

HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

\* \* \* \* \*

Independent Fiscal Office  
(Contained in Act 50 of 2009)

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House and Senate Finance Committees

Irvis Office Building  
Room G-50  
Harrisburg, Pennsylvania

Wednesday, February 3, 2010 - 9:00 a.m.

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BEFORE:

Honorable Patrick Browne, Majority Chairman  
Senate Finance Committee  
Honorable John Eichelberger  
Honorable Anthony Williams  
Honorable David Levdansky, Majority Chairman  
House Finance Committee  
Honorable Rick Mirabito  
Honorable Tim Briggs  
Honorable Florindo Fabrizio  
Honorable Dan Frankel  
Honorable Jaret Gibbons  
Honorable John Pallone  
Honorable Chris Sainato  
Honorable Tim Seip  
Honorable Rick Taylor  
Honorable John Yudichak  
Honorable Sam Rohrer, Minority Chairman  
House Finance Committee  
Honorable Scott Boyd  
Honorable Adam Harris  
Honorable Michael Peifer

IN ATTENDANCE:

Honorable Lisa Baker

1 ALSO PRESENT:

2 Stacey Connors  
Majority Executive Director  
3 Senate Finance Committee

4 Lesley Darrin  
Majority Legislative Aide  
5 Senate Finance Committee

6 Stephen Bruder  
Minority Executive Director  
7 Senate Finance Committee

8 Bonita Lane  
Secretary  
9 Senate Finance Committee

10 Bob Kassoway  
Majority Executive Director  
11 House Finance Committee

12 Bill Jordan  
Majority Research Analyst  
13 House Finance Committee

14 Jenny Stratton  
Minority Executive Director  
15 House Finance Committee

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1                   SENATOR BROWNE: Good morning,  
2 everyone. Thank you for joining us today for  
3 this first of two joint hearings between the  
4 House and Senate Finance Committees to discuss  
5 provisions, current provisions in Act 50 of  
6 2009 leading to the establishment of a  
7 legislative fiscal office.

8                   As a member who spent 10 years on  
9 the House Finance Committee, it's good to be  
10 back.

11                   We are hoping that more members of  
12 the Senate Finance Committee, you come over  
13 the course of the hearing at this time.

14                   But before I turn the mike over to  
15 my co-chairman, Representative Levdansky, I  
16 wanted to say this legislation has been a  
17 process of hearings, of work in the Senate  
18 Finance Committee and the Senate for over a  
19 year now. So I wanted to provide some opening  
20 remarks to set the stage as to the reason why  
21 we believe this is a legitimate action by the  
22 Assembly in improving the overall budget  
23 process for us and all of state government.

24                   The legislative fiscal office is an  
25 attempt to provide the members of the

1 Pennsylvania General Assembly, Republicans and  
2 Democrats, leadership, as well as rank and  
3 file the ability to meet our collective  
4 constitutional obligations in the  
5 appropriation of our taxpayers' dollars.

6 As the members are aware, Article  
7 VIII of the Pennsylvania Constitution,  
8 pursuant to Sections 12 and 13, vest in both  
9 the Governor and the General Assembly of this  
10 Commonwealth the obligation to enact annual  
11 spending plans which match expenditures and  
12 available revenues in the same fiscal cycle.

13 One would reasonably conclude that  
14 a parallel obligation of two separate, coequal  
15 branches of government would necessitate  
16 coequal and parallel powers and tools to  
17 fulfill that obligation.

18 Unfortunately, the current process  
19 of appropriating the tax dollars of the  
20 citizens of Pennsylvania to meet the  
21 obligations of their government do not honor  
22 the language and spirit of the constitution.

23 Current provisions of the  
24 Commonwealth's Administrative Code, which  
25 provide the statutory framework for our

1 current budget process, promulgate a  
2 distribution of powers and abilities which  
3 honor the Pennsylvania's government of a  
4 bygone era, with a balance of authority over  
5 budget components, was necessarily and  
6 appropriately vested in the executive branch  
7 to compensate for more unlimited scope of a  
8 part-time legislative body.

9 The framework offered in Act 50 of  
10 2009, I am confident, will serve to rebalance  
11 the relative distribution of powers and  
12 abilities in our budget process to effectively  
13 match the coequal obligations of the executive  
14 and legislative branches of this government, a  
15 balance and vision by our constitutional  
16 framers of over 40 years ago.

17 Act 50 of 2009 accomplishes this  
18 objective by addressing three fundamental  
19 areas. First, separate but equal authority  
20 over budget components. In order for the  
21 General Assembly and the Governor of this  
22 Commonwealth to meet its coequal obligation to  
23 its citizens in the appropriations process,  
24 both parties must--probably more important  
25 than anything else--must be coequal in

1 authority over the basic components of a  
2 spending plan.

3 Yet, in Pennsylvania, even the  
4 basic fundamentals are out of balance. Our  
5 statutory framework vests sole authority over  
6 one half of the budgeting process, the  
7 promulgation and certification of our revenue  
8 capacity in the hands of the executive branch.

9 Clearly, without parallel authority  
10 over the projection of revenue available to  
11 meet public obligations, the General Assembly  
12 does not have available to it a coequal  
13 ability to meet its constitutional  
14 obligations.

15 Act 50 of 2009 seeks to remedy this  
16 deficiency. It will do so through the  
17 creation of a bicameral, bipartisan,  
18 legislative fiscal office which will serve in  
19 parallel position to the Governor's Budget  
20 Office in the fiscal affairs of the  
21 Commonwealth.

22 In its most fundamental capacity,  
23 it will serve to rebalance the Commonwealth's  
24 budget equation through its ability on behalf  
25 of all four caucuses of the Assembly to



1 promulgate and certify a revenue estimate  
2 which the General Assembly will be empowered  
3 to use to meet its constitutionally imposed  
4 budget, balanced budget mandate.

5 Over 20 states in our nation vest  
6 in their legislative branch the authority to  
7 certify revenue estimate in equal position to  
8 that of the governor. The experience in  
9 states which operate under this framework is  
10 that the marking of a fiscal estimate to a  
11 spending plan becomes a consensus exercise  
12 rather than a matter of unilateral stipulation  
13 creating a final product with maximum  
14 bilateral accommodation.

15 With the legislative fiscal  
16 office's June 15 certification stipulation,  
17 the General Assembly will have been able to,  
18 in the last year, to finalize our share of the  
19 budget traffic process as we await  
20 negotiations with the executive branch on the  
21 final package.

22 Yearly budget deliberations  
23 commonly include consideration of various tax  
24 policy initiatives. To better equip the  
25 General Assembly in this regard under Act 50

1 of 2009, the legislative fiscal office will  
2 utilize dynamic modeling to assess the macro  
3 impact of significant tax reform proposals to  
4 provide an objective, independent  
5 determination of their effect on the overall  
6 private sector fiscal condition in the  
7 Commonwealth.

8           Second, equal access information.  
9 The relative ability of the branches of this  
10 government to meet its constitutional  
11 obligations is highly dependent on the level  
12 of access it has to requisite information. In  
13 this regard, for the Pennsylvania General  
14 Assembly in the budgeting of our state's  
15 fiscal affairs, deficiencies abound.

16           Each member of this Assembly stands  
17 in oversight capacity to policy decisions and  
18 operations of the respective executive  
19 departments of our government. Yet their  
20 oversight function as to the budgeting  
21 priorities of these agencies is, at best,  
22 limited by filtering of relevant information  
23 by the Governor's Budget Office as a final  
24 spending plan is developed by the executive  
25 branch.

1                   In substance, the General Assembly,  
2                   in its budgeting capacity, stands in oversight  
3                   authority not over the source of spending  
4                   practices and priorities of our executive  
5                   level agencies but only over the Governor's  
6                   Budget Office. As a component of a financial  
7                   system, limited authority always produces  
8                   limited accountability.

9                   The legislative fiscal office is  
10                  premised on the proposition that in order for  
11                  legislative members of this government to  
12                  fully be empowered with the tools to meet our  
13                  balanced budget obligations, we must be fully  
14                  engaged and equipped with the information to  
15                  accomplish this task.

16                  Act 50 of 2009 provides for this by  
17                  empowering the legislative fiscal office, in  
18                  its parallel role to the Governor's Budget  
19                  Office, with the same access to information  
20                  from executive level agencies, including  
21                  agency budget requests.

22                  Currently, Pennsylvania is only one  
23                  of nine states which does not give its members  
24                  of its Assembly access to agency budget  
25                  requests. This equal information exchange

1 framework will effectively engage this General  
2 Assembly along the complete timeline of the  
3 annual appropriations process, not just the  
4 current five months' post the Governor's  
5 budget address.

6 It will give the legislative fiscal  
7 office and correspondingly the legislative  
8 members the ability to more effectively and  
9 completely evaluate the substance of executive  
10 branch and respective legislative budget  
11 proposals.

12 Putting to the side all of the  
13 legalese and fancy financial terminology, the  
14 legislative fiscal office's purpose is as  
15 basic as the obligations we seek to keep as  
16 members of this Assembly. It proposes to give  
17 us all, as members of the Assembly, the tools  
18 and powers necessary to meet them.

19 I honor the Governor for his  
20 obligations and corresponding powers and  
21 abilities he currently possesses to carry them  
22 out. All I am asking for, on behalf of all  
23 the members of this Assembly, is to be treated  
24 the same.

25 In short, the revisions of Act 50

1 of 2009 will provide all members of the  
2 General Assembly the opportunity to better be  
3 equipped to work with the Governor to fulfill  
4 our annual budget, balanced budget  
5 obligations.

6 Thank you.

7 And before I pass the microphone on  
8 to my co-chairman, I want to recognize a  
9 Senate member who is here, Senator Baker.

10 Thank you, Senator, for attending.  
11 Chairman Levdansky.

12 CHAIRMAN LEVDANSKY: Thank you,  
13 Senator Browne.

14 Pursuant to the language contained  
15 in Article V (a) of Act 50 of 2009, the State  
16 Fiscal Code that was adopted, the House and  
17 Senate Finance Committees have been directed  
18 to jointly conduct at least two hearings on  
19 the subject of the creation of an independent  
20 fiscal office.

21 Today represents the first joint  
22 meeting of the House and Senate Finance  
23 Committees. And just for members' benefit,  
24 the next meeting is tentatively scheduled for  
25 February the 17th. We will get the final

1 details to you.

2 Before we call the presenters to  
3 testify, if I could have the people sitting up  
4 front identify themselves, starting from my  
5 immediate right.

