

COMMITTEE RECOMMENDATIONS

MONDAY SEPTEMBER 13, 2010

INTRODUCTION

Over the past several months, the Government Reform & Restructuring Commission has held over a dozen committee meeting, eight public town halls and had the opportunity to hear from hundreds of Virginians through public and private sector presentations, website idea submissions, town hall speakers and committee public comment. Those active participants in state government have provided the Commission with their best ideas to cut government waste, reform government and improve customer service.

Since the beginning of the Commission, the four individual committees have been closely examining numerous innovative ideas and industry best practices relating to issues that fall within their specific scope of work. As ideas and proposals were presented to each committee, members were deliberate in their discussions, focusing on the speed of implementation, cost savings potential and opportunities for efficiency improvement.

The individual proposals below are the first round of proposals that have been endorsed by the individual committees for recommendation by the full Commission to the Governor. As the committee work continues over the next month prior to the October interim report date and then further on into the future, the Commission anticipates substantial additions to this initial list of recommendations.

RECOMMENDATIONS

Customer Service, Performance, Accountability & Transparency Committee

The following recommendations represent advice to the full Commission. The recommendations have been sorted into issue areas but, in some cases, recommendations encompass more than one issue area. Implementation of these recommendations may require alterations to Virginia Code, while others may be done through executive action. In addition some of these recommendations may parallel work and advice of other committees and officials may have to merge advice from various committees to facilitate decision making.

Topic One: Citizen Government Interface: The purpose of the following recommendations is to improve the experience of the citizen when interacting with the government. The recommendations shift the obligation from the citizen to the government to ensure, as far as possible, that the citizen's request or application fully complies with all laws, rules and regulations without further action by the citizen.

Portal Entry for Citizens Recommendation

Recommendation 1: That the Commission recommend to the Governor that he adopt a policy including statutory changes where necessary that requires all government agencies, in their transactions with citizens, to initiate other applicable governmental actions necessary for the citizen's requests or applications to fully comply with all Commonwealth laws, rules and regulations thereby creating a "one stop shop" experience for the citizen

- Under this principle, the responsibility shifts to government to ensure that all the needs and obligations of the citizen are initiated as a result of the first formal contact by the citizen with the government (i.e. One Call Resolution). For example, an application for a permit or a license would require the State to inform the citizen of other approvals that will be required and to start that process with the other agencies as necessary.
- The Commission would advise the Governor to require Secretary of Administration to formulate an implementation plan for this initiative, which may need to be phased in due to resource constraints and managerial changes. However, the initiative should be complete and fully operational within 4 years of the publication of this recommendation.
- Other non-executive government bodies and branches should also adopt this policy.
- This is not a unique recommendation as a number of states are already implementing similar initiatives notably Utah and Georgia. (Notes in Appendix)

Electronic Government Recommendation

Recommendation 2: That the Commission recommend to the Governor to make readily-deliverable government services available online the primary delivery method by a future date chosen by the Governor.

- The Governor should instruct the Secretary of Technology and the Commonwealth's Chief Information Officer, with input from other relevant state officials, to develop a strategic plan for completing this initiative. The Governor should set an aggressive deadline for completion of the strategic plan.
- The Governor should have his Cabinet members set departmental annual performance targets for agencies' to move more of their interactions with the public to electronic transactions.
- Establish standard forms for all agencies that can be filled out and processed online to reduce processing time and errors, and enable electronic signatures wherever possible.
- The electronic government initiative should move towards an enterprise system approach that enables greater inter-connectivity between agencies' electronic communication systems.
- Provide Incentives / discounts to citizens who conduct online transactions in lieu of mail or in-person where savings can be achieved through diversion from a physical location.
- The Governor should instruct the Secretary of Technology to form a cross functional team of public and private sector stakeholders and subject matter experts to begin identifying the scope, duration, and cost of this online initiative.

Government Service Centers Recommendation

Recommendation 3: That the Commission recommends to the Governor that the state initiate a strategy to create Government Service Centers. These service centers are to be "one stop shops" where the citizen can access services provided by the Commonwealth.

- State government field offices located regionally or locally should be converted from being agency specific to government-wide "one stop shop" service providers. The citizen should be able to complete more of their business with the government by visiting one office.
- The centers should be clearly identified as the Government's Service Center and be sited in places of high citizen traffic.
- The centers should be owned by one agency that would either offer to deliver services under memorandum of understanding from other agencies or would let space within the facility to other agencies to deliver their services. The latter option would accommodate agencies with technically complicated services. The owning/operating agency would offer both of these options.
- Existing facilities vacated as a result of this initiative should be sold as surplus property. The Governor and legislature should review the allocation process of surplus property proceeds.
- The centers should use technology to empower citizen self-service to the greatest extent possible.
- This initiative is intended to be budget neutral or save money.

Topic Two: Transparency & Accountability Issues: Transparency is an essential ingredient of accountability. Without transparency there can be no accountability. The principle of accountability is based on the right of the public to know what our government is doing on our behalf and the result of those actions. The execution of this accountability is totally dependent on the quality, timeliness and accessibility of relevant information on government decisions and activities and the consequences of those actions. This Committee anticipates that over the life of the Commission there will be a series of recommendations on issues of transparency.

Transparency Recommendations

Recommendation 4: That the Commission recommend to the Governor that Virginia adopt a policy that states that unless there is a security reason or an individual confidentiality reason that information remain confidential, then all information should be deemed public information and available to the public.

Recommendation 5: That the Commission recommends that the Governor propose to the General Assembly a Transparency Reform Act be passed by the General Assembly including the following concepts as part of the legislation: (The following points should be considered as component parts of transparency reform and would become parts of a Transparency Reform Act.)

- All government spending should be available online in a user friendly format and in a timely manner.
- Coordinate and simplify existing budget transparency initiatives from state agencies such as DPB, APA, JLARC
- All agencies or political subdivisions receiving government monies must publish the spending of those monies online in an accessible and timely manner and in accordance with the government's website criteria.
- All government financial statements and budgets must be accompanied by a full statement of debts, liabilities and guarantees, including the differing maturities of that debt and its servicing costs.
- Placing government data online is not sufficient; it must be searchable and structured.¹ Searchable means that the data is in a digital form that can be found by keyword matching using not just site-provided search engines, but popular web search engines such as Google and Bing. Structured means that the data is provided in a machine-readable format (such as XML) that allows users to programmatically sift and sort the data as they see fit. The Association for Computing Machinery and the Open Government Data Working Group have each developed principles for open government data that should be adhered to.² ALEC's model legislation for online budget transparency is a good example of an application of the principles in legislation.³
- All agencies should follow template guidelines for their websites. This allows a branded, inter-agency approach to the look and functionality of each site, the common look of each providing a more user friendly experience for the citizen. Having template guidelines for each agency also reduces the government's cost to develop websites.
- All agencies or political subdivisions that are raising money on the bond market must publish information with the bond notice, identifying the existing debt levels of that organization. It must also identify the maturity of those debts and the annual total of the organization's debt servicing cost as a numerical figure and as a proportion of their operating budget.
- Every agency that sets fees to recover the cost of services provided must disclose those fees online. That disclosure must be accompanied by all the data used in calculating the fee and identify what proportion of the total cost of that service the fee represents. (E.g. 50% 100% 150%)

¹ Hack, Mash, Peer: http://mercatus.org/sites/default/files/publication/Hack_Mash_Peer.pdf

² ACM Statement: <http://www.acm.org/public-policy/open-government>, Open Gov Data Working Group: <http://www.opengovdata.org/home/8principles>

³ALEC Model Legislation (Appendix C): http://www.alec.org/am/pdf/tax/09RSPS/26969_REPORT_full.pdf

- All agencies should conduct an analysis of their activities for which costs are recovered. That analysis should identify if that activity provides a private benefit only, a public benefit only or a public benefit and a private benefit. This analysis should be published online and should disclose what proportion of the cost of the service is being recovered and how much is being funded by taxpayers.
- A statewide organizational chart clearly describing reporting structures should be made available for online review by citizens. Additionally, organizational charts at the secretariat and agency level should be available online.

Budget Transparency Initiatives:

*Recommendation 6: Reform the budget rules, regulations and laws to accomplish the following:*⁴

- Change the budget cycle so that the incoming Governor adopts his/her first budget in the first year in office and second budget in the third year in office.
- Develop an inventory of all real property owned by the Commonwealth and publish that information prominently online at the Department of Treasury and Department of General Services website.
- Require that the accounts of every agency show how much of its real property, property by property is currently used in producing its outputs.
- Produce an end-of-session final approved budget summary document. Much like the Executive Budget assembled by the Administration when the introduced budget is submitted, the Secretary of Finance in conjunction with the staff of the legislative money committees, should either update or produce a similar document once the final amendments to the budget have been made annually. This final budgetary document should be the main source of budget information for Virginians and should incorporate the other recommended transparency technology strategies endorsed by the Commission.
- Produce a budget tutorial and publicize budget transparency efforts. The committee understands that transparency is a continuum with different levels of detailed information requiring different slices of data for more sophisticated citizens while others desire a more overview understanding. In order to provide greater accessibility to Virginia's budget, producing and promulgating a citizen guide to the Commonwealth's budget would enable a citizen at any level of previous knowledge to read and understand the state budget. North Carolina has undertaken a similar endeavor, including a Budgeting 101 website.
- Set a statutory limit on government spending expressed as a percentage of Gross State Product (GSP)⁵ or a similar benchmark.⁶
 - Require that any departure from the statutory spending restraint requires the Administration to provide an explanation to the General Assembly for this departure describing what caused the situation, a prediction of how long the Commonwealth will be outside the restraint and describing the mechanisms that will bring the commonwealth back into conformity.
 - The General Assembly must also make a similar set of disclosures if the General Assembly is responsible for the departure from the spending constraints.
- Reduce all budget baselines by 2% as a compulsory productivity dividend each financial year. Between 1973 and 2009, US non-farm business labor productivity almost doubled. Between 1973 and 2009, productivity increased by an average of over 1.8 percent annually. In the period 1990 to 2009, this productivity growth

⁴ Note: Delegate Brink dissented to the portion of this recommendation dealing with a statutory limit on government spending and reducing budget baselines as a compulsory productivity dividend.

