



## THE ROLE OF STREAMLINING COMMISSIONS IN BRINGING SPENDING IN LINE WITH REVENUE: LEARNING FROM VIRGINIA AND LOUISIANA

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Chairman Smucker, Ranking Member Blake, and Members of the Committee:

Thank you for the opportunity to speak with you today about government review or streamlining commissions and how they can both help bring Pennsylvania's spending in line with its revenues as well as suggest some high-level reforms to the way Pennsylvania does business in order to allow it to better serve its citizens. I appreciate the opportunity to speak to you about my research and experiences on the topic.

My name is Daniel Rothschild, and I am the Managing Director of the State and Local Policy Project at the Mercatus Center at George Mason University. The Mercatus Center is a university-based research group focused on the economics of public policy issues. Our mission is to generate knowledge and understanding of how institutions affect the freedom to prosper and find creative solutions to overcome barriers that prevent individuals from living free, prosperous, and peaceful lives. Nothing in my statement today represents an official position of the Mercatus Center or of George Mason University.

Over the past three years, as states have faced record budget deficits, a number of governors and legislatures have looked for ways to increase government efficiency and effectiveness in order to minimize painful budget cuts while avoiding tax and fee increases. This body took a positive step with the passage of Senate Resolution 161 (2009 session), which created the Government Management and Cost Study Commission. When it reported back nine months ago, the commission provided some important recommendations to reduce the costs of government in the commonwealth. However, the commission noted that the commonwealth's management practices and agency portfolios deserve much deeper and comprehensive study than the commission was able to provide.

The bottom line is that, as the commission noted, "the Commonwealth must control state spending" [emphasis in original] by "[reducing] unnecessary spending," revising procurement practices, and "reinventing the way Pennsylvania delivers government run services." A commission that looks at government efficiency from a higher level over a longer period of time, with an eye to realize savings from rationalizing and reforming state operations, can accomplish many of the goals outlined by the Government Management and Cost Study Commission. Most importantly, it can help spur and lead a conversation about what the people of Pennsylvania want from their government and how this can best be provided, given that resources are finite and budgeting necessarily involves tradeoffs.

With my colleague Maurice McTigue, I have had the opportunity to work with both Louisiana's Commission on Streamlining Government and Virginia's Commission on Government Reform and Restructuring. These bodies spent much of 2009 and 2010, respectively, poring over their states' operations looking for efficiencies and opportunities to refocus state agencies on their critical core missions. My comments today

reflect my personal experience with these commissions, as well as ex-post analysis based on qualitative interviews with many of the members and staff who participated in Louisiana's efforts and less formal conversations with participants in Virginia's commission.

We have found that independent government streamlining commissions that bring together officials from the legislative and executive branches of government with outsiders from the private sector and nonprofit groups to look closely at government activities can be effective at identifying opportunities to cut waste, eliminate duplicative programs, realize economies of scale, and generally streamline state government operations.

We have identified eight specific factors relating to the creation and composition of streamlining commissions that we believe help make them more effective and their reports more likely to result in positive policy changes. I will go through these points briefly, and I am happy to discuss them in greater detail after my testimony or at a later date.

- 1. Identify a focus and provide clear goals.** Commissions can either focus on specific, discrete issues or cover a wide range of government services. This should be clearly and specifically articulated in the commission's charter, as should the deliverables the commission is charged with producing. Failure to do either of these things will delay the commission's start and open it up to pressure from outside interest groups to either include or exclude specific issues. The legislation creating the commission should provide clear terms of reference against which the members of the commission can gauge their work and define their success.
- 2. Keep the timeline commensurate with the scope.** Commissions with a very narrow scope may be able to complete their work in a matter of months, but those with broader missions may need a year or more to complete their work. As one staff member from Louisiana's Commission on Streamlining Government said, "The deal with true reform is you sit back and look at it a while." Taking the time for deep study, debate, and reflection will yield a better final product. One approach that may prove useful is to provide two or more reporting periods, perhaps one slated for 6 months after the commission first meets and another for 12 months later. Such an approach may be an effective way to grab some of the "low-hanging fruit" early on while contemplating more complex reforms over a longer period of time.
- 3. Structure committees in a way that comports with staff expertise.** Both Louisiana's and Virginia's commissions created committees within the commission to study particular issues in depth and report back to the commission. These committees should be structured to take advantage of legislative staff experience and expertise. Additionally, each committee should be provided with clear terms of reference that minimize overlap between the committees. Legislation should specify if the commission has the authority to create such committees and, if so, who is eligible to serve on these committees.
- 4. Properly resource the commission with the funds necessary to start quickly, investigate thoroughly, and report effectively.** Providing a budget to a commission tasked with reducing spending may sound oxymoronic. But virtually all of the members of the Louisiana Commission on Streamlining Government who we interviewed told us that they would have been more effective with an independent investigative and analytic staff. While members praised the diligence and expertise of the legislative staff detailed to the commission, these staff members, by virtue of their positions as civil servants, were unable to effectively critique ideas put forth either by commissioners or members of the public. Moreover, they were unable to aggressively seek information from agencies. Commissioners and staff generally agreed that civil-service staff can be valuable assets to commissions, but commissions need their own independent staff as well for fact-finding and analysis. Further, we recommend that a commission be given the funds to hire a facilitator to serve as a chief of staff to the chairperson and an editor to begin the hard work of writing intermediate and final reports from the first day the commission meets. These positions help the commission make the most of its time, especially when operating on a tight timeline.
- 5. Select commission members who are largely outsiders.** Streamlining commissions are most effective when a majority of their members do not make government their full-time occupation. After all, much of their strength comes from having a fresh set of eyes look at the operations of state government. That said, some limited legislative participation may be valuable, a point I discuss this more in point eight.

6. **Select an independent chair.** The commission should select or have appointed to it a chair who is widely seen as politically independent yet knowledgeable of the policy-making process, can effectively speak for the commission in the media, and ensure that the commission is making timely progress.
7. **Keep administration participation circumscribed but significant.** Having buy-in from the governor can greatly increase the commission's access to timely, accurate information. However, the commission must be able to act independently of the executive branch.
8. **Plan for legislative follow through.** Nobody agrees to serve on a commission like this because of the joy that comes from writing articulate, convincing reports that sit on shelves and do not result in policy changes. Therefore, the commission should endeavor to make all of its recommendations as actionable as possible. As I suggested earlier, having a small number of legislative members may be useful in this regard, as legislators bring expertise about the legislative process and can serve as spokespeople for the commission with their fellow legislators. It may be desirable to make legislative members *ex officio* rather than full voting members. Additionally, the facilitator and editor can help maintain focus on the actionability of recommendations throughout the research and writing process. It is this planning to "sell" the final report that separates successful reform commissions from unsuccessful ones.

In addition to these recommendations, we have identified a number of effective practices that the commission may wish to employ after it is constituted. I would be happy to discuss these with the members of the commission when it is formed.

I hope my comments today have been useful to the committee. There is no "one size fits all" recipe for establishing or operating state streamlining commissions. Rather, effective commissions must be created and managed in a way that is compatible with a state's political, economic, and constitutional environments.

I thank you for your time and look forward to taking your questions.