public employees add about 30% to their direct cash compensation, so ignoring fringe benefits seriously understates the amount of public resources devoted to children’s services. However, identifying the amount of such expenditures applicable to children’s services sometimes proves difficult in practice. Indeed, in Richmond, some UHI leaders noted that big increases in retirement among school system personnel had the potential to be interpreted as increases in educational resources.

The difficulty arises because although state and local governments typically report salary expenditures by agency and by program within agency (making allocation to children’s services relatively easy), they typically follow a different practice in reporting fringe benefit expenses. These expenses are often reported only on a government-wide basis. Therefore, to include these expenditures, it is necessary to allocate them to children’s services. Generally, the best basis for this allocation is in proportion to the relevant share of salary expenses, and this method is used where needed in the UHI analysis. There is some inaccuracy in this method. For example, some payroll taxes are capped and some fringe benefits are fixed per person, rather than in proportion to salary, but the general allocation in proportion to salary is believed to provide acceptable results given the problem that more precise data are not available.

Treatment of intergovernmental transfers. In the American federal system, large amounts of money are passed from one level of government to another, usually in the form of grants-in-aid. The national government gives funds to states and to local governments directly; states give money to local governments (including independent school districts) and pass some of the money they receive from the federal government to localities.

The UHI sought to influence systems and change outcomes citywide. In practice, this charge meant that UHI sites might mobilize resources and leadership at multiple levels of government. Thus, the task of the UHI fiscal analysis was to identify funds spent by all levels of government for services to children, and some decision rules were established to avoid the “double counting” of intergovernmental transfers. For example, state aid to the local school district should not be counted as both a state expenditure and a local school district expenditure. The rule followed in the UHI analysis is not to count transfers from one government to another but to count expenditures made by the “last” level of government, that is, to count the expenditure when it leaves the public sector. Thus, federal grants to states are counted not as federal expenditures but as state expenditures, and state grants to localities are counted not as state expenditures but as local expenditures. Expenditures counted in this way are generally referred to as “direct” expenditures.

The UHI analysis also tracks the sources of funds for children’s services. The analysis identifies, by function, the source of funds (federal, state, or local) for expenditures for children’s services, regardless of the level at which it is spent. The identification of sources by function sometimes involved estimates because not all grants are allocated to specific services in financial reports; sometimes, grants are identified only by the department receiving them rather than by the specific programs they support. These estimates were made on the basis of the UHI staff’s knowledge of the nature of the grant programs and on unpublished information made available by local government officials in each city.

Geographic allocation of state and county expenditures. The UHI evaluation seeks to measure spending by all levels of government for services to children in a specific city. Accordingly, it includes multiple, overlapping jurisdictions with relevant expenditures. Direct expenditures are made by the federal government and by states in each of the five cities. In addition, in two of the cities (Detroit and Oakland), the city and county governments are not merged, and counties
that include the city also make significant expenditures for children’s services. For the jurisdictions with a larger geographic scope than the city, an estimate must be made of the share of the spending for children that benefits children in the UHI city.

For the federal government, two factors combine to make this a relatively simple task. First, there are only a few federal programs that include direct spending for children; most federal efforts are grants-in-aid made to states or localities and are analyzed as part of these jurisdictions’ expenditures. The large direct federal efforts are cash benefits for disabled children under Social Security and the Supplemental Security Income program and grants to nonprofit entities under the Community Health Center and Head Start programs. Second, the federal government regularly reports expenditures by geographic area for these programs. Thus, it is a relatively straightforward task to identify direct federal spending for children in a city.

Neither of these factors applies to states. Most states directly spend funds on behalf of children through a variety of agencies and programs. The direct state efforts typically include criminal justice agencies such as courts and correctional agencies, cash assistance programs and food stamps, health care benefits under Medicaid, assistance to the developmentally disabled, and others. In addition, the states often do not track or report the intrastate distribution of these expenditures. Sometimes, unpublished administrative data are available to relate expenditures to the residence of beneficiaries; this is true for many state Medicaid programs. For many programs, however, it is necessary to estimate the share of direct expenditures made on behalf of children in a particular city on the basis of the share of the caseload or client population living in that city. Such data were obtained for a number of state programs and provided the basis for geographic allocations of statewide expenditures. When such client data were not available, geographic allocations were made on the basis of a city’s share of the statewide population younger than age 18 or the city’s share of the statewide poverty population younger than age 18.