⁵ GSP can be found at the Federal Bureau of Economic Analysis at <http://www.bea.gov/regional/>

⁶ According to the Tax Policy Center, as of 2008, 30 states had at least one Tax and Expenditure Limit. 23 states imposed state spending limits, 4 had state revenues limits, and 3 had both <http://www.taxpolicycenter.org/briefing-book/state-local/fiscal/limits.cfm>

rate was 2.3 percent.⁷ Similar increases in productivity should be a goal in government as well. The productivity dividend initiative applies to the administrative and delivery costs of programs and activities.⁸

Value for Money Criteria

Recommendation 7: That the Commission recommend to the Governor that the following value for money criteria be applied to the budget process either by Executive Order or amendment to appropriate statutes.⁹

- That value for money information be supplied as a precursor to spending decisions:
 - In the budget and appropriation process any decision that involves significant operating expenditures must be accompanied by value for money information based on standard accounting practices.
 - In the budget and appropriation process any decision that involves significant capital expenditures must be accompanied by value for money information based on standard accounting practices.
 - Any decision by the General Assembly to fund an activity with a lower value for money than those activities declined would require a substantial explanation for the decision.

Purchasing

Recommendation 8: That the Commission recommends that the government adopt a purchasing philosophy stating that it will purchase goods and services from the best provider. To that end it will develop procedures that will allow multiple choices consequently improving the quality and price of the choices. This philosophy will also recognize that there are some functions of government that are essentially governmental in nature and should not be performed by the private sector.

- Competition in purchasing is the best mechanism for ascertaining the best price. (Note: best does not always mean cheapest)
- Activities that are not inherently governmental should be subjected to competitive pressure.
- Government providers may participate in competition for competitively bid services. They must first create a separate profit center for the unit bidding to provide the service.
- Internal competition should be facilitated by the creation of internal markets that allows departments to bid to provide services for other departments (Examples: legal services, accounting services, human resource services, payroll services, data entry, data collection, etc.)
- Internal markets should be required to operate on a contractual basis.

Performance Issues:

The Commonwealth of Virginia is a leader in performance management among the states, however, that does not mean there is no further room for improvement. These recommendations focus on continuing to move towards more effective government. The key to improved performance in government organizations is collecting outcome oriented information on the results achieved by government activities, followed by the application of that information to the improvement of performance until there is no need for the government to expend taxpayer monies on this issue anymore.

⁷ Calculations based on BLS data, <http://www.bls.gov/lpc/prodybar.html>

⁸ E.g. 100% of the cost of issuing a license would be subject to the reduction but only the processing cost of determining entitlement to a welfare payment. The cost of administering a subsidy would be subject to the reduction but not the actual subsidy.

⁹ See further details in Appendix F

Recommendation 9: That the Commission recommend to the Governor that he sponsor an Act that would require the Government of the Commonwealth to focus on identifying outcomes that are priorities for the Commonwealth and that the budget and appropriation process identify strategies to address those priorities by measurable amounts each year or fiscal period.

- For each activity funded by the government there must be an identified intended outcome.
 - Each application to the appropriation process for funds must be accompanied by a statement identifying the outcome this funding will affect.¹⁰
 - The outcome statement must also identify the measures that will be used to identify progress towards that outcome. If the measures are unacceptable the appropriators should require that the measures be changed.
 - The progress towards the outcome achieved in the previous fiscal period should accompany the appropriation request and should be a major determinant of the next fiscal periods funding.
 - The outcome measures are important to improving the government's results and should not be able to be changed easily or without authorization.
 - Internal data collection systems must be capable of showing progress on measures regularly during the year.
 - Reporting will be required to concentrate on showing progress towards outcomes with comprehensive explanations for deviations from the predicted result.
 - Require that each appropriation has a statement attached that describes with specificity the result that will be achieved by the expenditure of this appropriation.
 - Require that this purchase statement form the basis of the evaluation of this activity during the next budget round.
 - Require that each agency track progress on this purchase agreement through appropriate management reports.
 - This data and measures should incorporate information produced by and for the Auditor of Public Account's Commonwealth DataPoint and the Council on Virginia's Future's performance measures.

Disclosure Requirements

The Committee recommends the following to the Commission for its recommendation to the Governor:

- The current definition of "Publish" should be amended in the appropriate Act. The new definition of publish should be expanded to require that any requirement in any law to "publish" should now include a requirement to place that information online in a readily accessible place and in a user friendly format.
- The new definition should also recognize that the obligation to "publish" is met if the information is placed online according to the Commonwealth's website criteria and that the documents concerned are readily printable from files of a reasonable size.
- The publication site should use the mandated criteria for government websites.

¹⁰ The House Transportation Committee referred HB779, Lemunyon, to the Commission for review. This recommendation incorporates the general concepts outlined in HB779 regarding determining and reporting rate of return on infrastructure projects. While the scope of the bill was limited to road construction, we believe the concept can also be applied to road vs. transit decisioning

Government Websites

The Committee recommends the following to the Commission for its recommendation to the Governor:

- Recognizing that Government websites are increasingly the means by which the public access the information it requires about government, the quality of these websites will have a material effect on the ability of the citizen to become informed.
- Establish a process of regular independent evaluation of the government's websites.¹¹
- This evaluation should be contracted outside of government to some independent organization like a university, think tank or private entity.
- The evaluation should assess the use of the mandated criteria for government websites and extend to encouraging innovative techniques that improve the effectiveness of the website.
- The evaluation criteria should be constructed in such a way that would ultimately rank the sites to create competitive incentives for continuous improvement.
- These evaluations should occur frequently, perhaps semi-annually.
- The Commonwealth should also investigate the use of "new media" Facebook, Twitter, I-pad applications, online chat, etc. as a means of communications with citizens.

Miscellaneous Issues: (The following are stand-alone issues)

The Committee recommends the following to the Commission for its recommendation to the Governor.

- Transparency of Commissions and Agencies
 - Update Governor's website with a list of all Commissions and non-cabinet Agencies
 - That this website states the name of the commission or agency, the date of its creation, the purpose for its existence, when it is meant to terminate, how many times it has met in the last year and the annual cost of each organization.
 - That a cap on the number of commissions in existence at any one time be set. Once the cap is reached no new commission can be created until an old one is terminated.
- Modernizing Sunshine Laws
 - Amend sunshine laws to allow public organizations to participate in electronic meetings.¹²
 - This amendment should allow the public to observe or listen to meetings from their own home or from a designated government facility.
 - The inability to do this under the current law dramatically adds to the cost of public organizations and significantly limits their effectiveness.

Consolidation of Shared Services Committee

Guiding Principles of the Consolidation of Shared Services Committee

In former Governor Warner's Commission on Efficiency and Effectiveness from 2002, the final report noted, "Virginia state government is not presently organized, even at the highest levels, to operate the basic business functions of state government in the most efficient and effective manner." That and other previous reform efforts in Virginia examined and recommended many of the same issues this current Commission is evaluating. While Virginia continues to justly receive national accolades for her strong management practices and outcomes, the systems and operations at the state level are far from perfect. After hearing from numerous private sector partners on their best practices and those employed in other states as well as opportunities presented from Virginia's own forward-thinking state employees, this committee is recommending several initiatives to better align the operations and administrative services of state government. These are our preliminary recommendations as we expect to continue our efforts over the next several years.

¹¹ Sunshine Review currently does a similar exercise - <http://sunshinereviewblog.com/>

¹² See appendix G for more information.

Virginia state government is not broken, but the committee believes greater and stronger steps can and should be taken to break down barriers to efficient and effective practices. Too often, government relies on the status quo with separate and disparate approaches. This silo effect on operations causes inefficiencies, unnecessary spending and burdensome service delivery to the customer, whether the end user be a citizen, a business, a local government or another state agency. This committee recommends the elimination of barriers to greater connectivity between these important service delivery methods. The committee believes focusing on greater enterprise approaches to these administrative, “back office” systems can achieve significant cost savings, improved delivery and better support to those core functions of government. Many of the areas examined by the committee are necessary components of government that reside outside yet in support of those core functions being examined by other committees.

Transforming the operations of government is not a simple task. Most of the individual recommendations developed by the committee are programmatic in nature. For real transformation to occur and positive results be achieved, these and other programmatic changes must be coupled with dynamic managerial and cultural shifts. Ownership of innovative changes at every level is necessary along with a commitment to full implementation, ongoing evaluation and flexible adjustments to accomplish lasting results.

These recommendations represent a solid beginning to this committee’s work on identifying opportunities for positive change. In the future, this committee intends to further evaluate creative and innovative methods and practices to consolidate these and other functions to move Virginia on the path of greater shared service delivery of operations. Seeking out enterprise solutions is necessary and beneficial, but challenges remain on governance structures, resource allocation and strategic systems development.

Consolidating the Administration of Certain Taxes

The Department of Taxation evaluated the advantages and disadvantages of consolidating the administration of certain taxes currently administered by other agencies. Based on the guiding principles of customer service, regulatory coordination, program coordination, resources and the cost/benefit of potential transfers and after consultation with the affected agencies, the committee adopted the following recommendations offered by the Department.

