

Everything's On the Table



Selling buildings, turning to private business, cutting the size of the legislature and even taking away cellphones are all ideas for states desperate to cut costs.

BY GARRY BOULARD

The ideas are sometimes quirky, sometimes innovative, and they're coming from every direction.

Confronting the most stubbornly enduring national economic downturn since the Great Depression, state legislators have cutting on their minds.

"They're doing budget cutting by bits and pieces," says Alan Rosenthal, a professor of public policy and political science at Rutgers University's Eagleton Institute of Politics.

Asked if the many varied budget-reducing and efficiency-promoting ideas signal either legislative innovation or desperation, Rosenthal is quick to reply: "Desperation."

"But it's a desperation formed by two perfect storms," he says. "One is the recession, which has had enormous consequences for the federal government and most of the states. The other is the instant gratification binge we've been on of spending money and cutting taxes."

Symbolic of the new way of thinking, lawmakers in Pennsylvania, Mississippi, Vermont and Virginia have revisited their states' long-standing and cherished alcohol control policies. While they haven't changed anything yet, they have at least raised the question of whether their states can afford to be in the beer, wine and distilled spirits business, while at the same time shrugging off increased state revenue through privatization in the process.

"The demand for cost-savings and budget-balancing measures, for new and effective ways of delivering state services, tends to peak, grow and mushroom during times of fiscal stress on the state budgets," says Arturo Pérez, fiscal affairs director at the National Conference of State Legislatures.

"It comes down to the basic element of trying to do the same

or even more with less," Pérez says. "And more means trying to deliver services to more Medicaid recipients as a result of high unemployment."

Legislators also have been wondering about decades-old expensive programs that were not questioned in the past, such as maintaining highway rest stops. In at least one state, Georgia, where the annual bill for such responsibilities has come to more than \$4 million, the legislature approved a measure calling for the privatization—or retail development—of those same spaces.

Lawmakers in Arizona even wondered about the expense of operating their big, marble state office buildings, signing off on selling two legislative structures, a slender tower and even the state Supreme Court building last year in two separate sales that netted the state more than \$1 billion.

"In the kind of economy we've been dealing with for the last three years," says Rosenthal, "everything, every program, every way of doing business, is being rethought."

And then there are the ideas to save money by altering the actual structure of the legislatures themselves.

In Connecticut, Representative Linda Schofield has noted her state currently has more legislators than California, even though the Golden State has eight times more people. She proposed cutting the size of the state General Assembly in half, saying a smaller membership could save the state upward of \$28 million.

Maine Representative Linda Valentino took it a step further. She'd like to do away with the Maine House altogether, contending such a move would mean up to \$11 million less in costs for her state every two years.

Welcome to the era of attacking budget deficits and making government more efficient through creative thinking.

"Crisis brings reform," says Bob Stern, the president of the Center for Governmental Studies in Los Angeles. "When times are good there is no incentive to reform things because reform also means pain, reform imposes on people's turf and reform changes things. People down deep don't really want change."

Cutting Close to Home

When Maine Representative Linda Valentino thinks about her fellow legislators, she imagines a day when nearly a fifth of them will be gone.

“In a time when we’ve been cutting welfare, special education, disability and senior programs, it’s unconscionable for us to spend this kind of money,” says Valentino of the at least \$11 million that Maine pays every two years for having a 35-member Senate and 151-member House of Representatives.

Valentino has proposed fusing the two Maine chambers into a unicameral Legislature and eliminating 35 seats in the process.

“We would go with 151 in the unicameral,” says Valentino, “which would not reduce the ratio of representation per population.”

Valentino’s bill was not the only one calling for reducing the Maine Legislature, but she may have come to the issue the earliest. Her idea passed in the House during the last legislative session, before dying in the Maine Senate.

This spring, Valentino’s bill received attention from the media as well as constituent support, encouraging her to believe that she might ultimately be able to win the required supermajority vote in both chambers before her proposal would be listed on a statewide ballot as a constitutional amendment.

Noting Maine currently has the 10th largest lawmaking body in the country even though the state is only 41st in population, Valentino asks: “Can we really continue to afford the luxury of having two people to represent every one person in Maine—especially when you factor in the additional cost of staff?”

Ultimately, Valentino’s proposal, as well as two other bills calling for a smaller Legislature, died in the joint State and Local Government Committee.

Valentino earlier predicted the going might prove rough for her legislation, before adding: “In a time of economic difficulty, we should be willing to try new things.”

