

MAINE STATE LEGISLATURE

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COMMITTEE ON GOVERNMENTAL RELATIONS AND PROCESS

MEMORANDUM

To: Commission Members
From: Committee on Governmental Relations and Process
RE: Outline of Committee Status; For October 4th Meeting

The following is a brief outline showing the status of the work of the Committee on Governmental Relations and Process. The outline is generally organized according to the priorities of the issues. *All findings and recommendations are preliminary; the committee has not yet discussed these for the purpose of coming to any final consensus.*

A. Audit and Program Review.

Issue: Is there a need for more effective review of current programs and of tax exemptions by the Legislature? *Findings:* Concern has been raised that the present sunset review process may not often result in program eliminations. It has been suggested that the process could be improved if more ad hoc and therefor timely review and analysis occurred. It has been suggested that it may be appropriate for there to be a formal process link between the Appropriations Committee and the Audit Committee. It has also been suggested that the Audit process may be improved if it resulted in a prioritization among programs reviewed. *Recommendations:* The committee is considering restructuring the process in light of these finding but has not yet developed any particular recommendations. Certain ideas have been floated: having citizen members on the Review Committee; requiring the program review process to establish priorities among programs reviewed; allowing the Council to assign current problem issues to the committee for review; speeding up the 11-year sunset review cycle.

B. The budget process There are several sub-issues under consideration:

1. *Issue:* Should growth in expenditures be smoothed out and reserves created to avoid revenue short falls in down economies? *Finding:* There is inherent in revenue forecasting a certain degree of inaccuracy,

and this causes particular problems in fluctuating economies. *Recommendations:* The committee has discussed the possibility of using some other method for setting expenditures in the budget including the use of some sort of 10-year growth trend analysis which would be used to set spending levels and to create reserves.

2. *Issue:* Should a version of consensus forecasting be adopted? *Finding:* At present the Executive is solely responsible for State revenue forecasts. This has sometimes resulted in tension between the Executive and the Legislature when the Legislature questions those forecasts. *Recommendations:* The committee is exploring the possibility that some form of Legislative/Executive consensus forecasting may result in a better political climate for dealing with the budget. There are essentially three models: the Legislature and the Executive each produce forecasts and then meet to attempt to work out differences; a joint Legislative/Executive committee develops the forecast (this is true "consensus forecasting"); an independent commission develops the forecast and provides this to the Executive and the Legislature.

3. *Issue:* Is the form of the budget document conducive to efficient and effective Legislative review? *Findings:* The committee is seeking comments from interested parties on the form of the budget document. The document presently lists actual expenditures for the year prior to the current year, an estimate of expenditures for the current year and then the Department requests and the Governor's recommendations for each of the years of the coming biennium. *Recommendations:* Interest has been expressed in having in the document the immediately prior 12 month expenditure figure for each program.

4. *Issues:* When is it appropriate to insert statutory changes in the budget document? Should tax expenditures and policies be integrated more effectively into the budget process? What is the best method of handling program changes in relation to the budget process? *Findings and recommendations:* The committee plans to solicit comments from interested persons as to how these issues may be addressed.

5. *Issue:* Should the budget, or parts thereof, be received and passed earlier by the legislature? *Findings and recommendations:* The committee has found that at least some members of the Legislature would like to see Part 1 of the budget received and passed

earlier (perhaps passed by April 1st). Concern has been raised, however, that the earlier the budget is submitted the less finalized will be the numbers which the Executive is able to supply. On the other hand, it has been suggested that early passage would establish the priority of existing programs.

6. *Issue:* Do staffing resources need to be reorganized/increased to cause more efficient analysis of budget proposals? *Findings:* The committee has found that review of policy issues in the context of the budget is a very large and sometimes overwhelming project for the Appropriations Committee with its OFPR staff. *Recommendations:* The idea of using OPLA staff working with OFPR in analyzing policy issues in the budget has been discussed.

7. *Issue:* Should a process be instituted whereby projections of costs of current programs together with projections of revenues are developed for the future biennium? Included in this issue is the issue of whether fiscal notes should include estimates of the long-term costs of legislation. *Findings and recommendations:* The committee has discussed the fact that the provision of such long-term projections could significantly improve analysis of budgets and new legislative initiatives. A particular concern which has been raised in relation to these issues is that programs and tax policies which have low initial costs but high long-term costs do not presently appear to receive adequate review.

8. *Issues:* Does the OFPR need better access to information on future cost expectations for programs? Does the Executive Branch need improved capabilities of providing that sort of information (i.e. is the information available within the Executive departments)? Is there a need for greater integration of computer systems and for better information flow between OFPR and the Budget Office and the Executive departments? *Findings and recommendations:* The committee plans to have a panel discussion with representatives of Appropriations Committee, Finance Dept. and OFPR to see if a consensus can be reached as to how information flow can be improved.