6 MR. KASSOWAY: Bob Kassoway. I am  
7 the Director of the Finance Committee for the  
8 House Democratic Caucus.

9 REPRESENTATIVE BRIGGS: Tim Briggs,  
10 representative for Montgomery County.

11 REPRESENTATIVE SEIP: Tim Seip  
12 representing part of Schuylkill County, part  
13 of Berks County. Home of Mootz Candies.

14 REPRESENTATIVE MIRABITO: Rick  
15 Mirabito representing Lycoming County.

16 REPRESENTATIVE PEIFER:  
17 Representative Mike Peifer representing Pike,  
18 Wayne and Monroe counties.

19 REPRESENTATIVE YUDICHAK: Good  
20 morning. John Yudichak representing Luzerne  
21 County.

22 REPRESENTATIVE BOYD: Scott Boyd,  
23 part of Lancaster County.

24 REPRESENTATIVE HARRIS: Adams  
25 Harris, Juniata, Mifflin and Snyder.

1                   REPRESENTATIVE GIBBONS: Jaret  
2           Gibbons, Lawrence, Beaver and Butler counties.

3                   SENATOR BAKER: Good morning. Lisa  
4           Baker, State Senator, 20th District, Luzerne,  
5           Wyoming, Susquehanna, Wayne, Pike and Monroe  
6           counties.

7                   REPRESENTATIVE FABRIZIO: Flo  
8           Fabrizio, Erie County.

9                   REPRESENTATIVE SAINATO: Chris  
10          Sainato. I represent Lawrence and a section  
11          of Beaver County.

12                  MR. BRUDER: Stephen Bruder,  
13          Executive Director for the Senate Finance  
14          Committee, Democrats.

15                  MS. DARRIN: Lesley Darrin,  
16          Legislative Aide for Senator Browne.

17                  MS. CONNORS: Stacey Connors,  
18          Senate Finance Committee, Executive Director  
19          for Senator Browne.

20                  REPRESENTATIVE ROHRER:  
21          Representative Sam Rohrer, Berks County, a  
22          Republican Chair on the House side.

23                  CHAIRMAN LEVDANSKY: Thank you. I  
24          appreciate everyone being here.

25                  I just also want to note that I

1 think there are Appropriations Committee  
2 hearings going on, so you may see members come  
3 and go. They have other committee meetings to  
4 attend this week as well.

5 The first presenter I would like to  
6 call is Sharon Ward. Sharon is the Director  
7 of the Pennsylvania Budget and Policy Center.

8 Sharon, thanks for joining us.

9 MS. WARD: Good morning. Chairman  
10 Browne, Chairman Levdansky, Chairman Rohrer,  
11 Finance Committee members, I wanted to thank  
12 you for the opportunity to comment today on  
13 the creation of an independent fiscal office  
14 or a legislative fiscal office.

15 The Pennsylvania Budget and Policy  
16 Center is a nonpartisan, nonprofit research  
17 organization based here in Harrisburg. We  
18 provide information and analysis of state  
19 budget and tax policies and so you know where  
20 we come from. We review tax policy proposals  
21 for their impact on revenue adequacy and  
22 equity, and we review budget proposals for  
23 their impact on Pennsylvania's families and  
24 communities.

25 I want to address really four



1 topics today. I want to start with some  
2 observations about budget transparency and the  
3 goals of the legislation. I want to provide a  
4 brief overview, in a little bit more detail,  
5 of what is in the language of Act 50 and  
6 discuss the structure and function of fiscal  
7 offices in the other 50 states to give you  
8 some points of comparison.

9 And then I want to discuss the  
10 issue of revenue forecasting and revenue  
11 certification, which are two different things,  
12 and want to share with you some thoughts about  
13 that, and finally offer some observations and  
14 recommendations for the future.

15 So first let me say that your  
16 interest in the budget process and budget  
17 transparency is welcome. When I go around the  
18 state and I talk to groups and individuals, it  
19 is clear that most Pennsylvanians know very  
20 little about the state budget, about how their  
21 state tax dollars are spent, or about the role  
22 of state funding and services that they rely  
23 upon.

24 The General Assembly's efforts to  
25 improve this process will be a success if you

1 allow citizens to participate more fully,  
2 invite them to help set budget priorities, and  
3 give them a real understanding of the fiscal  
4 choices that you confront and the consequences  
5 of the decisions that you make.

6           You know the state budget is a  
7 statement of priorities. States that provide  
8 quality, timely and understandable budget  
9 information to the citizenry have transparent  
10 budget processes. Better information can also  
11 aid in achieving other critical goals that you  
12 have; most notably fiscal stability,  
13 accountability and informed public debate.

14           So the current proposal provides  
15 language for the establishment, as Senator  
16 Browne said, of a nonpartisan, bicameral  
17 legislative fiscal office which would be  
18 created by a commission that consists of the  
19 majority and minority leadership of the House  
20 and Senate, Appropriations Committee Chairs  
21 and the Governor.

22           And there is a list of enumerated  
23 responsibilities that would include preparing  
24 revenue estimates; preparing -- or establish a  
25 baseline budget; providing analysis of the

1 executive budget; developing models to  
2 forecast state revenue; providing an annual  
3 assessment of the state's fiscal condition and  
4 a five-year fiscal forecast; monitoring tax  
5 receipts; developing performance measures and  
6 evaluating outcomes-based performance  
7 measures; and establishing a website. All of  
8 these are very good functions, I want to say.

9           The legislation, as drafted, would  
10 effectively transfer responsibility for  
11 setting the official revenue estimate from the  
12 executive branch to the legislative branch, as  
13 represented by the legislative fiscal office.

14           The legislative fiscal office would  
15 establish an initial revenue estimate and set  
16 a binding revenue number on June 15th. The  
17 estimate could only be changed under certain  
18 circumstances. The Governor's role in the  
19 process would be to certify that the General  
20 Assembly's budget does not exceed the General  
21 Assembly's revenue estimate.

22           The legislation would make  
23 available to the LFO certain information,  
24 including monthly and daily revenue reports,  
25 monthly expenditure data, performance data,

1 and offer access to the Commonwealth's  
2 accounting system. The director of the LFO  
3 could take civil action to compel agencies and  
4 political subdivisions to provide information.

5 The bill would give the fiscal  
6 office access to data that is currently  
7 available to legislative appropriations staff  
8 under the Administrative Code, including daily  
9 revenue reports and information on the  
10 Commonwealth's accounting system.

11 Some of this information is also  
12 available to the general public. Although, I  
13 have to say much of it, including the monthly  
14 expenditure reports, are not presented in a  
15 user-friendly manner for public officials or  
16 for members of the general public.

17 And the testimony includes website  
18 information where you and members of the  
19 public can get access to that information.

20 In terms of nonpartisan fiscal  
21 offices in the states, across the country  
22 legislative fiscal offices provide a range of  
23 research and information for both lawmakers  
24 and the general public. They have become, in  
25 many states, a trusted source of information

1 about the state budget, appropriations, state  
2 revenue and fiscal conditions, and revenue  
3 changes.

4 And I work with -- My organization  
5 has counterpart organizations across the  
6 country. And most of my colleagues speak very  
7 highly about the quality of work that comes  
8 out of their legislative fiscal offices, the  
9 nonpartisan legislative fiscal offices. And I  
10 will get to that a little bit more in detail  
11 later.

12 Several sources of information  
13 exist about the structure and function of the  
14 legislative fiscal offices. And depending on  
15 how you count, you may get some difference in  
16 numbers. So some of my numbers will differ a  
17 little bit from Senator Browne's.

18 You can go to the National  
19 Conference of State Legislatures. It has a  
20 single website that lists all of the fiscal  
21 offices across the states. And you can just  
22 click on them and get information about each  
23 one, a structure and function, which is very,  
24 very instructive for you.

25 And the National Association of

1 State Budget Officers also periodically  
2 publishes reports describing state budget  
3 processes; their most recent in 2008.

4 So a review of these and other  
5 sources suggests the following: Most states  
6 have nonpartisan fiscal offices. Thirty-six  
7 states, by my count, have nonpartisan offices.  
8 Thirty of these are joint, serving both houses  
9 of the legislature or bicameral. Six states  
10 have one nonpartisan office for each chamber.  
11 Ten states, including Pennsylvania, have  
12 either completely partisan offices or none at  
13 all.

14 Legislative fiscal offices provide  
15 a wide range of services. Virtually all have  
16 missions and provide services that are much  
17 broader than those that are included in Act  
18 50. For example, 29 provide fiscal analysis  
19 for legislators; 26 prepare fiscal notes; 25  
20 prepare revenue forecasts; 24 conduct state  
21 budget analyses; 23 monitor revenue; 20  
22 conduct other research projects; they draft  
23 appropriation bills; they conduct performance  
24 reviews; they provide additional research,  
25 including and ranging everything from

1 demographics to information that feeds into  
2 their nonpartisan redistricting processes; a  
3 few certify revenue; and 2 provide tax  
4 incidence analysis.

5           Legislative fiscal offices have  
6 generally, over time, replaced partisan  
7 appropriations staff. In the vast majority of  
8 cases, the joint or independent offices take  
9 the place of caucus, fiscal or appropriations  
10 staff and perform many of those duties. This  
11 is probably the most significant effect of the  
12 legislative fiscal offices. And that may have  
13 something -- be something that evolved over  
14 time, but it does serve to provide a  
15 comprehensive platform and shared information  
16 for legislative decision-making.

17           Legislative fiscal offices are a  
18 critical source of information for the general  
19 public.

20           One of the flaws in the current  
21 proposal is that it doesn't address the  
22 information needs of the general public. Many  
23 of the offices provide citizens' guides,  
24 reports and publications that synthesize  
25 complex information for the public, making it

1 more accessible and, frankly, easy to use for  
2 lawmakers.

3 For example, Ohio is a state --  
4 There are many examples of this, but I thought  
5 I would just pull one out that was really  
6 simple. Ohio produces a simple analysis of  
7 state general fund spending by county,  
8 something that I think many of you would be  
9 interested in, and provides very easy to  
10 just -- just to information.

11 Revenue forecasting and  
12 certification. While most state legislative  
13 fiscal offices do independent revenue  
14 forecasting, it is rare for the legislative  
15 body to certify the revenue estimate, as is  
16 proposed in Act 50's language.

17 In all states, the executive  
18 branch, through an administrative office or  
19 commission, develops the revenue estimate for  
20 the state budget. In several states, and I  
21 have them listed, the legislature has some  
22 role early in the process in preparing the  
23 revenue estimate for the executive budget.

