

# **STAFF PAPER SERIES**

## **Identifying the Public Value in Extension Programs**

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**DEPARTMENT OF APPLIED ECONOMICS  
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## **Identifying the Public Value in Extension**

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## **Abstract**

Government budget crises have compelled state Extension Services to defend their receipt of state and county funding. A key to that defense is persuading citizens and policymakers of Extension's "public value": the benefit from Extension programs to those who are not directly served. This paper uses the principles of public sector economics to help formulate that defense and describes how Extension staff have applied economic principles to identify the public value in their own programs. The approach, developed into a workshop for program teams, serves to both sustain programs that have strong public value and identify programs that do not.

## Identifying the Public Value in Extension Programs

### Public Value is Crucial to Program Support

The current economic climate has placed significant pressure on the budgets of state and county governments. In turn, those governments have compelled state Cooperative Extension Services to defend their continued receipt of state and county funding. Even when policymakers are persuaded of the efficacy of an Extension program, they have questioned whether the program should be supported with scarce public dollars rather than through user charges.

In his book, *Creating Public Value*, Mark Moore explains that a government agency can secure public support for its services by articulating what he calls the “public value” of those services (Moore (1995), p. 28). In contrast with the private value that accrues to an individual who purchases a private good, public value is created when a service benefits society as a whole. When a service is recognized as having significant public value, even citizens who do not directly benefit from the service will endorse its public funding. When a service is *not* recognized as having significant public value, citizens believe that it should have the same status as a private good, and should be purchased on the private market for a price. Cooperative Extension, the recipient of funding from several levels of government, faces the challenge described by Moore: “...for a public enterprise to be judged worthwhile, it must pass a test beyond the mere demonstration that the value of its products exceeds the value of the resources used in producing the results: it must explain why the enterprise should be public rather than private” (Moore (1995), p. 43).

Public sector economics addresses this very challenge by identifying the conditions that call for a service to be publicly funded. Those conditions include the classic cases of market failure—imperfect information, externalities, public goods, and natural monopoly—as well as the desire of a community to ensure fairness and justice. When those conditions are met, collective action (possibly, though not necessarily, through government intervention) leads to general improvements in welfare. This article describes an approach for systematically applying the principles of public sector economics to Extension programs in order to formulate a persuasive argument for the programs’ public support.

The approach, which has been developed into a workshop for Extension program teams, begins with an assessment of whether and how the measured impacts of a particular Extension program address one or more of the economic justifications for government intervention. We then try to determine which of those justifications represents the strongest argument for the program. In the process, we will either develop a strong message about the public value of the program, which can be used to shore up public support, or we will establish that public funding for the program, in its current form, is not justified. Therefore, the approach serves to both sustain programs that have strong public value and identify programs that do not.

The workshop was developed at the request of University of Minnesota Extension administrators, who had observed a gap in program directors’ messages about their programs. Program directors were asked, “What evidence do you have of this program being valued by the public?” Having successfully delivered programs that satisfied client needs, program directors understandably responded by enumerating their program’s value

*to direct participants*. They described the programs' documented impacts on participant behavior or welfare, presented strong participant evaluations and individual testimonials, and showed that participants were willing to pay a fee to access the program. However, to secure public funding for a program, Extension staff must also be able to explain why citizens and policymakers *who are not direct program participants* should value the program. Extension administrators found that their program teams could not adequately make these arguments.

Consequently, Extension administrators commissioned a workshop, called "Identifying the Public Value in Extension Programs," to help program teams develop a "public value statement." Based on the principles of public sector economics, the statement would convey the program's value to citizens in an economically sound, but accessible, way. Ultimately, the statements would be used by the program team, Extension administration, and Extension's communications office to secure support for the program.

Three two-hour pilot workshops took place in October 2002 on the St. Paul campus of the University of Minnesota. Ten Minnesota Extension Service program teams from five different subject areas attended one of the three workshops. The ten programs would be highlighted at the statewide Extension Service conference, where program teams would be asked to present their newly developed public value statements. In addition to the workshop, program teams participated in two more steps (listed in Figure 1 and described below) that provided them with additional guidance on preparing their statements.

**Figure 1.**

- Steps for Identifying the Public Value  
in an Extension Program**
1. Participate in the “Identifying the Public Value in Extension Programs” workshop presentation.
  2. At the workshop, with guidance from the workshop presenter, begin to draft a public value statement.
  3. Receive feedback on the economic soundness of the statement from an applied economist.
  4. Incorporate the statement into a presentation about the program for the statewide Extension conference. Receive feedback from Extension colleagues at the conference.

