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Conduct performance reviews

Each Southern state should conduct a comprehensive performance review to boost government efficiency, save money and improve customer service.

Background

While Southern states should strive to have fair, equitable and efficient revenue collection systems, they also need to ensure that state spending is as efficient as possible. Many Southern states have management practices that have not been updated in 40 or 50 years. Using 20th century management practices in the 21st century not only leads to inefficient and wasteful spending, but citizens receive poor results from state government. As private businesses have been forced to examine management practices to remain competitive in the 21st century, state governments, especially the fast-growing states of the South, need to examine their management practices to ensure taxpayer dollars are not wasted and state programs achieve the desired results. To do otherwise is fiscally unsound and wasteful.

Working to maximize efficient management practices is more than a practice for states to get rid of “waste, fraud and abuse.” Tight budgets over the past few years have done much to root out the “fat” in state agencies. State legislators need to move beyond the negative assumption that state agencies waste taxpayer funds through fraud or incompetence. Instead, they should focus more on the positive mission of fundamentally improving overall performance and results. Modern and flexible management practices that strive to fulfill core agency missions successfully need to become the permanent culture of state governments.

It’s time for states to get beyond simplistic calls to rid government of “waste, fraud and abuse.” States should take a much deeper look at core government functions to improve performance and results through better and more flexible management practices.

Performance review models

Performance reviews originated in Texas in 1991 as a management tool to review government functions to find savings, remove duplication, improve government efficiency and provide better service to state residents. In Texas, the state auditor undertook the first comprehensive state *performance review* with a staff specifically dedicated to questioning the premises of every agency program in Texas. The effort produced 1,000 recommendations and resulted in \$4 billion in savings in its first budget. Since then, the

Texas Performance Review has been institutionalized and has produced total savings of \$13 billion over the past 10 years. Recently the responsibility for the Texas Performance Review moved from the State Comptroller to the Legislative Budget Board.

More recently, several states have implemented *performance review* commissions and task forces that have resulted in hundreds of millions of dollars in savings, and, more importantly, improved services through the modernization of management practices. The most successful of these states have permanently incorporated these commissions and task forces into the budget making process. These are not one-time entities, but a positive and permanent part of state government. Two recent examples of successful models are the *Commission for a New Georgia* and the *New Mexico Performance Review*.

Case study: Georgia

The Commission for a New Georgia¹ is a non-profit corporation established in 2003. It is led by 27 CEOs and senior executives from throughout Georgia and includes 18 task forces employing more than 300 experts from the public and private sectors. Each of the task forces convened for 60 to 90 days and then produced a final report and recommendations. An Office of Implementation that reports directly to the governor was established in August 2004 to ensure the recommendations of the Commission for a New Georgia were implemented.

Commission for A New Georgia Task Forces

Tourism	Receivables	Procurement
Space Management	Fleet Management I	Fleet Management II
Competitiveness	Capitol Construction	Administrative Services
Eminent Scholars	Workforce Development	Strategic Industries
Public Finance Options	Community Care	Leadership Development
Telecommunications and Technology	Customer Service	State Health Benefits Plan

Recommendations from The Commission for A New Georgia have resulted in four pieces of legislation that have been adopted by the Georgia General Assembly.

- **Administrative Services and Procurement** (HB 312)—Initiated changes to help transform the state’s procurement function and improve the management of the state’s assets, including motor vehicles. It is estimated this legislation will help capture an estimated \$135 million in procurement saving and contribute to the elimination of an estimated 2,000 state vehicles.
- **Capital Asset Management** (SB 158)—Provided for the comprehensive revision of the State’s capital asset management structure. It is estimated savings will total \$32 million.
- **New Georgia Foundation for Tourism Act** (SB 125)—Created the New Georgia Foundation for Tourism to coordinate marketing efforts and consolidate funding to improve the promotion of the state’s tourism resources.

- **Deferred Compensation Transfer** (HB 275)—
Transferred employee deferred compensation programs from the Georgia Merit System to the Employees' Retirement System to consolidate administration and expertise.

Implementation of the Commission for a New Georgia initiatives includes:

- A reduction of over 1,770 state vehicles for a projected operating cost savings of \$4.3 million;
- The sale of more than \$5.6 million in surplus equipment and vehicles;
- The appointment of the first State Property Officer, who sold more than \$14 million in surplus land and buildings, and renegotiated leases resulting in a savings of \$5.6 million;
- The development of the first comprehensive State Construction Manual. Processes have not been updated since 1954. It is estimated new processes will result in savings of between \$12 million and \$60 million per year;
- A savings of more than \$1.6 million in energy rates through correction of over-billings and rate changes; and
- The modernization of state purchasing management processes and technology for a projected savings of \$135 million over four years.

