

STREAMLINING STATE GOVERNMENT: REFORMING THE REGULATORY STRUCTURE OF PENNSYLVANIA

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Thank you Chairman Smucker and members of the committee for the opportunity to testify before you today. I'm Nate Benefield, Director of Policy Research at the Commonwealth Foundation for Public Policy Alternatives, a nonprofit education and research institute in Harrisburg.

As you are well aware, states across the nation are facing formidable fiscal challenges just like Pennsylvania. And in an effort to provide core government functions with fewer resources, a number of states are looking to streamline state government by consolidating departments, outsourcing services, and eliminating outdated, less useful, or under-performing agencies.

I'd like to highlight the efforts of three states—Michigan, Louisiana, and Virginia—that have made significant steps toward streamlining their state government operations. What I'm providing you today is an overview of a forthcoming report from the Commonwealth Foundation entitled, "Streamlining State Government: Reforming the Regulatory Structure of Pennsylvania."

In Michigan, legislators in the Great Lakes State have identified seven core functions of government and started consolidating unnecessary state departments. In Louisiana, elected officials have begun implementing more than 120 recommendations submitted by its Government Streamlining Panel; in Virginia, a commission made 133 recommendations and will continue to identify streamlining opportunities throughout the McDonnell administration.

The Keystone State should likewise look at streamlining efforts.

Pennsylvania businesses must navigate a complex web of regulations from more than 340 independent state agencies, offices, state departments, boards, commissions, and committees stemming from the executive branch. Several other boards, committees, and commissions in state government primarily provide an advisory or public relations role, often with little to show for their work.

The expansion of regulatory bodies requires additional administrators and enforcement staff—paid for with higher taxes and fees. The number and complexity of state agencies, boards, and commissions impose indirect costs to residents and job creators, with untold costs to comply with the regulatory burden. Pennsylvania must actively pursue every opportunity to trim the size and cost of state government and the regulatory burden place on job creators by streamlining government. By reducing these expensive barriers, streamlining state government will encourage economic growth and prosperity.

As an example, an article in the *Reading Eagle* this past Friday looked at the constituent service being done by staffers in the late Senator O’Pake’s office. The files of constituents who called because they were too confused by the regulatory maze to know where to go filled 83 boxes. I know that everyone on this committee receives a similar load of calls from constituents. And while citizens appreciate the help cutting through the red tape, what they really need is less red tape to cut through.

Our forthcoming report looks at reforming Pennsylvania’s state government agencies and regulatory process through the presentation of three case studies comparing Pennsylvania regulations with other states in telecommunications, prevailing wage laws, and natural gas drilling.

On the telecommunications front, the regulatory reforms include giving all telecommunication providers the same flexibility in pricing, eliminating rules regulating how companies interact with consumers, increasing the transparency of telecommunications access fees for consumers, and consolidating the Office of the Consumer Advocate and parts of the Public Utilities Commission (PUC) into the Attorney General’s office to create one agency with jurisdiction over consumer protection. Similar reforms in Indiana helped create 2,000 new jobs and generate \$1.5 billion in industry investment through greater competition. Georgia taxpayers saved \$15 million per year through adopting reforms in telecommunications regulations.

When it comes to the prevailing wage mandate on government projects, the taxpayers are forced to pay an approximately \$1 billion more each year for inflated labor union costs. On top of this are the taxpayer costs of monitoring and enforcement, and the employers’ costs of staff time to complete paperwork and fulfill reporting requirements. Streamlining the prevailing wage law should include a reexamination of the necessity of prevailing wage laws, increasing the project threshold amounts, exempting school districts and hospitals from mandates, or eliminating the prevailing wage law entirely.

The third area we highlight in our report is the natural gas drilling in the Marcellus Shale. Despite one of the worst recessions in years, the natural gas industry has been one of the few growth industries in the state. In 2009, the industry paid out \$2 billion in signing bonuses to landowners and will generate \$8 to \$15 billion in economic activity each year in the state, according to FBR Capital Markets. To ensure the Keystone State remains a competitive location for natural gas development—while also protecting our environment and infrastructure—legislators and regulators should consider how drilling oversight could be improved, including preventing agency overlap and encouraging predictability among local government ordinances and zoning.

These three areas represent but the tip of the iceberg of opportunities for Pennsylvania to begin streamlining its regulations. Our report calls on Gov. Corbett to convene a temporary commission of business leaders, regulators, and experts to create a plan for reducing the maze of regulatory agencies. It is our belief that streamlining state government will better serve residents and encourage economic growth.

Thank you, and I’m happy to answer any questions.