**Program Teams Participated in Four Steps to Identify the  
Public Value of Their Program**

**Step 1: Program Teams Participated in the Workshop Presentation**

The “Identifying the Public Value in Extension Programs” workshop was developed and presented by the author of this article, a faculty member and Extension Economist in the Department of Applied Economics with expertise in public finance. Extension administrators and other Applied Economics faculty made helpful suggestions and reviewed early drafts of the materials.

The first hour of the workshop consisted of a presentation followed by a discussion session. The presenter explained the possible justifications for government intervention in a market economy by teaching the economic concepts listed in Table 1: imperfect information, the distribution of resources, public goods, external benefits (and costs) of production and consumption, and natural monopoly. In each of these cases, the presenter introduced the concepts with illustrations from outside of Extension. The presenter then named (or solicited from the participants) examples of Extension programs

that might fit these criteria. For example, the case of a public good was illustrated with the classic textbook example of a lighthouse: once the lighthouse is operational, it is impossible to exclude any passing ship from receiving its warning, and no one's ability to benefit from the lighthouse is diminished when an additional ship captain sees the light. As an Extension example, consider a program that facilitates the revitalization of Main Street in a rural town. It is at least costly, if not impossible, to try to exclude anyone from enjoying the spiffed up facades and increased economic activity in the town center. Moreover, at least for small increases in population, new residents don't reduce anyone else's enjoyment of the improvements. Table 1 defines the economic concepts and lists some of the examples used in the workshop.

**Table 1.**  
Criteria for collective action

<b>Economic Terms</b>	<b>Explanation</b>	<b>Free Market Outcome</b>	<b>Selected Extension Examples</b>
Imperfect information	When information available to consumers is poor or inadequate, the government provides information (a service) so that consumers can make better choices.	Consumers cannot make the best choices for themselves, because they are inadequately informed about the products they purchase.	<ul style="list-style-type: none"> <li>• Nutrition education</li> <li>• Soil management education for ag. producers</li> <li>• Master Gardener training</li> </ul>
Distribution of resources	The government provides goods or services that address crucial concerns about fairness or justice.	Society as a whole could be made better off if certain private goods were made available to everyone at some minimal level, regardless of their ability-to-pay.	<ul style="list-style-type: none"> <li>• Youth development programs in under-served communities</li> <li>• Nutrition education for low-income families</li> </ul>
External benefits (costs) from consumption	The use of a good or service confers benefits (costs) on someone other than those directly involved in the transaction	The consumer fails to fully consider the external benefit (cost), and consumes less (more) of the good than society desires.	<ul style="list-style-type: none"> <li>• Shoreline management</li> <li>• Erosion control</li> <li>• Wastewater treatment</li> <li>• Youth development</li> </ul>
External benefits (costs) from production	The production of a good or service confers benefits (costs) on someone other than those directly involved in the transaction.	The producer fails to fully consider the external benefit (cost) and produces less (more) of the good than society desires.	<ul style="list-style-type: none"> <li>• Development of non-fossil fuels</li> <li>• Agricultural product development</li> </ul>
Public good	When it is costly (or impossible) to exclude non-payers from benefiting from a good or service and one person's enjoyment of the good or service does not detract from anyone else's.	Too few citizens pay, not enough funds are collected, not enough of the good or service is produced.	<ul style="list-style-type: none"> <li>• Disease prevention and control (through, for example, food service training)</li> <li>• Main Street revitalization</li> </ul>
Natural monopoly	The more of a good or service is produced, the lower is the cost per unit to produce it.	A single company may build the infrastructure and act as a monopoly supplier.	<ul style="list-style-type: none"> <li>• Knowledge generation at a research university</li> </ul>

The Main Street example above illustrates something that quickly became clear as workshop participants applied the economic concepts to their own programs: Extension programs rarely fit neatly into the textbook definitions that appear in Table 1. In fact, it might be technically feasible (though costly) to exclude non-taxpayers from benefiting from the revitalized town center. And eventually, additional citizens will create congestion, reducing the benefits for everyone. The workshop emphasized that, in practice, Extension programs are a mix of private and public goods, possessing some of the characteristics of both. Moreover, Extension programs often address more than one market failure. For example, a youth development program generates external benefits by helping youth become more productive citizens. But, if the program is targeted to low-income families, it also addresses a concern about fairness.