9. *Issues:* Should cost/benefit analyses be conducted to determine the appropriateness of capital investments? Does there need to be more capital investments in certain technologies? Should the State put a greater emphasis on purchasing lands and buildings rather than renting? *Findings and*

recommendations: The committee has generally determined that the answer to each of these questions is 'yes', but it has not yet developed any specific recommendations.

10. *Issue:* Is there a need for more careful review of federally funded programs? *Findings:* The committee has found that information on the total amount of state funds spent on federally funded programs is not readily available. It has also found that federally funded programs are not as carefully reviewed as programs which are funded out of the general fund. However, federally funded programs nevertheless often require the expenditures of certain amounts of State matching funds. The question becomes: how can these State expenditures be more carefully reviewed to determine if better use of the appropriations could be made? *Recommendations:* The committee will be reviewing a February 1990 report of the Appropriations Committee which gives recommendations for enhancing Legislative review of new and expanded services in federal funds. The central recommendations are: create a Federal/Dedicated Funds Subcommittee of the Appropriations Committee which would review those funds in detail; require the Governor to present "new and expanded services" funding requests for federal funds in "Part 2" of the budget.

C. Legislative Process

1. *Issue:* Should legislative terms be extended? *Findings:* The following pros and cons of lengthening terms have emerged: Pros: Allows legislators more time to gain expertise; may attract persons who are more dedicated to the process; reduces percentage of legislator's time spent campaigning; may provide more continuity in the Legislature. Cons: May discourage potential candidates; may reduce public accountability. *Recommendations:* The committee has discussed the idea of extending legislative terms to 4 years.

2. *Issue:* Should the size of the legislature be reduced? *Findings and recommendations:* The committee has discussed the idea of reducing the size of the legislature.

D. Independent boards and commissions

1. *Issue:* Does the need for independent boards and commissions outweigh their staffing and other operational costs? *Findings:* The committee has found that the Secretary of State's "report" on boards and

commissions is in a form and of a length which makes its usefulness extremely limited. At present the Secretary of State's office merely provides the raw data which it is required by statute to collect to the central computing center where it is loaded into the existing program. The Secretary of State then acquires a copy of the print out. The committee has also found that in general attempts to eliminate individual boards and commissions have had limited success. *Recommendations:* The committee is planning to develop a set of criteria by which the continued justification of individual boards and commissions can be evaluated. The committee will be applying these criteria to a certain number of boards.

E. Executive Branch

1. *Issue:* Should the departments of Finance and Administration be merged and if so how should it be done? *Findings and recommendations:* The committee plans to review the information and proposals submitted on this issue by Finance Commissioner Sawin Millet and acting Administration Commissioner Dale Doughty.

F. Constitutional officers

1. *Issue:* Are there functions which are performed by the Secretary of State which could be as effectively and more efficiently dealt with by appropriate executive departments while preserving adequate public accountability? *Findings and recommendations:* The committee has discussed the idea of putting the functions of motor vehicles, corporations and archives into appropriate Executive departments (e.g. DOT, Dept. of Professional and Financial Regulation and the Maine State Library, respectively).

2. *Issue:* Does the state get the best return on its investments? *Findings:* It has been suggested to the committee by the State Treasurer that the State is conservative in its investments (decisions on which are made by the Treasurer's deputy) and that the State's return on investment is in the top 10 in the nation. Question has arisen whether if the State used professional money managers its return could be improved. *Recommendations:* The committee has discussed the possibility of using professional money managers in establishing its investment strategies.

G. Administration of lands and buildings

1. *Issue:* Is it appropriate for there to be greater co-location of regional offices? *Findings and recommendations:* The committee plans to review a report by the Department of Administration. Committee members are concerned that issues concerning the configuration of the various departmental regions should be examined by those committees under whose subject matter jurisdiction the departments fall.

H. Executive Department

(Are other committees dealing with issues of concern here: placement of DCS and Office of Substance Abuse?)

Though the committee has been working hard and has made considerable progress over the last 2 months, the committee is nevertheless finding the very limited time frame to be the most difficult problem it is confronting. As a result of these time constraints, the committee plans to address the above-mentioned issues in vary degrees of detail.

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Interim report of the
COMMITTEE ON GOVERNMENTAL RELATIONS AND PROCESS

of the

THE SPECIAL COMMISSION ON GOVERNMENTAL RESTRUCTURING

The Committee on Governmental Relations and Process has met numerous times over the first month and a half of its existence. These meetings for the most part involved extended discussions with legislators, legislative non-partisan staff persons, the constitutional officers or their representatives and several Executive officials. During these meetings the committee attempted to reveal and explore areas of state government in which greater efficiency, effectiveness and public accountability could be obtained through restructuring. A number of potential issues arose during these meetings which the committee is presently sorting in terms of priorities. The major areas which the committee has preliminarily examined are: the budget process, the legislative structure and process, the Executive Department structure, the integration of the departments of Finance and Administration, the functions of the constitutional officers, the administration and utilization of lands, buildings, information systems and other capital resources, the usefulness and need for independent boards and commissions, state and local government relations, and state and federal regulatory overlap. Information has been gathered by the committee on several issues including particularly revenue forecasting, budgeting cycles, legislative terms, and audit and program review processes. The committee has been furnished by the Secretary of State an extremely lengthy report on the various independent boards and commissions.