Similar difficulties arise in analyzing county expenditures for children’s services. Where counties and cities are not merged, the county typically plays a major role in delivering social services and recreational services to children in the city. For these programs, the expenditures are, however, not reported on a geographic basis, and allocations must be made on the basis of data relating to the residences of the program clients. In some cases, such data could be obtained from county officials, but in many cases, allocations had to be made on the basis of cruder indicators, such as the city’s share of the county’s total population younger than age 18.

Lessons Learned

Three broad lessons emerge from the UHI evaluation experience with fiscal analysis. Each is presented and discussed below.

1. Fiscal analysis is a feasible and useful tool in evaluations of complex social initiatives that aim to change public systems.

One of the evaluation team’s methodological questions was whether it was possible to capture public spending on children, so it is worth noting initially that the fiscal analysis did prove feasible. That is, the analysis has yielded a comprehensive description of public spending for children in the UHI cities at a baseline point, proved replicable at a subsequent point in time, and allowed the tracking of changes in the nature and scale of the societal commitment to children in the UHI cities.

The point-in-time profile of public expenditures for children by function is summarized in Table 2. (Data are presented for 2000 rather than the baseline year 1997 because the more recent data may be of more interest to readers; a parallel profile is available for 1997, and patterns of change are discussed below.) The wide range in total amounts, from $461 million to $4,370 mil-
### Table 2
Per Child and Total Expenditures for Children’s Services by Major Function: Baltimore, Detroit, Oakland, Philadelphia, and Richmond, Fiscal Year 2000

<table>
<thead>
<tr>
<th>Function</th>
<th>Total ($)</th>
<th>Per Child ($)</th>
<th>Total ($)</th>
<th>Per Child ($)</th>
<th>Total ($)</th>
<th>Per Child ($)</th>
<th>Total ($)</th>
<th>Per Child ($)</th>
<th>Total ($)</th>
<th>Per Child ($)</th>
<th>Per Child ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>786,869,158</td>
<td>4,873</td>
<td>1,542,425,129</td>
<td>5,216</td>
<td>359,652,404</td>
<td>3,605</td>
<td>1,805,386,065</td>
<td>4,708</td>
<td>215,347,856</td>
<td>4,994</td>
<td>4,679</td>
</tr>
<tr>
<td>Income support</td>
<td>321,298,364</td>
<td>1,990</td>
<td>729,823,595</td>
<td>2,468</td>
<td>188,288,510</td>
<td>1,887</td>
<td>663,261,876</td>
<td>1,730</td>
<td>55,092,508</td>
<td>1,278</td>
<td>1,870</td>
</tr>
<tr>
<td>Health</td>
<td>302,129,073</td>
<td>1,871</td>
<td>395,210,085</td>
<td>1,336</td>
<td>108,669,301</td>
<td>1,089</td>
<td>745,626,990</td>
<td>1,944</td>
<td>65,427,197</td>
<td>1,517</td>
<td>1,552</td>
</tr>
<tr>
<td>Social services</td>
<td>159,669,643</td>
<td>989</td>
<td>139,963,797</td>
<td>473</td>
<td>45,953,846</td>
<td>461</td>
<td>288,193,711</td>
<td>752</td>
<td>10,228,493</td>
<td>237</td>
<td>582</td>
</tr>
<tr>
<td>Housing</td>
<td>133,515,000</td>
<td>827</td>
<td>104,777,169</td>
<td>354</td>
<td>95,995,192</td>
<td>962</td>
<td>219,362,019</td>
<td>572</td>
<td>46,848,106</td>
<td>1,087</td>
<td>760</td>
</tr>
<tr>
<td>Criminal justice</td>
<td>129,646,779</td>
<td>803</td>
<td>249,800,355</td>
<td>845</td>
<td>46,717,713</td>
<td>468</td>
<td>273,704,286</td>
<td>714</td>
<td>30,166,934</td>
<td>700</td>
<td>706</td>
</tr>
<tr>
<td>Child care</td>
<td>54,439,097</td>
<td>337</td>
<td>191,497,927</td>
<td>648</td>
<td>27,372,529</td>
<td>274</td>
<td>261,403,878</td>
<td>682</td>
<td>17,350,480</td>
<td>402</td>
<td>469</td>
</tr>
<tr>
<td>Employment services</td>
<td>28,683,354</td>
<td>178</td>
<td>66,618,222</td>
<td>225</td>
<td>35,427,149</td>
<td>355</td>
<td>65,588,971</td>
<td>171</td>
<td>9,483,804</td>
<td>220</td>
<td>230</td>
</tr>
<tr>
<td>Youth development and recreation</td>
<td>18,988,000</td>
<td>118</td>
<td>43,902,907</td>
<td>148</td>
<td>17,673,896</td>
<td>177</td>
<td>47,061,907</td>
<td>123</td>
<td>11,310,278</td>
<td>262</td>
<td>166</td>
</tr>
<tr>
<td>Total</td>
<td>1,935,238,469</td>
<td>11,984</td>
<td>3,464,019,186</td>
<td>11,714</td>
<td>925,750,539</td>
<td>9,280</td>
<td>4,369,589,313</td>
<td>11,395</td>
<td>461,255,656</td>
<td>10,697</td>
<td>11,014</td>
</tr>
</tbody>
</table>