24 Now, that is not the norm, but it  
25 does happen.



1                   The question of who gets the final  
2 word on revenue estimates is a bit different.  
3 According to NASBO, 26 states--and I have a  
4 22, I have got four different counts on that,  
5 but I am going with 26--26 states use some  
6 form of consensus revenue estimating, while  
7 the executive branch certifies the estimate in  
8 17 states. In seven states--my number there  
9 was wrong before--I have counted seven states  
10 in which the legislature may subsequently  
11 revise or certify the governor's revenue  
12 estimate.

13                   Many states rely upon independent  
14 revenue agencies or commissions to help  
15 prepare revenue forecasts for either the  
16 executive or the legislature or both. The  
17 commissions may prepare the estimates and  
18 participate in the consensus process.

19                   It is clear that determining the  
20 official revenue estimate is a source of  
21 conflict between the executive and legislative  
22 branch. The process anticipated in Act 50  
23 would raise the stakes in that conflict.

24                   Now, I just want to point out that  
25 Connecticut is one of the states in which the

1 legislature had the authority to certify the  
2 revenue number. Connecticut was also the  
3 state that came in just ahead of Pennsylvania  
4 in completing its budget this year. And part  
5 of that conflict was a conflict between the  
6 branches of government around the revenue  
7 number.

8           So this disagreement added to the  
9 budget gridlock, which, as we know, is  
10 something that neither you nor the members of  
11 the general public are very happy about. But  
12 as a result of that conflict, they have moved  
13 to a consensus revenue process.

14           The language in Act 50 suggests the  
15 General Assembly would like to expand its role  
16 in the revenue certification process. That is  
17 appropriate. I think it would be fair to say  
18 that those of us outside the legislature often  
19 take very highly into consideration the  
20 revenue numbers that come out of the  
21 legislative appropriations staff.

22           So we recognize that we both have  
23 internally, on occasion, a process to work  
24 together to identify a revenue number from  
25 which you build the general appropriation act,

1 and that that is something that we generally  
2 find reliable.

3 But we would like to see you  
4 develop a consensus revenue process, and I  
5 understand that one way to do that is to  
6 create additional authority for the  
7 legislature. The other way to do that is to  
8 develop a process that is inherently  
9 consensual, which sounds like a bad word but  
10 actually isn't.

11 And perhaps we can share some  
12 legislative language with you from other  
13 states that could help to give you both a  
14 greater role but also to help provide a means  
15 to resolve conflict.

16 Budget transparency and some  
17 recommendations. When it comes to budget  
18 information, I think we have to start by  
19 saying that the Commonwealth does some things  
20 well. The executive budget format, which was  
21 first adopted by Governor Tom Ridge, has  
22 received awards from the Government Finance  
23 Officers Association for the past 12 years.  
24 In 2007, the Center on Budget and Policy  
25 Priorities established a transparency

1 scorecard to rank executive budgets on a  
2 series of indicators, and Pennsylvania scores  
3 well on those measures.

4 Providing the public information on  
5 state programs and services is critical to  
6 inform decision-making and public  
7 understanding. This information is also  
8 important to ensure the public expenditures  
9 are sustainable over time--a goal that we  
10 share with you--and that dollars are well  
11 spent.

12 Pennsylvania currently provides key  
13 information that helps to meet those goals.  
14 The executive budget provides data over  
15 multiple years; provides detail on the source  
16 of revenue, whether the revenue is from state,  
17 federal or dedicated funds; provides detailed  
18 information on expenditures, including  
19 enrollment, utilization, cost of services, and  
20 other programmatic data. It includes  
21 performance measure indicators, which we can  
22 talk about later on, if you would like.

23 The budget helps to ensure fiscal  
24 stability, in our opinion, by including a tax  
25 expenditure report, which provides, in detail,

1 information about tax credits and tax  
2 exclusions, including how much they cost, the  
3 number of people that benefit from them, and  
4 the justification for them.

5 Tax expenditures play the same role  
6 as budget expenditures. They are a different  
7 means to provide tax revenue to support a  
8 particular purpose or priority. And it is  
9 important that lawmakers keep tabs on these  
10 expenditures, as well, which represents more  
11 than \$12 billion in costs annually.

12 So there are many good reasons to  
13 adopt a nonpartisan legislative fiscal office.  
14 My reasons may be different from yours.

15 First, the office can and should be  
16 established to meet the needs of the public as  
17 well as the General Assembly.

18 It should provide research, whether  
19 it is through the legislative Budget and  
20 Finance Commission, which is a great example  
21 of a nonpartisan research entity in the state.

22 It could provide access to  
23 legislative documents and budget information  
24 that provides context as well as cost because  
25 we fear that--just as an aside--numbers that

1 are pulled out of a website or a database can  
2 be misrepresented or misconstrued. Good  
3 information should be and can be provided  
4 simply for the public.

5 The General Assembly should  
6 consider expanding the functions of the office  
7 and should also include a clear plan for  
8 communication with the public in a nonpartisan  
9 way. We don't want this proposal to be  
10 misconstrued as a plan to spend additional  
11 taxpayer dollars to the provide fodder for  
12 press releases.

13 Second, the legislative fiscal  
14 office, if it is properly established, can  
15 help to restore confidence in the General  
16 Assembly as an institution. A nonpartisan  
17 office that provides quality information can  
18 create a public presence for the body that is  
19 authoritative, accountable and competent. It  
20 can help to assure the public that your  
21 decisions are based on some objective  
22 criteria.

23 Too often, decisions are construed  
24 by the public as driven by a variety of  
25 things, whether they are politics, whether

1 they are needs of districts, or whether they  
2 are lawmakers' individual needs.

3 And I, for one, understand that  
4 your decisions are driven by a variety of  
5 goals that the public would actually find make  
6 sense and are consistent with their values.

7 Third, there is room for  
8 improvement in the budget information that  
9 comes after the Appropriations act is passed,  
10 and the legislative fiscal office can help  
11 with that goal.

12 There is, right now, little  
13 information about the decisions in the final  
14 budget that you are responsible for. There is  
15 no way to find statutory changes in fiscal  
16 wealth or education code bills and see them  
17 reflected in the final budget document.

18 I just want to remind members that  
19 the General Assembly voted this year, most of  
20 you did, to increase welfare funding. And you  
21 rejected the smart pharmacy proposal which  
22 would have saved taxpayers -- or which has  
23 saved taxpayers millions of dollars in other  
24 states and could have done so as well.

25 There are defensible reasons for

1 both of those decisions. You have, to date,  
2 no real vehicle to explain those decisions to  
3 the general public. They have a right to know  
4 and you have an obligation to tell them.

5 So I would respectfully suggest  
6 that the current proposal be modified before  
7 it is adopted. The general idea is good. It  
8 is the notion of holding the executive branch  
9 more accountable is important, but the General  
10 Assembly, in turn, also needs to be more  
11 accountable to the general public.

12 So thank you very much, and I look  
13 forward to your questions.

14 CHAIRMAN LEVDANSKY: Thank you.  
15 Thank you, Sharon, for your testimony.

16 Before I recognize members for any  
17 questions, we have been joined by Senator  
18 Eichelberger from Blair and part of Bedford  
19 counties.

20 SENATOR EICHELBERGER: Bedford,  
21 Huntingdon, Fulton, part of Mifflin.

22 CHAIRMAN LEVDANSKY: Okay. I  
23 missed some of that. But mostly all of Blair  
24 and --

25 SENATOR EICHELBERGER: Yeah.



1 CHAIRMAN LEVDANSKY: -- and parts  
2 of those other counties.

3 With that, let me recognize any  
4 members that have any questions.

5 Representative Yudichak.

6 REPRESENTATIVE YUDICHAK: Thank you  
7 very much, and good morning again.

8 In your testimony you note that one  
9 flaw in the current proposal is that it does  
10 not address information for the general  
11 public, and you had just touched upon that in  
12 your final remarks.

13 Could you give us a list of best  
14 practices? How do we improve that?

15 What suggestions do you have?  
16 Because, as we have seen, whether it is -- or  
17 large corporations, investment houses, banks  
18 over the past two years, very smart people can  
19 make those numbers tell you what you want to  
20 hear.

21 MS. WARD: Um-hum.

22 REPRESENTATIVE YUDICHAK: What best  
23 way can we get to practical, common sense  
24 numbers that the general public, that members  
25 of legislature, particularly the rank and

1 file, so that we can understand the budget  
2 decisions that are being made in a \$28 billion  
3 budget?

4 MS. WARD: Well, that's hard.  
5 Well, I guess there are two -- There are sort  
6 of three things here that I think are embedded  
7 in this.

8 I mean the first is trying to  
9 ensure that you have access to information  
10 from the executive branch, and that's  
11 important.

12 The second is making sure that you  
13 can understand that members who are doing a  
14 lot of things, just like the members of the  
15 general public are doing a lot of things, can  
16 understand that information and can digest it  
17 and get it into good form.

18 And then, the third is turning that  
19 into information that goes to the general  
20 public.

21 Some of these things you may -- may  
22 already be done. They may be done by  
23 caucuses, for example. There are legislative  
24 guides to the budget that are put together for  
25 members. There are trainings that are

1 ongoing. There are particular reports that  
2 are prepared by legislative fiscal offices  
3 that explain what is going on.

4 I can tell you that the House  
5 Appropriations Committee majority has  
6 generally done a very good job of providing  
7 easily understandable information in  
8 particular. In fact, the National Conference  
9 of State Legislatures considers that to be  
10 essentially Pennsylvania's fiscal office for  
11 the purposes of their listing.

12 So there are many pieces of  
13 information that are there. They are hard to  
14 find. I mean, frankly, having a single office  
15 would be very helpful in giving the public a  
16 single place to go.

17 I mean I have four. I have got  
18 four different websites that I have to go  
19 whenever I want to look at budget information.

20 I would encourage you. I mean I  
21 can give you a particular list of other  
22 things. But again, one of the things that  
23 happens is that there is actually a single  
24 budget -- there is a single piece of  
25 information rather than four different takes

1 on a particular general Appropriations act,  
2 for example, that makes it very confusing for  
3 the public.

4 And quite honestly, it doesn't  
5 really tell them what you did. It may tell  
6 them why you think you did it, but it doesn't  
7 really say what you did and the basis for the  
8 decision.

9 Now, you could continue to disagree  
10 or agree with particulars. But, in the end,  
11 people don't know that the welfare cash grant  
12 line went up because we are in a recession,  
13 and case loads have gone up, and it is a  
14 mandatory entitlement program; and so,  
15 Pennsylvania has -- and Pennsylvania's case  
16 loads have gone up.

