

No. 12-28
October 2012

WORKING PAPER

GOVERNMENT STREAMLINING COMMISSIONS: A Methodology for Measuring Effectiveness

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MERCATUS CENTER
George Mason University

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Abstract

This paper proposes a methodology for evaluating the operation and success of state government streamlining commissions. These commissions—typically appointed by governors or state legislatures—became increasingly popular in the last decade as a way to identify potential savings in state government by reducing redundancies and increasing efficiencies in state spending. Such changes contribute to creating a more business-friendly environment in states resulting in increased state competitiveness in economic development.

The paper proposes a series of case studies conducted on a subset of nine of the thirty one states in which streamlining commissions are currently active. Qualitative analysis is being conducted to determine the degree of success that the commissions have had based on commission structure. A series of hypotheses about the relationship between commission structure and success is introduced and discussed.

JEL code: H7

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Release date: October 15, 2012

Government Streamlining Commissions: A Methodology for Measuring Effectiveness

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Introduction

Efficiency is one of the core values in public administration.¹ Achieving policy goals with minimum resources has been emphasized in the public administration literature since the founding of the discipline. This is based on the principle that lawmakers must work toward their objectives in a world of budget and debt constraints. Most recently, as resources have dwindled and demands have grown, U.S. states have been sorely tested in this regard.

The financial impacts of the Great Recession of 2008–2009 on state governments do not need to be recounted in detail here. Suffice it to say that these impacts are much more profound and longer in duration than previous recessions. The National Governor’s Association sums this up: “State revenues . . . may not reach 2008 levels until late in fiscal 2012, at the earliest. . . . [S]tate budgets may not fully recover until near the end of the decade.”² Larger than this, this deep recession represented a fiscal shock for many states—an event that focused state policymaker attention on the broader issues of states’ general fiscal health and the policy areas in which state governments were spending

¹ Throughout this paper, we use “efficiency” to mean achieving a given outcome at the lowest possible cost to taxpayers, rather than in the economic sense of efficient resource allocation.

² National Governor’s Association Center for Best Practices, “The Big Reset: State Government after the Big Recession,” February 23, 2010, <http://www.nga.org/files/live/sites/NGA/files/pdf/1002STATEGOVTAFTERGREATRECESSION.PDF>.

money.³ In this respect, the 2008–2009 recession was different from earlier recessions. When the 2000–2001 recession ended, states tended to “return to normalcy” in their spending patterns. Many increased expenditures in policy areas such as homeland security and emergency management, healthcare, and K–12 and higher education; some of these increases were mandated by the federal government, others were voluntarily adopted by states. Direct spending by state governments varied between 7 and 8 percent of GDP in the 1990s. It began the 2000–2010 decade at 7.6 percent of GDP, increasing until 2003, then hovering at around 8.5 percent until 2008 when direct spending began to increase dramatically, peaking at just above 10 percent in 2010.⁴ Unlike the federal government, however, all states except Vermont must balance their budgets, meaning either new sources of revenue need to be located or budget reductions need to be undertaken.⁵

During the recession of 2008–2009, the American Recovery and Reinvestment Act shored up state budgets as tax revenues dipped. These federal transfer payments began drying up in 2011. Since then, states have faced difficult tradeoffs as demand for public services has increased in the face of lowered state revenue. Specifically, some programs like Medicaid and retiree benefits are increasing faster than many states’ tax bases are likely to grow. As Eric Scorsone and Christina Plerhoples explain, “Government officials are being forced to adapt to an environment where service

³ A “focusing event” has been defined as an event that focuses the attention of policy makers on a problem and its underlying causes. See John W. Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little, Brown and Company, 1984) and Thomas A. Birkland, *Lessons of Disaster: Policy Change after Catastrophic Events* (Washington, DC: Georgetown University Press, 2006). Also see the interviews with research directors from the National Association of Counties, the League of Cities and the National Governor’s Association in Bruce Perlman, “Governance Challenges and Options for State and Local Governments,” *State and Local Government Review*, 42, no. 3, 2010.

⁴ Data on state government spending from www.usgovernmentspending.com.

⁵ See National Conference of State Legislatures, “NCSL Fiscal Brief: State Balanced Budget Provisions,” October 2010, <http://www.ncsl.org/documents/fiscal/StateBalancedBudgetProvisions2010.pdf>.

demands are rising even as both short- and long-term prospects for revenue are among the bleakest in modern history.”⁶ Sensing that increasing taxes is both politically unacceptable and economically unsound (as such tax increases may put states at an economic disadvantage vis-à-vis other states), state policymakers are turning to innovative solutions to maintain government spending and services given fewer resources. Additionally, all states are looking for the best ways to attract investment for private sector growth.