Source: Data compiled by the authors. See text for discussion of methods. Working papers detailing the sources and basis for estimates in each city are available from the authors. Note: UHI = Urban Health Initiative.
lion, is primarily attributable to the varying population sizes of the cities. On a per child basis, the variation is $11,984 to $9,280, with Baltimore spending the most, followed by Detroit, Philadelphia, Richmond, and Oakland. Common patterns in the functional distribution of spending are that education is the single largest purpose; the three functions of education, health, and income support together account for at least 71% of expenditures; and the other functions are each a relatively small share of expenditures for children.

Table 3 presents the rates of change in expenditures from 1997 to 2000. Among the five cities, total public expenditures for children grew between 6.3% and 11.7%, with an unweighted mean of 8.8%. Spending grew most rapidly in Oakland, followed by Richmond, although, as previously noted, these two cities still had the lowest per child expenditures. They were followed by Detroit, Philadelphia, and finally Baltimore, which had the highest per child spending. When expenditures are disaggregated by function, there is a wide variation in rate of change among the cities for most functions. For example, rates of increase for education vary from 2.2% to 28.9%, with an unweighted mean of 18.0%. However, two common trends are notable. First, income support expenditures are down significantly in each city, reflecting the national contraction in public assistance caseloads. Second, child care expenditures grew rapidly in each of the cities, although the trend is least pronounced in Baltimore.

The national benchmarks, mentioned earlier, were used to help interpret the trends in the UHI cities; they are summarized in Table 4. They include measures of economic growth and inflation; measures of federal spending, including total spending and spending for grants to states and localities, with the grants divided between those particularly relevant to children’s services and those not particularly relevant; and spending by the 50 states, both total and for selected functions that include children’s services.

As a basis for making inferences about the programmatic effects of the UHI, the national benchmarks fall far short of a true random control group. The federal and state data include spending in rural areas and in suburbs, areas that may be subject to different political priorities than economically distressed cities. Also, the functional categories do not correspond exactly to those used in the UHI data collection effort. For example, the UHI expenditures for “health” include Medicaid and other health service programs such as the Child Health Insurance Program and several categorical public health programs and include only the estimated children’s
portion of these programs. In contrast, the benchmark category for states and the federal government of “Medicaid” includes only Medicaid but includes spending for adults as well as children under Medicaid.

Nonetheless, the benchmark indicators are an instructive guidepost for drawing interim inferences about how trends in the UHI cities do or do not differ from those in similar places without the intervention. These indicators reflect reasonably well what was happening nationally to relevant sets of public expenditures in the period under consideration. If experience in the UHI cities differs from relevant national trends by receiving relatively fewer social resources, this suggests that the most disadvantaged areas of the country are lagging one counterfactual norm and, at a minimum, are not receiving sufficient benefits from the intervention to close preexisting gaps in relative resource allocations. Although the short-run (i.e., 3-year) goal of the UHI program was not to close such expenditure gaps, a longer run goal was to increase significantly relative resource allocation in favor of children in these cities, and interim progress is one instructive type of midcourse guidance.

