



COMMONWEALTH OF PENNSYLVANIA

# Senate Government Management and Cost Study Commission

## FINAL REPORT JUNE 28, 2010

PRESENTED TO THE  
SENATE OF  
PENNSYLVANIA



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## Letter from the Chairman



### Senate of Pennsylvania

Honorable Joe Scarnati  
President Pro Tempore

Honorable Dominic Pileggi  
Majority Leader

Honorable Bob Mellow  
Minority Leader

Honorable Jake Corman, Chairman  
Senate Appropriations Committee

Honorable Jay Costa, Minority Chairman  
Senate Appropriations Committee

June 28, 2010

Dear Senators:

In February 2010, the Senate established a bipartisan Senate Government Management and Cost Study Commission made up of members of the public and private sectors to identify cost-saving measures in state government.

After seven public hearings, considering testimony from over 30 private-sector and public-sector participants, reviewing hundreds of emails from state residents and examining additional recommendations during extensive work sessions over the course of 50 hours, I am pleased to report that the Commission has completed a preliminary review of various state departments and expenditures and provided over 40 recommendations that, when acted upon by the appropriate branches of state government, will result in several hundred million dollars in savings to the state taxpayer.

My original goal was to include the House of Representatives in this cost saving review effort through Senate Resolution 160. When that legislation failed to gain approval in the House, the Senate proceeded on this effort through the approval of SR 161.

With this terrible recession placing greater strains than ever before on many of our family budgets, this Commission, as established by SR 161, has identified real savings that will be important to balance future state budgets and avoid unnecessary tax increases. These recommendations are by no means an exhaustive list of every area of state government that can reduce costs. Instead, I am hopeful that these recommendations can serve as a catalyst for continuing the process of reducing costs in state government for the future.

Our model throughout the past six months was provided by a United States Senator from Missouri. Long before he became President, Harry Truman chaired a Commission to save taxpayer dollars during the most difficult years of World War II. Truman found an enormous number of ways to 'economize' during those terrible days and what especially impressed me regarding his successful effort was the Commission's focus on unanimity, rather than partisan bickering. In our own much less comprehensive effort, I am pleased that we have been able to maintain the same goal in unanimously submitting the enclosed recommendations to you for your review and action.

My colleagues on this Commission are to be commended for contributing their time and considerable knowledge to help identify cost-savings to aid every tax-paying Pennsylvanian.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Argall".

David C. Argall, Chairman  
Senate Government Management and Cost Study Commission

## Senate Government Management and Cost Study Commission Members

**David Argall** of Rush Township, Schuylkill County  
*Senate of Pennsylvania, 29<sup>th</sup> District*

**Daylin Leach** of Wayne, Montgomery County  
*Senate of Pennsylvania, 17<sup>th</sup> District*

**Robert Bittenbender** of Mechanicsburg, Cumberland County  
*Budget Secretary for Governors Tom Ridge, Mark Schweiker and Dick Thornburgh, and former executive director of the Senate Appropriations Committee*

**James D. Chiafullo** of Presto, Allegheny County  
*Director, Cohen & Grigsby, P.C., Attorneys-at-Law*

**Patrick J. Eiding** of Philadelphia  
*President, Philadelphia AFL-CIO Council, and former Business Manager and Financial Secretary of the Insulators and Asbestos Workers Local 14*

**Joseph A. Galli, Sr.** of Chester Springs, Chester County  
*Former Superintendent, Upper Darby School District*

**Mike Kolchin** of Tannersville, Monroe County  
*Former Associate Dean for Graduate Studies and Professor of Management at Lehigh University's College of Business and Economics*

**Kelly Lewis** of Harrisburg, Dauphin County  
*President and CEO, TechQuest Pennsylvania, and a former member of the Pennsylvania House of Representatives*

**Zachary B. Scott** of Hummelstown, Dauphin County  
*Vice President and Chief Operating Officer  
United Parcel Service (UPS)*

**John Zawarski** of Easton, Northampton County  
*Broker, Nic Zawarski & Sons Realty*

## Executive Summary

*"We are in a time of unprecedented pressure on state revenues. Never before has the need for a commission like this been more clear."*

- Senator Dominic Pileggi, Senate Majority Leader

*"Any and all ideas which have the potential to bring about a more efficient and cost-effective state government are welcome, and I look forward to hearing the commission's recommendations."*

- Senator Robert Mellow, Senate Minority Leader

*"I want to applaud your efforts to bring a fresh eye to the budget, to identify ways for government to more efficiently deliver high quality services and control costs. Responsible spending is vital to maintaining public trust in government and its elected officials."*

- Sharon Ward, Executive Director, Pennsylvania Budget and Policy Center

*"During these difficult economic times, we must do all that we can to make every hard-earned tax dollar count. To that point, we would like to commend both of the chairmen and members of this Commission for working to reduce government waste."*

- Thomas Marks, Deputy Auditor General for Audits

During the midst of this terrible recession, the worst most Pennsylvanians have seen in their lifetimes, the Executive, Legislative and Judicial branches of the Commonwealth **must** control state spending. At the current levels of spending and revenue collections, the Commonwealth is likely to experience a \$ 1 Billion plus budget deficit this fiscal year (see Figure 1.).

The current recession has placed greater strains on family budgets and now more than ever Pennsylvania's leaders must be certain that every taxpayer dollar is spent efficiently. The Commonwealth of Pennsylvania is a \$65 billion enterprise employing over 75,000 people, with an impact on every resident.

Recognizing the need for cost reductions, the Senate of Pennsylvania adopted Senate Resolution 161 creating the **Senate Government Management and Cost Study Commission** to help reduce unnecessary government spending. The 10 members have backgrounds in government, business, labor, finance, education and technology.

*The goal: Find savings that will be needed to balance future budgets and avoid unnecessary tax increases.*

Faced with another billion dollar budget deficit this fiscal year, the Commission has provided short and long-term recommendations for the Legislature's consideration.

The Commission examined several state departments, heard testimony from 30 public and private sector representatives in various fields and professions, and has solicited recommendations from every Pennsylvanian by encouraging their feedback at [cuttingcosts@pasen.gov](mailto:cuttingcosts@pasen.gov). See Figure 2. for the top 20 recommendations by the citizens who responded to this call for cost-cutting ideas.

The Commission makes the following recommendations:

- The Commission recommends an online, publicly accessible budget database to improve, enhance and re-evaluate government expenditures on a systematic basis to improve transparency and accountability in state spending.
- The Commission has identified a number of potential cost savings within the Department of Corrections. Areas examined include: alternative sentencing guidelines, parole and re-entry services, problem-solving courts, pre-release guidelines, graduated sanctioning processes for state parole violators, county courts, as well as a comprehensive study of an “Inmate Brunch Pilot Program,” as performed in other states.  
**Estimated Cost Savings: \$6,198,900 in year one**  
**\$44,928,400 in year two**  
**\$58,885,400 in year three**
- The Commission has identified the need to reduce the 16,186 state vehicles within the Department of General Services. Furthermore, the Commission recommends that current state policy be changed so that vehicle usage requirements are enforced universally.  
**Estimated Cost Savings: \$18,000,000**
- The Commission recommends further investigation of the Department of Public Welfare’s programs to build upon the Auditor General’s Report – “A Special Performance Audit of the Department of Public Welfare – Special Allowance Program, August of 2009.”  
**Estimated Cost Savings: \$380 Million or more**
- The Commission also identified other areas of cost savings including:
  - Initiating electronic distribution of the “Pennsylvania Code and Pennsylvania Bulletin.”
  - Eliminating the county position of “Jury Commissioner.”
  - Initiating comprehensive reviews of the Pennsylvania Department of Community and Economic Development’s grant and loan programs**Estimated Cost Savings: \$1,000,000 or more**
- The Commission recommends further study of the procurement system in state government, including, and not limited to, the centralization and consolidation of core functions.
- The Commission recommends a comprehensive study of the coordination of information technology (IT) services throughout state agencies, including the transition to a paperless work environment.
- The Commission recommends the consolidation of school district administrative functions, as noted in **Senate Bill 1321**, authored by Senator John Wozniak.