17 So I think that those are just a  
18 couple of suggestions, and I would be happy to  
19 share more with you.

20 REPRESENTATIVE YUDICHAK: Thank  
21 you.

22 Thank you, Mr. Chairman.

23 CHAIRMAN LEVDANSKY: Thank you,  
24 Representative Yudichak.

25 Any other questions from members?

1 Representative Mirabito.

2 REPRESENTATIVE MIRABITO: Have you  
3 found any relationship between states that  
4 have the LFO and the health of their state  
5 budgets?

6 MS. WARD: Forty-eight states are  
7 in -- have budget deficits at this point and  
8 have had them for over a year; so, we would  
9 argue that it appears to be a problem that's  
10 related to the constitutional mandate for a  
11 balanced budget, the lack of adequate  
12 financial reserves that states have for a  
13 variety of reasons, and probably not related  
14 to which party is in power. It is not related  
15 to who the governor is. It frankly is not  
16 related to whether the state is a high  
17 spending state or a low spending state. It is  
18 simply really a feature of the economy.

19 But the public knows. The public  
20 gets a better understanding about the revenue  
21 forecasts and why that is when it comes from a  
22 trusted source.

23 And sometimes the Governor's Office  
24 is a trusted source, but the legislative  
25 fiscal office can also be a very trusted

1 source.

2 In some cases, it is a big event  
3 when they are -- whether that revenue  
4 projection comes on. I just want to point out  
5 it is often done in other states with the aid  
6 of independent experts, with commissions, with  
7 other types of groups that also tend to  
8 provide some legitimacy and credibility to the  
9 revenue forecast.

10 CHAIRMAN LEVDANSKY: Thank you.

11 Any other questions, Representative  
12 Mirabito?

13 REPRESENTATIVE MIRABITO: No.

14 CHAIRMAN LEVDANSKY: Okay. Thank  
15 you.

16 Representative Scott Boyd.

17 REPRESENTATIVE BOYD: Thank you,  
18 Mr. Chairman.

19 Thank you, Sharon. Real quick.  
20 You mentioned a litany of states, 36. Of  
21 those, 30 have that. Can you point to one  
22 state that you think does it well and is a  
23 model that we should review?

24 MS. WARD: Wisconsin does a  
25 terrific job. Wisconsin is a state in which

1 they have a -- they have a consensus process,  
2 in part, because their legislative fiscal  
3 office is extremely well-regarded, and they  
4 are able to bring other parties to the table.  
5 Minnesota also does a good job.

6 Those are states and I point to  
7 them because there are certain states that  
8 have real nonpartisan traditions.  
9 Pennsylvania is not one of those states. But  
10 you can --

11 REPRESENTATIVE BOYD: But we are  
12 all here together. What are you saying?

13 MS. WARD: That's true.

14 So those are states that would  
15 have -- that have adopted this type of process  
16 early on and have a lot of experience with it.

17 REPRESENTATIVE BOYD: Thank you.

18 CHAIRMAN LEVDANSKY: Thank you,  
19 Representative Boyd.

20 Representative Gibbons.

21 REPRESENTATIVE GIBBONS: Thank you.

22 Now, it sounds like, from what you  
23 are saying, that right now some of these  
24 functions--well, not all of them--some of this  
25 stuff that would happen in the LFO are

1 happening in four caucuses.

2 I guess the question is, do you  
3 think that there is some cost savings  
4 actually?

5 And I know there is a cost also to  
6 running this office. But could some of this,  
7 there also be some savings within the  
8 elimination of the duplication over the four  
9 caucuses, for no longer having to do this,  
10 that might either help to offset that or even  
11 be greater than the cost of actually doing it?

12 MS. WARD: Probably, yes.

13 CHAIRMAN LEVDANSKY: Representative  
14 Rohrer.

15 REPRESENTATIVE ROHRER: Thank you,  
16 Chairman Levdansky.

17 Sharon, a question on this. You  
18 made a couple of statements that states--and I  
19 am going in on the certification process--

20 MS. WARD: Um-hum.

21 REPRESENTATIVE ROHRER: --that the  
22 process anticipated in Act 50 would raise the  
23 stakes in this conflict and it would create  
24 tension.

25 MS. WARD: Um-hum.



1                   REPRESENTATIVE ROHRER: Okay?  
2            Could you tell me, when it comes to the  
3            certification process -- Well, just flesh that  
4            out a little bit.

5                   MS. WARD: Um-hum.

6                   REPRESENTATIVE ROHRER: Make it  
7            just a little bit more clear for everything.  
8            What tension do you see increasing and what  
9            stakes do you see being raised?

10                   MS. WARD: Sure. There is a  
11            revenue estimate that is prepared right now.  
12            That is completely prepared by the executive  
13            branch. And then there is a question of  
14            what's the final number, what's the amount of  
15            money that is the basis of the appropriations  
16            and that will ensure that the appropriation's  
17            account is balanced. And so, somebody has got  
18            to make a determination that this is in fact a  
19            balanced budget. That is what the  
20            certification process does.

21                   I mean, currently, the executive  
22            branch does the revenue certification, as you  
23            know. And in fact what you have already is,  
24            in fact, a negated process. It is a consensus  
25            process but probably not really one where you

1 feel that you have got the -- that you have --  
2 you come to the table as an equal partner.

3 And that can be done at the end,  
4 where the legislature says here is our number  
5 and you have got to go along with it, or it  
6 can be done by having the legislature involved  
7 in the process earlier.

8 I know in the bill there is a  
9 little bit of that meeting going on, and there  
10 is a January meeting that happens with the  
11 budget office and the legislative fiscal  
12 office to talk a little bit about those  
13 revenue proposals.

14 But what you -- What I think the  
15 legislation could be helpful with is if there  
16 is some independent capacity to generate  
17 revenue estimates that is conducted by people  
18 who are considered to be experts in a  
19 nonpartisan manner. That could help to give  
20 the General Assembly a bigger presence at the  
21 negotiation table in order to make sure that  
22 the revenue estimate is one that you can live  
23 with.

24 I mean it is true that one of the  
25 objections, and I am not going to talk for

1     them, but one of the objections that was  
2     raised by the Governor's Office is that they  
3     are in a position to certify your revenue  
4     number. And constitutionally, from what I can  
5     see, the balanced budget requirement is not a  
6     legislative requirement, it is a governor's  
7     requirement, the governor has to certify you.

8             That's my understanding of it. I  
9     could be wrong. That's fair.

10            But the conflict may come if the  
11    Governor, for example, does not certify your  
12    revenue number. Right? And that's pretty  
13    much what happened in Connecticut. So what  
14    you want to do is figure out a process for  
15    resolving that conflict.

16            In Connecticut, what they did was  
17    to actually have another independent officer.  
18    They have an independently elected state  
19    comptroller who is the tie breaker on the  
20    revenue.

21            So you just need to come up with a  
22    process to ensure that there is a means for  
23    resolving a difference.

24            REPRESENTATIVE ROHRER: Where there  
25    is a joint consensus approach would they

1 always, in most cases in other states, always  
2 be involved if there is a readjustment during  
3 the process?

4 For instance, this year, this  
5 budget was passed, there was a revenue  
6 estimate made -- or a certification made by  
7 the Governor's Office. And then he came back  
8 sometime afterwards and revised it on his own,  
9 the numbers looked significantly different.  
10 Where there are these kinds of cases in other  
11 states would that be able to be done by a  
12 governor alone or would that always be a  
13 consensus process?

14 MS. WARD: That, there are other  
15 states that have requirements for a certified  
16 revenue number more than once a year, so you  
17 would have to do revenue certification twice a  
18 year.

19 And again, that in some states--I  
20 am thinking about Alabama--that's the  
21 legislative office that actually comes out  
22 with a mid-year revenue forecast.

23 So the operations, you know, it can  
24 happen in a number of different ways. But in  
25 general, whether it is once a year or twice a

1 year, in some places even quarterly, there  
2 could be a role for the legislature and the  
3 executive in doing that certification.

4 REPRESENTATIVE ROHRER: In your  
5 knowledge, looking into other states, do other  
6 states employ, under contract, such advisory  
7 groups as we would do here, Global Insight or  
8 economy.com?

9 And if they do, what do they -- do  
10 those entities play a greater or lesser role  
11 in the determining of the revenue estimates?

12 MS. WARD: There are some cases in  
13 which the forecasting is done by a more formal  
14 commission where there is actually an  
15 appointed commission--and I can't recall  
16 offhand who appoints the commission, but I can  
17 get you that information--that consists of,  
18 you know, both national experts and also of  
19 citizens and other local experts to help  
20 consider and develop the revenue forecast.

21 So there are formal processes to do  
22 that. It is very, very common for the states  
23 to rely on outside experts to assist with  
24 their forecast.

25 REPRESENTATIVE ROHRER: Okay. All

1 right. Thank you very much.

2 MS. WARD: Sure.

3 CHAIRMAN LEVDANSKY: Senator  
4 Browne.

5 SENATOR BROWNE: Sharon, thank you.  
6 And it was important for you to give that  
7 inventory of what other states are doing.  
8 Because a lot of history, in other states, in  
9 regards to what they are doing, we can learn  
10 from.

11 A lot of the discussion in  
12 formulation of this proposal centered around  
13 the revenue estimating capacity, and it is our  
14 goal to get to a more consensus process, but I  
15 think sometimes the structure drives the  
16 process.

17 We have a structure, statutory  
18 Administrative Code, constitutional structure  
19 on the spending side: The Governor proposes;  
20 the legislature reviews and passes; the  
21 Governor signs.

22 The revenue estimation is on -- The  
23 structure is fundamentally on one side of the  
24 structure and can be dictated by the Governor  
25 at his discretion--Democrat, Republican,

1 whatever--regarding what the circumstances  
2 are. He can include, not include, certify  
3 without consent or review and that's not a  
4 consensus process.

5 So what we are trying to get to is  
6 something that allows for that. And right now  
7 to allow for an office that has an oversight  
8 commission that includes both the legislature  
9 and the Governor on it, I think effectively  
10 would allow for that consensus process.

11 The question is, how do you  
12 effectively represent the Governor and the  
13 legislature in terms of the oversight of this  
14 body?

15 And that's where we are looking for  
16 suggestions on. Because in the end that  
17 executive director, who the office is  
18 accountable to and will make the final  
19 decision, who he is accountable to will  
20 determine how much -- how effectively this  
21 consensus works. Do you have any suggestions  
22 on that?