- Shifting to the Department of Taxation the tax collection of the following ABC taxes: 1) liter tax on wine, 2) state tax on distilled spirits and wine, 3) beer and beverage excise tax, and 4) carrier’s alternative mixed beverage tax.
- Transferring the administration of the motor vehicle rental taxes from DMV to TAX provided that a funding source is identified.
- Transferring the collection of the insurance premium tax from the SCC to TAX in three steps: 1) Short-term (TAX could provide the processing of the returns, the handling of the payments, and any related billing. The SCC would continue to provide customer services and perform the collections and auditing duties.), 2) Intermediate-term (TAX could assume the collections responsibilities for this tax.) and 3) Long-term (TAX could take over the complete administration of this tax. This plan would require study, including surveying stakeholders and determining if it would be necessary to transfer staff from the SCC over to TAX in order to preserve the level of expertise.)
- Undertake a comprehensive study to determine whether transferring the Unemployment Insurance Tax from VEC to TAX is feasible and desirable. Also, transfer the collections of delinquent UI Tax to TAX.
- Transferring the administration of the prepaid wireless E-911 fee from VITA to TAX in two steps: 1) in the short term, TAX should take over the collection of the wireless E-911 surcharge, and 2) in the intermediate term, the General Assembly should study the feasibility of TAX distributing the wireless E-911 surcharge revenues and moving the Wireless E-911 Services Board functions to TAX, focusing

on tax collection, formula-based distribution, the technical aspects of wireless E-911, and the necessity of the grant program.

There were two additional recommendations adopted by the committee outside of those proposed by the Department of Taxation.

- TAX should work with the Department of Accounts to identify additional taxes and the agencies that collect them that would be appropriate areas for study going forward. Further study should also be undertaken for those taxes identified as potentially transferable so that taxpayers and other interested parties can be given an opportunity to comment and detailed estimates can be prepared of the costs to TAX, the savings to the other agency, and an appropriate timetable for implementation of the transfer.
- TAX should develop a second pilot project with local treasurers to ascertain the efficiency and effectiveness of local constitutional officers assisting the Commonwealth in the collection of debts.

Non-Tax Debt Collections

Commonwealth accounts receivable are assets and as stewards of Commonwealth resources, we owe it to citizens to ensure that all citizens are held accountable for paying their non-tax debts to the same extent. Therefore, the committee adopted the following recommendations.

- Establish a comprehensive new statewide OCA contract to collect receivables of less than \$3,000 that are 60 days past due (Code § 2.24806 C.)
 - Leverage multiple OCAs to encourage competition
 - Establish riskscoring techniques to determine collectability and adjust assignments based on performance
 - Vary fees according to collectability determination
 - Employ secondary OCA assignments
 - Implement benchmarks and performance based scorecard to evaluate and monitor OCA effectiveness
- Adopt policy and statutory changes to improve outside collections agency management that may include:
 - Expand active collection of written-off debt. Match written-off inventory against a skip trace and/or employment source on a recurring basis
 - Expand initial case assignment criteria beyond days delinquent and dollar amount. Increase the flexibility of the thresholds for assignment to the Attorney General's Division of Debt Collection and OCAs established by the Debt Collection Act (Code § 2.24806). Expand the assignment criteria to include other factors such as debtor/debt type, employer/bank information availability, type of business, and times in collection.
 - Authorize administrative wage, property and bank levies. Utilize the legal authority and tools available for tax obligations including the authority to generate administrative levies without having a judgment in place. Administrative wage levies will be subject to the same maximum portion of disposable earnings subject to levy as contained in Virginia Code § 8.01512.3 for wage garnishments.
 - Extend professional license revocation authority currently available to DSS Child Support Enforcement to prevent debtor's professional licenses from being renewed and/or revoke outstanding professional licenses.
- Mandate the currently optional policy to require collection fees to be charged to debtors
- Consolidate nontax delinquent debt collection resources/functions into a single entity:
 - Reduce redundancy by centralizing common collection functions
 - Establish single point of contact for debtors
 - Streamline and standardize collections workflow processes

- Facilitate efficiencies through economies of scale
- Consider merits of outsourcing all or part of shared service center operations
- Implement a single collection case management system
 - Leverage cash management workflow and correspondence engines and decision analytics tools
 - Offer web-enabled services for debtors and other stakeholders
- Improve information sharing and access
 - Integrate systems environment to securely share demographic, skip trace, bankruptcy and other information from internal and external sources using a data warehouse
 - Identify and resolve internal/external data privacy and security issues
- Instruct the Department of Accounts and Department of Taxation to participate in the federal treasury nontax debt setoff program.

E-Commerce Disbursements

The Commonwealth has engaged in a comprehensive and aggressive E-Commerce disbursements program for many years. Numerous electronic commerce initiatives within agencies throughout the state reduce the number of state-issued checks by millions annually using more efficient electronic payment processes. Tools such as Financial Electronic Data Interchange (EDI), Payroll Direct Deposit, and Charge Cards are more reliable and cost effective than traditional paper checks. Electronic payments are also more secure because of the use of encryption and other security measures. In addition to these tools, the issuance of electronic earnings notices through Payline further reduces paper printing and related costs. The Commonwealth's E-Commerce programs are best practices that demonstrate effective financial management and cost control. Agencies and institutions are expected to embrace these tools to the fullest extent possible. Building on these existing successful practices, the committee makes the following recommendations.

- Increase the emphasis on Electronic Data Interchange (EDI) enrollment in eVA vendor registration
- Study the feasibility of Automated EDI enrollment
- Extend mandatory EDI for travel reimbursements to Board members and other nonemployees. Extending the EDI mandate to board members and other non-employees receiving three or more travel reimbursements annually will eliminate up to 10,000 checks annually. The cost of printing and mailing a check costs approximately \$1.
- Change eVA entry policy on confirming orders for charge card transactions under \$200

Shared Services Agency Agreements

Currently, agencies of all sizes operate largely autonomously in both the delivery of core mission services and fiscal and administrative functions. Agencies dedicate the majority of their funding and staffing resources to their core mission services. However, core services cannot be delivered without effective fiscal and administrative services. Fiscal and administrative functions are complex and require a detailed understanding of federal and state policies and accounting rules and regulations.

Shared services will impact the quality of internal controls over the Commonwealth's assets and enhance the quality of data available to management to support business decisions. In order to successfully implement a modern enterprise system, central service agencies will need to work together under a common governance structure and avoid putting their individual needs above those of the Commonwealth as a whole. Once established, all stakeholders (including legislative stakeholders) must recognize, adhere to and stand by the governance structure and related processes and management information available through the enterprise system. With the desire for the Commonwealth to move from current status quo silo approaches to greater enterprise approaches, the committee makes the following recommendations.

- All agencies not currently in the payroll services bureau shall enter into the bureau unless the agency can demonstrate that consolidation is not feasible.

- Social Services should consider the merits of obtaining payroll services from Health's or Rehabilitative Service' shared services
- Juvenile Justice should consider the merits of obtaining payroll services from Correction's shared services
- DBHDS should consolidate payroll services supporting their 16 behavioral health institutions
- The Virginia Community College System Office should consolidate payroll services supporting their 23 institutions. The seven nondecentralized institutions of higher education should consider entering into joint cooperative agreements to obtain/perform payroll services from/for one another
- Direct the maximum use of administrative support shared service arrangements, particularly within secretarial areas where systems and operational missions are compatible.
 - Secretaries should designate an agency within their Secretariat to provide all administrative support services to small agencies (i.e., agencies with fewer than 350 FTE)
 - Administrative support services include, but is not limited to: Procurement, fiscal, human resources, and information technology security
 - In consultation with respective central service agency (i.e., DGS, DHRM, DOA, VITA) secretaries should implement comprehensive administrative service level agreements between their designated service provider agency and customer agencies.
 - Secretaries should also report back to the respective central services agencies and the CIO on those service level agreements.
 - The central service agencies should develop a standard service level agreement form for agencies.
- Develop a funding model for shared service arrangements and enterprise systems that:
 - Establishes internal service fund rates
 - Ensures rates charged are reasonable and justified
 - Eliminates sole reliance on general fund support for administrative services
 - Allocates costs among users in reasonable proportion to services provided by charging all users, including nongeneral funds, a reasonable proportion of the cost of services provided
- Develop a governance framework and implement shared services supporting enterprise IT applications
 - Governance framework should allow central service agencies (i.e., Accounts, General Services, Human Resource Management, Planning and Budget, Treasury and VITA) to fulfill statutory requirements while supporting an effective, efficient, cohesive and integrated systems environment
 - Governance framework should include participation from line agency business leaders to define agency business needs and provide collaborative applications and services to agencies performing similar functions
 - Governance framework should support the consolidation of information technology development and maintenance resources under a shared services environment
 - All central service agencies should develop short and long-term strategies supporting these recommendations

Fleet Management

The Department of General Services has entered into a public-private partnership service model for the provision of vehicle (sedans, SUVs, vans, and pickup trucks) maintenance. Vehicles managed by the DGS model experienced a .04 cents per mile maintenance cost (over a 3-year period of time) compared to survey data (3-year survey data) from vehicles being managed by other state agencies outside of the DGS public-private partnership at .1033 per mile. Therefore, the committee makes the following recommendations.

- State agencies and institutions of higher education with vehicles (sedans, SUVs, vans, and pickup trucks) not currently serviced by the DGS public-private vehicle maintenance model will be required

to compare their current vehicle maintenance model costs and operational needs to the DGS maintenance model by performing a cost and operational benefit analysis. This analysis is to be completed no later than December 31, 2010, with results provided to the DGS Director. The DGS Director will be prepared to brief the Shared Services Committee after January 1, 2011 on findings and recommendations from agency and institution analyses.

- The Governor should encourage and DGS should proactively solicit local government entities to contact DGS to collaborate and evaluate vehicle maintenance options that may prove to be more cost and operationally beneficial to the local government or DGS.