Government streamlining commissions are one source for identifying potential savings and policy improvements. While the specific objectives of these commissions vary from state to state, their general purpose is to improve government, providing constituents with improved services at decreased costs. Governors or state legislators may appoint streamlining commissions to find opportunities for savings in state budgets to operate state programs more efficiently. Further, streamlining commissions can work to make the regulatory climate friendlier for business to improve the state’s competitiveness and improve transparency. Commission members typically include both public and private sector workers and craft recommendations for lawmakers with the objective of seeing these through to policy changes. Our paper will seek to examine both the overall success of streamlining commission efforts as well as the characteristics of commissions that make them most likely to succeed.

Streamlining commissions are part of the long American history of a businesslike approach to government and the search for efficiency in governmental operations. This goes back at least to the Progressive Era in the late 1800s and early 1900s. As historian

⁶ Eric A. Scorsone and Christina Plerhoples, “Fiscal Stress and Cutback Management amongst State and Local Government: What Have We Learned and What Remains to be Learned?” *State and Local Government Review* 42, 2010.

Mordecai Lee writes, “The holy grail of public-sector efficiency emerging during the Progressive Era continues to dominate the American political lexicon into the twenty-first century.”⁷ The more recent intellectual pedigree of streamlining commissions can be traced back to David Osborne and Ted Gaebler’s book, *Reinventing Government* (REGO), which had dramatic effects on state and local government after its publication in 1992.⁸ Richard Kearney and Carmine Scavo write that in the late 1990s REGO, “expanded into a broad, holistic approach to reforming government and public administration through decentralizing administrative authority, downsizing government employment, increasing managerial flexibility, and applying market-based techniques to government service problems.”⁹

State streamlining commissions may also choose to recommend that some services will be provided more effectively and efficiently by the private sector. If programs are identified as inefficient—having not just expensive results but outcomes that are not beneficial to state residents—the commission may recommend that the program be cancelled without expectation that the private sector will pick up service provision. However, that recommendation will most likely be made only after thorough study of different policies and different methods of reducing state expenditures.

Streamlining, as it is defined here, is larger than privatization. The elimination of some government programs may mean that some services may not be provided at all, but streamlining commissioners may find this is a desirable outcome in the case of, for

⁷ Mordecai Lee, *Bureaus of Efficiency: Reforming Local Government in the Progressive Era* (Milwaukee: Marquette University Press, 2008), 16.

⁸ See David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).

⁹ Richard Kearney and Carmine Scavo, “Reinventing Government in Reformed Municipalities: Manager, Mayor, and Council Actions,” *Urban Affairs Review* 37, 1 September, 2001, 44.

example, licensing requirements. As such, streamlining sidesteps the early observation made on privatization by E. S. Savas: “It must always be borne in mind that privatization is more a *political* than and *economic* act.”¹⁰

As Table 1 on page 21 indicates, policymakers in a majority of states have used streamlining commissions in recent years. Maurice McTigue of the Mercatus Center at George Mason University has worked with streamlining commissions in Louisiana and Virginia. Anecdotally, he has observed that these two commissions succeeded both in finding cost savings and helping their respective states achieve more business-friendly policies. While McTigue’s experiences give evidence for the potential success of government streamlining commissions, little previous academic work has examined the factors that determine streamlining commissions’ efficacy. We seek to develop a measure for comparing the success of government streamlining commissions to determine under what circumstances they are a worthwhile use of resources in the effort to maximize the use of tax dollars and to improve states’ competitive standing for attracting business investment and residents. The Council of State Governments recognized some 17 state streamlining commissions operating as of 2012, while the National Governors Association recognized 24.¹¹ Table 1 lists 34 currently operating or recently concluded streamlining commissions in 31 states.

¹⁰ E. S. Savas, *Privatization: The Key to Better Government* (Chatham, NJ: Chatham House, 1987), 233 [emphasis in original].