23 MS. WARD: You know, I have to say  
24 I don't know exactly how. I can't give you  
25 chapter and verse on how the offices are

1 constructed.

2 In general, you want to have  
3 something that really is perceived as  
4 nonpartisan. You want to have -- It gives a  
5 credibility. And you give that -- You give  
6 your director the tools to be able to make a  
7 reasonable revenue forecast and to justify  
8 that, and I think that helps to make sure that  
9 you are taken seriously at the table.

10 So we will just leave it at that  
11 because I have lost my train of thought on it.

12 But I will, if I can give you -- If  
13 I can find some examples of states where they  
14 really feel like they have worked that process  
15 out, I would be happy to share that with you.

16 SENATOR BROWNE: And one last  
17 thought. I think we have to keep in mind  
18 that revenue estimating, even though it is one  
19 part of the budget equation, lends itself to a  
20 lot more objectivity than policymaking in the  
21 spending part of our discussion. And having  
22 four different offices, legislative  
23 appropriations offices having four different  
24 methodologies and four different ways to  
25 evaluate what the revenue estimate is going to



1 be, and have the Governor's Office or the  
2 policy office coming from the Department of  
3 Revenue having another one, that only leads to  
4 chaos.

5 MS. WARD: Um-hum.

6 SENATOR BROWNE: And what we are  
7 trying to do is eliminate the chaos, so we can  
8 get on to what is really important in the  
9 process.

10 MS. WARD: And I think it is  
11 important that you want to have some kind of  
12 consensus, be able to create a consensus and  
13 not create conflict. And again, the  
14 structure, the rules that you have will help  
15 to ensure that that occurs.

16 And the more there is consistency  
17 and the more there is agreement on a revenue,  
18 a revenue estimate, I think, the better off.  
19 I agree, the better off we all will be.

20 SENATOR BROWNE: Thank you very  
21 much.

22 CHAIRMAN LEVDANSKY: Sharon, one  
23 final question for myself. If we were  
24 looking, you know, if we are attempting to do  
25 this, is there another state that most

1 recently or in the recent past has gone from  
2 the executive budget office model to the  
3 independent fiscal office model?

4 Is there a -- Are you aware of any  
5 states, that is, you know, of recent, that  
6 have made such transition?

7 MS. WARD: Not that I am aware of,  
8 but I can find out. I mean most of them from  
9 what -- Many of them, the ones that I am  
10 familiar with, have been in existence for a  
11 pretty long time.

12 CHAIRMAN LEVDANSKY: Yeah. That  
13 would be helpful if you could do that.

14 And one final thing. I just want  
15 to thank you for calling attention to the tax  
16 expenditure report contained in the annual  
17 budget. That's been a budget process for the  
18 last 21 years. I had an interest back as a  
19 much younger member. But we -- When we were  
20 struggling through budgets back in the 1980s,  
21 I thought it was a good idea.

22 Members always had ideas, you know,  
23 if we had to raise revenue. What if we tax  
24 this, what if we tax that, what would it  
25 generate? Which was the whole genesis of the

1 creation of the tax expenditure budget, so.

2 And I know a lot of members, over  
3 the years, have used it, to look at it, to  
4 figure out ways to generate revenue. I think  
5 Representative Tim Seip and David Kessler are  
6 regular consultants to that section of the  
7 budget when they look for ways to raise  
8 revenue in order to effectuate meaningful  
9 property tax reduction.

10 So, you know, we just appreciate  
11 you calling attention to that. I think that's  
12 a pretty useful component of the existing  
13 budget.

14 And again, I appreciate your  
15 follow-up with the information on any guidance  
16 as to what states have most recently done this  
17 model change that we are exploring.

18 MS. WARD: I am happy to do it.

19 CHAIRMAN LEVDANSKY: Thank you.

20 SENATOR BROWNE: Thank you, Sharon,  
21 for your assistance today.

22 I would like to turn the microphone  
23 over to our next testifier, the Honorable  
24 Maurice McTigue. If I have that right?

25 MR. McTIGUE: McTigue.

1                   SENATOR BROWNE: McTigue. He has  
2                   braved the weather for us, from George Mason  
3                   University, to give us some expertise on this  
4                   issue. Thank you very much.

5                   MR. McTIGUE: Thank you, Mr.  
6                   Chairman. And thank you for the invitation to  
7                   be back in Pennsylvania once again.

8                   As you may have already identified  
9                   from the sound of my voice, I have an accent.  
10                  If you don't understand what I am saying,  
11                  please put your hand up to -- I actually  
12                  originate from New Zealand, and I have been in  
13                  the United States now for 12 years.

14                  I spent 10 years of my life as an  
15                  elected member of the New Zealand Parliament,  
16                  and I spent a number of years as a member of  
17                  the Cabinet, and also as New Zealand's  
18                  Ambassador to Canada and to the Caribbean,  
19                  which my wife says just indicates that I am  
20                  not good at holding down a job, and that's  
21                  probably true.

22                  Mr. Chairman, may I ask that the  
23                  written testimony that I sent to you be read  
24                  into the record because I don't want to read  
25                  it. I would like to speak to the contents of

1 that, if that would be acceptable.

2 SENATOR BROWNE: Absolutely. Thank  
3 you.

4 MR. McTIGUE: Thank you.

5 First and foremost, I applaud what  
6 you are doing. Some of my experience as a  
7 member of Parliament and as a member of  
8 Cabinet was that if you could create an  
9 informed debate, you dramatically improve the  
10 quality of the decision; and having various  
11 streams of advice coming to decision-makers  
12 helps to create that informed debate; and  
13 nowhere is that more important than in the  
14 field of financial information that is made  
15 available to legislatures because it is  
16 through those decisions around financial  
17 information that you actually affect what it  
18 is that you want to do in the legislature.

19 And the second point that I would  
20 like to make is that while we try very hard to  
21 seek for excellence and perfection, we have to  
22 recommend that and remember that in estimating  
23 things, it is an inexact science and so no  
24 particular estimate is always going to be  
25 right and no particular estimate is always

1 going to be wrong.

2 One of the things that I would  
3 suggest to you that I think would be valuable  
4 to use as a role model is the CBO, the  
5 Congressional Budget Office. And I say that  
6 because the Congressional Budget Office  
7 started in 1974. It had something of a  
8 checkered history, but today it is widely  
9 respected and highly credible by both  
10 academia, by independent researchers, by  
11 professions and by the marketplace.

12 And it has acquired that because  
13 over the last 10 to 15 years, it has been very  
14 careful about the choices it made in who would  
15 be the director of that office and the quality  
16 of the personnel that would work in that  
17 office.

18 And I think that that is sort of  
19 criteria number one for you. If this is going  
20 to work, you need really great people and they  
21 are going to happen to have a mix of skills;  
22 predominantly, of course, economists, but also  
23 people who have skills in accounting and  
24 skills in law.

25 The second thing I would caution

1 you about is that from my experience in  
2 looking at governments around the world and in  
3 the United States, the second big risk that  
4 this new entity faces is that it is going to  
5 be overwhelmed by requests to research trivia  
6 and there needs to be a filtering process that  
7 tries to stop that from happening.

8 All that is going to become  
9 captured by certain groups within the  
10 legislature and the high priorities are not  
11 going to get done, so there has to be a  
12 process that gives it some independence about  
13 setting the priorities that are necessary for  
14 it to get the job done.

15 The third thing that I would say to  
16 you is that--somebody raised it before and I  
17 just want to emphasize it--the transparency of  
18 the information that the office produces, I  
19 think is incredibly important.

20 The website that it uses should be  
21 updated frequently with the most current  
22 information. The website should not only give  
23 the results of their conclusions, it should  
24 give the raw data and it should give the  
25 methodology.

1                   And if you make that available,  
2                   then you open up the field for many other  
3                   people, both in the professions, in the  
4                   marketplace and in academia, to start looking  
5                   at that information and tell you what are the  
6                   strengths and weaknesses of both the processes  
7                   and the results.

8                   And that it should give advice on a  
9                   regular basis. Maybe you are thinking about  
10                  quarterly. I would like you to think about  
11                  monthly so that it has more of a real-time  
12                  facet to the advice that it is giving and that  
13                  it even enables you to see trends before you  
14                  have a massive crisis.

15                  One of the things that I have  
16                  observed in the work that I do in looking at  
17                  governments across the United States is that  
18                  everybody got revenue predictions wrong over  
19                  the last two or three years and that's not  
20                  surprising because of what was actually  
21                  happening.

22                  But there were a number of places  
23                  across the country that were in denial about  
24                  what they could actually see happening. And  
25                  my own state of Virginia was one of those



1 where the biannual budget was set on the basis  
2 of a 9-percent revenue growth over the next  
3 two years. They will be lucky if they hit  
4 zero. And, you know, quite clearly, there  
5 were a whole lot of forces were driving that  
6 unrealistic approach.

7           So I am not suggesting to you that  
8 you would take carte blanche exactly what the  
9 CBO does, but I think that the CBO has evolved  
10 over time to produce both the independence and  
11 the credibility that is necessary, has a good  
12 way of being able to prioritize its work. And  
13 certainly you are not going to be able to be  
14 as extensive as it is, but I think that you  
15 can emulate a lot of the good practices that  
16 they have.

17           There is a facet that you include  
18 in your legislation that has not been  
19 mentioned this morning because most of the  
20 discussion has been around revenue. And I  
21 understand that, but I would like to move a  
22 little bit of the discussion to some of the  
23 work that it might be able to do in the field  
24 of spending.

25           Interestingly, a couple of states

1 in recent times, over like the last year, have  
2 looked very closely at their revenue system,  
3 or their revenue mechanism, and have taken  
4 considerable quantities of revenue spending  
5 out of that and put it into the actual  
6 spending side of the budget. And the reason  
7 for doing that is that it is much more  
8 transparent, it is easier to target it, and it  
9 provides for a revenue system that is more  
10 secure and more robust against leakages. That  
11 is something that is worth thinking about.

12           Personally, I like revenue systems  
13 that have no special deals, no special  
14 deductions or anything like that, and that you  
15 do all of the policy that you want to by  
16 direct expenditures. We can do that today  
17 because technology allows us to do that, and  
18 the transaction costs are much lower.

19           But it means that that kind of  
20 spending gets equal scrutiny with the real  
21 spending that is in your budget. And frankly  
22 at the moment revenue spending hardly gets any  
23 attention by legislatures and is something  
24 that should. A lot of that spending, in my  
25 view, is poor quality when you put it up

1 against some of the other things that are  
2 having to be reduced.