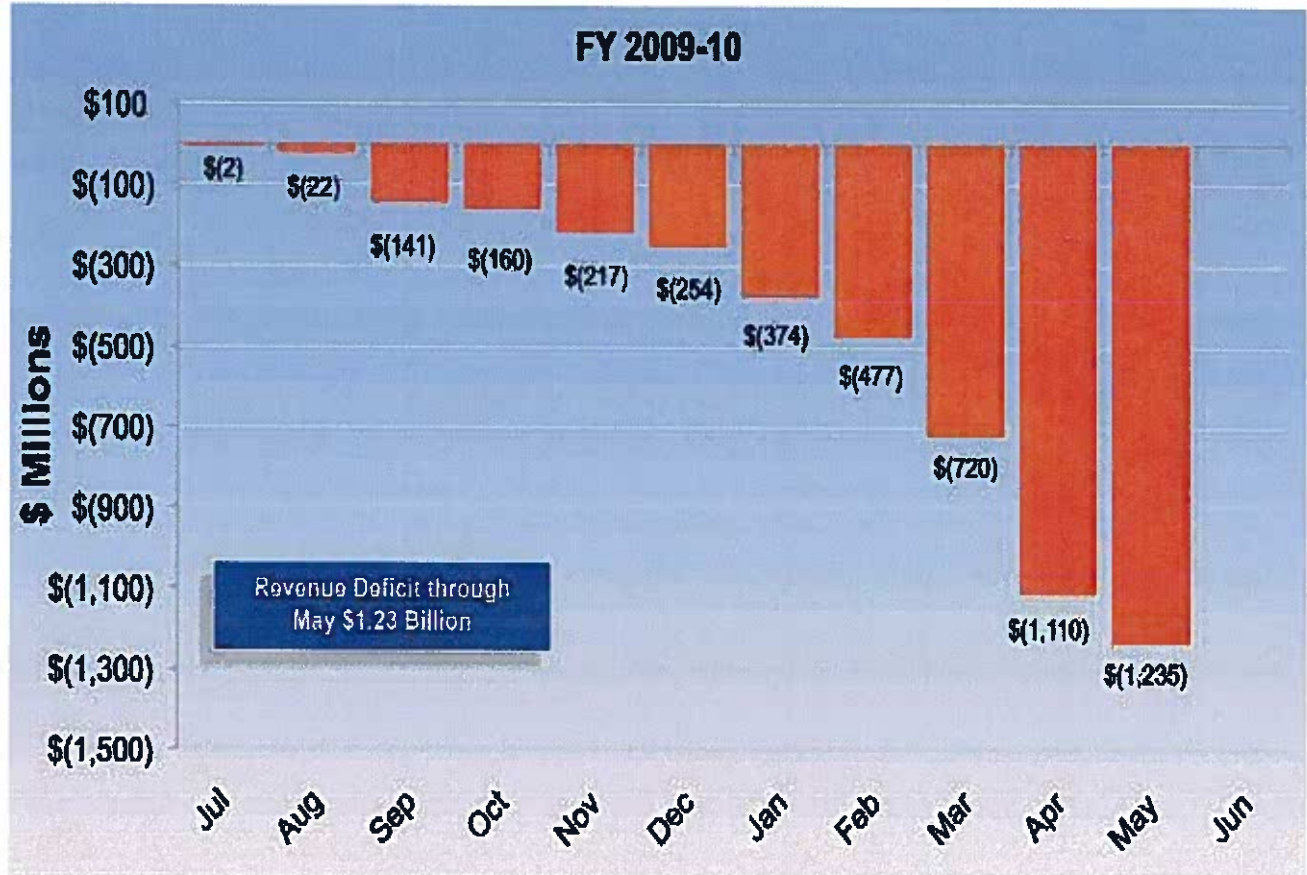
- The Commission recommends the possible consolidation and reduction of several of the General Assembly's caucus staff functions, and a comprehensive review of the current per diem reimbursement system for legislators to determine if a receipts-based system would result in taxpayer savings.
- The Commission also recommends that, beginning in 2011, each Standing Committee of the General Assembly should annually be required to propose at least one significant cost-cutting initiative for the state agencies within their jurisdiction. The Commission further recommends that a non-partisan Office of Continuous Improvement should be created that would be tasked with constantly examining the expenditures of the Commonwealth to best determine where cost savings can be found, as is frequently done by private sector organizations.
- The Commission recommends that the General Assembly consider all of these and future cost-cutting recommendations as part of an ongoing effort to curb unnecessary spending in state government.

**TOTAL ESTIMATED SAVINGS:**

**\$ 457,885,400.00**

Presented to the Senate of Pennsylvania on June 28, 2010

**Figure 1.**  
**Budget Shortfall**

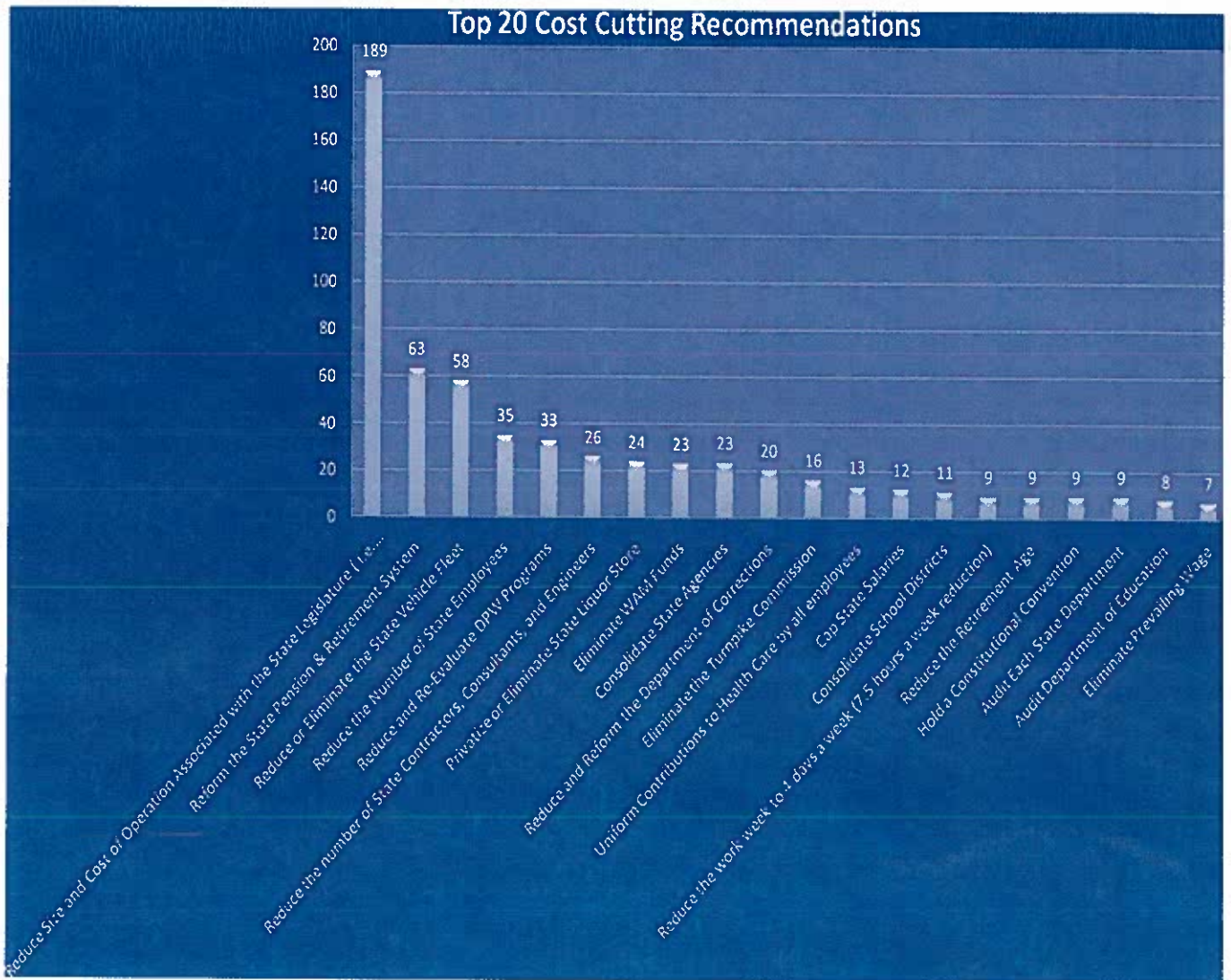


(Source: Senate Appropriations Committee)

**Figure 2.**

**Top Recommendations Highlighted By Members of the Public**

Following passage of Senate Resolution 161, hundreds of Pennsylvanians shared their ideas on how to cut costs. Below are the top 20 suggestions received by the Commission.