Surplus Real Property

Currently, state agencies have not complied with the law mandating that all owned physical property must be inventoried with the Virginia Department of General Services. While how much property the Commonwealth leases is known (because we privatize that function), the Commonwealth does not have a current listing of the real property owned, nor an accurate account of occupancy rates. In order to rectify this and increase the management of the Commonwealth's assets, the committee makes the following recommendations.¹³

- Agencies should provide an inventory of all real property assets,
- An external entity – either another state agency or a private firm – should identify which of those assets should be considered surplus,
- Review the statutory basis of ownership and disposal of surplus real property, including the funding allocation of proceeds and the possible incentives to move more surplus property off the state's ledger, which could include budgetary charges for idle property
- Provide a better definition of what is surplus and underutilized property on an ongoing basis.

Consolidation of Inspectors General

There are several inspector general positions throughout state government, many located within the agencies they are charged with providing oversight functions. By consolidating those disparate positions into one central, independent agency and transforming the State's Internal Auditor into an Inspector General with enhanced authority to proactively pursue complaints concerning fraud, waste and abuse in state government, we can better monitor agency performance. Some of the potential responsibilities of the Inspector General may include:

- Review and enforce newly implemented performance-based budget metrics;
- Conduct investigations and audits of all aspects of state government;
- Make regular reports to the General Assembly and the Governor;
- When necessary, pursue civil, criminal and administrative investigations;
- Establishing policies and standards that ensure an effective internal auditing process for all state agencies.

Statutory changes may include:

- Currently, several state agencies have auditing and investigatory powers. The elimination of specific Code provisions on the existing inspectors general (the Virginia Department of Behavioral Health and Developmental Services, the Virginia Department of Corrections and the Virginia Department of Transportation) in favor of a more generic list of authority and powers (if necessary, in light of delegation capacity);
- Existing inspectors general would be subordinate to the Inspector General in the enabling language;

¹³ JLARC's 1994 "Review of State Owned Real Property" noted that, "In general, State agencies have not been sufficiently proactive in identifying surplus real property." The report also identified 7,100 acres of potential surplus property, valued at \$36 million. [http://leg2.state.va.us/dls/h&sdocs.nsf/By+Year/SD071995/\\$file/SD7_1995.pdf](http://leg2.state.va.us/dls/h&sdocs.nsf/By+Year/SD071995/$file/SD7_1995.pdf)

- Some specific duties of Behavioral Health IG will need to be preserved, but this can probably be done without specific code language; and
- The Deputy Inspectors General will have powers similar to the Inspector General within their respective fields.

Enterprise Content Management

The need for better management of achieved documents and unstructured content from legacy systems, email archives and web content is important for state government with the high demand for transparency, legal e-discovery issues and FOIA requests. While the Commonwealth has current statutory requirements for document management, the committee recommends examining state content management in a more enterprise manner to reduce costs, improve service, reduce risks, and improve transparency.

Operational Reviews of Commonwealth Commodities and Services

The Commission recommends the establishment of ad-hoc working groups comprised of state agency heads, local government representatives and industry leaders from the private sector to evaluate best practices and goals for reducing consumption and cost of the following:

Energy Consumption
Water Usage
Waste Management
Phones & Data Usage
Printers, Copiers & Fax Machine Management
Asset Inventory & Management
Travel Reimbursement
Fleet Management
Banking Services
Accounts Receivable
Surplus Property
Insurance (Risk Management & Health Insurance)

These groups should present findings on:

- 1) Amount the Commonwealth spends on commodities
- 2) Industry best practices for state agencies and localities to achieve greater efficiency
- 3) A target goal for reducing costs (i.e., 10% recognized savings)
- 4) Develop a mechanism for capturing savings and providing accountability

Eliminate Toll Free Numbers

The widespread use of cell phones has made toll free numbers obsolete. Initial reports show the Commonwealth currently operates approximately 50 different toll free numbers with 200 employees. The committee recommends reducing and eliminating these numbers, resulting in hundreds of thousands of dollars in savings.

Intergovernmental Relations Committee

The committee is focused on sorting out the roles of state and local government, figuring out the most efficient ways to deliver public services, and proposing fair and effective policies to deliver essential services. These tasks also have the greatest long-term benefits for taxpayers and citizens, and that's where the committee has and will continue to spend most of its energy.

While keeping this long-term project in mind, the committee is considering ideas and proposals that are more short term in nature for consideration in the short term. They are reviewing important proposals to encourage regional cooperation and ways to provide local governments with more flexibility in the management of their everyday, ministerial functions.

The committee has made one recommendation to the full Commission and is providing another draft recommendation for their initial review for consideration in the future.

Local Mandate Review

The committee learned that there are currently 570 state and federal mandates, 456 of which are subject to assessment by state agencies. While additional mandates from the state onto localities are added annually, these reviews have led to the recommendation of only 2 mandates being eliminated over the past decade, neither of which have actually been eliminated. Finding this outcome unacceptable, the committee made the following recommendations.

- The Committee recommends that the Governor's Office and the Department of Planning and Budget move forward with plans requiring state agencies review of all current mandates to determine if any of those mandates should be suspended or eliminated as a result of state budget reductions. For example, if an agency eliminated the program staff or function relative to the information that was required by the mandate, why is the state still mandating that the information be provided?
- The Committee recommends that the Commission on Local Government move forward with a change to the requirements for local mandates which would put the burden on state agencies to justify the continuation of those mandates using a cost benefit analysis and metrics to determine the value relative to the output.

Regionalism

While the committee has not endorsed any specific recommendation regarding this issue, the committee did want to provide this draft document by committee member Dubby Wynne to the Commission's initial review. The committee hopes to have recommendations on this issue in the future.

Simplification and Operations Committee

This committee has delved into several broad topics in their examination of the government's agencies and organizations duplicative and redundant activities, best practices, and operational efficiencies. Recently, the committee heard a proposal by the Governor's staff on the privatization of ABC. The committee will be reporting back in the future with a recommendation on that subject along with several other recommendations on subjects they were unable to complete prior to this meeting. However, the committee was able to make two recommendations to the full Commission.

Four Day Work Week for State and Local Government Employees

Utah is the first and only state to implement this initiative for a full state work force, and they have realized savings in energy consumption, overtime and travel and seen improved employee productivity. The Virginia Department of Forestry has launched a successful pilot program. While this recommendation would not apply to all agencies in Virginia government (for example, public safety and higher education would be exempted), the Commonwealth could still save sizeable amounts of money from this initiative. Further examination is necessary into both the criteria for selecting the employees or

agencies that would be eligible and the ability to effectively handle the impact on state employees, including child and adult care and public transportation access.

With the knowledge that those additional steps will be taken prior to implementation of a 4 day flexible schedule, the committee recommends the expansion of the 4 day work week schedule beyond the pilot program at the Department of Forestry.

Consolidation/Elimination of Boards and Commissions

Boards and commissions were established over many decades to address specific needs or perceived problems of Virginians. Rarely are boards and commissions evaluated to determine their continued operational need/ merit. A principled, periodic review should be established to identify what boards and commissions can be eliminated or consolidated. Similarly, boards and commissions should demonstrate effectiveness toward their stated purpose or face elimination/reorganization. It is a general principle of good government that elected policy makers (or the governor's administration) should determine policy; boards and commissions should be evaluated to determine if decision/authority rests at the appropriate place. Eliminate duplication between boards and commissions and other non-government entities that perform the same service/review; eliminate duplication between boards and commissions and agencies performing similar missions. Seek to eliminate pure advisory commissions; policy making commissions can be folded into agencies. Boards and commissions that have not met in significant time periods need to be eliminated. Boards and commissions should:

- a) elevate the profile of important industries or sectors,
- b) provide a forum for leaders to advance ideas for success,
- c) reflect the priorities of the future of the Commonwealth

In preparation for future recommendations on consolidation and elimination of various boards and commissions, the committee recommends the criteria flow chart for review of boards and commissions found in appendix H.

Appendix A

Transparency Recommendations to the Commission on Reform & Restructuring

Bruce Gemmill - July 19, 2010

I wish I could claim what I have written is original thought. Some actually is. Yet I readily admit much of what I have learned, and will recommend, comes from great thinkers we have on this commission. The Mercatus Center and the Reason Foundation have been invaluable. I also have talked with those in the governments of other states to get their best practices, most particularly Texas and Louisiana.

In order to hold government more accountable for its actions, and to allow for more efficient economies between agencies, the public domain of Virginia must act openly and as transparently as much as possible. Today's technology allows us to do just that, with much of the inability to apply transparent measures merely being resistance to change or perhaps for political expediency.

There is much we can do immediately through the administrative branch. A simple administrative directive by gubernatorial fiat can clearly implement transparency initiatives with a roadmap to achieve clear goals. For example, and borrowing advice from our friends in Texas, let's consider the steps the Lone Star state recommends to its localities as a way to get started in allowing taxpayers to "follow the money":

Texas Action Steps – Getting Started

1. Review the resources and information available in our financial systems. Are there reports that can be easily generated and shared with the public? Are there print publications that can be made available electronically for download from the Web?
2. We must determine how to easily convert documents to standard formats such as pdf or html, which are easily accessible to the public via the Web.
3. We should remember to offer a link on our sites for users to download the free Adobe Acrobat reader to access any reports posted in pdf format.
4. We must analyze how our information can best be presented on the Web and how it can be easily read and understood by the public. For example:
 - Can information be put in a bar graph or pie chart for a quick snapshot view?
 - Can copies of checks that are paid out be placed on the Web, showing payments made in real-time?
 - Can a list of all vendors who have been compensated for their services/goods over the past 6-12 months be provided online with details on the vendor, the amount paid, the goods/services received, and the date of the payment?
 - Can the budget be itemized by categories such as projects and departments for quicker scanning by viewers?
5. Of course, we need to be sure to identify any confidential information that needs to be removed. This can include names of individuals receiving public services; social security numbers; home or e-mail addresses; bank account numbers; net pay, or specific deductions from employee paychecks*; and other private data.