3 But the other part that I think is  
4 something that would be valuable is this.  
5 That for the foreseeable future, the  
6 governments are going to deal with a scarcity  
7 of resources and yet they don't have available  
8 to them good facilities to be able to tell  
9 them where efficiency gains could be made.

10 It is my experience that no  
11 government ever delivers a particular policy  
12 with just one programmatic activity. If I was  
13 to take the federal government that has about  
14 a hundred and twenty-five different programs  
15 that try to deliver literacy to people who are  
16 illiterate, of that a hundred and twenty-five  
17 there is probably about 20 of them work really  
18 well and the others have lesser levels of  
19 effectiveness.

20 Being able to identify that would  
21 be extremely valuable. So if you just sort of  
22 took as a general adage, we are not going to  
23 spend money on anything that doesn't work, the  
24 first question that comes up is, so what works  
25 and what doesn't work? And my guess is that

1 you would have a great deal of difficulty  
2 answering that question.

3 Your legislative fiscal office can  
4 do some work that would help in that field by  
5 looking at what are appropriate measures of  
6 performance and how appropriately are those  
7 different organizations answering those  
8 questions, so that when you come to do your  
9 part of the budget you are able to look at  
10 each of these activities and say we are going  
11 to fund the most effective and we are going to  
12 de-fund those that don't work.

13 Some of my experience around the  
14 world and in my own country was that when you  
15 do that in a very rigorous way, you are able  
16 to maintain the current level of public  
17 benefit--that's the number of people helped to  
18 that standard--with about 60 percent of the  
19 money that you were spending previously.

20 So a 40-percent gain is something  
21 that is worth pursuing and you are not  
22 disadvantaging anybody, you are not taking  
23 public benefits away. The crucial factor in  
24 that is that measures should actually reflect  
25 what public benefit was produced.

1                   We talk about the private sector  
2                   where it is easy to measure performance  
3                   because we talk about profit and loss, rates  
4                   of return and things like that. And then  
5                   people often say you can't do that in the  
6                   public sector because it doesn't have a  
7                   balance sheet like that, it doesn't have a  
8                   profit and a loss account. That is untrue.

9                   You can measure public benefit.  
10                  You can quantify it. You can measure it in  
11                  terms of quality. You can measure it in terms  
12                  of whether or not the problems being addressed  
13                  are diminishing, remaining static, or growing  
14                  in size. And a focus on some of that kind of  
15                  information would, in my view, be extremely  
16                  beneficial to the work that you are doing.

17                 Attached to my testimony is some  
18                 comments about the issue of transparency. One  
19                 of my colleagues at George Mason has made a  
20                 life study of the work in the field of what  
21                 websites should be like, how the materials  
22                 should actually be provided and published on  
23                 those websites, and how effectively that will  
24                 allow the public to use that information for  
25                 its own purposes so that they can better

1 understand what is going on.

2 Can I just conclude by saying, if  
3 you seek and achieve a better informed debate,  
4 you are making progress. Don't expect  
5 perfection.

6 And just remember that what you are  
7 putting together today is not an infinite  
8 resource, it is a limited resource and it  
9 would be preferable if it was able to  
10 concentrate on the things that were going to  
11 make the biggest difference rather than on the  
12 things that people might see as their own  
13 personal ambition at the moment and they are  
14 in a position to be able to exercise some  
15 influence over its listing on the priority  
16 order.

17 You are not going to get rid of all  
18 of that, but it would be nice if you got rid  
19 of most of it.

20 Mr. Chairman, I am very happy to  
21 take questions.

22 CHAIRMAN LEVDANSKY: Thank you, Mr.  
23 McTigue.

24 Any questions from members?

25 Senator Eichelberger.

1 SENATOR EICHELBERGER: Thank you.

2 We welcome you here this morning.

3 My son is a graduate of George Mason, so I  
4 thought I would put that on the table just for  
5 full disclosure this morning.

6 MR. McTIGUE: I am pleased he  
7 graduated.

8 SENATOR EICHELBERGER: Yes, that's  
9 one financial burden that I don't have to  
10 worry about. Now he is looking at law school  
11 so that is a whole other story.

12 The one criticism I hear about the  
13 Congressional Budget Office is interference,  
14 political inference with the direction of some  
15 of the issues that they look at. Have you  
16 heard the same thing? And if so, do you have  
17 any words of wisdom for us starting this new  
18 office here in Pennsylvania?

19 MR. McTIGUE: Certainly I have  
20 heard those, and certainly they have been true  
21 in the past.

22 For example, for a considerable  
23 period of time, the CBO was denied by Congress  
24 the right to do dynamic modeling of revenue;  
25 and consequently they got it wrong all the

1 time. That prohibition has been taken away  
2 and the office now has much greater  
3 independence in both choosing its personnel  
4 and doing its work.

5 It is protecting that, in my view,  
6 because it does such a good job of publishing  
7 its information on a regular basis. Its  
8 information on the web and their home page is  
9 updated very frequently and the marketplace is  
10 now looking for it. So I think that,  
11 particularly in that level of independence,  
12 has also helped to protect them from political  
13 interference.

14 I hear rumors, and of course rumors  
15 are certainly not fact, but a number of  
16 attempts have been made to exercise some  
17 influence over the CBO in recent times and  
18 they have been unsuccessful and I think it is  
19 because of their public standing.

20 SENATOR EICHELBERGER: So  
21 transparency is a key?

22 MR. McTIGUE: Transparency is a  
23 key, certainly in my view, yes.

24 SENATOR EICHELBERGER: Thank you.

25 CHAIRMAN LEVDANSKY: Thank you,



1 Senator Eichelberger.

2 Representative Boyd.

3 REPRESENTATIVE BOYD: Maurice, it  
4 is nice to see you again. Welcome back.

5 MR. McTIGUE: Nice to see you too.

6 REPRESENTATIVE BOYD: Thank you.

7 Much of the prior discussion really  
8 focused around this office really having one  
9 primary function and that was certifying the  
10 revenue number. You see this as, from your  
11 testimony, as potentially being expanded  
12 substantially by, you know, actually  
13 quantifying effectiveness of specific programs  
14 and so on and so forth.

15 I guess one of the things that I  
16 would want to ask is, are there any states or  
17 is there any modeling out there where we could  
18 look at maybe the possibility of looking at a  
19 two-year budget cycle as opposed to a one  
20 year?

21 It seems to me that, you know,  
22 businesses develop -- The private sectors  
23 develop strategic plans. Those strategic  
24 plans actually look out at a minimum of a few  
25 years. And we run this sort of -- this

1 \$30 billion budget. By the time we got a  
2 budget passed, we were thinking about next  
3 year right away.

4 So is there any models out there?  
5 Or is there any possibility of considering a  
6 two-year budget cycle as opposed to a one  
7 year? And is that possible in this  
8 marketplace today?

9 MR. McTIGUE: I think you would  
10 find, if you did the research, that  
11 governments do equally good or bad jobs with  
12 two-year budgets and with annual budgets --

13 REPRESENTATIVE BOYD: Okay.

14 MR. McTIGUE: -- so that the budget  
15 period isn't the thing that actually makes the  
16 difference.

17 At the moment, your focus is very  
18 much on a revenue problem. And it is my view  
19 that over the next year or two as your fiscal  
20 office establishes itself and particularly as  
21 it starts to portray its information and its  
22 methodology, it is going to be harder for  
23 people to get away with illogical  
24 decision-making.

25 And I think that some of the

1 problems of the past, the very recent past for  
2 many states, have been illogical approaches to  
3 what the revenue would be, to try and avoid  
4 having to do some of the other hard stuff,  
5 which was reducing expenditure to be able to  
6 match the revenue figure that was more  
7 realistic. So I see that changing and  
8 becoming more standard.

9           The second thing is that it is  
10 impossible to run a \$30 billion business on  
11 the basis of making decisions only once every  
12 year or couple of years. And my suggestion  
13 that information should flow much more  
14 frequently and should allow for adjustments to  
15 be made more frequently as well, so that as  
16 revenue projections come in and as spending  
17 information comes in you can make adjustments  
18 to the budget so that you don't have a crisis  
19 at the end of a year. That's what a  
20 responsible business person would do.

21           REPRESENTATIVE BOYD: Okay.

22           MR. McTIGUE: And so solving that  
23 problem I think would be one.

24           There are lots of governments  
25 around the world that have things like -- and

1 supplementary estimates that come partway  
2 through the budgetary term and it deals with  
3 those inexactitudes: There are more children  
4 turned up to go to school; there are more  
5 people got sick; there was more revenue that  
6 came in.

7                   The other thing that I think would  
8 be valuable to look at in this whole budgeting  
9 area is that our analysis of what has happened  
10 to state governments over the last 10 to 15  
11 years is that most of the problems have been  
12 caused by surpluses.

13                   The surpluses have inspired  
14 additional spending, which has then been  
15 unaffordable as revenues dropped, and doing  
16 something that would actually deal with  
17 surpluses could take away many of these  
18 cyclical problems.

19                   And there are different places that  
20 have ways of doing that. My favorite at the  
21 moment happens to be Oregon, where as  
22 surpluses come in, they go into a rainy day  
23 fund.

24                   But the rainy day fund has a cap on  
25 it. And once the rainy day fund is full, then

1 it triggers something that is called the Eckl  
2 law (phonetic). And the balance of the  
3 surplus has to be used either to retire debt  
4 or to be refunded to taxpayers. And the  
5 reason they are doing that is to take that  
6 spending pressure off the table so that when  
7 there is a downturn in the economic cycle you  
8 are not going to face a crisis.

9 And I think those sort of  
10 provisions have real value.

11 REPRESENTATIVE BOYD: Very good.  
12 Thank you.

13 CHAIRMAN LEVDANSKY: Thank you.  
14 Any other members?

15 Representative Seip.

16 REPRESENTATIVE SEIP: Thank you,  
17 Mr. Chairman.

18 You talked a lot about the  
19 Congressional Budget Office.

20 MR. McTIGUE: Um-hum.

21 REPRESENTATIVE SEIP: We also have  
22 the -- I believe it is the Office of -- OMB,  
23 the Office of --

24 MR. McTIGUE: Management and  
25 Budget.

1                   REPRESENTATIVE SEIP:  -- Management  
2                   and Budget.  Thank you.

3                   What, how, if you could give me  
4                   some insight on how those two offices --

5                   Very often, you have different  
6                   numbers from those two offices and how do we  
7                   go about reconciling that when we have two  
8                   credible sources putting out very different  
9                   estimates?