*\*No scientific methodology was used to collect these recommendations. The responses were collected between February 19, 2010 and June 15, 2010. The Commission thanks every citizen who took the time to provide input, much of which was extremely helpful to the Commission's work.*

## **Senate Government Management and Cost Study Commission Recommendations**

### **Transparency and Accountability:**

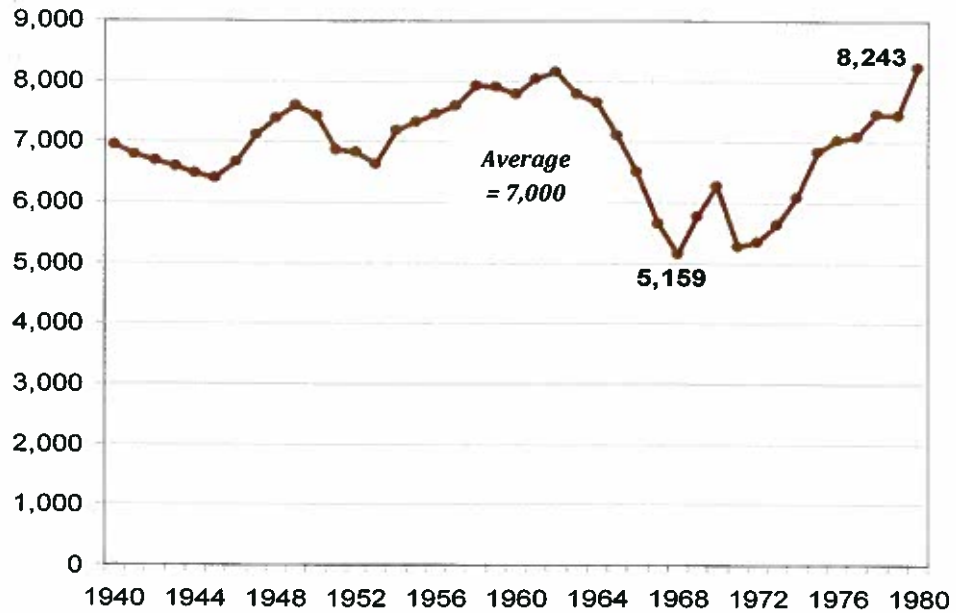
State government needs to be open and accessible to the people it represents. Lawmakers have embraced some opportunities to streamline government thus far, but must continue to look at similar actions by other states. Citizens are demanding greater accountability and we support legislative proposals such as **House Bill 1880**, authored by State Representative Rick Mirabito (D-83), and currently under review by the Senate State Government Committee, which would create a publicly accessible online spending database (similar to the online contract database maintained by Treasury). We can achieve this openness and transparency with little or no cost to the Commonwealth using improved technology. These efforts will also help the General Assembly periodically re-evaluate each line-item in the state budget.

### **Department of Corrections:**

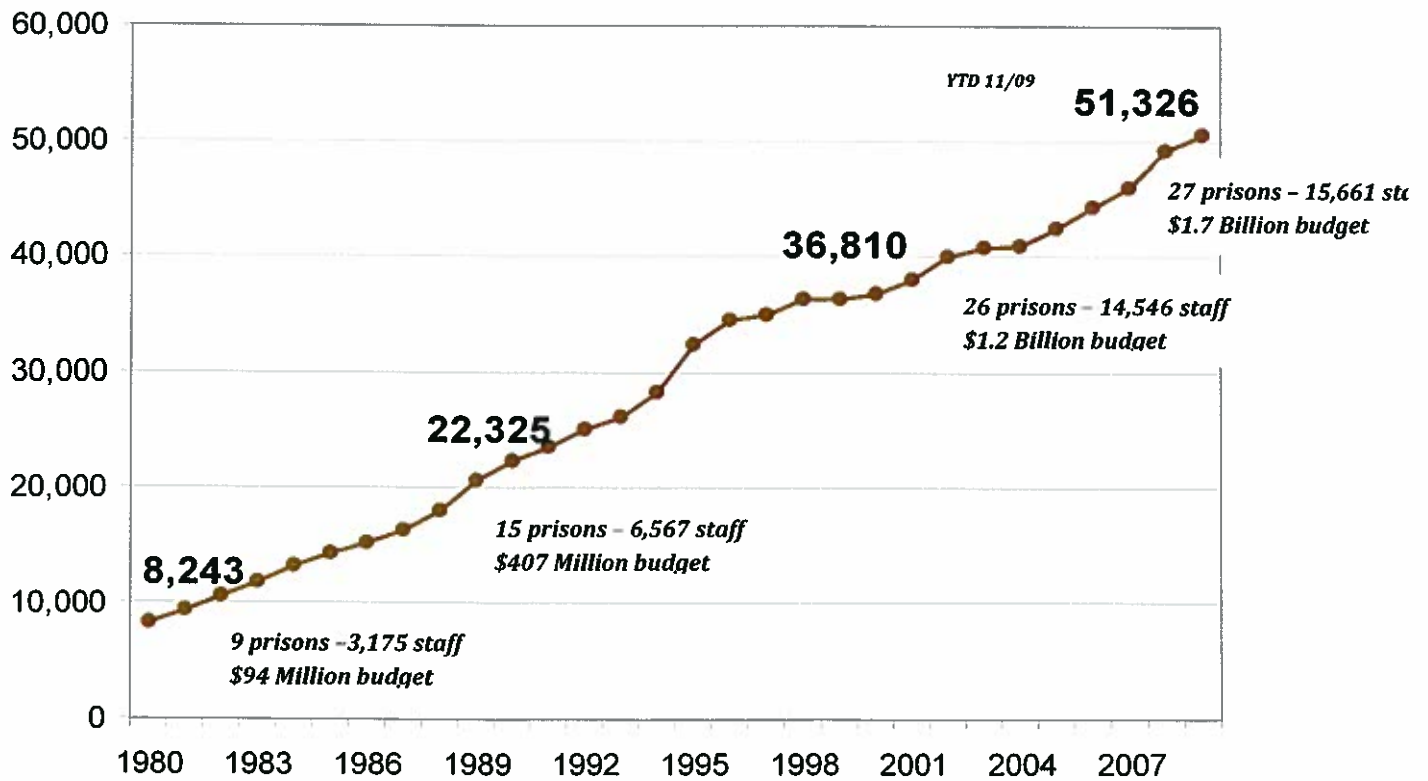
With an increase of \$137 million in this year's proposed budget (Source: Governor's 2010-11 Budget), the Pennsylvania Department of Corrections (DOC) is one of the largest growing segments of the Commonwealth budget.