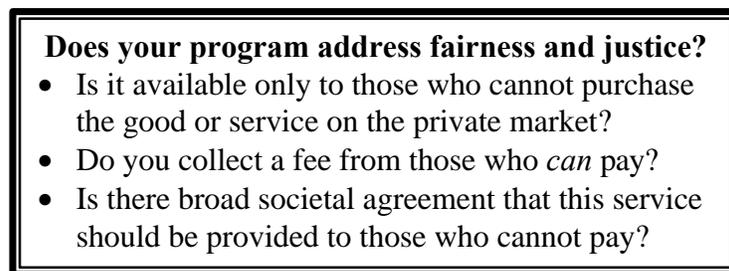
During the workshop, participants were drawn into discussions of several additional complicating factors:

- The presentation made clear that when any of the criteria from Table 1 are satisfied, intervention in the private market is warranted. In some cases, the market failure can be addressed through the collective action of a group of citizens; other cases call for formal government intervention. Moreover, the government could respond in any number of ways besides actual provision of a good or service. For example, if the residents of a rural community inadequately maintain their septic systems, causing environmental and health problems, the government could (1) induce improved septic maintenance by criminalizing poor maintenance; (2) tax residents who have poorly maintained septic systems; (3) reward or subsidize residents who maintain their septic systems well; (4) provide a tax-funded waste water treatment

system for all; or (5) educate residents on the dangers of poor septic systems and teach them how to do a better job. In the workshop, we noted that, while the market failure conditions call for market intervention, which form of intervention is best depends on the specific case.

- The presentation allowed that a program may be justified by a crucial concern about fairness and justice, and very many Extension program teams believe that their program does address this concern. However, if the Extension Service tries to argue that all of their programs deserve public support “because it is only fair” that everyone have access to the programs at no charge, the public value message will quickly become diluted. Therefore, the workshop presentation emphasized that the “fairness argument” should be used sparingly. To help teams decide whether theirs was a program that could be justified on fairness grounds, they were advised to consider three questions about the program. (See Figure 2.) The more of these questions the team could answer with “yes,” the stronger would be their fairness argument.

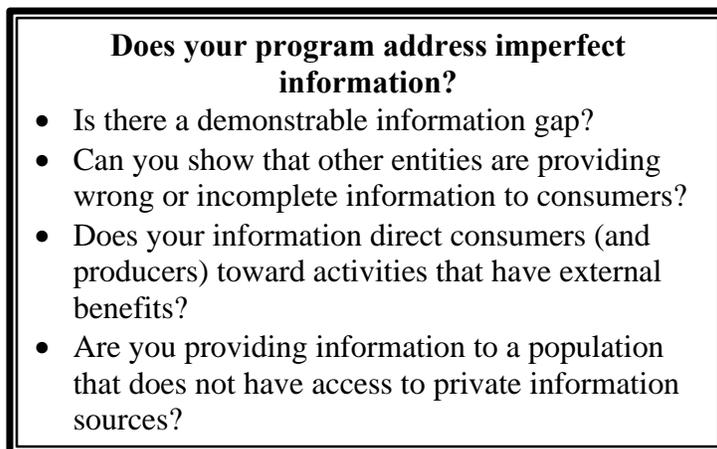
**Figure 2.**



- Similarly, very many program teams believe that their programs address a market failure from imperfect information. Again, the workshop presentation emphasized that this argument should only be made when the case was very strong. To help

program teams decide whether their program could be justified on the grounds of imperfect information, they were instructed to consider four questions about the program. (See Figure 3.) Again, teams that could answer these questions affirmatively would be able to make the most persuasive arguments.

**Figure 3.**



## **Step 2: Program Teams Begin Drafting a Public Value Statement**

After the presentation and discussion, workshop participants were asked to break into program groups to begin developing their public value statements. Participants were reminded that for the upcoming Extension conference, they would be expected to: explain the criteria for public funding; state how their program satisfies the criteria for public funding; and substantiate their claims with evidence.

The groups were expected to only begin drafting a statement during the one-hour workshop session and to complete it outside the workshop. They were advised to get started by brainstorming about all of the possible ways their program might satisfy the criteria for public funding, and then eliminate those claims that could not be substantiated by evidence and research. Finally, they were instructed to choose only those substantiated claims that would be most persuasive to citizens who are not directly served

by the program. In short, the aim was to produce the strongest, most defensible, and most concise public value statement possible.

Throughout this portion of the workshop, the presenter was available to answer questions and help guide the discussions. This “one-on-one” consulting seemed especially helpful for identifying all of the possible ways a program might satisfy the public funding criteria. Since the teams knew the programs best, they could name program impacts and outcomes that the presenter was unfamiliar with. Then the presenter helped to fit those impacts and outcomes into the economic criteria. Independently, some participants indicated that even more “one-on-one” consulting would have been helpful.

### **Step 3: Applied Economists Reviewed the Draft Statements**

Shortly after the workshop, program teams were asked to submit their draft public value statements for review by two economists from the University of Minnesota’s Department of Applied Economics. The draft statements were assigned to faculty members according to subject matter expertise. The economists were asked to critique the statements and to provide constructive suggestions to improve the statements’ economic soundness. Some program teams reported that they did not find this step as helpful as the other steps. Perhaps the usefulness of this step could be improved if, instead of giving written comments, the faculty were drawn into a discussion of the program with the program team, providing more of the “one-on-one” consulting that seemed helpful during the workshops.