Accordingly, the descriptive fiscal information, when combined with national benchmarks, has proved useful to the UHI evaluation. The findings from the first rounds of the fiscal analysis, interpreted in the context of the theory of change, provided both a benchmark for the evaluation of the initiative and enabled the evaluators to provide the foundation and the individual sites with information that helped them make needed midcourse corrections. Specifically, the fiscal analysis has made three interim contributions to the overall evaluation.

The first useful insight for UHI from the fiscal analysis was that during its initial 3 years, the relative amount of public funding devoted to services for children and youth did not increase in the UHI sites. Table 5 compares the unweighted mean change in expenditures by major function for the UHI cities with the relevant benchmark indicators. For total expenditures on children’s services, both the mean and each individual city’s amounts increased at a slower pace.
than gross domestic product, total domestic federal outlays, and total spending by the states. In a time of unprecedented national prosperity, the social commitment to children in these cities did not keep pace with either private-sector growth or total public-sector growth.

Change in education spending varied among the cities, but the mean and the amounts in three of the five cities grew more slowly than did total education spending among the 50 states. The contraction in income support spending was more rapid in the UHI cities than the overall reduction among the 50 states. There was exceptionally wide variation in growth of health care spending among the UHI cities, but the mean was approximately the same as growth in state Medicaid expenditures, and the amounts in three of the five cities grew more slowly than that benchmark.

For the other functions, the benchmarks provide less clear guidance. Growth in criminal justice expenditures for youth grew at a rate close to the 50-state average for correctional services. Growth in housing expenditures in the UHI cities also closely tracked relevant benchmarks. Social services spending among the UHI cities generally grew more rapidly than total federal grants. The growth in child care and employment services in the UHI cities was much more rapid than any of the benchmarks, but the available benchmarks cover a wider range of activities and may not be a basis for meaningful comparisons.

The finding, 3 years into the 8-year intervention, that relative spending changes are not evident should not have been, and was not, taken as an early sign of program failure. Part of the theory of evaluation design calls for integrating results of the different evaluation methods, and the evaluation staff members have sought to use the site visits and key informant interviews to help interpret the interim fiscal analysis results. At each site, leaders and lead agency staff members stated that they did not expect results in terms of sharply altered expenditure patterns this early in the project. The early efforts focused on obtaining agreement on programmatic objectives and laying the groundwork with local political leaders for more dramatic changes. Changes in efforts to increase child care funding were not, at this point in time, a “result” of UHI efforts but reflect national policy changes to the TANF program.

### Table 5
Comparison of Average Change in Public Expenditures for Children’s Services With Relevant Benchmarks, Fiscal Years 1997 to 2000

<table>
<thead>
<tr>
<th>Function</th>
<th>Average Change (%)</th>
<th>Benchmark</th>
<th>Average Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>18.0</td>
<td>50 states education</td>
<td>22.9</td>
</tr>
<tr>
<td>Income support</td>
<td>–24.9</td>
<td>50 states public assistance</td>
<td>–8.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Federal payments to individuals</td>
<td>8.7</td>
</tr>
<tr>
<td>Health</td>
<td>16.7</td>
<td>50 states Medicaid</td>
<td>17.0</td>
</tr>
<tr>
<td>Social services</td>
<td>39.0</td>
<td>Total federal grants</td>
<td>21.8</td>
</tr>
<tr>
<td>Housing</td>
<td>27.2</td>
<td>Total federal grants</td>
<td>21.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50 states all other</td>
<td>27.8</td>
</tr>
<tr>
<td>Criminal justice</td>
<td>25.0</td>
<td>50 states corrections</td>
<td>22.7</td>
</tr>
<tr>
<td>Child care</td>
<td>99.2</td>
<td>Federal children’s grants</td>
<td>22.4</td>
</tr>
<tr>
<td>Employment services</td>
<td>116.7</td>
<td>50 states all other</td>
<td>27.8</td>
</tr>
<tr>
<td>Youth development and recreation</td>
<td>2.8</td>
<td>50 states all other</td>
<td>27.8</td>
</tr>
<tr>
<td>Total</td>
<td>8.8</td>
<td>Gross domestic product</td>
<td>20.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Federal domestic outlays</td>
<td>12.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total state spending</td>
<td>23.3</td>
</tr>
</tbody>
</table>