According to data provided by the DOC, the number of incarcerated individuals remained relatively stable during the period of 1940 through 1980, averaging between 5,000 and 8,000 inmates (see [Figure 3.](#)). However, according to the Department's testimony, over the next 30 years the state inmate population began a steady climb, increasing from 8,243 inmates in 1980 to the current population of 51,326 (see [Figure 4.](#)). The cost to operate our prison system has increased dramatically during this time period from \$94 million in 1980 to what will likely be \$1.9 billion for the 2010/2011 fiscal year (see [Figure 5.](#)).

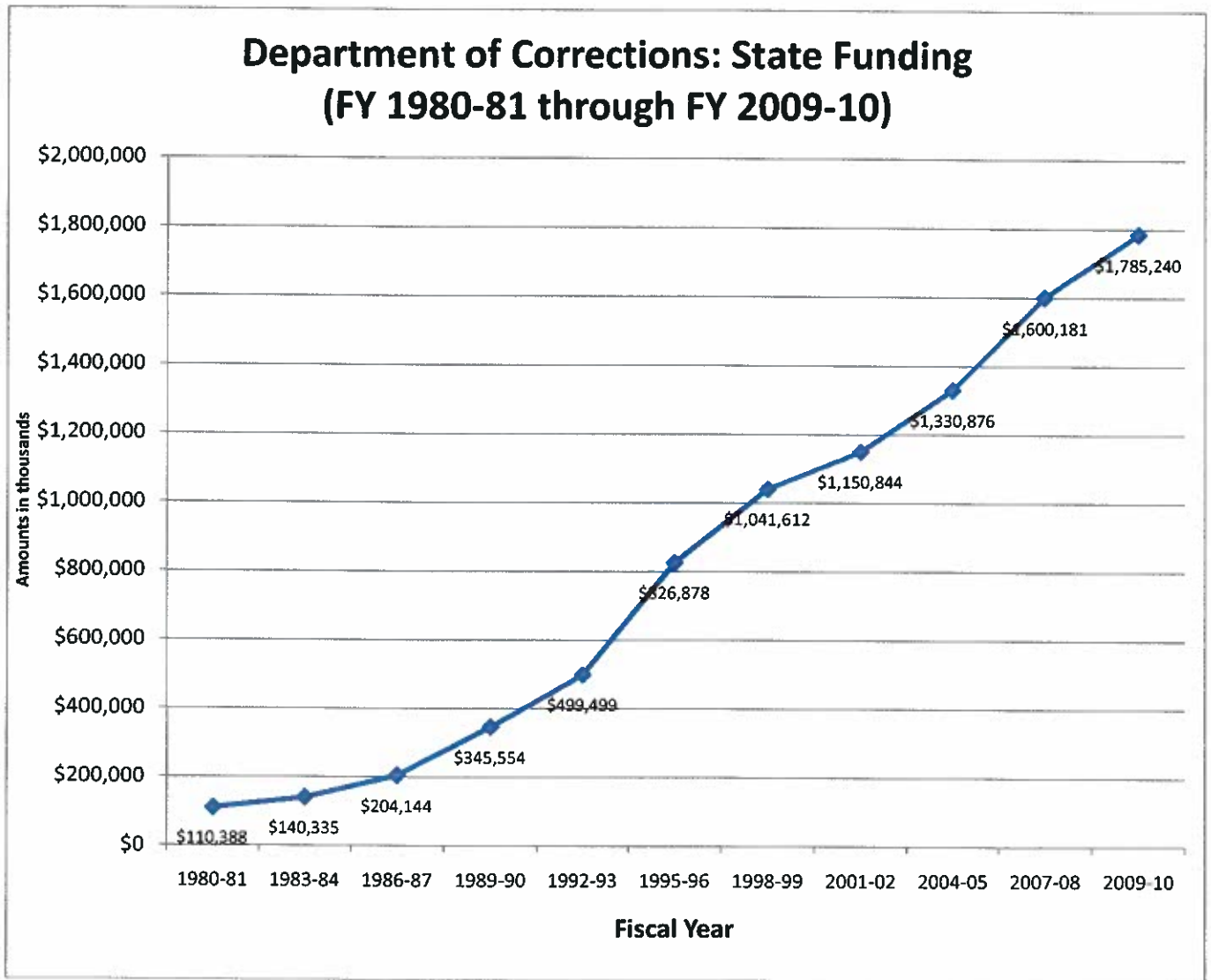
**Figure 3:**  
**State Inmate Population 1940 – 1980: Relatively Stable**



**Figure 4:**  
**State Inmate Population 1980 – 2009 (YTD): Rapid Growth**



**Figure 5:**  
**Funding Levels (1980-2010)**



This Commission is convinced that the Commonwealth can and must better control DOC spending through applicable reforms on multiple levels, including the following legislative proposals:

- Senate Bill 1145** (authored by State Senator Stewart Greenleaf (R-12) and currently in the House Judiciary Committee) The Commission recommends adopting a risk and needs assessment instrument for use by judges in sentencing criminal offenders. The assessment tool shall be used for predicting the relative risk that an offender will reoffend and be a threat to public safety, and also for identifying the rehabilitative needs of an offender. *The point of this legislation is to identify who needs to be in a secure prison setting and who would be a good candidate for alternative sentencing. This is based on a program which Virginia has had in place for several years. A 2002 report studied six pilot sites in Virginia and concluded that the risk assessment tool resulted in savings to Virginia of \$1.2 million and if expanded statewide could*

result in savings of between \$2.8 and \$3.6 million annually. The Pennsylvania Commission on Crime and Delinquency conducted a correctional population impact analysis of SB1145. If all eligible offenders were sentenced to the State Intermediate Punishment Program (SIP) it could reduce the Pennsylvania prison population by 9,180 offenders in state prison by year three. If only 25% of those eligible were sentenced to SIP by the third year the State prison population would be reduced by 2,295, as depicted in Table 1.

**Potential Cost Savings: \$ To Be Determined**

- **Senate Bill 1198** (authored by State Senator Stewart Greenleaf (R-12) under consideration in the Senate Appropriations Committee) The Commission recommends establishing a comprehensive program to reduce recidivism and ensure the successful reentry and reintegration of offenders into the community. *The Pennsylvania Board of Probation and Parole has proposed a \$11,666,275 investment in parole and re-entry services. SB1198 recommends an additional \$15 million for parole and reentry services. However, every offender who is successfully reintegrated into society is an offender not returning to State prison so over a period of time this investment would result in reduced costs. Michigan invested \$23 million in its prisoner re-entry services and has decreased its overall corrections spending by \$120 million with 3,260 fewer inmates. In fact, Michigan is now housing some of Pennsylvania's prisoners due to our crowded DOC facilities.*

**Potential Cost Savings: \$ To Be Determined**

**Reducing Prisoner Population in State Correctional Facilities:**

- **Senate Bill 1161** (authored by State Senator Stewart Greenleaf (R-12) under consideration in the House Judiciary Committee) The Commission recommends addressing issues relating to prerelease and parole, and to the completion by offenders of prescribed programming. If an inmate is within 18 months of completing his minimum sentence when the inmate is committed to the Department of Corrections (DOC), the Department should be authorized to transfer the inmate to a prerelease center. While confined in the prerelease center, the inmate may complete the prescribed programming as part of the inmate's prerelease plan. *Based on DOC Secretary Beard's testimony, the "short minimum" provision would provide the following net savings to DOC:*

**Potential Cost Savings: Table 1.**

<b>SB 1161 - Net Savings to the Commonwealth</b>				
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
"Short run" Pre-release	\$877,000	\$8,046,000	\$8,432,000	\$17,355,000
Technical Parole Violator Centers	\$800,000	\$12,300,000	\$14,700,000	\$27,800,000
Rebuttable Parole Efficiencies	\$120,000	\$120,000	\$120,000	\$360,000
Payment for Drug Screening Tests*	\$664,000	\$664,000	\$664,000	\$1,992,000
Order of Sentence Served†	\$51,400	\$51,400	\$51,400	\$154,200
CPV Reduction in Back Time	\$404,500	\$647,000	\$890,000	\$1,941,500
<b>Total:</b>	<b>\$2,916,900</b>	<b>\$21,828,400</b>	<b>\$24,857,400</b>	<b>\$49,602,700</b>
* Projections for Year 2 and 3 have not yet been developed.				
† This estimate is based on actual transportation costs in bringing an offender back to PA to finish a sentence after serving a federal or other state sentence and the administrative costs to monitor federal or other state's sentence completions of parolees. It does not include the cost of offenders who stay in PA prison because they cannot be paroled to the feds or another state. The number of offenders this affects and for how long is not known, thus the number of bed days saved has not been calculated.				