But in bad times, he says, “reform suddenly seems like a good idea, primarily because the old way of doing things obviously isn’t working.”

Even when reform moves fall short, or cut expenses and increase efficiencies only at the margins, they are still symbolically potent.

Stern points to policies spearheaded this year by California Governor Jerry Brown to reduce the state’s car fleet, limit the handing out of state employee cell phones and restrict state employee travel. “In terms of money, these things haven’t really amounted to that much,” he says, “but in terms of the symbolism, they mean a lot.

“In a down economy where people have been feeling bad, making people feel better about their government is important.”

Rosenthal agrees: “There is nothing wrong with the legislatures trying these different things.”

Likening such moves to what happens when a patient sees a therapist, Rosenthal adds: “The first things you have to do is acknowledge the issues you are facing, and then you have to try to figure out how you are going to deal with them.”

The fact that so many legislators today are thinking about deficits and better service, says Rosenthal, means one thing for sure: “At the very least, we are confronting our issues.”

Looking a Gift Horse in the Mouth

As soon as North Carolina Representative Ric Killian heard about his state's plans to accept money from the feds for a high-speed rail service, he saw trouble.

"Sure, everyone says they are for this sort of thing," says Killian, who is chairman of the Appropriations Subcommittee on Transportation. "But they rarely think about the costs involved to the state.

"A lot of people think this kind of federal money is just free. But there is no free lunch," he says. "My concern has been about the long-term fiscal liability that our taxpayers incur whenever they agree to accept federal money."

This spring, Killian introduced legislation to prohibit North Carolina from accepting all high-speed rail money coming out of Washington unless it was first specifically approved by the legislature. Killian's legislation failed, but another bill passed requiring the state's transportation department to consult with a legislative commission when the state portion of any federal rail grant exceeds \$3 million.

"Legislators here want to be involved in the process," says Killian. "They want to have the ability to weigh in on the part of their constituents and make certain that they are not obligating those constituents indefinitely for something that might not be in their best interest."

The \$460 million in federal rail funds targeted for North Carolina is designed to, among other things, build 12 new bridges and get rid of dozens of highway-rail crossings, thereby allowing for the high-speed trains to go as fast as 90 miles per hour.

Looking back on his legislation, Killian says he realizes he was flying in the face of popular sentiment. "There are those out there who simply believe you have to have alternative sources of transportation or alternative modes of transportation, regardless of the cost."

Noting that governors of three other states recently declined similar high-speed rail federal funding because they were also wary of future operating costs, Killian adds: "This is the new normal—we have to focus on core services, provide them to the best of our ability, and move on from there."

Sometimes Less Is Less

It undoubtedly seemed like a good idea at the time.

In 2008, in response to a sharp spike in gas prices, the state government of Utah—under the direction of then-Governor Jon Huntsman Jr.—launched a new policy for its employees: Fridays would be off days in return for 10-hour shifts, four days a week.

The concept was simple: By keeping state offices closed one more day per week, Utah could save \$3 million in energy costs, not to mention the not entirely quantifiable savings in gasoline for state workers commuting to work on that extra day.

But a 2010 state audit of the program indicated the energy to be saved from a four-day week had been greatly overestimated. According to the report, the program cut the state's energy bill by only about \$502,000 in its first 12 months.

Even more, closing state offices on that one day proved to be an inconvenience for some state agencies. "The courts remained open," says Utah Representative Michael Noel. "But when they needed to interact with, say, child protective services, they ran into all kinds of problems because that agency was closed."

Noel also argued that shutting down state offices on Friday adversely affected low-income people applying for food stamps and businesses seeking permits. "It really became a matter of government efficiency—and how having this one day off negatively affected that."

This winter, Noel introduced a bill that would move Utah away from the four-week schedule by requiring that all state agencies must be open at least five days per week.

"There turned out to be so many problems with this program," says Noel, who also wondered whether it was even legal for the executive branch to alter a five-day work week as so described in the Utah constitution.

The Legislature approved Noel's bill this spring, and then, after it was vetoed by current Utah governor Gary Herbert, overrode the veto.

"It's great to have a program up and running that is designed to save the taxpayers money," Noel reflects. "But when we do that, we need to make sure there really is a savings and that you are not unnecessarily inconveniencing people."

Printers to Purchasing to Privatization

Most legislatures have changed some aspect of how state government works to try to save money. Some efforts are truly original, but not necessarily complicated. Consider these.