An agency staff person should be assigned who will be responsible for deleting confidential items and preparing financial data selected for online posting.
6. We should include mechanisms to allow the public to submit feedback on the financial information being shared.

7. This Commission, and all agencies, must continuously seek new ways financial data can be provided to the public by leveraging technology and responding to feedback.

Recommendation: Use structured, searchable formats like XML, CSV, and when necessary pdfs (preferably searchable pdfs). Having in place structured data allows the user to sort data. The recommendations above can be more challenging than the famous Texas two-step, especially when we start talking about what real transparency means. It's one thing to scan a document, make a pdf file and post it. It's another to make it a structured format allowing anyone to easily search and find not only the document, but particulars within the document. This also nullifies claiming transparency by merely posting information on line. After all, if I can say I posted a particular record on line, but you can't find it, what good is that? Our object should and must be to not only post data on line, but to make it findable.

Recommendation: Employ really simple syndication (RSS) feeds. RSS feeds allow interested parties to subscribe to real time feeds from agencies on matters of particular interest to them. We should provide this automation and aggregation of data for individuals to subscribe to feeds from any governmental branch of topics pertaining to their professional or business interests. Let's say the VP of Governmental Affairs from a particular chamber of commerce is interested in tracking new regulations or pending votes on issues of interest to their member business organizations, the subscriber's reader will automatically issue an alert. RSS feeds greatly increase the potential for open government because it makes data more accessible and flexible. When data is accessible, it offers the opportunity for citizens and state employees to share ideas with their government which may benefit the Commonwealth.

Recommendation: Support legislation like HB 778 that encourages openness and accountability. Encourage the creation of a website like that of <http://projects.washingtonpost.com/congress>. On the legislative side, we should encourage the House of Delegates and our Senate to embrace sharing of information, such as voting records, more openly. Our founding fathers clearly established a republic based on the openness of its leaders so as to shift the British paradigm under which they had rebelled to provide those ruled with the power over those ruling. Patrick Henry said, "The liberties of a people never were, nor ever will be, secure, when the transactions of their rulers may be concealed from them." I understand the House passed HB 778, but it stalled in the Senate. The bill simply allows the posting of voting records by member. Citizens unlikely know a bill number, which is how we currently post voting records, but they often know their elected representative. Which is more transparent?

Recommendation: Make all non-confidential data available. When the size of the file is too large, compress it into zip folders. At first glance, the sheer volume of government financial and other data is daunting. I asked Robert Wood from the office of Comptroller of Public Accounts in Texas how they decided to pull together all the various departmental financial information into one discernable format. He said for the Open Data Center, the Transparency Team gleaned information from other successful governmental reporting sites, like <http://www.data.gov>. They also incorporated feedback received from outside users and analysts who have dealt with data consumers. They attempted to make uncompressed files available, but the size of these files made downloads unrealistically long, so they went with compressed files (zip) to best balance demands on their infrastructure as well as the needs of the user.

Fiscal savings through transparency

Recommendation: Initiate agency-wide competition that will reward government employees for cost-savings recommendations. Reward can be additional vacation time, recognition by the governor, a bonus, or perhaps all three depending on the savings to the Commonwealth. Through transparency, significant cost savings can be achieved. Staying with Texas, for example, they have realized \$10.8 million in savings since 2007. They saved \$73,000 per year for the 08-09 bienniums by combining five toner contracts within one agency into one contract. The most significant single savings (at \$1.4 million) was accomplished by creating a robust Unclaimed

Property website (www.claimittexas.com), which allowed them to discontinue the expensive practice of running multi-page notices regarding unclaimed property in newspapers across the state.

These savings are attributable to Texas' transparency initiatives in that the overall effort to put expenditures into the public domain requires the data be organized in a way that is aggregated and makes sense – which then allows the state to scrutinize its own expenses and find efficiencies. As Texas Comptroller Susan Combs said, "We became transparent to ourselves." Clearly, transparency not only serves the public right to see how government spends their money, but it also allows government to become more efficient.

Recommendation: Determine, if the information is not yet available, what the cost to our Commonwealth is by answering FOIA requests. When more data is available online, this will provide a benchmark by which we can measure savings. If we do not already know, I suggest we determine the costs involved with FOIA requests. Transparency will largely satisfy the hungry demand of citizens to know the inner workings of their government. This in turn will reduce the time spent by government fulfilling FOIA requests, which translates into significant cost savings.

Recommendation: Getting localities on board

Mirroring a "best practice" in Texas, I recommend Governor McDonnell launches a voluntary program awarding local governments throughout the Commonwealth that meet high standards for online financial transparency. The Governor's Awards will inspire local governments that are:

- Public disclosure of their financial records
- Providing expenditure details in a clear and easy format
- Posting information in a structured format that allows for easy searches

Texas developed a free, self-scoring process that is verified by their Local Government Assistance Division. The state offers three levels of awards – gold, silver and bronze.

"Gold" is awarded to those with the very best transparency standards.

"Silver" is provided to those who have increased their efforts from Bronze level. "Bronze" goes to the localities just beginning transparency efforts.

Encourage Public Participation

Recommendation: Establish the online Virginia Challenge, encouraging citizen participation in the challenges our government faces. This could be anything from ABC licensing to transportation and beyond. Winners could be given financial rewards or merely face time with the governor with follow up publicity. Many times, I would argue, participants will be satisfied with just the recognition. All government sites should have a mechanism allowing feedback. But we have a wealth of talent among our citizens, and we should encourage solicitation of ideas to solve the challenges government and citizens alike face. For little more than a photo op with the governor and a follow up press release, some answers to age-old dilemmas facing government might be answered at very little or no cost. Using a private sector example, Jerry Brito of Mercatus told me the story of a company named Goldcorp. In 1999, the company was on the verge of bankruptcy, apparently having exhausted the gold found in the once prosperous mine. The enterprising and new CEO, Rob McEwen, grew frustrated with in-house assertions the gold was no longer in the mine. So he did an online dump of all his company's

proprietary geological data and created a Goldcorp Challenge online, with a \$500,000 reward for anyone finding the gold. He opened the universe to his problem, and it paid off. 55 areas of the mine were identified by participants in areas previously untried by the company. 80% of the identified locations yielded substantial amounts of gold. Goldstar jumped from near bankruptcy to a profitable \$9 billion corporation today.

Appendix B: Utah Customer Service

The State of Utah is emerging as a leader in terms of its efforts to improve government customer service and efficiency. The state has focused its efforts heavily on the concept of e-Government, the use of digital technology in the management and delivery of public services, predominantly through the Internet.¹⁴ The e-government movement began in earnest when Governor Mike Leavitt set a goal of having all government services available online by the year 2004. Since then, the State of Utah has been at the forefront of providing government services in a technologically advanced manner.

In 2008, The Center for Digital Government awarded Utah the award for being the most “Tech Savvy State in the Nation”.¹⁵ This award was a result of their emphasis on e-government and the introduction of several successful technologically advanced initiatives. The following are examples of successful programs that the State of Utah has implemented. Beginning in 2003, the state’s website, utah.gov, began to offer live online chat assistance, available 24 hours a day 7 days a week. Live operators are able to answer a variety of questions and point users in the right direction. Nearly all license renewing, registration, and tax paying can be done online as well. Statistics have shown that an overwhelming majority of Utah taxpayers complete these transactions online. The success of the e-government program has been so great, in fact, that the state government is able to operate on a short four day work week. This saves millions of taxpayer dollars each year.

However, there are a few concerns that accompany the increasing popularity of the e-government model. Some argue that as more aspects of government become available online, there will be a tendency to use the internet as a tool for allowing public involvement in government affairs. Many say this will cause a “digital divide”¹⁶ ie those with greater access to technology will end up having a greater say and greater influence on government.

Based on e-government’s prior success, the state has set some specific goals for the next few years. These include increasing unique traffic to the website utah.gov by 100,000 people, achieving a visitor satisfaction rate of over 80%, and an overall reduction in the number of printed forms and manuals.

The state of Utah has set a high standard for good customer service through the use of technology and hopes to continue building on the success it has had.

¹⁴ Kelly D Edmiston

¹⁵ Steve Towns

¹⁶ Tricia Jack

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Appendix C: Georgia Customer Service

The State of Georgia is leading the way when it comes to improved government customer service and efficiency. On January 25, 2006 Governor Sonny Perdue signed an executive order creating the Governor's Office of Customer Service. This executive order represented a concerted effort to improve the government's relationship with its customers, the citizens of Georgia. The challenge presented by Governor Perdue was to drastically improve and streamline government processes and services while maintaining the current level of funding. Governor Perdue and his staff employed a variety of methods and created one the most customer friendly state governments.

In the broadest sense, Governor Perdue sought to run the state government in a way that it resembled an efficient business. This was accomplished through an increased use of technology as well as a dependence on effective planning and strong leadership.

Governor Perdue relied on a combination of internal and external entities in achieving the goals he had set for the use of technology. The Georgia Technology Authority, GTA, was used as the primary internal consultant, capable of providing a list of needs and strategies. The private sector was then able to supply the state with the necessary hardware and services at a competitive price. Governor Perdue also focused on hiring executive staff with extensive experience in the business arena. GTA Executive Director, Patrick Moore, a graduate of The University of Virginia Darden School of Business¹⁷, and Office of Customer Service Director, Joe Doyle, the former owner of the formal wear chain, After Hours¹⁸, are two perfect examples.