Source: Data compiled by the authors. See text for discussion of methods. Working papers detailing the sources and basis for estimates in each city are available from the authors. Also, federal spending from the U.S. Government Printing Office (2001). State spending from the National Association of State Budget Officers (1997-2000).
Although viewed as consistent with the initial theory of change, the finding of limited increases in funding may have been a factor in the RWJF’s and NPO’s decision to encourage the sites to rethink the ambitious nature of their original proposals; consistent with this push, some project directors began to rethink their long-term goals. Aggregate spending increases were deemphasized, and service specific goals were given greater emphasis. Although the RWJF retained a definition of success that included citywide changes in the commitment to children’s services, as reflected in aggregate public expenditures, project directors focused more on changes in resources for high-priority services, such as after-school activities and reading instruction in the early grades. In this sense, the goals at the local site level began to reflect changed expectations about the ability of city-specific interventions to influence overall patterns of resource allocation in the public sector.

The second insight from the interim fiscal analysis was that the intergovernmental character of the sources of expenditures for children requires that sites develop strategies for affecting resource allocation decisions at higher levels of government, especially the state. In addition to identifying direct expenditures by each level of government, the UHI fiscal analysis identifies expenditures for children’s services by the source of the funds. These sources of funds are summarized in Table 6.

With the exception of Richmond, in each city, local government represents the smallest source of funds, ranging from 14% to 33% of the total. State and federal governments play a larger role, with the mix between the two varying somewhat among the UHI cities. In four of the five cities, the state share is larger than the federal share.

The relatively large federal share has two important implications for the UHI program. First, it is probably not realistic to expect the individual sites to be able to influence patterns of federal spending. The sites may, within the constraints of federal categorical programs, help shape how state and local governments use these funds, but broader coalitions and national interest groups are more likely to play a role in enlarging or reallocating federal funds. Second, the larger forces driving patterns of federal spending will play an important role in changing the scale and nature of spending for children in any city. The previously noted example of the impact of federal welfare reform on spending for income maintenance purposes in the UHI cities illustrates how broader national forces affect the pattern of expenditures in localities. Distinguishing the impacts of national trends from those of local efforts is an important part of the fiscal analysis.

Recognizing the relatively large state share underscored the invisibility of the states’ role in the UHI’s initial theory of change. Consistent with the hypothesized benefits of a theory of change approach, the fiscal analysis provided an early “alarm” that the implementation strategies in the UHI cities might need rethinking. The fiscal analysis, together with the experience of the UHI’s leadership, has pointed them more toward state capitals as an essential element in broad change in children’s services. Subsequent to the national evaluation’s analysis of fiscal year 1997 data, the UHI’s NPO hired consultants to assist each site in locating additional state

Table 6
Expenditures for Children’s Services by Source, Fiscal Year 2000

<table>
<thead>
<tr>
<th>Source</th>
<th>Baltimore (%)</th>
<th>Detroit (%)</th>
<th>Oakland (%)</th>
<th>Philadelphia (%)</th>
<th>Richmond (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>37.4</td>
<td>33.1</td>
<td>40.6</td>
<td>40.1%</td>
<td>32.4</td>
</tr>
<tr>
<td>State</td>
<td>48.3</td>
<td>52.1</td>
<td>39.8</td>
<td>40.9%</td>
<td>34.7</td>
</tr>
<tr>
<td>Local</td>
<td>14.3</td>
<td>14.8</td>
<td>19.6</td>
<td>19.0%</td>
<td>32.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0%</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Data compiled by the authors. See text for discussion of methods. Working papers detailing the sources and basis for estimates in each city are available from the authors.
and federal dollars for which it could apply. Each site was also instructed to estimate the costs of the policies or services it hoped to put in place and develop a plan for how to raise those dollars. In some cases, this work substantively shifted the strategies the sites were pursuing; for instance, in Richmond, the understanding that funds were allocated primarily at the state level led local leaders to shift from developing plans for fund-raising from private sources to hiring a state lobbying firm. In this way, the fiscal analysis had the intended benefit of providing interim guidance to site leaders, and they have used this feedback and analysis to help revise their theories of change.

A third useful insight from the interim fiscal analysis emerged from the large share of total spending found to be accounted for by the public schools in each city. As evident in Table 2, education was the single largest category of expenditure in each of the five cities, accounting for between 39% and 47% of the total. No other single category came close to having so large a share.

