

Shifting Priorities: Participatory Budgeting in New York City means more money for public schools, street and traffic improvements and public housing.

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In participatory budgeting (PB), residents instead of public officials decide how public money is spent. In US versions, a PB process typically engages residents in four phases: idea collection, development of project proposals, a public vote on favorite proposals and, finally, monitoring of the implementation. When residents take such active roles in budgeting, do spending priorities shift? Do residents prioritize different investments than public officials? And could that lead to more socially just spending? In our most recent paper, we examined these possibilities for the New York City's participatory budgeting process.

In the 2013 fiscal year, just four of NYC's 51 council districts began a PB process. Within six years, this number had grown to 31 districts. From the start, PB in NYC entailed a social justice agenda. Community-based organizations had convinced council members to implement PB. Every year a city-wide steering committee specifies social justice goals in the PB rule book. Voter surveys suggest that PB in NYC has engaged large numbers of young people, lower income people, people of color and people who are not part of a community organization (Kasdan & Markman, 2015). Districts that worked with more community-based organizations from the start tended to see more demographically diverse residents participate in the vote (Hagelskamp et al., 2016).

Two things are especially important to understand about PB in NYC. First, it is typically limited to council members' discretionary capital budgets. Each council member receives five million dollars per year for discretionary capital investments in their districts. Council members who participate in PB allocate between 20% and 50% of that budget to the PB process. Second, the PB process concludes with a vote *before* council members formally decide how to spend the remaining capital funds. PB project proposals and the outcome of the public vote may thus affect council members' decisions on how to invest the funds that were not allocated to PBs.

Spending priorities have shifted

We used publicly available records on New York City council districts' capital project allocations over ten years (2009 through 2018) to compare spending within and across PB and non-PB districts. Our statistical analyses show that, on average, when council districts adopted PB, greater proportions of their discretionary capital budgets were allocated to schools, streets and traffic improvements, and public housing. PB was associated with decreases in spending on parks and recreation projects and housing preservation and development projects. In fact, when a New York City council district adopted PB, it spent on average about \$300,000 more per year on schools, about \$250,000 more per year on public housing, and about \$100,000 more per year on street and traffic improvements. At the same time, parks and recreation projects lost on average almost \$350,000 annually and housing preservation and development projects lost an average of about \$200,000 annually when a New York City council district adopted PB (Hagelskamp et al., 2020).

This is robust evidence that priorities can shift when residents are directly involved in budgeting.

Are these shifts more equitable?

Certainly more investments in public housing benefit the lowest income New Yorkers. More investments in public schools benefit children and teachers. However, future research needs to look at whether or not PB indeed address greatest needs. In the early years of PB in NYC, security cameras for public housing residences were a frequent PB ballot item. While those make some residents feel safer,

others feel surveilled (Su, 2017). More research should examine how public housing residents experience PB-induced investments in their building. Similarly, we need to know whether PB funds reach schools who need those most– or whether such funding is flowing to schools that are already well-resourced.

Are elected officials responding to popular demands or engaging in political patronage?

Calabrese et al. also analyzed NYC's public records on capital spending and found that when council members take up PB, they fund *a greater number of* projects that are smaller in scope compared to years without a PB process in place (Calabrese et al., 2020). One could interpret these patterns as public officials being more responsive to the priorities of residents and at the same time being careful to spread money evenly and fairly. For example, an official may realize that public schools, streets and traffic and public housing projects are popular among residents and be encouraged to invest resources beyond the PB allocated funds into these areas, especially into schools, streets and housing complexes that may not have received direct funds through PB.

Calabrese et al., however, argue that their finding supports the political patronage hypothesis, which states that by spreading the money simply across more projects within a very limited numbers of capital project possibilities, public officials are pleasing more interest groups but not effectively changing investments overall. In fact, Calabrese et al. did not find significant shifts in spending priorities over policy areas, and conclude that PB in NYC constitutes a policy tool without functional allocative effect.

Our paper challenges Calabrese's conclusion. We added an extra year of PB data from the records (analyzing PB budgets from fiscal year 2013 through 2018) and we took a more fine-grained look at the various policy (or functional) areas that benefit from capital budgets.

To illustrate how two papers, both employing appropriate and sophisticated analytic techniques, come to quite different conclusion on a central research question, let's consider how each paper examined possible functional shifts in housing investments. Our paper analyzes investments in what the NYC records label *public housing*, which is housing for the lowest income New Yorkers, separately from investments in the category of *housing preservation and development*, which concerns the building and maintenance of affordable housing for middle to lower income residents. Our analysis asks how much of a council members' discretionary budget goes towards improving these two types of housing through small additional investments.¹ We found that when council members adopted PB, investments in the infrastructure around public housing complexes increased, while similar investments for housing preservation and development decreased. In contrast, Calabrese et al. collapsed these two categories into one and found no effects for housing investments in general.

Arguably, it is important to analyze these types of housing investments separately, as their beneficiaries are different populations. In addition, these monies flow to two different government agencies and are denoted as such in the city's budget data. In order to test the patronage hypothesis, it would arguably be important to distinguish between these two agencies and their different organizational dynamics. Moreover, PB in NYC by design seeks to engage the most marginalized community members. One would expect increased investments in public housing, given the outreach process addresses public housing residents specifically. Also, public housing complexes are very visible in NYC neighborhoods and known to suffer infrastructure needs. One might therefore expect a PB process that emphasizes a social justice agenda to raise awareness of public housing needs and thus to encourage middle class residents to vote for these projects, too.

While political patronage may well affect budgeting decisions in general, it does not – given the data – provide a plausible, singular explanation for the way NYC council members have used PB. In fact, in

confidential interviews, elected officials described a range of motives when making further budgeting decisions after a PB process (Hagelskamp et al., 2016). Some talked about being inspired to fund additional projects they saw on the PB ballot and to make more investments in popular policy areas. Others sought to counterbalance the budgeting priorities that came out of PB. Some said PB had led to unique investments, other felt the process yielded little new ideas.

What is next?

In sum, PB in NYC, in the first six year of its existence, has been associated with investments in smaller and more numerous projects **and** with meaningful shifts in what kinds of public interests and needs are funded. We conclude that when residents have a say in how public money is spent, priorities shift. The processes by which those shifts happen, how creative or innovative these shifts are, and whether they indeed address the greatest needs in the community and benefit the neediest residents, are the questions of our future investigations.

References

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ⁱ Of course, both types of housing are predominately funded through other city budgets.