Governor Perdue also recognized the essential role that state employees play in improving customer service. To ensure that employees were invested in and dedicated to the system, he met face to face with employees of many of the state's agencies and made sure that each agency had prepared a specific plan and set employee standards.

Since Governor Perdue's efforts began over four years ago, there have been some extraordinary improvements in customer service. The following are some highlights of his efforts. The motor vehicle registration

¹⁷ Georgia Technology Authority

¹⁸ Web Manager University

process was shortened from six weeks to just 5 days. Medicaid approval was shortened from 113 days to 15 days. Child Support Services began meeting with prospective parents in one day, rather than 30. Finally, The Building, Land and Lease Inventory of Property online database was created and has been a vital tool for providing critical information about different properties throughout Georgia.¹⁹

Along with the previously mentioned successful efforts, there have been a few problematic programs. The Statewide Automated Child Welfare Information Systems and Student Information Systems both experienced many delays and wasted millions of dollars during their development.²⁰ Governor Perdue has blamed these problems primarily on poor planning and management. These two examples served as learning experience for Governor Perdue and his staff and further emphasize the need for strong, business minded leaders.

The results of Governor Perdue's efforts are abundantly clear and have allowed for Georgia to serve as a model for improving government's customer service.

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Appendix D: Government Service Centers

Preamble:

During our research of government agencies we became aware of the fact that multiple government agencies operate many physical sites where the public go to access government services. As the world of government

¹⁹ Aaron Gould Sheinin

²⁰ Stephanie Overby

moves rapidly to serving the needs of citizens electronically, the government is likely funding a significant number of these centers that are surplus to requirements.

Creation of Government Service Centers:

- The Commission should recommend that as a matter of policy the Government of the Commonwealth of Virginia will support only Citizen Service Centers that provide a wide range of services from multiple agencies in strategic locations across the Commonwealth.
- The Commission should recommend that the government move rapidly within every department to shift transactions with the public to an electronic online capability.
- The Commission should recommend that, to the maximum extent possible, services at the new “government service centers” be provided electronically through the provision of electronic terminals.
- The Commission should recommend the standardization of administrative regions across the Commonwealth and require all government agencies to use the same administrative regions.
- The Commission should recommend that the government establish a “government service center” in each region or more than one if population and use demands more than one.
- The Commission should recommend that the government require agencies to centralize their activities at the “government service center” .
- The Commission should recommend that one government department be the owner and operator of all the “government service centers”.
- The Commission should recommend that other government agencies would either contract with the operator of the centers to deliver their services or, if more appropriate, considering the specialist skills necessary for the agency’s work, rent space from the operator of the service centers.
- The Commission should recommend that the most suitable property currently owned or leased by the government be the site of the new “government service centers,” and when identified, the property concerned be transferred to the operating agency.
- The Commission should recommend that all other properties used by the government be sold or relinquished and all the proceeds returned to the Treasury.
- The Commission should recommend that all surplus staff from this reorganization should be made redundant and the staff positions be permanently terminated.
- The Commission should recommend that the Governor instruct the Department of Administration to prepare an appropriate plan for implementing this policy with the phase in of the changes commencing during fiscal year 2011.

Savings:

- We are of the view that savings from this initiative would be significant. We are unable to identify a number for the potential savings from this initiative as we are unable to identify exactly how many offices the government maintains across the state or the staffing level of those offices. But one small organization the Department of Motor Vehicles currently maintains 74 centers. The departments of Agriculture, Social Services, Health, Education, Fisheries and Wildlife, Transportation, plus others, will all have some offices that could be merged into this new initiative.
- The best count at the moment is in excess of 200 centers currently. We need more accurate data to quantify these numbers. A simple survey should produce this information.

MERCATUS CENTER
George Mason University

Appendix E: Governor’s Commission on Restructuring & Reform

Hon. Maurice McTigue, QSO²¹

Distinguished Visiting Fellow and Vice President
Mercatus Center at George Mason University

Thinking Differently About Budgeting

Government conducts its business through the allocation of funds to public or private delivery organizations. However, it is exactly the concept of allocation that is an inherent weakness in the traditional budget process. The problem is that an allocation is only that: an amount of money to be spent on identified issues or activities. Missing is any identification of what the money is supposed to achieve. Without clear expectations of results, neither elected officials nor the public have a good idea whether or not progress is being made on policy goals. There is no accountability as to whether the allocated money reduced poverty by an acceptable amount, increased literacy satisfactorily, or improved economic activity.

Essentially, the process is one big “faith-based initiative,” distributing money and hoping for results. It is certainly frustrating for new legislators to find that their best intentions are thwarted by an incomprehensible budget process. They discover there is no clear vision of what government intends to achieve in the next year, five years, or decade. Even more troublesome, there is no record of achievements from the last year, five years, or the last decade. The records show where money was spent but evidence of what was achieved is elusive at best.

What if this could be reversed and it was possible for legislators to know, for example, precisely how much the government is spending on poverty and when it will be a problem of the past? What if the records showed the progress made to date on the issue and not just the amount of money spent on it? What if lawmakers could identify how much the government planned to spend on economic development in terms of which programs would be funded and what each program would contribute to economic growth? In these scenarios, legislators are in the ideal position to assess past performance and make informed funding decisions based on past successes or failures.

They can ask: Do we need to do more or less to solve this problem? If the results are not what we want, do we need to use a different approach or can we fix the existing programs? In these situations, lawmakers have the tools they need to do the job for which they were elected.

During a time of fiscal pressure across government and a climate of renewed emphasis on accountability, “faith-based budgeting” is inadequate. Instead, we need to be able to create situations like those above. Decision makers are eager to discover innovative ways to manage revenues and expenditures. The good news is that this can be done; in fact, some state and national governments are taking the lead. They have discovered that the most valuable tools in this process are greater transparency and a clear focus on producing results that improve the public benefit. The results speak for themselves: declining and disappearing deficits, more efficient allocation of resources, and high approval ratings from citizens who are happy to reward their politicians for improved accountability. Here I will discuss some of the guiding principles for developing clear and accountable budgets, and we will see how various governments have implemented these principles on a practical level. These examples may need to be adapted to apply to unique situations but there is no reason to let minor obstacles stand in the way of greater transparency and increased public confidence in the electoral system.

²¹ The views expressed in this testimony are solely my own and are not official positions of the Mercatus Center or of George Mason University.

Getting What You Pay For

In order to have a transparent budget process, it is essential to clarify what you are getting for what you are paying. Governments usually know precisely how much they are spending and on what they are spending that money. But the evidence of what they expect to get in return is often poorly articulated or even totally unknown. Lack of clarity about expectations at the time of appropriation means that holding people accountable for the results produced is almost impossible. This deficit of results information means that we may be continually reinvesting money into activities that are not delivering the results we expect. We spend money on education because we believe it is good to teach children to read, write, and develop other skills. However, we should also know how many children actually learned to read, write, and compute through the programs government bought. We should know that fewer people are homeless as a result of programs aimed at reducing poverty. We should be able to ask and answer several questions:

- Is this satisfactory progress?
- Do we want greater progress?
- Should we look for more effective tools to make progress?

Purchasing Versus Allocating

One way to do this is to start thinking about government spending in terms of a purchase.

The idea of purchasing something immediately implies an exchange of value. The concept is quite familiar in daily life; in fact, everything in our economic lives is governed by purchase. In contrast, very few things are governed by grants, gifts, or allocations. It is the reverse with the way government traditionally operates. Very little government activity is analogous to a purchase; the existing appropriation process stops short of indicating what is expected in return for the money spent. However, the new mechanisms used by some governments, namely New Zealand, Australia, and Great Britain, to allow for a much more tangible link between dollars spent and results produced are built on the idea of a purchase, the exchange of money for some clearly defined benefit.

Some governments have defined this benefit as an outcome; others have defined it as the purchase of certain outputs designed to achieve the desired outcome. Regardless of the form used, the process of government purchase provides a very clear expectation of

Examples of New Zealand Purchase Agreements

(These are based on actual purchase agreements but have been dramatically condensed for the purposes of this publication.)

The Ministry for Employment

Mission: To improve the employability of people currently out of work.

The Contract: During this fiscal year, the Ministry will place into work 150,000 unemployed people. Of that 150,000 people, 56% must be long-term unemployed; 25% must be Maori; 14% must be people with disabilities; 7% must be people with acute social problems or from low socio-economic areas. The services of the Ministry must be reasonably accessible throughout the country, but priority in access and resources must be concentrated in the areas of greatest need.

Cost: \$60 million

The Reserve Bank

Mission: To maintain price stability.

Contract: The governor is to contain inflation within a range of zero to two percent. Failure to maintain these targets requires the resignation of the governor, which the Government may or may not accept, at its discretion.

Cost: To be determined

The Inland Revenue Service (IRS)

Taxpayer Audit Description: This output involves the audit of all Classes of taxpayers, with emphasis on high risk non-compliers.

Outcome: Revenue is collected to help fund the work of the New Zealand Government according to law and in the most effective and efficient manner.

Contract: 137,000 investigations and verification checks

58,000 GST audits and checks

20,000 payroll audits

Tax assessed per dollar spent

\$14.00 per investigation

\$4.00 per verification

\$6.00 per GST audit

\$5.00 per payroll audit

All audits and checks must meet 100% of the standards and

what is to be produced with the money spent. A purchase agreement²² extends the appropriation process by linking funding decisions to the purchase of specific goods and services designed to produce clearly defined results. Accountability is built-in; stated expectations can easily be compared with final results. Satisfactory performance can only be claimed if those results match the original intent described in the purchase agreement. By comparison, a traditional appropriation is an allocation of money to spend on a particular issue, in which the only basis for accountability is whether or not the money was spent accordingly. Satisfactory performance can be claimed by a delivery organization even if the results are disappointing or unknown. A purchase agreement defines exactly what is being purchased, at what price, and with what expected result.