This simple but stark fact reminded the program managers of the importance of the public schools in children’s lives. If major change was to be achieved, the schools were likely to have to be involved in some way. Yet public school leadership (and teachers’ unions) were not necessarily assigned prominent roles in the theory of change developed by the RWJF as a national model. The fiscal analysis shed light on the importance of developing alliances with public school leadership. At the same time, the public school leaders were typically engaged in major political battles over the governance of their systems and the adequacy of funding for it. Four of the five UHI cities underwent structural changes in their governance (typically characterized as “state takeovers”) during the early years of the project. Site leaders were obliged to consider how to become more involved with public school leadership at a time when this leadership was in the midst of turnover and highly publicized political battles with the mayor and state legislature. The fiscal analysis highlighted the need to approach and engage school leaders but did not, by itself, show how this could be done in difficult circumstances.

2. *The distinction between preventive and corrective services and expenditures is less meaningful and less clear cut than the program sponsor originally imagined.*

The RWJF expected that a substantial amount of public resources devoted to children and youth were spent on obviously corrective services and expected that an equally obvious (but much smaller) amount was spent on preventive services. In addition, the RWJF assumed that if better outcomes were to be achieved for children citywide, resources would need to be reallocated from expensive corrective interventions to less expensive and more effective preventive interventions.

As noted earlier, however, in practice, it has been difficult to obtain agreement on the nature of particular services, and a large proportion of spending for children’s services seems to fit neither category. This has made the preventive versus corrective distinction less useful than initially expected.

Table 7 summarizes for the five cities a categorization of spending for children’s services in three groups: preventive, corrective, and maintenance. The maintenance category, which includes spending for income support, housing, and similar items, was more substantial than initially expected. In each city, between 32% and 47% of the total spending for children fit this maintenance description rather than being corrective or preventive. Moreover, the maintenance category declined or grew relatively slowly in each city. This was largely due to the decline in the number of people receiving cash benefits under TANF, as the national economic and employment situation improved dramatically and as local administrators pursued welfare reforms intended to lower the number of beneficiaries. The decline in maintenance expendi-
Features made it possible for the relative share of both preventive and corrective expenditures to increase in the period examined. When rates of change in corrective and preventive spending are compared, no clear pattern emerges across the five cities.

This early experience with this type of expenditure classification suggests that it should be refined. It also suggests that the RWJF’s theory of change should specify in greater detail the services that will expand and those that will contract. The “fuzziness” in the original theory was made evident in this component of the national evaluation.

3. The fiscal analysis tool can be limited by the quality of available data, the degree of needed cooperation from public officials to obtain the data, and the level of expertise required to interpret the data.

In most instances, the amount spent by an agency for specific types of services to children is not reported as part of regularly published financial documents and is not accounted for in a systematic way. Instead, expenditure reports relate to programs serving children and adults and (in the case of state and county agencies) may involve broader geographic areas than a particular city. Therefore, to estimate spending for children (by service) in a city, it is necessary to gain access to data that permit reasonably accurate estimates of those amounts. This means that the type of fiscal analysis used in the UHI evaluation can be completed in a useful way only with the cooperation of staff members from multiple state and local agencies. In the case of the UHI evaluation, leadership of the UHI groups could sometimes be helpful in gaining such access to some agencies, but it also was necessary for the evaluation staff members to establish such access independently. This is frequently difficult and time-consuming.

Thus, one important limitation of this evaluation tool is that it requires staff members who are not only competent to analyze fiscal data but also able to establish working relationships with budget and line agency staff members in public agencies who have little or no incentive to be cooperative. This combination of fiscal and interpersonal skills is relatively rare, at least in the experience of staffing the UHI evaluation. Moreover, the work is often tedious, involving multiple calculations to arrive at an estimate and complex documentation of the sources of the estimates for each agency in each city. The work also requires a great deal of patience, because agency personnel are sometimes slow to respond to requests and may require multiple polite reminders before the necessary data are forthcoming. The UHI evaluation team experienced