- **Senate Bill 1275** (authored by State Senator Stewart Greenleaf (R-12) under consideration in the House Judiciary Committee) The Commission recommends establishing a graduated sanctioning process for state parole violators. The system is designed to hold the parolee accountable for a technical parole violation while avoiding the cost of recommitting the parolee to prison. *Based on Secretary Beard's testimony, as well as the Pennsylvania Board of Probation and Parole, the "technical parole violator" provision would provide these savings to the DOC:*

**Potential Cost Savings: \$3,065,000 DOC savings in year one**  
**\$16,417,000 DOC savings in year two**  
**\$18,433,000 DOC savings in year three**

- The Commission recommends amending the Judicial Code to add a section that authorizes each county court of common pleas to establish a program that will impose swift, predictable and immediate sanctions on offenders who violate their probation. *Savings to the State would be indirect considering this is a county based program. A similar program based in Hawaii resulted in an estimated yearly savings of \$4,000 to \$8,000 per offender. If we can successfully treat drug addicted offenders on the county level fewer of them should end up in the State system.*

**Potential Cost Savings: \$ To Be Determined**

- **Senate Bill 1299** (authored by Senator Greenleaf (R-12) under consideration in the House Appropriations Committee) The Commission recommends making nonviolent offenders eligible for Pennsylvania's alternative sentencing programs. These programs include county intermediate punishment (CIP), state intermediate punishment (SIP), state motivational boot

camp, and the recidivism risk reduction incentive (RRRI). Based on Secretary Beard's testimony, the "eligibility" provisions for SIP and RRRI would provide the following net savings to DOC:

**Potential Cost Savings: \$217,000 in year one**  
**\$6,683,000 in year two**  
**\$15,595,000 in year three**

### **Analysis of the Costs of Operating Commonwealth Correctional Facilities**

The Commission recommends that a cost analysis of operating our correctional institutions be undertaken to identify other areas of potential cost reductions. One such area would be the food services operations. An example in this area would be a pilot program offering brunch to inmates on the weekends and holidays.

Testimony from the National Conference of State Legislatures (NCSL) cited examples from Arizona, Ohio, Georgia, Kentucky and Illinois serving brunch or 2 meals on weekends and/or holidays in some or all of their DOC facilities. While no food cost savings were recognized directly in each of their respective Departments, the savings came operationally in related areas such as reduced labor hours both in food service and security and thus utilities. Staffing and security needs should be carefully reviewed as a part of the DOC's analysis.

All areas of operations should be investigated at Commonwealth correctional facilities to identify areas of cost reduction, including how technology can be used to reduce the cost of running our prisons.

### **Department of General Services**

#### **Vehicle Use Policy and State Fleet:**

The Commission heard testimony from former Pennsylvania Department of General Services (DGS) Secretary Walter Baran, as well as DGS Secretary James Creedon and Enterprise Holdings. Secretary Baran's testimony provided insight into the reduction of the state vehicle fleet during his tenure with Gov. Richard Thornburgh's Administration and the necessity to reduce the state vehicle fleet during that time. In addition to the Department of General Services testimony and testimony from the Auditor General's office, the Commission also received numerous citizen submissions relating to the use of state vehicles by state employees regarding the size and efficiency of the state vehicle fleet.

The Commonwealth Policy, which can be viewed at [www.state.pa.us](http://www.state.pa.us) under "Travel Policies", states that state employees or those traveling on behalf of the state must use the least expensive transportation available. These choices include a state vehicle from the fleet, a rental car or a personal vehicle with mileage reimbursement. If the employee is traveling 100 miles or more in a 24 hour period they should be required to use a temporary fleet vehicle or a rental car rather than their personal vehicle.

#### **The State Fleet:**

Testimony revealed that a large portion of the state fleet is not vehicles used for travel, but rather "working vehicles" such as trucks and off-road vehicles like graders or trailers. Of the 16,186 vehicles in the state fleet in 2009, 8,334 were passenger vehicles. This number includes approximately 4,400 law enforcement vehicles utilized by the State Police, Probation and Parole and the Office of the Attorney

General vehicles, therefore about 25 percent of the Commonwealth fleet is used by state employees to travel on state business. Of those used for Commonwealth business, some are used on a permanent basis and others are in the "pool" or available for temporary use when a trip is required. Testimony also indicated that savings could be realized by downsizing the permanent fleet and increasing the use of a rental car option, thus saving Commonwealth money on housing, insuring, transporting and maintaining a portion of the fleet.

- Based on testimony and information from other states, the Commission recommends that while some pool and permanent vehicles are necessary for the operation of the state government, a study should be commissioned by the Department of General Services to ensure that the fleet is being used efficiently. This includes reviewing if those who have been assigned a car on a permanent basis actually require full time use of a car as well as ensuring that the temporary use "pool" vehicles are not sitting idle waiting for use because another travel option is more cost effective. Given the savings realized in other states, those vehicles not being used efficiently should be sold and the state vehicle fleet reduced based on the findings of the study. According to testimony by Enterprise Holdings, savings to the Commonwealth from fleet efficiency would amount to \$8 million.
- The Commission further recommends an investment in the technology used in the state fleet and its management. The use of current tracking and management technology could increase the efficiency of the fleet and decrease the number of cars needed thereby generating significant savings for the state.

Based on fleet analysis conducted in other states, 50 percent of a dedicated motor pool can be reduced due to improper utilization (i.e. weekend and holiday non-usage=111 days). A comprehensive analysis of Commonwealth fleet costs can provide accurate cost savings. However, using the 50 percent standard and 3,913 non-law enforcement passenger vehicles, 1,956 vehicles could be eliminated saving the Commonwealth \$8,802,000.00. (1,956 X \$4,500 state estimated figure). This does not include any passenger trucks or sport utility vehicles that are in addition to the 3,913 passenger vehicle total. A breakdown of this figure by vehicle class would help to determine which vehicles could be replaced or supplemented by a rental opportunity versus owning. (Source: Enterprise Holdings)

#### **Vehicle Use by State Employees:**

Testimony was given that the vehicle use policy is not being implemented as written and that state employees are given more leeway to choose their own form of transportation than the current cost containment policy would indicate. Examples of employees overusing the personal vehicle reimbursement option were given. In some cases employees whose monthly mileage would otherwise qualify them for a permanent state vehicle or frequent use of a temporary "pool" vehicle were being reimbursed for personal mileage.

The personal vehicle option is the most costly to the state and the Commission recommends that any change in policy or actions should seek to reduce the use of this option. While the mileage reimbursement amount is set by the U.S. General Services Administration and is a fair rate for both the state and the employee, its use can become too expensive for the state when the daily or total mileage is above a low and infrequent level.

- The Commission recommends that the current policy be strengthened so that the current requirements are enforced universally. A system should be in place such that when a state employee has a travel need the option chosen must be justified as the least expensive version that meets the employee's needs. The actual need to travel should also be addressed in the policy and steps implemented should reduce travel to the minimum required. According to testimony from Enterprise Holdings, savings to the Commonwealth from vehicle use reform would save \$10 million.
- The Commission also supports legislation by Senator Michael Brubaker that would mandate a study of the Senate fleet and its use, as well as the implementation and enforcement of stricter vehicle use policies.
- The Commission also recommends **Senate Bill 104**, authored by Senator Mike Folmer (R-48) and under consideration in the House State Government Committee that requires the Department of General Services and each Commonwealth agency to post and maintain a list of state employees, contract employees and independent contractors who are assigned a state-owned vehicle on its Internet website.