This new procedure does not replace the established appropriation process. The appropriation process, developed to meet the constitutional requirement for the legislature's authorization of the expenditure of public funds, must continue. "Purchase agreements" simply extend the appropriation process further by converting the appropriated funds into specific contracts with delivery organizations to purchase outputs in order to achieve successful outcomes.

Purchase agreements were introduced in the budgeting process in New Zealand in the early 1990's as contractual undertakings between the minister of a government agency and the chief executive of a government department or private corporation. They were implemented to increase transparency regarding the government's plans for making progress on policy initiatives. New Zealand recognized that their existing appropriation process, like that of many other governments, was adept at directing funds but pretty abysmal at producing measurable results. The bottom line in the public sector had to be demonstrable public benefit; therefore, the process had to spell out what benefit was expected from each allocation. To achieve this specificity, the government became a purchaser of goods and services from a variety of providers.

New Zealand purchase agreements stipulate in considerable detail the outputs the government is buying, expressed in terms of price, quantity, quality, availability, and timeliness. The agreement also estimates what the impact of these outputs will be on the desired outcome. For example: homelessness will be reduced by ten percent; inflation will be contained at between zero and two percent; the risk of successful terrorist action will be diminished by sixty percent.

The negotiations on purchase agreements take place while the budget is being prepared. These involve simultaneous discussions between the department's minister and chief executive about which outputs should be purchased and between the minister and the Treasury on the level of funding available to purchase those outputs. Because the purchase agreements are available to legislative committees at least in draft form during appropriation debates, it is

Maximizing the Public Benefit in New Zealand

When I became Minister of Labor, I inherited thirty-four programs designed to put people back into work and reduce unemployment. The existing measures of success were the number of people involved in the programs and how much they liked participating. The most important measure was overlooked; namely, how good are these programs at getting people back to work? When we asked this question, we learned that only four of the 34 programs did this well.

The only responsible thing to do was to stop putting resources into the thirty unsuccessful programs and concentrate on the four programs that were making a real difference.

Portfolio Budget Statements in Australia

In Australia's budget process, agencies identify and report to Parliament and the public of their plans for allocating resources to government outcomes for the coming budget year through Portfolio Budget Statements. These documents specify appropriations by outcomes, and outputs according to which agency in that portfolio is responsible for producing them. The details of the Portfolio Budget Statements inform Parliament and the public of the purpose of each item proposed in the appropriation bills. They are an important tool for holding the executive branch

²² Term used in New Zealand, which first introduced purchase agreements in the early 1990's. Since then, there has been significant evolution of the process based upon local experience and observing the initiatives of other countries. This text draws on examples from the early part of the New Zealand experience.

very clear what results the appropriation will buy, as well as what the consequences will be for changing budget recommendations. After the budget has been approved, the purchase agreements will be adjusted according to the legislature's decisions. Less funding means that either the quantity or quality of the outputs will be lower than they would have been under the proposed funding level; purchase agreements will be altered to reflect this. The purchased outputs can be any goods or services that an agency produces for external use, including policy advice, assessment of grants, payment of benefits, licensing, inspection, publishing, or revenue collection. They do not all have to be provided by government agencies; purchase agreements may be contracted with the private sector as well.

Once signed, the purchase agreement is a legally binding public document. The department is required to do only what is specified in the agreement. Therefore, the legislature cannot ask the department to take on additional activities during the year, unless it is prepared to grant extra resources or cancel some current purchases and reallocate the funds. This prevents departments from being saddled with unfunded mandates or held accountable for producing outputs that received no funding. The intent of purchase agreements is to provide maximum transparency and maximum accountability.

With the clarity that a purchase agreement provides, a very strong basis for accountability exists. The outcome the government intends to achieve and how the agency plans to achieve it are apparent to both policymakers and the public. Good or poor performance is immediately identifiable. The minister of the department is held accountable for the government's policy decisions, while the chief executive is responsible for the delivery of the services as stated in the purchase agreement. Failure to deliver the outputs indicated in the agreement is grounds for dismissal of the chief executive.

Public Service Agreements in Great Britain

Great Britain's public service agreements (PSAs) are three-year agreements between the main departments and the Treasury. Their purpose is to indicate what results the public can expect from each government expenditure. Each PSA lays out the department's "high-level aim," its objectives under that aim, and key outcome-based performance measures.

On the other hand, if the agency fully delivers the contract but the desired outcome (public benefit) does not materialize, the policymakers are responsible. They bought the wrong goods and services and can be held accountable by the public, which is now equipped to evaluate the performance of their government. New Zealand is not the only country to experiment with tools that clearly demonstrate how the public benefits from government expenditures. Great Britain and Australia have also developed transparent mechanisms that accomplish the same things: increased accountability for government expenditures and greater clarity about government progress.

Putting the Public Benefit First

Much of what is said about budget reform revolves around saving money, which translates into budget cuts somewhere, anywhere, or everywhere. Focusing on reductions means spending time and energy determining which programs can go without creating too much upheaval. Hard political sells are avoided, whether or not the programs actually work. Instead of concentrating only on saving money, the real emphasis should be on using money effectively. This means putting the public benefit first and foremost when considering budget reforms. After all, the citizens and taxpayers are the primary government stakeholders. Every decision should be held up to the standard of whether or not it increases the public benefit in a tangible way. This means that decision makers need to know if government programs are producing the best results or if they are hampering the creation of the maximum public benefit. How can elected officials make informed budget decisions without knowing this?

Unfortunately for all of us, the most common barometer for measuring political commitment to progress on societal issues is whether more or less money is spent on them. The budgeting process takes for granted that increased public benefit will follow the expenditure of additional monies, therefore little formulation of intended outcomes or accountability for actual results produced is considered. But dollars spent do not equal evidence of

success. A good case study is a simple examination of the U.S. food stamp program. In 2005, we were spending 31 times the amount we spent at the program's inception in 1969, in constant dollars. Yet far more people receive food stamps now than in 1969. In terms of population growth, the disparity is even more worrisome. While those on the food stamp rolls in 1969 represented about 1% of the total population, today the number is closer to 8% of the total population. Is this evidence of success? It makes one wonder what we are trying to achieve with this program, because the logical outcome, i.e., erasing hunger, does not seem to be materializing. It is hard to believe that this is the best we can do, but as long as we are unaware or inattentive to whether programs are living up to expectations, maybe it is.

We should not be judging how much our elected leaders care about an issue by measuring increases or decreases in the money they spend, but instead we should be measuring the difference they make. This difference should be expressed in terms of public benefit. Measures of progress should be accounted for by demonstrating that the public benefit has improved or deteriorated. After all, we the public want to know if more people have jobs as a result of government action or if more children have achieved a reading age equal to their biological age. In other words, the public interest is in the outcome.

Acceptance of this thesis means that we should look at government programs as tools designed to produce public benefit. If improved government programs are created then old or obsolete programs should be retired in favor of the activity that will produce the maximum public good. Programs should not be allowed to develop the mantra of an institution deserving of preservation in their own right but should constantly be evaluated against all other activities directed at that public benefit with only the best surviving.

Officials should clearly articulate throughout the budget process what progress they intend to make on each issue and then be held accountable for the end results. In fact, until government organizations know what is expected of them and are held responsible for meeting or exceeding expectations, satisfactory progress is unlikely to occur. While it can be difficult to measure government progress in some areas, it is not impossible. A statutory purchasing process similar to those outlined above is a good start, but more must be done to fully implement accountability into the budget process.

Budgeting for Outcomes: David Osborne's Steps

Another method that has been successfully implemented in the states of Washington and Iowa, the cities of Azusa and Los Angeles in California, and the city of Spokane is David Osborne's "Budgeting for Outcomes Process." The steps are straightforward and easily adaptable to local situations:

- 1) Set the price of government. How much are citizens willing to pay for the results they want from their government?
- 2) Set the priorities of government. Define the results that matter most to the citizens.
- 3) Set the price of each priority. Total revenue divided among the priority outcomes according to their relative value.
- 4) Develop purchasing plan for each priority. Which factors/activities matter most for delivering a certain result?
- 5) Solicit offers from providers to deliver the desired results. Who can deliver the most results for the money?
- 6) Buy from the best providers, until the funds are used up. This is the budget.
- 7) Draw up performance agreements with the providers. This builds accountability into the budget.

The results of this process in the localities that are applying it are a compelling endorsement. In Washington, the new way of doing things was widely accepted by both the public and the legislature, even though it involved making hard choices.

The savings are adding up too: Iowa saved \$35 million annually in its Department of Transportation alone, by reorganizing to focus on maximizing results.

Source: David Osborne and Peter Hutchinson. *The Price Of Government: Getting the Results We Need in an*

Maximizing Public Benefit

Government should be buying goods and services from the best providers, and if it does not, there will almost certainly be benefit foregone. Some public benefit that would have otherwise existed has been lost forever because the most effective and efficient way to produce that good was not identified. This is not only a monetary loss, but also a social loss. The consequence of public benefit being foregone is that some people remain unemployed, illiterate, or hungry.

The way to spot the best providers is to introduce competition into the public sector. Competition is a marvelous force constantly at work in the marketplace; the effect is that the products and services we use are getting better and cheaper all the time. (Just think of the cellular phone today versus the cellular phone of 1985.)

Creating Internal Markets in Government

Competition fosters creativity and discovery, continuously providing better value for the same dollar. This innovative process can be introduced in the public sector, to the advantage of both citizens and elected officials.

Governments can use competition as a reliable tool for ensuring that results are being achieved instead of special interests being served. Implementing competition in the public sector means purchasing goods and services from the best providers only, not any and all providers.