¹¹ The American Legislative Exchange Council [ALEC] lists two additional commissions: the New Jersey Privatization Task Force appointed by Governor Chris Christie and the Florida Council on Efficient Government appointed by Governor Jeb Bush. See ALEC, “State Budget Reform Toolkit,” 2011, www.alec.org/publications/state-budget-reform-toolkit. The National Association of State Budget Officers [NASBO] also lists commissions in Ohio, Pennsylvania, and Texas. See NASBO, “Recommendations from State Restructuring Commissions and Agencies,” December 6, 2010, <http://www.nasbo.org/sites/default/files/pdf/Restructuring%20Commissions%20and%20Agencies.pdf>.

In order to compare the impacts of government streamlining commissions, we will conduct several case studies and report on them in a forthcoming paper. Each case study will be based on the measurement system that this paper develops, outlining what we see as the primary objectives of streamlining commissions and our evaluation of whether they achieve the objectives they set for themselves. Our framework provides a method for evaluating which commission designs are best-suited to develop effective streamlining recommendations and succeed in seeing these streamlining targets through to policy changes. Commissions can vary across several dimensions, including the number and type of members they have and if they were appointed by the governor or the legislature. Our case studies will shed light on which commission structures are best able to achieve the objectives before them.

Empirical research into the relationship between the size of government and economic growth indicates that nearly all countries and states would experience greater prosperity with somewhat smaller governments.¹² Even given this insight, determining which state programs to cut remains a challenge because the literature does not provide consensus on which aspects of government spending should be reduced.¹³ Streamlining commissions will need to develop a vision for their states' core government functions to determine which government programs remain budgetary priorities given the need to cut spending.

While government streamlining commission members should weigh the theory of what constitutes a core government function in their decision making, they should also

¹² See Hristos Doucouliagos and Mehmet Ali Ulugaşoğlu, "Democracy and Economic Growth: A Meta-Analysis," *American Journal of Political Science*, 52, 1, January 2008: 61–83.

¹³ James A. Khan, "Can We Determine the Optimal Size of Government?" Cato Institute, September 14, 2011, <http://www.cato.org/pubs/dbp/dbp7.pdf>.

seek efficiencies within the set of services currently being provided in their states. Given the ambiguity of what core government functions are, streamlining commissions can achieve clear successes when they identify government objectives that can be achieved at lower costs per unit of success. They are well suited to cut across the silos of state bureaucracies to identify agencies that are working on similar programs. From there, they can determine which programs are succeeding at lower costs and redirect resources accordingly.

It is also clear that states have different “starting points” in their streamlining efforts. A state beginning with a particularly inefficient government service delivery system may be able to achieve much larger streamlining successes than a state beginning with a more efficient system. Therefore, the factors influencing state starting points become somewhat of a focus. For example, compare two hypothetical states—one with a large bureaucracy that enjoys relatively high pay and good retirement benefits with a state with a smaller bureaucracy that is paid relatively less and whose retirement benefits are less generous. One might expect greater improvements toward efficiency to be possible in the first state compared to the second given the less efficient starting point. However, one must also bear in mind how each state arrived at its particular starting point. Questions of the relative power of public sector labor unions, how state law addresses collective bargaining, early state history of labor-management interactions and so on thus become topics of interest, although one must be careful in so expanding the analysis that the only conclusions possible are “each state has its own path.”¹⁴ As such,

¹⁴ The website *24/7 Wall Street* published an analysis of state efficiency in 2010. See “The Best and Worst Run States in American: A Survey of All Fifty,” <http://247wallst.com/2010/10/04/the-best-and-worst-run-states-in-america-a-survey-of-all-fifty>. Their rankings took into account measures of credit worthiness, unemployment rates, GDP per capita, violent crime rates, percent below the poverty line, high school

the use and potential success or failure of streamlining commissions may be path dependent since “where we go next depends not only on where we are now, but also upon where we have been.”¹⁵

Potential Areas of Streamlining Successes

One of the primary goals of a government streamlining commission should be determining which state programs and agencies could be eliminated or consolidated. The guiding force behind this process should be determining whether the program in question is a core government function. Despite the lack of a clear definition of a core government function, commission members need to develop a theory of their state’s core government functions. Without this, members will lack guidance as to which programs they should focus on reducing or eliminating. As James Gwartney, Randall Holcombe, and Robert Lawson explain, government spending on core government function can help to provide the environment necessary for economic growth. However, government spending and taxation outside these areas is more likely to cause a decrease in economic growth by crowding out private sector activity.¹⁶

In our evaluation of commissions’ work, the difficulty arises that no firm definition of core government functions exists. Despite the prominence of the phrase in political rhetoric, definitions of what makes an activity a core government function range from anything that is a public good to something that the private sector will not provide at

completion for those 25 and older, median household income, debt per capita, percent of the population without health insurance, and change in occupied home values from 2006 to 2009.