**Potential Cost Savings: \$18,000,000**

**Procurement:**

The Commission received testimony from State Representative Sheryl DeLozier (R-88) concerning the efforts of the IMPACCT Commission and procurement plans under the Administrations of Governor Thomas Ridge and Governor Mark Schweiker.

The Commission recommends that the Department of General Services perform a system-wide study of the procurement process in state government. Testimony indicated significant savings potential exists in the fragmented and decentralized procurement systems. Centralizing and consolidating many state procurement functions, especially in the area of Information Technology (IT), will offer savings to the Commonwealth. Increased technology could make procurement more automated and efficient. The Commission is aware that with the preceding recommendations there are some serious tradeoffs such as worker autonomy and lost productivity that may occur and will rely on the more in depth study to enumerate those potential concerns for policy makers.

The most important factor here is to ensure that the state is achieving the maximum leverage possible in its procurement actions. This means that wherever possible purchases should be consolidated and the Department of General Services should be the purchasing agent for these purchases. A particular area of focus should be in the area of IT. Additionally, consolidating the purchases of county, municipalities and school districts should be evaluated to determine what cost reductions might be gained in these purchases.

## Pensions

The Commission recognizes that the pension crisis facing the Commonwealth is too multifaceted and too large to be dealt with in any other way than with a comprehensive review and action plan. The Commission calls for swift action on and reasonable solutions to this crisis.

The Commission has recognized a number of reform efforts that, if implemented, would assist in alleviating the looming crisis.

- The Commission recommends further study of **Senate Bill 1228**, authored by Senator Daylin Leach (D-17) and currently in the Senate Finance Committee that provides for an expanded reporting of the status of municipal pension plans.
- The Commission also recommends consideration of **House Bill 2497**, authored by Representative Dwight Evans (D-203) and currently in the Senate Finance Committee, which would increase the vesting period from five to 10 years for new state and school district employees and require higher contributions. The legislation decreases the multiplier from 2.5% to 2%, increases the retirement age (to 65, from the current 60 or 62) and prohibits lump-sum withdrawals from the plan for new employees.

The Commission also recommends further review of **Senate Bill 566** as authored by State Senator Pat Browne (R-16), under consideration in the Senate Finance Committee and **House Bill 1174** as authored by State Representative Scott Boyd (R-43), under consideration in the House Finance Committee. Both bills would provide for a unified retirement system for Commonwealth employees.

Additionally, consistent with prudent asset allocation, the Commission recommends that state pension funds should minimize management fees and transaction costs including the use of index funds where feasible.

## Information Technology/ Management

Information is crucial to improving the effectiveness of the operations of all state agencies. One vital factor is to require all systems interfacing with each other, such as the Department of Public Welfare with the Department of Labor and Industry in order to prevent welfare fraud. The Commission also recommends that the Commonwealth enters into information sharing agreements with surrounding states in order to help minimize fraud. New technology has the ability to transform the way governments operate and do business and Pennsylvania needs to take the lead on this issue.

The Commission recommends a system-wide study be conducted regarding the coordination of Commonwealth information technology (IT) services throughout the various agencies. Through constantly improving technology such as cloud computing, systems can be scaled up and down quickly to ensure that that the Commonwealth only pays for what it uses when it uses it – avoiding expenditures on underutilized software and hardware. In this way, the Commonwealth could achieve very real savings through increased coordination and consolidation of its various IT systems.

The Commission also recommends transitioning to a nearly paperless work environment throughout the various Commonwealth agencies through the expanded use of IT systems. Many of these agencies already have the necessary technological infrastructure in place. Cost savings are just one benefit of this transition; this would also enable the Commonwealth to further reduce its carbon footprint and operate as a more “Green” workplace.

The Commission recommends that a study be conducted on the potential cost savings of the expanded use of technology for tax collection purposes. Benefits to the Commonwealth would include cost savings realized through greater efficiency and enabling the Commonwealth to collect taxes in a more efficient and timely manner. The Commission has learned the Department of Revenue is operating on computer systems that are between 20 and 25 years old. After an initial capital investment, real cost savings could potentially come through the modernization of the IT systems in this department.

The Commission also recommends that a comprehensive study of consolidation of the many state data centers should be conducted in order to examine potential cost savings.

## **Education**

The Senate Government Management and Cost Study Commission recognizes there are a number of statutory and regulatory barriers to streamlining and improving education in Pennsylvania. School districts can inevitably save the Commonwealth dollars in the long term. While we recognize it is very difficult to build a “one size fits all” model on the state level, many cost savings can be achieved through regionalization.

According to the Education Policy and Leadership Center testimony, a 2007 report of the Task Force on School Cost included numerous recommendations which, if both enacted and implemented, could significantly reduce many costs incurred by school districts.

The Task Force Report provided insight into some of the major cost-drivers affecting school districts. For the period from 1995-96 to 2004-05, while there was 28 percent growth in CPI, and regular education costs grew by 34 percent, increased spending on special and gifted education grew by 97 percent. During this same period, school district costs for employee health insurance grew by 132 percent, expenditures for debt service by 90 percent and costs for transportation by over 58 percent.

According to the Education Policy and Leadership Center, one of the most obvious areas where savings could be realized for many districts concerns health care costs for employees. **House Bill 1881** authored by State Representative David Kessler (D-130) is currently under consideration in the House Appropriations Committee that would consolidate healthcare for school employees to help maximize purchasing power with insurance companies.

- While the idea of a statewide system of benefits is not unanimously supported by all of the relevant parties, the Commission recommends enactment in a form that would provide cost reductions to a very significant percentage of districts. Legislation of this type has failed to be approved during several sessions of the General Assembly.

The Center further added that the greatest promise for benefits to taxpayers and students alike will be found in the opportunities for collaboration among districts.

The Commission supports the following proposals:

- Creation of a bipartisan working group to study the countywide administration of school district administrative functions, as proposed in **Senate Bill 1321**, authored by Senator John Wozniak (D-35) and currently under consideration in the Senate Education Committee. According to this legislation, all administrative functions of school districts of the second, third or fourth class within a county shall be consolidated at the county level. Administrative functions would include payment of payroll obligations, financial accounting and reporting and purchasing and contracting with insurers and vendors.

The Commission strongly recommends that school districts carefully review the practices suggested in the study, **"500 Cost Reduction Strategies for Local Education Agencies"** as presented by the Pennsylvania Association of School Business Officials (PASBO), including, and not limited to, the following examples: (Available at [www.senatorargall.com/commission/052410/agenda.htm](http://www.senatorargall.com/commission/052410/agenda.htm)):

- Implementing uniform, centralized business practices on the state level for school districts to follow;
- Combining alternative education programs and encouraging countywide Intermediate Unit cooperation.
- Modifying overly constrictive constraints on bid processes.
- Implementing independent energy audits by each school district to determine immediate and future energy cost savings.

The Commission also recommends legislation, **House Bill 1889**, authored by State Representative David Kessler (D-130) and introduced during the 2007-08 Session, which would establish uniform school construction costs.

### **The General Assembly:**

During the course of our process of gathering information, we solicited and received money-saving suggestions from the general public. While the suggestions addressed a broad range of government expenditures, a significant percentage specifically suggested ways for the Legislature itself to spend less money on its operations.

Some of the suggestions struck the Commission as being well-intentioned, but ultimately inconsistent with the goal of having a Legislature that was a co-equal branch of government, with sufficient resources to offset the influence of a Governor, lobbyists, or staff members. Other suggestions regarding the Legislature went beyond cost-cutting and addressed broader policy considerations that we were not empowered to examine.

