



## Testimony to the Joint Committee on State Administration and Regulatory Oversight

by Steve Poftak

Tuesday, May 3, 2011



Thank you to Chairman Donnelly, Chairman Kocot, members of the Committee, and their staffs for the opportunity to speak with you today.

My name is Steve Poftak. I am the Research Director at Pioneer Institute.

I would like to offer my support for S1900, An Act to Improve the Administration of State Government and Finance.

This bill puts in place a system of performance management that should be a cornerstone of our efforts to make government more efficient. I am guessing that most participants in this hearing would support the concept of performance management in a general sense, so I would like to discuss some of the specific aspects of this bill that are important.

We have been offered the promise of performance measurement through the introduction of MassGoals in each of the Governor's budgets, but little data has been produced publicly to judge how developed this program is.

This bill takes an important step forward by putting performance management in statute and centralizing coordination in the Executive Office for Administration and Finance. It gives each Secretariat the ability to set up its own performance measures, with oversight from Administration and Finance. I believe this is the appropriate approach to take initially but I urge the Legislature to monitor the process and demand additional measures, where appropriate.

As a cautionary note, performance management is merely a tool and it requires active communication of results and analysis, along with the will to take action based on results, to be truly effective. For at least three years, there have been statutorily mandated performance management programs in place for workforce development and transportation.

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**Steve Poftak** is Pioneer's Director of Research and Director of the Shamie Center for Better Government. Previously, Steve worked at the Commonwealth's Executive Office for Administration and Finance. His prior experience includes service as Director of Corporate Finance for a privatization fund in Southeastern Europe. Steve holds an MBA from the Olin School at Babson College and a BA in Political Science from Middlebury College.

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Have the findings of these programs been communicated to you in an effective manner? Have they been communicated to you at all? If they have been communicated, are they informing your deliberations of budgets and policy? Performance management is a useful and smart thing to do, but it is only a tool.

Looking at other sections of the bill, the Sunset Advisory Commission is another provision that we strongly support. Although wary of using commissions as a substitute for action, it is our hope that this commission will provide a venue to rise above tactical politics and serve as a venue for more holistic analysis of our entire state government. An ideal outcome would be the Commission serving in a similar way to the federal base-closing commission, allowing difficult political decisions to be bundled into a single, more palatable package.

At the risk of being ungracious, the one change we would suggest for the bill is to remove the designated seat for Pioneer Institute on the Commission. We would be happy to serve on the Commission if asked, but are generally opposed to the designation of members of specific organizations for seats on official bodies, based on Article 6 of the Massachusetts Constitution.

There are several other aspects of the bill that we support strongly. I will discuss them in brief:

- **Improved Cash Flow Reporting** – By requiring greater disclosure of the cash flow statement and variance analysis of the previous quarter's projections, the cash flow will provide valuable information about the operation of state government.
- **Monthly Local Aid Disbursement** – The practice of disbursing local aid on a quarterly basis creates cash flow issues at both the state and municipal level. Disbursing on a monthly basis will alleviate these problems.
- **Greater Transparency at Quasi-Publics** – The recent issues facing our economic development activities has highlighted how many quasi-public authorities operate with little to no

oversight. This provision will allow greater insight into their issuance of debt and should be part of a larger transparency initiative at these entities.

- **Improved Debt Affordability Process** – The bill takes the current debt affordability process and improves it by putting it in statute and developing a broader strategy to inform the setting of the actual debt affordability level.
- **Elimination of Maintenance Budgeting** – Maintenance budgeting is an outdated method of budgeting that focuses solely on inputs and enshrines cost-escalation. It should be replaced.
- **Using Surplus Funds for Stabilization Fund and OPEB funding** – The provision to divide surplus funds between Stabilization and the OPEB trust fund is appropriate. Our unfunded OPEB liability is one of the massive unfunded liabilities facing the Commonwealth and this will begin the process of funding.

In closing, this bill represents a significant improvement in the ability of the state to manage its operations and finances. We respectfully request your support. Thank you to the Committee for their time and attention.

### **About Pioneer**

Pioneer Institute is an independent, non-partisan, privately funded research organization that seeks to improve the quality of life in Massachusetts through civic discourse and intellectually rigorous, data-driven public policy solutions based on free market principles, individual liberty and responsibility, and the ideal of effective, limited and accountable government.



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