¹⁵ Stan J. Leibowitz and Stephen Margolis, “Path Dependence,” *Encyclopedia of Law and Economics*, 2000, <http://encyclo.findlaw.com/0770book.pdf>. Also see Scott Page, “Path Dependence,” *Quarterly Journal of Political Science*, 2006, 87-115.

¹⁶ James Gwartney, Randall Holcombe, and Robert Lawson, “The Scope of Government and the Wealth of Nations,” *Cato Journal* 18, 2, Fall 1998.

the levels policymakers would like to see.¹⁷ Additionally, while cross-national comparisons can be used to inform our analysis, it must be borne in mind that U.S. states are not completely independent actors when it comes to determining core government functions. If the national government mandates certain state actions, those actions become by definition core functions of state government.

This analysis suggests the classic question in the public administration literature on the distinction between *production* and *provision* of services. Production implies whether the service is a necessary one for government while provision implies how the service is delivered. Our analysis proceeds with the assumption that core government services are ones in which there is a political consensus for government production.¹⁸ The actual means of provision—government service, intergovernmental agreements, contracts, vouchers, etc.¹⁹—of those services can be altered as economic and political environments change.

At its most basic level, the concept core government function carries with it the following type of questions:

- Is this a proper function of government, or is it best left to the individual (family) or to private institutions, such as charitable organizations or the marketplace?

¹⁷ For some perspectives on the meaning of “core government function,” see Patrick Dunleavy, “Explaining the Privatization Boom: Public Choice versus Radical Approaches,” *Public Administration* 64, Spring 1986; Robert S. Gilmour and Laura S. Jensen, “Reinventing Government Accountability: Public Functions, Privatization, and the Meaning of ‘State Action,’” *Public Administration Review* 58, no. 3, May/June 1998; Yijia Jin, “Prison Privatization: A Perspective on Core Government Functions,” *Crime Law Social Change* 54, (2010). For one recent review of state action on attempts to define core government functions, see Mississippi Center for Public Policy, “Determining Government’s Core Functions,” 2005, http://www.msppolicy.org/mcpp_reports/mcpp_reports_view.php?entryID=29.

¹⁸ A more objective definition of core government functions is beyond the scope of this paper and may, in fact, be empirically impossible. In its decision in the case of *Garcia v. San Antonio Metropolitan Transit Authority* (469 U.S. 568, 1985), the U.S. Supreme Court ruled that determining whether a specific function represented a core government function was “unsound in principle and unworkable in practice.” See Gillian Metzger, “Privatization as Delegation,” *Columbia Law Review*, 103 no. 6, October, 2003.

¹⁹ See Savas, *Privatization*, 84–85.

- If intervention is necessary, is it best left to local government, which is closer to the people?
- Does it further increase taxes, regulations, or the size of government? Is this justified?²⁰

One can see the role of ideological assumptions in answering these questions and the concomitant difficulty in arriving at an objective decision as to whether a given activity is core or not.

Bearing in mind the somewhat unclear nature of core government services, government streamlining commissions that manage to cut programs and turn the activity over to the private sector achieve success by our measurement. However, commissions should always keep in mind which populations will be harmed by ending a government service, with care for vulnerable populations. A report from the Center on Budget and Policy Priorities laments that state budget cuts during the recession have hurt vulnerable populations because many of these cuts have fallen on healthcare and education.²¹ These programs may very well meet a commission's definition of a core government function and serve to target populations that might not be served as well by the private sector. However, when government streamlining commissions are able to redirect resources to achieve lower costs per unit of success, they can avoid hurting vulnerable populations while making the necessary cuts to state budgets. Measuring the amount of money spent on a government program is in many cases not a valid measure of its efficacy, so an

²⁰ See Mississippi Center for Public Policy, 2005.

²¹ Erica Williams, Michael Leachman, and Nicholas Johnson, "State Budgets in the New Fiscal Year Are Unnecessarily Harmful," Center on Budget and Policy Priorities, July 28, 2011, <http://www.cbpp.org/files/7-26-11sfp.pdf>.

important consideration for streamlining commissioners may be identifying whether a reduction in spending leads to diminished efficacy.