In two key areas, the Commission recommends that suggestions received by the public should be the subject of a comprehensive analysis by the General Assembly to seek significant cost savings: merging some separate four-caucus operations and its current "per diem" system of daily expense reimbursement for State Senators and Representatives.

The members of the Cost Study Commission understand the traditional partisan nature of many state and federal legislative chambers and the caucus-based approach to organizing staff in the Pennsylvania

House and Senate. We recognize the desire and need for confidentiality in certain areas of developing a policy agenda and understand the legitimacy of such partisan separation.

We also recognize that certain core staff functions have been centralized within each chamber and through joint nonpartisan service agencies such as the Legislative Reference Bureau, the Local Government Commission, the Joint State Government Commission, and the Legislative Budget and Finance Committee. At the same time, we understand that other staff services, with a commonality of function such as computer services, fiscal analysis, and printing and mailing services are still organized and provided on a partisan caucus basis.

The Commission recommends the leadership of the four legislative caucuses conduct a study to consider the merits and potential cost savings of merging some staff functions currently conducted on a partisan caucus basis. A number of other states have successfully developed non-partisan legislative agencies for these services with significant savings. Therefore, we believe, significant cost savings would be achieved by the Pennsylvania General Assembly if a consolidation analysis was completed to reduce the duplication of effort and function of the separate caucus-run operations. A similar proposal was recently recommended by the 28<sup>th</sup> Statewide Investigating Grand Jury.

Examples of consolidation in other states include: California's Legislative Analyst's Office, Colorado's Joint Budget Committee, Illinois's Legislative Information Service, and New Jersey's Office of Legislative Services.

The members of the Cost Study Commission also discussed the fact that the General Assembly currently employs a per diem system for the payment of a member's daily expenses. We recognize that a per diem rate in some cases may be more or less than a member's actual daily expense. Additionally, we realize that some private industry entities, other governmental bodies within Pennsylvania, and other federal or state governmental bodies reimburse daily expenses either based upon actual expenses or at a different daily per diem rate. Therefore, we believe that a change to the current legislative reimbursement system may provide significant cost savings.

This Commission recommends the leadership of the four legislative caucuses conduct a comprehensive study and provide a cost analysis of the payment of expenses based upon the current set per diem rate versus a reimbursement of actual expenses to determine potential cost savings.

### **Public Welfare**

The Pennsylvania Department of Public Welfare (DPW) represents over 35 percent of the Commonwealth General Fund budget. According to the Auditor General's recent audit titled - "A Special performance Audit of the Department of Public Welfare – Special Allowance Program, August of 2009," millions of dollars each year are wrongfully distributed as a result of errors or improper eligibility determinations made by DPW. The Commission reviewed many of the recommendations of the Auditor General's audit. These recommendations, if implemented, would eliminate unnecessary spending by the Department.

While DPW has informed the Auditor General of its change in policy for reviewing increases in income when the information becomes available, future follow-up audits have been planned for verification purposes.

This Commission strongly encourages DPW to:

- Review eligibility requirements for recipients in a timely, appropriate fashion rather than semi-annually or annually. The sooner DPW detects increases in income from employment, the sooner the recipient can be deemed ineligible and improper payments can be stopped.
- Endorse a receipt-based purchase program for DPW recipients, as opposed to using monies for items other than designated purposes.
- Improve overall operations of County Assistance Offices. The Commission endorses the idea of creating interstate agreements to share information among county assistance offices regarding assistance applicants, employment information, unemployment compensations claims and wage history, in order to prevent fraud or abuse.

The Commission also heard testimony concerning the Commonwealth's Medicaid Program, which costs taxpayers millions of dollars each year. Funded by the state and federal government, this program is administered by DPW. In the 2008-09 Fiscal Year, the program received over \$14 Billion dollars in state and federal funding, with \$6.7 Billion as the Commonwealth's portion.

The Auditor General cited a 14 percent error rate in processing Medicaid applications, resulting in the loss of millions of state dollars.

The Commission also heard testimony provided by Service Employees International Union Local 668, Pennsylvania Social Services Union, including:

- Reducing overpayments to dependent individuals through improved information sharing among DPW, Labor and Industry, Revenue, PennDOT, County Assistance and Domestic Relations Offices. While certain information is available at the state level, it often is not received at the county level in time to prevent overpayment.
- Creating a Northeast information sharing agreement with states regarding assistance applicants, employment information, unemployment compensation claims and wage history. This agreement would pinpoint individuals who file for assistance in Pennsylvania, while being gainfully employed in surrounding states.
- Improved partnerships with the medical community to reduce hospitalization and safely reduce the length of stay for people who must be hospitalized.
- Make expedited handling of Medicaid/CHIP applications available to those most at risk.
- Use the expertise of medical professionals to determine which applications are the highest priorities. Use technology for enhanced Medicaid eligibility screening and benefit determination.
- Expedite the authorization or rejection of Medicaid/CHIP applications for all uninsured citizens who are hospitalized.
- Create a process to expedite the Long Term Living option for hospitalized persons in need of these services.
- Streamline the waiver process.

The Commission recommends that each of these proposals should be carefully evaluated by DPW. Additionally, the Commission reviewed other technology-related cost-saving opportunities from TECHQuest Pennsylvania. These recommendations should be further reviewed by DPW to utilize technology for:

- Medicaid Waiver Administrative Service Support.
- Home & Community-based services, time and attendance.
- Enhanced automated pharmacy prior-Authorization.
- Healthcare dependent eligibility audits.

**Total Cost Savings: \$380,000,000**

#### **OTHER RECOMMENDATIONS:**

##### **Pennsylvania Code and Bulletin** (Recommendation suggested by email correspondence)

Publication of regulations is an essential government function. Regulations have the force of law, just like statutes. At the Commission's request, the Legislative Reference Bureau has prepared draft legislation to change the current subscription system for the *Pennsylvania Code* and *Pennsylvania Bulletin*, allowing for an electronic-based subscription system option rather than a paper-based system. This will reduce some, but not all, of the expenses of publishing.

**Potential Cost Savings: \$ To Be Determined**

##### **Eliminate the Position of Jury Commissioner**

Current legislation pending before the General Assembly would grant each county Board of Commissioners the option to abolish the Office of Jury Commissioner by Resolution. On approval of this Resolution, the office would expire at the completion of the current Jury Commissioners' terms of office. The option to abolish the Office of Jury Commissioner is a component of the County Commissioners Association of Pennsylvania (CCAP) mandate relief priority. The legislation makes elimination of the office a matter of local discretion. For those counties which have assigned other duties to their Jury Commissioners and have a continued need for this office, it should remain. But for the majority of counties, where the office is no longer needed based on their duties already being assigned to court administrative staff, this legislation will grant the ability to generate real savings for local taxpayers. Legislation under consideration include:

- **Senate Bill 435**, authored by State Senator Robert Tomlinson (R-6) under consideration in the House Local Government Committee.
- **Senate Bill 1117**, authored by State Senator Lloyd Smucker (R-13) under consideration in the House Local Government Committee.

Counties with Home Rule Charters, including Allegheny, Delaware, Erie, Lackawanna, Lehigh, Northampton, and Philadelphia, have already abolished the Office of Jury Commissioner. Legislation has already been adopted permitting the commissioners in Dauphin and York Counties (Act 79 of 1998) to place the question on the ballot, and to permit the Commissioners of Berks County (Act 41 of 2002) to abolish the office by vote of the commissioners. Under the provisions of these acts, the Office of Jury Commissioner has been abolished in each of these counties.

Under the Judicial Code, the President Judge has discretion to determine how the jury system is managed in the county. There are some counties that fully utilize the Office of Jury Commissioner while others place the administration of jury selection with the court administrative staff and do not rely on the Jury Commissioners. On this basis, in many counties the Office of Jury Commissioner has become obsolete. The Office of Jury Commissioner was created to secure individuals to serve on juries, to do so in an impartial and non-partisan fashion, and to resolve questions of ability to serve. Computerized systems and court administrative staff now serve these functions.