10                  MR. McTIGUE:  I think you can draw  
11                  some fairly close parallels between a state  
12                  government and the role of those two offices  
13                  in the federal government.

14                  The Office of Management and  
15                  Budget's sole role is to deliver to the  
16                  President what the President wants.  They are  
17                  the servants of the President, they are not  
18                  the servants of Congress.  And they are to  
19                  deliver the President's agenda so what they do  
20                  is going to be very much geared to that.

21                  Interestingly, over the last 10  
22                  years, OMB has become much, much more cautious  
23                  in what it does because its fearful of what  
24                  will come out from the CBO analysis of the  
25                  advice that they have given to the President.

1                   And the discrepancy between the two  
2                   has diminished dramatically. In the next day  
3                   or two, we will get the CBO's take on the  
4                   President's budget, which will be interesting  
5                   to see how different those figures are.

6                   But I am pretty certain that the  
7                   figures that the marketplace will rely on are  
8                   the CBO figures, not the OMB figures. And  
9                   more and more we have seen that shift over the  
10                  last 10 to 15 years. That the figures that  
11                  the market, the financial sector and business  
12                  relies on, are those figures that are coming  
13                  from CBO more than the figures from OMB.

14                  Is it wrong that OMB serves the  
15                  President? No, that is exactly their job.  
16                  The President is elected as president. And he  
17                  has a policy agenda and he wants to deliver  
18                  that. And they have to provide him with the  
19                  financial information that will allow him to  
20                  deliver that agenda so they are doing what  
21                  they should do.

22                  What you need is the contest  
23                  between the two, and I think that that's what  
24                  you are creating here now and I think that's  
25                  valuable.

1                   REPRESENTATIVE SEIP: Okay. So in  
2 your view, then, we are not duplicating  
3 something. We are actually putting pressure  
4 on both of those offices to come up with an  
5 accurate number?

6                   MR. McTIGUE: Right.

7                   You know, sometimes when we were  
8 going to buy something that is very expensive,  
9 like a house or a car, we will shop around.  
10 You are really shopping around to get advice  
11 from different places and saying, now that I  
12 can see all of this information on the table,  
13 I like this bit better than that bit and I  
14 like this bit better than that bit.

15                   And it just allows you to make a  
16 better informed decision about this is where  
17 we should finally go. Because in the end, the  
18 legislature has the right to make the decision  
19 about spending and that decision is going to  
20 rely on how well-informed you are.

21                   And personally I think that it is  
22 wrong to separate the legislature from the  
23 decisions about revenue because it is not that  
24 you are changing the revenue mechanisms, you  
25 are just trying to identify fact; and the



1 closer you can be in identifying that fact  
2 then the less likely you are to create  
3 problems a year from now or two years from now  
4 when you find that the assumptions that you  
5 made were erroneous.

6 REPRESENTATIVE SEIP: Thank you.  
7 Thank you for your testimony today.

8 Thank you, Mr. Chairman.

9 CHAIRMAN LEVDANSKY: Thank you,  
10 Representative Seip.

11 Senator Browne.

12 SENATOR BROWNE: Thank you, Mr.  
13 Chairman. Just a comment.

14 I appreciated your discussion on  
15 qualitative analysis. Part of the group of  
16 Senate members that were invited to join us  
17 today is the subcommittee was created by our  
18 appropriations committee on program  
19 performance.

20 This government, over the last  
21 several years, has improved in that regard,  
22 trying to put an outcomes-based approach to  
23 our spending information sources, rather than  
24 just inputs, how much we are spending on  
25 certain things, how many programs we have in

1 terms of overall information, in making  
2 decisions and limited revenue capacity, but  
3 absolutely crucial information to have.

4 One of the challenges we have,  
5 though, without this office being charged with  
6 that responsibility--and that's one of the  
7 things that I didn't mention in my opening  
8 statement, that's one of the primary roles of  
9 this office is qualitative analysis--is our  
10 Administrative Code provides that the  
11 Governor's Office, executive branch, is the  
12 only branch that is charged with doing program  
13 performance as part of the budget process.

14 Now, from a standpoint of  
15 independence and accountability, it never made  
16 much sense to me that the branch of government  
17 primarily charged with administering our  
18 programs and spending our money is also the  
19 one primarily charged with evaluating how they  
20 spend it.

21 So without having some type of  
22 mechanism to do independent review, I believe  
23 that our process in terms of good information  
24 is really limited. And I would expect, in  
25 your experience, that you have seen other

1 structures in other states that allow for that  
2 independent review, and if you would just  
3 comment on that very, very briefly.

4 MR. McTIGUE: Yes, there are a  
5 number of states, but you can also look at  
6 governments internationally.

7 Because when I look at states in  
8 the United States, I really draw a similarity  
9 with the United States and the European  
10 community. The states are really sort of mini  
11 countries inside a larger union. So you can  
12 make comparisons with other countries, and  
13 say, this is how they do it and it works out  
14 quite well.

15 Texas has a pretty good process  
16 where they have a -- I think it is a biannual  
17 or a tri-annual review, where there is a major  
18 review of the outcomes of all of the different  
19 programs that they have.

20 And the state of Virginia is  
21 improving the work that it is doing on  
22 outcome-based scrutiny of activities. And  
23 nobody has it perfect yet.

24 Can I just tell you a little true  
25 story that might help get your minds around

1 the benefits of this approach?

2 One of the problems is that you  
3 frequently get aggregated information, so  
4 these are all of the activities that go to  
5 spending on, say, unemployed people. One of  
6 my portfolios in government was Minister of  
7 Labor and I was responsible for employment  
8 programs and the first thing that I found was  
9 that that organization thought that its job  
10 was to fix unemployment.

11 It can't. Unemployment is a factor  
12 of macroeconomic policy, not micro policy.

13 So the first thing to do was to say  
14 to them, what you can do is help to improve  
15 the employability of people. You can't fix  
16 unemployment, but you can fix or improve their  
17 employability.

18 So I inherited 34 programs. And  
19 when we went through and we looked at how good  
20 were these at improving people's  
21 employability, and otherwise having gone  
22 through the program could they get a job, I  
23 actually found that 30 of the 34 didn't work.

24 So we canceled them and we put  
25 those resources into the pool of the work and

1 we got 300 percent more people into work that  
2 year for 40 percent less money.

3 Now, a lot of people were very  
4 unhappy with that decision. And the first  
5 people that objected strongly were the Bishops  
6 and the Cardinal. And they asked to come and  
7 see me. And they said, you know, what you  
8 have done is disgraceful. We have had all of  
9 these great people working on these programs,  
10 trying to do all of this good work.

11 And I said to the Cardinal, well,  
12 Your Eminence, I can refund your programs  
13 tomorrow, but you are getting 6 percent of  
14 your participants into work and these programs  
15 I am funding now are getting over 70 percent  
16 of their participants into work. If I refund  
17 your programs tomorrow, there are going to be  
18 so many tens of thousands of people without a  
19 job. Now, you choose.

20 And they argued with themselves for  
21 about an hour. In the end, they said, we  
22 think you are probably right, but we don't  
23 like it.

24 And but you can see the benefits of  
25 that disaggregation of activity and

1 concentrating on what's the outcome you are  
2 seeking and then making those choices gives  
3 you very significant benefits as far as the  
4 public is concerned and major benefits in  
5 terms of the efficiency of the use of dollars.

6 Getting that disaggregation is the  
7 hardest part because agencies don't like to  
8 disaggregate it.

9 But with the office that you are  
10 setting up, I think that there is a  
11 opportunity for them to look at some of those  
12 policies, and do some of that work, and be  
13 able to say to you, we could achieve these  
14 goals with a fraction of this activity and  
15 with considerably less money. And that allows  
16 us to make one of two decisions, we either  
17 leave it with the taxpayers or we spend it on  
18 something else that is a higher priority.

19 SENATOR BROWNE: I am impressed.  
20 As someone who grew up as an Irish Catholic  
21 kid, I am still afraid to say no to the  
22 Cardinals. I am impressed.

23 Thank you very much.

24 CHAIRMAN LEVDANSKY: Thank you,  
25 Senator Browne.

1                   Just for the record, I just want to  
2                   note the attendance of some members that have  
3                   joined us. To my far right, on the lower  
4                   section, is Senator Tony Williams from  
5                   Philadelphia.

6                   Immediately in front of me is  
7                   Representative Rick Taylor from Montgomery  
8                   County.

9                   Modestly to the left here is --  
10                  Moderately to the left is Representative Dan  
11                  Frankel. That is politically just about where  
12                  you are, Dan. I am sorry about that.

13                  Sitting over to my left is--it is  
14                  still appropriate--is Representative Dan  
15                  Frankel from Pittsburgh.

16                  And to my far left--it is certainly  
17                  not politically speaking--is Representative  
18                  John Pallone from Westmoreland and Armstrong  
19                  counties.

20                  Mr. McTigue, just a couple of  
21                  things. First off, for the non-economists  
22                  present--that is probably most people, an  
23                  overwhelmingly majority of people that might  
24                  be watching this telecast--could you just  
25                  explain a little bit in detail what dynamic

1 modeling entails?

2 MR. McTIGUE: There is two  
3 approaches to look at modeling. One is  
4 arithmetical. And if you take the  
5 arithmetical approach to say a tax change, you  
6 reduce the tax rate by 10 percent so it should  
7 reduce the revenue by 10 percent.

8 What dynamic modeling does is that  
9 it looks at that same equation. And it says  
10 if we reduce that tax rate by 10 percent, what  
11 are those people going to do with that money?  
12 They might invest it in employing some more  
13 people. They might expand their business.  
14 They might open a branch somewhere adjacent.

15 And if you take that into account,  
16 what it shows is that it actually creates more  
17 prosperity and it creates more revenue because  
18 of those changes and incentives.

19 And what dynamic modeling does is  
20 it takes those things into account. It takes  
21 into account the decisions that people are  
22 going to make as a result of whatever  
23 information it is that you are putting out and  
24 it tends to be more accurate.

25 Personally, what I liked, when I



1 was the Minister of Finance, was to have both  
2 and then I -- we could make judgments between  
3 them, where they actually were, and sometimes  
4 the answer was somewhere in between.

5 But today I would say that because  
6 the technology is better, dynamic modeling is  
7 becoming more accurate than the arithmetic  
8 approach.