At other times, commissions and policymakers will want to continue a program but turn its administration over to a private contractor. In recent decades, this has been an important trend in many states, but the success of privatization is more difficult to evaluate than that of winding a program down entirely.²² One theory of privatization suggests that this change should save taxpayer dollars and achieve streamlining goals by introducing the incentive to find savings in operating costs. These incentives are missing in a bureaucracy where employees may benefit by seeking to expand their program budgets. However, privatization is not straightforward. These efforts can also fall prey to rent-seeking behavior, whereby the contractor does not seek to minimize costs but rather maximize its own profits at taxpayer expense.²³ In particular, privatization efforts may face valid criticisms if contracts do not include outcome measures that determine whether

²² The literature on whether privatization actually results in cost savings to government is voluminous. Virtually every study that concludes that privatization saves government money can be paired with one that contains the opposite conclusion. Many of the studies are sponsored by groups that have specific interests in their conclusions (see note 11). For an interesting point-counter point example of this, see Jason Richwine and Andrew Biggs, “Comparing Federal and Private Sector Compensation,” American Enterprise Institute, June 8 2011, <http://www.aei.org/papers/economics/fiscal-policy/labor/comparing-federal-and-private-sector-compensation/>, which concludes that federal employees are paid at higher rates than private-sector contractors who do much the same work, with the Project on Government Oversight, “Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors,” 2011, <http://pogoarchives.org/m/co/igf/bad-business-report-only-2011.pdf>, which concludes precisely the opposite. Unbiased studies are more difficult to find; however, for one attempt to compare public sector versus private sector total compensation, see Sylvester Schieber, “Political Economy of Public Sector Retirement Plans,” *Journal of Pension Economics and Finance*, 10 (April 2011), 269–290.

²³ Prisons are one of the government functions most commonly privatized and most commonly studied. Cost-effects of prison privatization is ambiguous. On one hand, Adrian Moore finds that privatization saves money and removes special interests from corrections as compared to state-run prisons. See Adrian Moore, “Private Prisons: Quality Corrections at a Lower Cost,” Policy Study 240, Reason Foundation, <http://reason.org/files/d14ffa18290a9aeb969d1a6c1a9ff935.pdf>. On the other hand, results from a report by Arizona’s Department of Corrections demonstrate that state private prisons costs more per inmate even though they do not handle the highest-cost prisoners in the state. See Department of Corrections, “Prison Population Growth,” A Report to the Legislature, September 2010, http://www.auditorgen.state.az.us/Reports/State_Agencies/Agencies/Corrections_Department_of/Performance/10-08/10-08.pdf.

the provider is successful. These measures may be difficult to devise, though, for privatized services, particularly as the outcomes are measured in changing economic climates. While privatization efforts have ambiguous results in theory, government streamlining efforts clearly succeed when they identify programs that can be shut down entirely in cases where entrepreneurs are able to meet demands for services that the state previously provided at the same quality level with lower costs.

Commissions should identify key guidance in maximizing the success of government services at a given cost to taxpayers. When a state has multiple agencies performing the same task, the streamlining commission has an opportunity to evaluate the costs and outcomes of each in determining a plan to consolidate them. For example, the Louisiana Streamlining Commission compared the costs per inmate of juvenile detention centers across the state to find opportunities for savings while achieving constant results.²⁴ Some were much more expensive per inmate than others for the same types of inmates and outcomes. The commission identified that the juvenile detention center in Baton Rouge cost \$86,696 per inmate per year compared to a New Orleans facility at \$49,073 and a Monroe facility at \$46,263. Pointing out this cost difference between centers that achieved comparable results allowed state legislators to see the relevant data as they worked to reduce the cost of the state's juvenile justice system in 2010.²⁵

In addition to examining government service provision, streamlining commissions also typically seek to improve their states' regulatory climate to permit greater private sector economic growth. Previous streamlining efforts have demonstrated significant

²⁴ Commission on Streamlining Government, "Initial Report Recommendations," Dec. 15, 2009, <http://www.senate.legis.state.la.us/streamline/Presentations/InitialReport.pdf>.