Case study: New Mexico

New Mexico Gov. Bill Richardson established the New Mexico Performance Review through executive order in May 2003. The state Department of Finance and Administration, with the help of a private contractor, coordinated the work of eight teams made up of private-sector consultants and state employees. The *performance review* evaluated state government services, alternative ways to deliver services and organizational structures. The goal of the Performance Review was to identify key issues and opportunities, and to implement recommendations to improve service delivery and reduce costs.

New Mexico projects savings of \$469 million by 2009 due to its two-part *performance review* process.

New Mexico Performance Review Teams

Criminal Justice	Information Technology and Telecommunication Management	Health and Human Services
Alpha	Transportation	Human Resources
Contract Management	Fiscal Implications Review	Reorganization

The Performance Review delivered its first report, *Moving New Mexico Forward*, in August 2003, followed by a second report, *Moving New Mexico Forward: Further Along*, in August 2004. *Moving New Mexico Forward* featured 92 specific

recommendations with an estimated savings of \$379 million between 2004 and 2008.² Eighty of the 92 recommendations have been implemented and more than \$75 million in savings were identified in the first year. *Moving New Mexico Forward: Further Along* contained an additional 56 recommendations totaling more than \$90 million between 2005 and 2009.³

Projected savings from the New Mexico Performance Review through 2009 include:

- \$16 million through retrofitting fixtures to achieve energy cost savings;
- \$9.8 million through an automated state employee time and attendance system;
- \$7.8 million through increased use of procurement cards;
- \$7.1 million through improved contract management;
- \$6.5 million through the implementation of workforce planning and a reduction of manager to staff ratios;
- \$6.1 million through consolidation of Information Technology Services; and
- \$2.5 million through increased on-line tax filing.

Performance reviews can save money, promote efficiencies

Not only should Southern lawmakers insist that state governments develop a fair and efficient tax system, they should demand that state government spend revenues in as efficient and effective manner as possible. State governments need to move beyond the negative assumption that state agencies are wasting taxpayer funds through fraud or incompetence. Instead, they should focus on the positive mission of fundamentally improving overall performance and results.

The formation of task forces or commissions that continuously undertake in-depth professional and highly-sourced studies of state management practices will help ensure that state tax dollars are spent in the most efficient and effective manner. Such task forces and commissions must be staffed by professionals, not by personnel who do not have the skills and expertise necessary to undertake the studies and analysis. Governors and state legislatures must give such task forces and commissions the resources and political support needed to succeed.

If state lawmakers give the resources and political support to a real *performance review* effort, they're almost guaranteed to generate millions of dollars of savings, improve services to residents and make government work better for everyone.

Lawmakers should keep in mind that these commissions and task forces must not be used as an excuse to cut programs for policy or ideological reasons. Instead they

should focus on ensuring the excellence of government services.

States should set up a permanent *performance review* entity that includes private sector expertise, a full-time professional state staff and a detailed implementation plan linked to the state budget process. Getting started in such a way will promote success.

Every dollar Southern states spend unwisely due to inefficient or wasteful management practices left over from the 20th century is a dollar that could be invested in the physical and human infrastructure that Southern states need to be competitive in the 21st century.

Figure 1: Performance reviews in the South within the last 5 years	
Alabama	No
Arkansas	No
Florida	See note
Georgia	Yes
Kentucky	No
Louisiana	No
Mississippi	No
North Carolina	Yes
South Carolina	Yes
Tennessee	No
Virginia	Yes
Source: Author's research Note: A constitutional amendment will be on Florida's ballot in 2006 to establish a Government Efficiency Task Force.	

Talking points

- Much of the so-called “waste, fraud and abuse” often cited by politicians has been cut out of state government after state policymakers grappled with lean budgets, trimmed agencies, limited functions and cut fat from the system over the last few years.
- Now legislators need to take a positive approach to providing better service, more efficient government and more effective government—as well as find millions in savings—by implementing a 21st century management tool known as a *performance review*.
- If lawmakers give the *performance review* process a chance with political support and by investing resources, they’re almost guaranteed to succeed in making government more effective and efficient, improving customer service and saving money.
- To fail to invest in a *performance review* fails taxpayers. Not conducting a professional review will cost taxpayers millions of dollars. It’s a wise political and policy decision to undertake this kind of performance audit.

Endnotes

¹ Commission for a New Georgia Home page - <http://www.new-georgia.org/index.shtml>

² “Moving New Mexico Forward: A Report From the New Mexico Performance Review.” August 2003. <http://www.governor.state.nm.us/perfreview/MAF.pdf>

³ “Moving New Mexico Forward: Further Along A Report From the New Mexico Performance Review.” August 2004. <http://www.governor.state.nm.us/perfreview/MAF%20Further%20Along.pdf>