<table>
<thead>
<tr>
<th>Source</th>
<th>Baltimore (%)</th>
<th>Detroit (%)</th>
<th>Oakland (%)</th>
<th>Philadelphia (%)</th>
<th>Richmond (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrective</td>
<td>32.6</td>
<td>20.8</td>
<td>18.2</td>
<td>20.1</td>
<td>25.1</td>
</tr>
<tr>
<td>Maintenance</td>
<td>32.2</td>
<td>41.7</td>
<td>46.9</td>
<td>34.8</td>
<td>38.7</td>
</tr>
<tr>
<td>Preventive</td>
<td>35.2</td>
<td>37.5</td>
<td>34.9</td>
<td>45.1</td>
<td>36.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Change, 1997 to 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrective</td>
<td>21.8</td>
<td>–7.0</td>
<td>33.2</td>
<td>–1.2</td>
<td>22.4</td>
</tr>
<tr>
<td>Maintenance</td>
<td>–13.9</td>
<td>–6.3</td>
<td>–9.3</td>
<td>–11.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Preventive</td>
<td>17.8</td>
<td>39.4</td>
<td>44.8</td>
<td>37.1</td>
<td>9.8</td>
</tr>
<tr>
<td>Total</td>
<td>6.3</td>
<td>8.9</td>
<td>11.7</td>
<td>8.1</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: Data compiled by the authors. See text for discussion of methods. Working papers detailing the sources and basis for estimates in each city are available from the authors.
some turnover because the fiscal analysts became frustrated with this process; the successful completion of the work to date is related to the hiring of a fiscal analyst with the necessary combination of skills.

The need to rely often on unique and unpublished data sources to create expenditure estimates also limits the precision and the comparability of the estimates. For example, in cities in which the police department has more accurate data about the activities and assignments of its officers, the estimates for that agency’s expenditures on services to youth are more accurate than those of police agencies without such information. Because the basis for estimating children’s expenditures for each agency varies among the cities, the comparability of the estimates across cities is far from precise. In addition, such estimates are not adjusted for differences in input costs, notably wage levels, across cities. This is acceptable for the UHI analysis because its primary concern is change over time within cities (rather than comparison across cities), but it is an important limitation of the approach. This limitation also means that care must be exercised in comparing the per child expenditure estimates shown in the earlier tables.

Conclusion

Conducting a systematic analysis of the flow of public dollars provides an important measure of “systems change” for initiatives that seek to improve population outcomes by increasing or reallocating expenditures. This work demonstrates that it is possible to take repeated snapshots of public spending for a particular target group in a city and to make important comparisons across cities and over time. Expenditures can be categorized in such a way as to be consistent with and appropriate to the approaches and goals of the intervention. Furthermore, this analysis offers the opportunity to assess the likelihood of desired final outcomes far earlier than might otherwise be the case. For these reasons, the fiscal analysis described in this article should be added to evaluators’ tool kits, especially when the evaluation concerns a comprehensive effort to change a large and complex system, or multiple systems, of service delivery.

This method is not, however, without its limitations. It is difficult and expensive to conduct adequately. It cannot be accomplished without substantial entrance into government agencies, nor can it be accomplished without a deep understanding of public budgets and accounting practices. Evaluators, who have not typically concerned themselves with such matters, may lack the needed skill set. Rather than seeing this as an impossible hurdle, it is simply another reminder that complex and difficult evaluations may best be handled by a team of researchers, each bringing his or her individual strengths and contributing to a deeper understanding of a program’s effects.

Notes

1. The analysis of fiscal year 2003 results was later changed to fiscal year 2004 results to allow the maximum time period for the sites to have an impact before drawing conclusions about the program. The analysis of fiscal year 2004 results is underway and is not presented in this article.
3. Because the fiscal analysis relies on actual expenditures, most often taken from externally audited financial statements, the data are far less subject to “instrumentation” as a threat to validity than is the case when budgeted amounts are used and taken from the proposed budget documents of elected officials.
4. Debt service is preferable to the reported capital expenditures, because capital expenditures are notoriously “lumpy.” That is, capital expenses are made when a facility is built and are concentrated in a short period, even though the asset is intended to last a far longer period. Counting these capital expenditures in any given year would be a misleading
way to estimate the capital used in producing services, because capital expenditures vary more widely than does the actual use of capital assets by the agency each year.

5. Unweighted means are used in this part of the analysis because the unit of analysis for the Urban Health Initiative (UHI) is the site or city.

References