#### **Step 4: Conference Participants Gave Feedback on the Public Value Presentations**

Using the comments from the applied economists, the program teams revised their public value statements and incorporated them into a presentation for the annual statewide Extension Service conference. The presenters described the program, its impact and effectiveness, and answered the question, “Why use public funds to support this program?” The presentations included a “question and answer” session, when staff not involved with the featured program could give the presenting teams feedback on their public value messages.

#### **Outcome of the “Identifying the Public Value in Extension Programs” Process**

After the program teams had completed the four steps, they were asked to evaluate how useful each step was for “explaining to someone who did not directly participate in the program why they should endorse its public funding.” Program teams rated each step as “very useful,” “somewhat useful,” “not very useful,” or “not at all useful.” For all except step 3, the five teams who evaluated the process rated each step, on average, as “somewhat useful.”

Perhaps a more telling measure of the effectiveness of the public value process is the change in the teams’ messages about their own programs. While all of the pre-workshop messages focused on the value of the program to direct participants, *all ten conference presentations* emphasized the value of the program to those not directly served. And *every team* supported their arguments with the public finance concepts learned in the workshop, albeit with varying degrees of effectiveness. Therefore, through the workshop, each team was able to improve their *potential* to secure program support from non-program-participants. Despite these observed changes, we cannot yet evaluate

whether the newly drafted statements actually *are* effective in persuading citizens and policymakers, because Extension administrators are only beginning to use them.

Through the pilot workshops, we found that the ease of crafting a good public value statement varied a great deal among programs. For some programs, it seemed immediately clear which market failure the program addressed, and the case for public support came relatively easily. For example, it seems straightforward to demonstrate that nutrition education programs directed at needy families address fairness (all families, regardless of their income, should have adequate nutrition) and public goods (adequate nutrition leads to sound public health). But even a seemingly simple case may also address a less obvious economic issue. For example, a nutrition education program may also address the case of imperfect information in the private market. Private enterprises may supply nutrition information that is biased by their profit motive, and better information may be too costly for low-income families to obtain. Government intervention, in the form of nutrition educators, is justified to help low-income consumers make the best food choices for their families.

For many programs in the wide-ranging Extension portfolio, the case is not so easy to make. Consider, for example, agricultural research and farmer-education programs that aim to increase productivity and reduce producer costs. Historically, these programs have been justified to the public with the promise of lower food prices—which directly benefit consumers—or increased farmer income—which is valued by citizens who cherish the economic vitality of farm communities. In fact, whether agricultural research leads to lower food prices, higher farmer income, or higher profits for agribusinesses will depend on the type of research, the structure of the commodity

market, and the relative economic power of farmers, processors, and retailers. (For a discussion of the impact of agricultural research, see Alston and Pardey, 1999.) Stronger arguments can be made for programs that produce high external benefits, such as those that induce farmers to adopt environmentally sound practices or programs aimed at poor farmers. (Umali-Deininger, 1997.) For program teams charged with developing a public value statement, putting all of this into a concise message can be difficult.

### **Next Steps for Extension**

The “Identifying the Public Value in Extension Programs” pilot workshops helped ten Minnesota Extension programs develop a message about the public value of their programs. There are several additional steps that the Extension Service, with input from public finance economists, can take to increase public support for their programs.

1. The workshop can be repeated to help more programs develop a public value message. Alternatively, the messages could be drafted by an economist (or someone fluent in the economic concepts presented in the workshop) working closely with a program team. However, a message drafted by someone outside the program team might not seem as valid to the team as one they develop themselves.
2. The documented impact of an Extension program is a key element in its public value statement. The pilot workshops focused on mature programs that had strong evidence of impact, but impact data is sparse for many Extension programs. Extension needs to address this inadequacy through policies and by supporting program teams that are developing evaluation systems.

3. In cases where public value is strong, the message must be delivered to the relevant stakeholders—those government officials who authorize Extension’s funding and the citizens who elect them.
4. Identifying the public value of a service does not answer the question of which level of government—federal, state, county, or local—should fund the provision of that service. Applying the theory of local public goods to Extension programs can help answer this question.
5. In cases where public value is *not* strong, Extension must decide whether it will support the program with grants, user fees, or not at all, while recognizing that reducing subsidies for programs that provide primarily private benefits could dampen support for Extension from those who receive the benefits. In cases where user fees are warranted, Extension must choose when, how much, and to whom fees should be charged. Theories and models of public enterprises can guide these choices. Finally, Extension must decide what to do with revenue raised through fees. Funds could be reinvested in the programs that generated the revenue, or they could be used to support programs that have significant public value and will not generate revenue on their own.

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