◆ The Ohio Department of Administrative Services Office of Procurement Services transformed agency printing services in the spring of 2010. The state previously had used several single-function devices—printers, scanners and fax machines—but thanks to evolving technology and a suggestion from a staff member, the state now uses machines that can perform all those services. Sounds pretty simple, but the change is expected to produce about \$40,000 in annual savings by reducing maintenance charges, electricity and toner. Making similar changes in government offices throughout the state could save agencies about \$5 million a year, according to the Ohio Office of Budget and Management.

◆ Minnesota and Wisconsin have a collaboration effort, dubbed "Minnesconsin," that includes a cooperative purchasing program. It allows most Wisconsin state and local government agencies to purchase goods, from copiers to road salt, and services using one of the 900 contracts already established by Minnesota. For contracts greater than \$25,000, a Minnesota city must first consider offers from the cooperative venture

Too Much of a Good Thing

Illinois Senator Donne Trotter says allowing those over age 65 to use Chicago's bus lines for free seemed like a good way "to give older people who were locked in the inner city opportunities to get around, go downtown, and spend money that would go into the economy."

But then the Regional Transportation Authority said it was losing up to \$38 million on the program (during a time of cutbacks) and for one reason: Although the program was targeted for those on fixed incomes, seniors of all income levels were using the service.

"We found out that a lot of people who didn't need the subsidy were the biggest users of it," says Trotter. "There were those who were taking trains from our richest suburbs—like Winnetka, the gold coast—downtown to the opera." Because the RTA is subsidized by the state, that meant lost revenue to Illinois.

"We weren't talking about the kind of money that would balance our budget," says Trotter. "But in this economy, every little bit makes a difference."

In response, lawmakers in Illinois this year passed a bill specifically allowing only low-income seniors, age 65 or older, to ride the buses for free, with income caps per individual at \$27,600. The legislation further stipulated that eligibility requirements for who can ride the buses for free would be determined by the Circuit Break program, a state effort providing low-income seniors with help paying for property taxes and prescription drugs.

Even with the new requirements, the free senior bus ride program is expected to remain highly popular. Last year, more than 431,000 people took advantage of it, and Trotter predicts the numbers most likely won't decrease significantly in the coming year.

"It's a good program," Trotter says. "We just felt that it needed to be ratcheted back."

program first, before purchasing through another source.

◆ Virginia recently switched to a Web-based purchasing system that allows state agencies, colleges, universities and local government agencies to announce bids, receive quotes, and place orders for goods and services. Vendors can submit bids with any state agency once registered on the site, and they also can receive and respond to bid solicitations electronically. At least 33 states now have some form of e-procurement. It saves state or local agencies money by eliminating the need for more expensive and slower paper-based ordering systems.

◆ At least seven states—Arizona, Iowa, Kansas, New York, North Carolina, South Carolina and Wisconsin—offer programs that encourage state employees to submit ideas for reducing costs by improving efficiency. A Wisconsin employee suggested using older CPR mannequins that cost almost nothing for suicide prevention courses rather than the new \$1,000 mannequins manufactured for this purpose. Employees can earn as much as \$1,000 in Arizona and \$10,000 in Iowa for coming up with a winning idea. Other states give winning employees a certificate of recognition or an award such as a coffee mug, sweatshirt or umbrella.

◆ As part of a one-time program, Montanans suggested more than 1,000 money-saving ideas to Governor Brian Schweitzer. The most frequent suggestions included cutting printing costs by making more

information available online, cutting state travel costs and holding more teleconferences.

◆ Privatization is the process of shifting some or all aspects of service delivery from state government to private-sector providers. Advocates see it as a strategy to lower the costs of government and get more out of each tax dollar. Under the provisions of a new Illinois law passed this year, for example, the Illinois State Toll Highway Authority may enter into public-private partnership agreements to develop, finance and operate new toll highways.

Most of the "low-hanging fruit" and innovative ideas to redesign and improve government have been tried and tested. State lawmakers now face the task of finding unique and effective solutions to remedy the current state of economic distress.

Over the next several years, state legislators will be grappling with difficult policy choices concerning the role of government and how to most effectively redesign it. Strategies to cut costs mentioned here are only a few examples that not only save money but make government more innovative and responsive to citizens and legislators.

—Bob Boerner and Jonathan Griffin, NCSL