²⁵ Maurice McTigue, "Suggested Recommendations to Advisory Group Chairmen," Mercatus Center at George Mason University, October 21, 2009, <http://senate.legis.state.la.us/streamline/Topics/Mercatus/DepartmentofOfficeofJuvenileJustice.pdf>.

potential for success in this area at the local level. In Indianapolis, for example, former mayor Stephen Goldsmith appointed a regulatory study commission to find rules that were detrimental to the city's businesses and residents. In a prominent streamlining success, the commission noted that the city's taxi regulations were benefitting taxi drivers and cab owners at the expense of customers and potential entrants into the industry.²⁶ Eliminating the restriction on the number of cabs allowed to operate in the city has improved service and reduced prices. Likewise, some state streamlining commissions have attempted to reduce regulatory barriers to economic growth. For example the Virginia Commission on Government Reform and Restructuring recommended that state policymakers deregulate polygraph examiners, hair braiders, mold inspectors, interior designers, and landscape architects. However some commission members voted against these recommendations for failing to go far enough toward occupational delicensing.²⁷

Because state legislators have limited resources for staff and policy research, they often turn both to lobbyists and executive agencies for budget and policy information. Streamlining commissions, which ideally are guided only by seeking objective recommendations to reduce the burden of government at the least cost, can provide an important information source for objective data analysis in this environment. In cases where a state's administration and legislature are politically opposed on a budgetary issue, it is likely that the governor's office will have greater resources to research the budgetary implications of proposed policy changes. As budgetary analysis at the state level is prone to political manipulation, legislators may not have access to unbiased

²⁶ Adrian Moore, "Indianapolis's Road to Regulatory Freedom," *Regulation*, Winter 1998, <http://www.cato.org/pubs/regulation/regv21n1/21-1f5.pdf>.

²⁷ Governor McDonnell's Commission on Government Reform and Restructuring, "Report to the Governor," November 21, 2011, http://www.reform.virginia.gov/docs/11-21-11_Report.pdf.

budget data. In this scenario, a streamlining commission can help to inform appropriation decisions without having vested interests in growing the budgets of any specific programs.

In the effort to reduce the dispersed costs of programs that have concentrated benefits, streamlining commissions may be able to reduce the tax burden by identifying programs that could be self-funded. For example, issuing licenses, permits, and health inspections could all be covered by user fees. Funding these programs with fees not only alleviates the pressure they put on state budgets, but also eliminates taxpayer subsidies to programs that should be covered by those who actually use them. Streamlining commissions can help to identify which programs have valid purposes for being subsidized and which should be self-funding.

The Measurement System

Because each state has unique policy challenges, the success of streamlining commissions will be difficult to compare. Opportunities to succeed in the areas that we have outlined above will vary from state to state. Because of this, we will start by comparing each commission's success against its own stated objectives. This qualitative analysis will evaluate the recommendations that the commission develops against the goals that the commission lays out for itself at its inception. Whether policymakers actually implement the recommendations will be somewhat out of the commission's control, so we want to gather evidence as to which commission structures lead to the best recommendations independent of whether the recommendations are turned into policy changes.

In addition to evaluating streamlining commissions' success in developing recommendations that meet their own objectives, we will also examine their achievement in actually streamlining state government. While the commissions' recommendations can be evaluated any time after their completion, the timeframe for evaluating policy changes is less clear. Recommendations from a streamlining commission may be implemented years after the commission has disbanded. This contributes to one reason we will not attempt to rank the success of streamlining commissions: Those recommendations that have been in place for a longer time have a greater chance of becoming law. To evaluate commission achievement in streamlining for the time horizon that is available for study, we will look at quantitative program spending data as one measure of success, recognizing that some streamlining recommendations may not be reflected in states' budgets.²⁸ We will estimate the budget reductions that can be attributed to commission recommendations along with comparative data indicating what proportion of the commission's advice is reflected in spending.²⁹ Because the commissions will likely develop some recommendations that the legislature will choose not to adopt, we will also

²⁸One tool we may employ to help in this assessment, aside from case studies, is shift-share analysis. Our analysis will attempt to separate the impact of streamlining commissions on states' policies from actions the state legislature would have taken otherwise. This may be difficult as those policymakers who appoint streamlining commissions are likely those that already hold government efficiency and reduction as objectives. This method, typically applied to studying changes within industry composition of output in a given region, may allow us to determine the specific impact that streamlining commissions have in state private sector economic growth. Specifically, this method could be used to study one state's competitiveness in an industry compared to other regions'.