Results-oriented analysis singles out the programs that are producing the best results and rewards that achievement.

Why not require all departments to bid out to other departments the provision of:

- **Legal services,**
- **Payroll,**
- **Accounting.**

Competing Activities Within Programs

To accomplish optimal performance, all activities that claim to have a beneficial impact on a certain goal should be compared. Those with the greatest impact should be rewarded with continued funding, while those that cannot meet that level of achievement lose their funding. Alternatively, based on convincing evidence that a program that has not performed as well as it should to date but can reach the desired level then conditional funding might be given for another year.

Study of Vocational Training Programs in the United States

This was a Mercatus Center study in the year 2000 of federal vocations training programs in the United States.

- Purpose: to aid people into work
- Forty-five activities were identified
- Twelve departments involved
- Various ranges of success in placing people into work
- Total cost: \$8.2 billion
- Cost per person placed into work by different programs: range \$270 and \$29,000
- Total of 2.8 million people into jobs
- Using the 3 most effective programs would place 14.2 million people into jobs
- Status quo means 11.4 million people don't get jobs (benefit forgone)
- Maintaining current public benefit of 2.8 million into work with the most effective programs would free up \$6 billion to be spent on other priorities.

Conclusions

Dramatic improvements in budgeting outcomes are possible. There are plenty of processes and procedures available to follow. The greatest barrier to progress is the fear of change itself.

Budgeting for Results Checklist

- _ Know what public benefit each appropriation is supposed to produce.
- _ Allocate funding based on a clear measure of the public benefit that will be produced.
- _ Insist on measures that tell if that public benefit is being created.
- _ Review performance to see it is meeting expectations.
- _ Use performance reviews to determine the next year's funding decisions.
- _ Conduct the whole process with the greatest possible transparency so that expectations of what is to be delivered and possible future improvement are apparent to all.

Appendix F: Value for Money

“**Value for Money (VfM)** is the term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not, when taken together, they constitute good value. Achieving VfM may be described in terms of the 'three Es' - economy, efficiency and effectiveness.”²³

The VfM model is used around the world, but has recently gained wide acceptance in the United Kingdom. The two example VfM reports below offer a look at how a VfM analysis might be used for state or local government projects.

Examples:

Joint Information Systems Committee (JISC) Value for Money Report

<http://www.jisc.ac.uk/media/documents/aboutus/aboutjisc/vfm210906.pdf>

This complete VfM report presents a selection of quantitative analyses to demonstrate the viability of JISC services and technologies.

Rail Value for Money Scoping Study Report

<http://www.dft.gov.uk/pgr/rail/strategyfinance/railvaluemoneystudyscopingreport.pdf>

“This scoping report sets out the analysis carried out to date, in partnership with the industry and its stakeholders, and sets out a programme of work that will deliver robust evidence to support Ministers and industry leaders in making decisions about the future.”

Other Resources:

Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money

Organisation for Economic and Co-operation Development

http://www.oecd.org/document/27/0,3343,en_2649_34119_40757595_1_1_1_1,00.html

²³ <http://www3.imperial.ac.uk/secretariat/policiesandpublications/valueformoney>

Public-private partnerships have proven useful in countries like the United Kingdom. This report analyzes PPPs and provides suggestions for implementing Value for Money analyses in these partnerships.

Achieving Value for Money in the Delivery of Public Services

House of Commons Committee of Public Accounts

<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmpubacc/742/742.pdf>

Delivering Value for Money in Local Government

Communities and Local Government

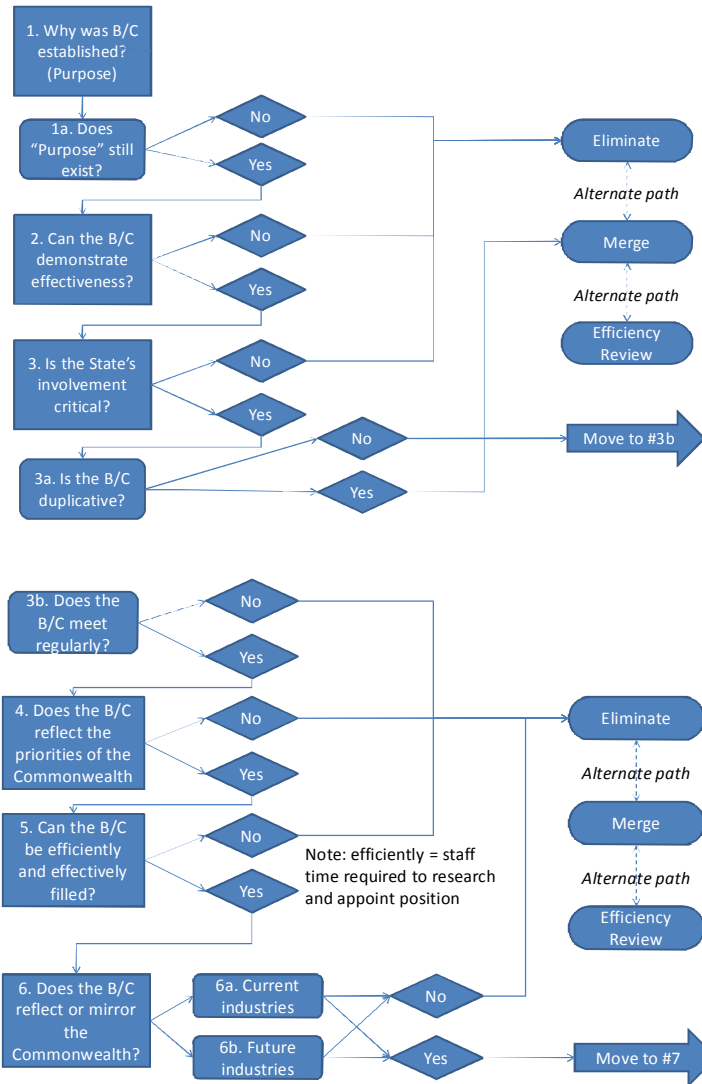
<http://www.communities.gov.uk/documents/localgovernment/pdf/value.pdf>

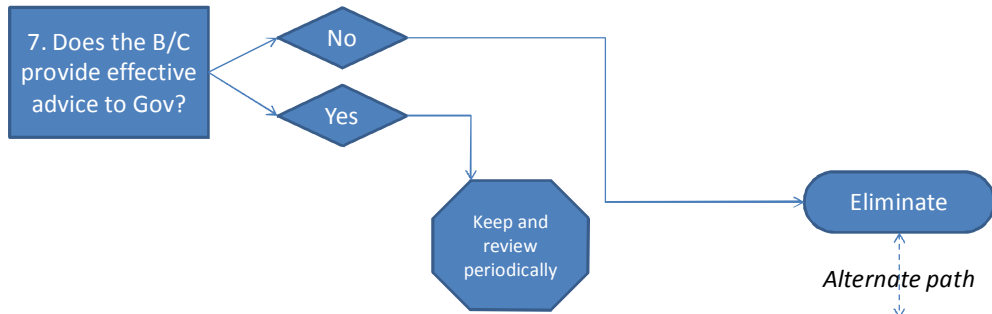
Appendix G – Possible Changes to Sunshine Laws

Permit public bodies to meet by telephone or other medium for interactive communication (“Electronic Meeting”) so long as the following conditions are met:

1. Notice shall state clearly the medium (e.g., telephone, video conference, or other interactive communication) by which the Electronic Meeting will be conducted, precisely identify a primary location, which shall be accessible to the public, and at which the public may physically attend to see and/or hear the meeting; notice may also identify one or more secondary locations accessible to the public at which the public may attend to see and/or hear the meeting;
2. At least one member of the public body shall be physically present at the primary location specified in the notice of the Electronic Meeting.
3. The public body shall post agendas and make available copies of any documents utilized by the public body during the open portion of the Electronic Meeting at the primary location and any secondary locations and, if applicable, on the website of the public body.
4. During the Electronic Meeting, each participating member of the public body must be identified and all members of the public body must be able to communicate with each other at the same time and hear all discussion and testimony, if any;
5. During the Electronic Meeting, the public attending at the primary location and any secondary locations must be able to hear all discussion and all votes of the public body and be accorded an opportunity to provide public comment at the point in the meeting designated for such comments.
6. To the extent practicable, the public body may permit a member of the public to monitor the Electronic Meeting electronically from a remote location so long as such person or persons making a connection pays for the documented marginal costs that the public body incurs as a result of the additional connection.
7. Any interruption of the communication link at any primary or secondary location shall result in the suspension of the Electronic Meeting until the communication is restored.
8. Each member of the public body participating in the Electronic Meeting by electronic means shall be considered present at the meeting for purposes of determining a quorum and participating in all proceedings, including voting.
9. All votes are conducted by roll call so that each member’s vote can be identified and recorded.
10. No more than one half of the meetings held by a public body in a calendar year may be Electronic Meetings, except that this limitation shall not apply in cases of emergency or to committees of the public body.

Appendix H – Boards and Commission Review Criteria





General Principals:

Advisory

Limit purely advisory B/C to meet current priorities, objectives and challenges of the Commonwealth.

Eliminate unneeded, ineffective or non-active B/C.

Periodically review for the above and cost effectiveness

Policy Making

Ensure function rests with the appropriate body; public policy should generally rest with elected officials.

Eliminate unneeded, ineffective and non-active B/C.

Ensure membership guidelines enable flexibility and cost appropriate.

Periodically review for the general need and effectiveness.

Regulatory

Ensure function is appropriate activity of the state is best suited to perform. Avoid duplicative activities with NGO or business licensing bodies.

Ensure membership guidelines enable flexibility and cost appropriate.

Periodically review for the general need and effectiveness.

