

Governors look to consolidate, eliminate, follow lead of Depression Era Leaders

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Governors are using the economic crisis to sell big changes in how state and local jurisdictions operate, promising overhauls that could alter the face of government around the country.

The proposals include cutting off public funds to the nation's oldest state fair in Michigan, sharing state helicopters between Minnesota and Wisconsin, erasing dozens of laws in Connecticut and shrinking Pennsylvania's system of 500 school districts to just 100.

"It is time to get back to basics. It is time to return to our core mission -- to educate our children, protect our people (and) help those truly in need. The economic challenges we are facing give us a rare opportunity to realign state government," said Connecticut Gov. M. Jodi Rell, a Republican, as she laid out her plans for revamping state government for legislators Feb. 4.

It's a familiar refrain in state capitals, especially because of the tremendous strain state governments are now under. States are trying to close what, in many cases, are unprecedented budget deficits while still delivering services, such as unemployment benefits and health insurance for the poor.

As a result, governors are increasingly pitching the idea of consolidating agencies, streamlining processes and cutting out layers of local government.

"There's an opportunity here for efficiencies and to really prioritize government services and programs, trying to focus on those that work, getting rid of those that are ineffective," said Scott Pattison, executive director of the National Association of State Budget Officers.

FIERCE RESISTANCE

Dramatic government overhauls almost inevitably meet fierce resistance, especially when it comes to local schools and municipalities. Promised savings may not materialize. And gutting payrolls may not be enough, because states generally pay others to deliver their most expensive services: education and Medicaid, a joint federal-state program that provides health coverage to more than 59 million low-income people.

But governors and other state officials are forging ahead anyway.

Republican Gov. Mitch Daniels of Indiana is setting his sights on the state's local governments.

"The cost in dollars, confusion, and just plain bad government of our 150-year-old system is by now completely beyond dispute," Daniels said in his state of the state address Jan. 13. The current situation, he said, is a "folly of too many politicians, too many layers, too many taxing units, all producing too little accountability and too few results."

Rell hired a public policy professor at the University of Connecticut who interviewed dozens of state agency heads and then gave Rell his ideas. Before she unveiled her plan, she had state lawmakers meet with David Osborne, author of the 1992 best-selling book "Reinventing Government," to push for reform.

In her budget address, Rell ticked off a laundry list of changes she wanted to see: slashing the number of state agencies, eliminating 70 boards and commissions, reducing the number of state-owned cars by a fifth, freezing construction projects, overhauling the state's court system and forcing towns and cities to consolidate operations. She also wants to delete 130 laws from the books, including regulations of "bucket shops" (bogus trading operations) and requirements that railroad companies install cattle guards near their tracks.

REINVENTING GOVERNMENT

Democratic Ohio Gov. Ted Strickland proposed sweeping reforms to the state's education system. He called for adding 20 more days of instruction to the school calendar, requiring full-day kindergarten, beefing up teacher training requirements, threatening troubled schools with closure and having the state pick up a bigger share of school funding costs.

Other governors have similarly ambitious plans:

* The governors of Minnesota and Wisconsin are working together to find out how their states could share resources -- like state helicopters or call centers for human services or licensing -- to reduce costs for both of them. A spokesman for Minnesota's Republican Gov. Tim Pawlenty noted the two states bought a combined 600,000 tons of road salt; if the states save \$1 a ton by buying salt together, each one would save \$300,000, he said.

* In Pennsylvania, Democratic Gov. Ed Rendell is pushing to eliminate 80 percent of the state's school districts, consolidating schools into larger districts to reduce administrative costs. "We just don't need that many school districts, and more importantly, in today's economy, we cannot afford them," he said.

* Michigan Gov. Jennifer Granholm, a Democrat, wants to eliminate more than half the state's agencies, besides cutting off public money for both of Michigan's state fairs, too. The fairs are expected to continue, but the state won't make up their shortfalls as it has in the past.

* Gov. Chris Gregoire, also a Democrat, of Washington plans to eliminate 150 boards and commissions and to shutter 25 licensing offices for drivers.

NO GUARANTEES

Despite the enthusiasm, there's no guarantee that the changes will work.

Richard Nathan, co-director of the Rockefeller Institute of Government in New York, said the current crisis is harder on states than the Great Depression, because state governments now have far more responsibilities than they did back then.

He warned that agency consolidation would not produce enough savings for states to stay afloat. For real savings, Nathan said, state officials must rework prisons, schools and health care, because that's where states spend most of their money.

Kerri Korpi, an official with the Association of Federal, State, County and Municipal Employees (AFSCME) union, warned that combining agencies doesn't always improve services for residents.

"If it means the taxpayer only has to go to one place instead of three, it makes sense, but not if (the consolidation) is just for show (and doesn't streamline the process), which is what we've seen lately," said Korpi, AFSCME's director of research and collective bargaining.

She suggested states think about raising more revenue and scrutinize the deals they struck with outside contractors before the recession hit.

Reworking state agencies can be a tough political fight, as several governors found out in the last recession at the early part of the decade.

In 2002 and 2003, governors in Arkansas, Massachusetts and West Virginia were stymied in their attempts to consolidate state agencies. But in Virginia, then-Gov. Mark Warner, a Democrat, combined services, got rid of several boards and centralized the state's computer systems.

LOCAL GOVERNMENT

Going after local government units could be even harder.

Mildred Warner, a Cornell University professor who studies reforms in local government, said economic, political and cultural concerns work against consolidation at the local level.

Economically, combining bureaucracies may not save money. Pooling resources allows combined agencies to hire more professional staff, but those professionals could use the savings they find to buy better equipment or offer more services, Warner said.

There are other trade-offs, too. Combining schools can reduce overhead costs, but the school districts would pay more money to bus students longer distances, she noted.

Getting rid of government bodies also poses political problems, because it usually means elected officials will lose their jobs.

The biggest obstacle, though, could be cultural. People identify with their towns or their schools, which is why residents often fiercely oppose combining their high school with their football rivals' in a neighboring town, Cornell's Warner said.

But North Carolina's newly elected Democratic Gov. Bev Perdue told local business leaders (video) the time is ripe for big changes.

Perdue, a former history teacher, evoked the example of Max Gardner, North Carolina's governor in the early days of the Great Depression. With the help of the Brookings Institute, Gardner overhauled state government, taking responsibility for roads, courts, prisons and schools from counties and consolidating the University of North Carolina system.

"I'll tell you what my attitude is. My attitude is one that does not see this time as a time of limited resources and little hope. I see it as a time to be creative and optimistic," she said.

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