Shift-share analysis separates local employment changes within an industry in one region from that industry's performance nationwide. In our case, we will be examining how industries react to streamlining commission recommendations distinct from other simultaneous economic changes. This will be useful for studying how deregulation or delicensing that stems from streamlining commissions helps the impacted industries in their states. It is worth noting, though, that shift-share analysis has been harshly criticized by some economists for being overly simplistic.²⁸ It can only be used to study industries that are nationwide, and shifts in industry production which the model attributes to a state's or region's comparative advantage within the industry may in fact be the result of changes in technology or demand.

²⁹ There is, of course, the possibility that recommendations from streamlining commissions could actually increase expenditures in a given policy area, especially if increased expenditures would result in much greater benefits.

evaluate the quality of advice for its own merit, even if this advice is not used in the state. Using these various metrics, we will gather evidence as to the general efficacy of streamlining commissions, which design of commission is best for achieving the charge with which it is tasked at its creation, and whether commissions are generally effective at shrinking the size of government.

While, from the public sector perspective, streamlining commissions succeed by finding cost saving opportunities, they should also seek to improve the state's climate for business. An important aspect of streamlining commission success from the private sector perspective is the commissions' identification of regulations that are no longer needed or that do a state's economy more harm than good. Several measures of state business environments have been developed. In their ranking system "Freedom in the 50 States," Jason Sorens and Will Ruger develop a metric for comparing regulatory climates across states.³⁰ The Kauffman Foundation has developed an index of entrepreneurship that compares the weight of state government regulation on small business.³¹ These metrics, along with state spending and budget data collected from sources such as *The Book of the States*³² allow us to compare success in deregulation across commissions. However, in some cases, deregulation efforts may be too small to register in these metrics. For example, minor changes in occupational licensing requirements will be difficult to evaluate on their scale. In these cases, we will acknowledge qualitative improvements when comparing commissions.

³⁰ Will Ruger and Jason Sorens, "Freedom in the 50 States," Mercatus Center at George Mason University,

³¹ See Raymond Keating, "Small Business Survival Index 2011: Ranking the Policy Environment for Entrepreneurship across the Nation," *Small Business and Entrepreneurship Council*, <http://www.sbecouncil.org/uploads/SBSI2011%5B1%5D.pdf>.

³² See Council of State Governments, *Book of the States* at <http://www.csg.org/policy/publications/bookofthestates.aspx>.

Commission Structures

After developing the qualitative and quantitative measurement of each commission's success, we will compare which types of commissions are the most effective. The variables we will consider in commission structure include:

- Appointment by a legislature or a governor
- Appointment by executive order or another device
- Number of commission members
- Commission's membership structure of elected officials, government employees, business people, and/or academics
- Commission's focus on broad government reform versus narrow objectives
- Commission's timeframe
- Focus exclusive to identifying solutions or broad enough to include implementation and timing of solutions
- Design of the commission's final product for policymakers and the public
- Commission structure that minimizes lobbying activities
- Resource available to the commission to adequately do its work

Based on the Mercatus Center's experience in working with streamlining commissions, we have developed several hypotheses about the optimal commission structure.³³ These hypotheses should be caveated with an understanding that each state is unique with individual opportunities for streamlining. We think success depends on commissions having:

³³ For a compilation of these anecdotal recommendations, see Maurice McTigue, Dan Rothschild, and Emily Washington, "State Government Streamlining Commissions: Ten Factors for Success," Mercatus Center at George Mason University, December 20, 2011, <http://mercatus.org/publication/state-government-streamlining-commissions-ten-factors-success>.

- 1) clearly defined objectives regarding their final product;
- 2) a clear timeline for this deliverable with an opportunity to publish interim advice. Preliminary findings indicate that the commission should have at least one year to work;
- 3) adequate funds to hire an independent staff to study some issues in depth;
- 4) a majority of the commission members from outside the government. The commission chair certainly should be from outside the government in order to help to get around the challenges that inherently restrict the ability to find streamlining opportunities while working in government. Preliminary findings indicate that representatives from the state legislature and administration should be involved as a minority of the membership to ensure that the commission's recommendations have buy-in from policymakers.³⁴

Our findings in these case studies will allow us to determine whether these hypotheses are supported and the extent to which they can be generalized for all state government streamlining efforts.