**Potential Cost Savings: \$1,000,000 (67 counties).**

## **COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS**

SR 161 encourages the “return [of] functions and job creation to the private sector”. Traditionally, the model in our Commonwealth has been to fund economic development projects by collecting taxes and then earmarking monies for use in job creation through grant and loan programs. The goal is to create higher paying jobs through these development subsidies.

While this Commission recognizes the importance of a strong economy and increased job growth, we recommend a comprehensive review by the Pennsylvania Department of Community and Economic Development to evaluate the costs and benefits associated with each of its grant, loan, and tax credit programs to determine their viability, as discussed in testimony received from the Commonwealth Foundation.

## **Conclusion:**

This report is part of a national effort of states throughout the nation looking to reduce costs during one of the worst national economic downturns in American history. By reinventing the way Pennsylvania delivers government run services, we can reduce spending while preventing unnecessary tax increases, while still delivering services to the citizens of the Commonwealth in an efficient and effective manner.

This Commission recommends that the General Assembly must make difficult decisions now in order to position Pennsylvania for future economic growth. It is imperative that government changes the way it operates in order to prevent future budget shortfalls.

These recommendations include long-term, proactive approaches to reduce the inmate population, consolidate educational services, use technology to improve and enhance state services, as well as streamline services to our state's neediest individuals.

This Commission's most important conclusion is this:

We strongly recommend that the cost saving efforts of this and previous Commissions should be scheduled to occur on a continuing basis, not just every 10 or 15 years. For this reason, the Senate Government Management and Cost-Study Commission recommends that a non-partisan Office of Continuous Improvement should be created that would be tasked with constantly examining the expenditures of the Commonwealth to best determine where real cost savings can be found throughout state government. Like the private sector, state and local governments are facing tough budgets, limited resources and the need for organizational consolidation.

The entire General Assembly should serve as an active partner in the state's cost-cutting efforts. To turn this goal into a reality, this Commission recommends that each Standing Committee in the General Assembly, with directives given by the President Pro Tempore of the Senate and the Speaker of the House to all Committee Majority and Minority Chairs, propose at least one significant cost-cutting program each year.

Together, we can realize sustainable results. The results of this six-month study indicate that these efforts which we have identified, if enacted, can save the taxpayers of Pennsylvania **\$457,885,400.00** over the next three years.



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR  
HARRISBURG

February 24, 2010

*Dave -*  
The Honorable Dave Argall  
Senate of Pennsylvania  
Co-Chair  
Cost Study Commission  
Room 16 East Wing  
Harrisburg, PA 17120

*Daylin -*  
The Honorable Daylin Leach  
Senate of Pennsylvania  
Co-Chair  
Cost Study Commission  
Room 184 Main Capitol  
Harrisburg, PA 17120

Dear Senators:

On behalf of Governor Rendell, and the entire Administration, I would like to congratulate you and your colleagues upon the adoption of the resolution creating a commission to study the management of current government operations and making recommendations on cost cutting measures. This is a goal that we have pursued over the last seven years and we have been on task. Therefore, I am pleased to offer our assistance and availability as you set about your work.

We believe that streamlining management and cutting costs within the bureaucracy are important functions that must be performed by all branches of government, not just during difficult economic recessions as referenced in the resolution, but every single day, in good times and bad. The citizens of this commonwealth have a right to expect all of us to squeeze as much as we possibly can out of the hard earned tax dollars they send to Harrisburg. We have an established record of pursuing economies and efficiencies that have resulted in a government that is far leaner and far more efficient than it was in January of 2003.

That is not to say that those who came before us did not attempt to address these issues too. Walter Baran testified to that fact on behalf of the Thornburgh administration. Governor Casey took measures to deal with the fiscal and performance problems at Scotland School for Veterans' Children as a means to help close the budget gap in the early nineties. Governor Ridge promoted the PRIME initiative. This effort has been bipartisan and long standing. All governors have taken their lumps in trying to deal with these difficult issues.

Make no mistake that there are entrenched political, parochial and bureaucratic interests that continue to stand in the way of further progress. If your goal is to ensure that every consideration is given to the totality of cost-savings measures, it is important that you have an understanding of what has been done to date, and an honest assessment of the impediments to doing more.

February 24, 2010  
Page 2

Pursuant to that end, I respectfully request that you host an administration panel consisting of Secretaries Creedon, Wyatt, and Soderberg. The Department of General Services, the Office of Administration, and The Office of the Budget have been front row center as we've cut, economized, and streamlined operations throughout this government. In my judgment, the collective experiences and expertise of these professionals, as a team, will be very helpful to your commission.

Again, on behalf of the Governor, I congratulate you on your mission and I appreciate your consideration of this important request.

Sincerely,



Steven M. Crawford  
Chief of Staff

cc: Colleen Kopp, Secretary, Office of Legislative Affairs  
Mary Soderberg, Secretary, Office of the Budget  
Naomi Wyatt, Secretary, Office of Administration  
Jim Creedon, Secretary, Department of General Services

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

**SENATE RESOLUTION**No. **161** Session of  
2009

INTRODUCED BY ARGALL, BOSCOLA, ALLOWAY, BROWNE, BRUBAKER,  
ERICKSON, GREENLEAF, ORIE, RAFFERTY, SMUCKER, WARD, WAUGH,  
D. WHITE, PIPPY AND FARNESE, AUGUST 10, 2009

SENATOR MCILHINNEY, STATE GOVERNMENT, AS AMENDED, DECEMBER 15,  
2009

## A RESOLUTION

1 Establishing a commission of private and public sector cost-  
2 minded leaders of this Commonwealth to study the management  
3 of current government operations and to make recommendations  
4 of cost-cutting measures.

5 WHEREAS, During this difficult economic recession, the  
6 economic health of this Commonwealth is a top priority; and

7 WHEREAS, The tax burden of this Commonwealth's citizens and  
8 businesses resulting from the cost of government operations and  
9 administration can have a significant impact on the economic  
10 health of the Commonwealth; and

11 WHEREAS, State government has an obligation of fiscal  
12 responsibility and of limiting the tax burden it imposes; and

13 WHEREAS, There should be an organized bipartisan effort to  
14 determine ways in which government can be made more efficient;  
15 therefore be it

16 RESOLVED, That a government management and costs study  
17 commission of leaders from the public and private sectors be  
18 established to study Commonwealth government operations and the

1 experience of other states in an effort to propose changes which  
2 will reduce costs; and be it further

3 RESOLVED, That the commission's recommendations include those  
4 which:

5 (1) cut costs;

6 (2) increase efficiency;

7 (3) consolidate like functions;

8 (4) return functions and job creation opportunities to  
9 the private sector; and

10 (5) eliminate functions;

11 and be it further

12 RESOLVED, That the commission be comprised of six members to  
13 be appointed by the Majority Leader of the Senate and four  
14 members to be appointed by the Minority Leader of the Senate,  
15 with no more than two appointments from each authority being a  
16 governmental official or employee; and be it further

17 RESOLVED, That the commission be charged with electing one of  
18 its members as chairman; and be it further

19 RESOLVED, That the appointments be made within 30 days of the  
20 approval of this resolution; and be it further

21 RESOLVED, That the commission make a report of its findings  
22 and recommendations to the Senate by June 30, 2010, at which  
23 time the commission shall cease to exist; and be it further

24 RESOLVED, That the commission rely on ~~the~~ existing SENATE  
25 ~~staff of the Senate Appropriations Committee to the greatest~~  
26 ~~extent possible~~; and be it further

27 RESOLVED, That necessary and reasonable costs and  
28 expenditures of the commission be paid from funds already  
29 appropriated to the General Assembly.