The committee will narrow its focus in work sessions and then proceed to examine its chosen topics according to the committee's agreed priorities. The committee plans to make recommendations at different levels of detail according to the nature of each issue, its priority and time constraints. With regard to the independent boards and commissions, the committee plans to develop criteria for evaluating the continued justification for these entities and to apply these criteria to a manageable selection of boards and commissions.

The committee expects to provide to the full Commission its final report by November 1st.

Attached is an outline identifying the issues which the committee has examined and the present status of the consideration of those issues.

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COMMITTEE ON GOVERNMENTAL RELATIONS AND PROCESS

Function Statement

In order that it fulfill its responsibilities, state government must organize itself efficiently and effectively, employing sound management practices, to provide total quality service to its citizens. At the same time, the process of government must be structured to promote public participation and full accountability of its officials. Furthermore, it is essential that the three branches of state government maintain their distinct and separate roles and that state government as a whole establish and maintain an effective and responsible relationship with all levels of government.

A. The budget process

Further examination is planned of all issues listed in this category.

1. Matching of expenditures to revenues. Should growth in expenditures be smoothed out and reserves created to avoid revenue short falls in down economies?
2. Consensus forecasting. Should a version of consensus forecasting be adopted?
3. The budget document/process
 - a. Is the form of the budget document conducive to efficient and effective Legislative review?
 - b. When is it appropriate to insert statutory changes in the budget document?
 - c. Should tax policies (especially business tax credits) be integrated more effectively into the budget process? What is the best method of handling program changes in relation to the budget process?
 - d. Should the budget, or parts thereof, be received and passed earlier by the legislature?
 - e. Do staffing resources need to be reorganized to cause more efficient analysis of budget proposals?
4. Long-range cost estimates and revenue estimates. Should a process be instituted whereby projections of costs of current programs together with projections of revenues are developed for the future biennium?

a. Fiscal notes. Should fiscal notes include estimates of the long-term costs of the legislation?

5. Legislative access to information. Does the OFPR need better access to information on future cost expectations for programs? Does the Executive Branch need improved capabilities of providing that sort of information (i.e. is the information available within the Executive departments)? Is there a need for greater integration of computer systems and for better information flow between OFPR and the Budget Office and the Executive departments?

6. Program review and tax exemption review. Is there a need for a more effective review of current programs and of tax exemptions?

7. Contracts and obligations. Do executive departments enter into binding obligations before appropriations have been made for the programs? If so, is it appropriate for there to be a limitation on this practice?

8. Capital expenses. Should cost/benefit analyses be conducted to determine the appropriateness of capital investments? Does there need to be more capital investments in certain technologies? How should capital expenses be financed?

a. Renting vs. buying. Should the State put a greater emphasis on purchasing lands and buildings rather than renting?

9. Review of federally-funded programs. Is there a need for more careful review of federally funded programs?

B. Legislative Process

1. Legislative terms. Should legislative terms be extended? *Further examination planned.*

2. Legislative size. Should the size of the legislature be reduced? *Further examination planned*

3. Public access to committee work. Is there a need for greater public input into the Legislative Committee process? *No further examination planned.*

C. Executive Department

Further consideration planned.

1. The structure of the department. Is the organizational make-up of the Executive Department appropriate?

D. Executive Branch

Further examination planned.

1. The merger of the Departments of Finance and Administration. Should the departments of Finance and Administration be merged and if so how should it be done?

E. Judicial Branch

No further examination planned

1. The committee decided it would not deal further with issues related to the Judicial Branch, since it felt that Branch was being adequately studied elsewhere, particularly by the Commission on the Future of Maine's Courts.

F. Constitutional officers

Further examination planned.

1. Functions which may be dealt with by the Executive Branch. Are there functions which are performed by the Treasurer and the Secretary of State which could be as effectively and more efficiently dealt with by appropriate executive departments while preserving adequate public accountability?

G. Administration of personnel systems, lands, buildings, information systems and purchasing

1. Use of regional offices. Is it appropriate for there to be a rearrangement of regional offices and perhaps an elimination or merger of some offices?
Further examination planned.

2. Utilization of capital resources. Is there a more effective way for the State to utilize its existing capital resources? *No further direct examination planned.*

3. Data processing. Is there a need for increased uniformity and co-ordination of data processing systems? *No further direct examination planned.*

4. Co-ordination of actions, responsibilities, functions between departments. Is there a need for greater co-ordination between the functions and activities of the various executive departments? *No further direct examination planned.*

H. Independent boards and commissions

Further examination planned.

1. Are there criteria which may be developed for evaluating the continued justification for individual entities?

2. Using these criteria, are there a few boards which can be suggested for elimination?

I. Relationship between State and local government

No further direct examination planned.

J. State and federal regulatory overlap

No further examination planned.

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