Use of this Methodology

Forthcoming research will apply the methodology developed above to several state streamlining commissions with the objective of determining which commission structures are most successful. In this research, we will also develop an idea of the general impact that streamlining commissions can have on state budgets and business

³⁴ While this reflects our hypothesis that streamlining efforts will be more effective when the commission is made up primarily of members from the private sector, we also note that this make-up may increase lobbying efforts from the commission, requiring efforts to prevent commission members from advocating any policies that would benefit themselves at taxpayer expense.

climates. The preliminary list of state streamlining commissions that we plan to study includes the following nine:

- Alabama Initiative to Streamline Government/Commission on Improving State Government
- California 21st Century Commission
- Colorado “Pits and Peeves” Roundtable Initiative
- Louisiana Streamlining Government Commission
- Maine Initiative to Streamline and Prioritize Core Government Services
- Michigan Commission on Governmental Efficiency
- New Mexico Government Restructuring Task Force
- New York SAGE Commission Virginia Commission on Government Reform and Restructuring

This selection of commissions features a variety of membership structures, and each has unique objectives. Our methodology will allow us to determine what types of commissions are best-suited to reaching their own goals and are most effective at reducing the burden of their state governments. By gathering both qualitative and quantitative information on commission success through case studies, we will be able to consider which types of commissions are best-suited for developing recommendations that meet their own objectives as well as which are best able to see these recommendations into policies that reduce the burden of state government.

Upon completing these case studies, we will develop a set of recommendations for best practices in designing streamlining commissions. These best practices will include what the breakdown of committee membership should be along with optimal

design for the rules under which the commission will operate. These guidelines will be helpful to commissions seeking optimal results regardless of the specific needs for reform in each state.

TABLE 1
List of Current or Recently-Completed State Streamlining Commissions

State	Title	Source*
Alabama	Commission on Improving State Government	NGA
Arizona	Commission on Privatization and Efficiency (COPE)	CSG/NG A
California	21 st Century Commission	CSG
Colorado	“Pits and Peeves” Roundtables Initiative	NGA
Connecticut	Commission on Enhancing Agency Outcomes	CSG/NG A
Florida	Council on Efficient Government	ALEC
Georgia	Georgia State Senate Budget Task Force Commission for a New Georgia	CSG NGA
Illinois	Taxpayer Action Board	CSG/NG A
Indiana	Department of Government Efficiency and Financial Planning	CSG
Iowa	State Government Reorganization Commission	CSG/NG A
Louisiana	Streamlining Government Commission	CSG/NG A
Maine	Initiative to Streamline and Prioritize Core Government Services	NGA
Michigan	Commission on Governmental Efficiency	CSG
Minnesota	Drive for Excellence Commission on Service Innovation	CSG NGA
Missouri	Rebooting State Government	NGA
Nevada	Spending and Government Efficiency Commission (SAGE)	CSG
New Jersey	Privatization Task Force	ALEC
New Mexico	Government Restructuring Task Force Committee on Government Efficiency	CSG NGA
New York	Spending and Government Efficiency Commission	CSG/NG A
North Carolina	Budget Reform and Accountability Commission (BRAC)	CSG/NG A
Ohio	Budget Planning and Management Commission	NASBO
Oregon	Committee on Performance Excellence	CSG/NG A
Pennsylvania	Senate Government Management and Cost Commission	NASBO
South Dakota	Better Government Initiative	NGA
Tennessee	Tennessee Forward Initiative	NGA

Texas	Texas State Government Effectiveness and Efficiency Report	NASBO
Utah	Advisory Commission to Optimize State Government	CSG/NG A
Vermont	Challenges for Change	NGA
Virginia	Commission on Government Reform and Restructuring	CSG/NG A
Washington	State Government Performance Review	NGA
Wisconsin	Governor's Commission on Waste, Fraud and Abuse	NGA

***ALEC**=American Legislative Exchange Council; **CSG**=Council on State Government, from Jennifer Burnett, "State Governments Activity Report: Efficiency and Streamlining Commissions," March 8, 2011, <http://knowledgecenter.csg.org/drupal/content/state-governments-activity-report-efficiency-and-streamlining-commissions>; **NGA**=National Governors Association, "Redesigning State Government," March 31, 2012, <http://www.nga.org/cms/home/nga-center-for-best-practices/center-issues/page-special-topics-issues/col2-content/main-content-list/redesigning-state-government.html>; **CSG/NGA**=Mentioned in both CSG and NGA sources. Titles are those given in the two different sources; **NASBO**=National Association of State Budget Officers, "Recommendations from State Restructuring Commissions and Agencies," December 6, 2010, <http://www.nasbo.org/sites/default/files/pdf/Restructuring%20Commissions%20and%20Agencies.pdf>.