9 CHAIRMAN LEVDANSKY: This is a  
10 follow-up in the example that you used.

11 If you reduced a tax rate for  
12 business, you mentioned that they could  
13 either, you know, reinvest in another branch  
14 or maybe in a workforce training or maybe use  
15 some new technology that enhances their  
16 productivity. But how do you factor in the  
17 possibility that, for example, they may just  
18 use it to boost the bottom line with their  
19 retained earnings or they may distribute more  
20 profits with that revenue? Do you factor  
21 those kinds of things in as well?

22 MR. McTIGUE: Yes, indeed. And you  
23 would factor those in because the decision  
24 might be that you pay out more in dividends.  
25 The recipients of those dividends are going to

1 do something with that money. It might be  
2 that they buy another car or they may send  
3 their kid to college or they will do something  
4 else.

5 All of that has an economic impact  
6 as well. Money does not sit idle. We no  
7 longer put it underneath our mattress. And as  
8 soon as you put it in a bank or somewhere  
9 other, they use that resource for other  
10 purposes.

11 So the dynamic modeling takes all  
12 of those things into the equation, and it then  
13 allows you to have a much clearer picture of  
14 how people are going to respond and what the  
15 effect of that will be on the sum total of  
16 economic activity.

17 CHAIRMAN LEVDANSKY: And there is a  
18 lot of assumptions filling in those models  
19 that really affects, in large part, what the  
20 projections are likely to be.

21 MR. McTIGUE: Yes, they do. And  
22 those assumptions sometimes are not exactly  
23 right and so it is not a precise science.  
24 But over time, we have got better and better  
25 at understanding that human condition and what

1 kind of reactions it will have.

2 If I took another moment of your  
3 time, and just to help improve Senator  
4 Browne's ego, I will tell a little story about  
5 Ireland.

6 But Ireland, for most of the last  
7 200 years, has been one of the poorest  
8 performing economies in the whole of Europe,  
9 except at the point of the middle '90s. And  
10 the government of Ireland finally said, if all  
11 of the things that we have done in the past  
12 were wrong, if we just do the opposite would  
13 it work better?

14 And this was elected (phonetic) to  
15 save the government in Ireland. So what they  
16 did was that they decided to make Ireland a  
17 more attractive place for people to invest.  
18 And what they did was that they dramatically  
19 reduced their corporate tax rate from 48  
20 percent down to 12 and investment funds  
21 started to flow into Ireland.

22 Ireland went from an unemployment  
23 rate of 17 to 23 percent to the lowest  
24 unemployment rate in Europe, by 2006, at 3  
25 percent. They went from having an economy

1 that was totally stagnant to having one of the  
2 most dynamic economies in Europe. They went  
3 from the lowest per capita income in Europe to  
4 the second highest with only Luxemburg being  
5 higher.

6 And they -- The last time I was in  
7 Ireland, which was about 2002, they were  
8 advertising in Europe for 200,000 people to  
9 come to Ireland to fill vacancies in the  
10 marketplace. I know it has only got a  
11 population of two-and-a-half million so that's  
12 nearly 10 percent of their population. They  
13 were seeking to bring a 10-percent increase in  
14 to see -- to fill vacancies in the job market.

15 Now, they didn't do much else,  
16 apart from make those changes. What they did  
17 was that they decided, how do we create an  
18 investment friendly environment?

19 And here is a sequence of events  
20 that never changes. Investment creates jobs,  
21 creates prosperity. It never goes the other  
22 way around. You don't see jobs because  
23 investment went away, you see a loss of jobs  
24 because investment went away.

25 So one of the things that we are

1 working on, if you just concentrate on what  
2 would make it attractive for investors to come  
3 invest in Harrisburg rather than Philadelphia.  
4 And you do those things, they will come. And  
5 as they come, they will create jobs.

6 And, okay, somebody else is going  
7 to lose. But, you know, I am pragmatic enough  
8 to say, as long as I am not the loser, I don't  
9 mind too much about that.

10 CHAIRMAN LEVDANSKY: But Senator  
11 Williams from Philadelphia would.

12 REPRESENTATIVE BOYD: He is taking  
13 umbrage to that.

14 MR. McTIGUE: Unless he was smart  
15 enough to get there first.

16 CHAIRMAN LEVDANSKY: My only point  
17 is that with dynamic modeling, I mean it, too,  
18 is not a failsafe modeling system. That it  
19 really is -- You know, its effectiveness and  
20 its benefit is largely dependent on the  
21 assumptions that are built into the model.  
22 And I am not going to tell the off-colored  
23 joke about economists and assumptions. But  
24 that is reality, so it is not necessarily a  
25 failsafe modeling technique.

1                   One final question I have is -- I  
2                   mean if we go from this, essentially an  
3                   executive office, an executive budget office,  
4                   which we presently have, to an independent  
5                   fiscal office, you know, which is basically a  
6                   jointure between the legislative and executive  
7                   branches of government, there is going to be a  
8                   significant changing of roles in functions,  
9                   not to mention a lot of other things, if we do  
10                   that.

11                   Are you aware, are there any states  
12                   -- And it's the same question I had for Sharon  
13                   Ward earlier. Are you aware of any states in  
14                   the last, you know, five years or so that have  
15                   made this transition, that we could look at if  
16                   we wanted to learn and see how such a  
17                   transition in the role of the budget process  
18                   has -- as has been done in other states?

19                   MR. MCTIGUE: The answer is no.

20                   I don't -- The interesting thing  
21                   is, Sharon mentioned, was that most states  
22                   that have some kind of fiscal information  
23                   facility established them 35 to 50 years ago  
24                   and so maybe you are creating a new trend.

25                   CHAIRMAN LEVDANSKY: I don't think

1 so. This is Pennsylvania.

2 MR. McTIGUE: Well, maybe.

3 What you are really doing, in my  
4 view, is that you are significantly increasing  
5 the quality of research that is going to go  
6 into financial numbers in the governing  
7 process in Pennsylvania. That's a big plus.

8 In terms of how well is it going to  
9 work? It depends on how lucky you are in  
10 getting the personnel that you need to create  
11 the capability that is necessary to do that  
12 job well; and therein lies the big difficulty,  
13 over the next year or so, in pulling together  
14 that critical mass of people.

15 And if I were to offer a piece of  
16 advice, go for quality over quantity. You  
17 need to -- If you have to spend more to get  
18 the right kind of person then spend it to get  
19 that person rather than say let's have 25 or  
20 30 people working in here.

21 CHAIRMAN LEVDANSKY: Then just from  
22 your perspective, any idea what the cost would  
23 be, I mean, if we wanted to put such a system  
24 and office here in Pennsylvania?

25 MR. McTIGUE: What I would suggest

1 is that you look at the budgets that they have  
2 for a number of these facilities around the  
3 country, and I have attached some that I think  
4 are very similar to the model that you are  
5 using.

6 CHAIRMAN LEVDANSKY: Okay.

7 MR. McTIGUE: And they have a  
8 variety of budgets and a variety of sizes, and  
9 but they also have different functions so just  
10 be careful that you check the function.

11 The big thing that you are giving  
12 this office is this incredibly important role  
13 being sort of the last voice on what the  
14 revenue flow is going to be and that that's a  
15 very special talent and I think that you need  
16 to be careful in choosing that.

17 So somebody with the right  
18 qualifications. There might be some people  
19 looking for jobs from Wall Street. Choose  
20 carefully. But they might have the right  
21 qualifications. They have done some of that  
22 work in the past. They also have done some  
23 experience of getting it wrong as well.

24 CHAIRMAN LEVDANSKY: That might be  
25 disqualifying criteria.



1 Thank you.

2 MR. McTIGUE: Thank you.

3 CHAIRMAN LEVDANSKY: Finally, I  
4 think we have a question from Senator  
5 Williams.

6 SENATOR WILLIAMS: Thank you, Mr.  
7 Chairman. And I apologize for my tardiness.  
8 And welcome to the guests.

9 MR. McTIGUE: Thank you, sir.

10 SENATOR WILLIAMS: A couple of  
11 questions. One, I note in your testimony you  
12 talk about CBOs.

13 Well, before I start, we had an  
14 active conversation about this in our last  
15 budget go-round, to mention this possibility  
16 of such an office, and I was the person who  
17 was concerned about spending.

18 But after our budget debacle taking  
19 us almost another year to get done, I can say  
20 openly that I think that such a creation is  
21 necessary. Because rather than struggle with  
22 opinions around the margins, we should get the  
23 sole practices (phonetic) and objectives as  
24 fact. But that said, how you create it is the  
25 most important. It's not what you do, but how

1 we create the thing is most important.

2 So I turn to the part, going to the  
3 paragraphs which I think are most appropriate,  
4 what is the appropriate role model? You talk  
5 about the CBO model, and there's a few  
6 questions in that regard.

7 You said that within the last 10  
8 years, they have risen to the level that they  
9 are prior to that. And I don't know how long  
10 the CBO has been created, but I am assuming  
11 you are saying that for a reason. What  
12 happened in the last 10 years that it didn't  
13 happen before?

14 MR. McTIGUE: The CBO was created  
15 in 1974. And for the period until about the  
16 early '90s, it tended to be somewhat  
17 influenced by whoever controlled the Senate  
18 and the legislature and so it was to some  
19 extent partisan.

20 And then in the early '90s the  
21 person who was appointed as director was much  
22 tougher and took a much harder line on  
23 influence from outside, particularly in terms  
24 of the personnel that he brought into the  
25 office, and he dramatically upped the

1 capability of the office in terms of the  
2 quality of people working there.

3 So I think that there are some  
4 lessons to be learned from that. The CBO has  
5 been through some of the experiences of not  
6 doing it very well and now doing it very well,  
7 in my opinion.

8 SENATOR WILLIAMS: So there was  
9 nothing relative to the legislation as much --  
10 or the codification, but it was, you know, we  
11 created something and then allow for these  
12 external sources not to participate or  
13 influence it.

14 MR. McTIGUE: Right.

15 SENATOR WILLIAMS: Then the other  
16 part it talks about, says that, I am not  
17 suggesting that Pennsylvania endeavor as  
18 comprehensive a plan as the CBO, but I think  
19 it would serve you. And then you talk about  
20 your principles.

21 I heard your comments about what we  
22 need. What is it that you think we could  
23 afford to leave out that the CBO currently has  
24 in it?

25 MR. McTIGUE: It is just the scale

1 of the operation.

2 SENATOR WILLIAMS: So the costs?

3 MR. McTIGUE: They have 250, 280  
4 people working there and they are doing  
5 constant analysis of a \$3.8 trillion budget,  
6 so it is the scale. I think that is something  
7 that you don't need to go that far.

8 How much you actually decide to use  
9 the office to be the research arm of the  
10 legislature, in terms of looking at different  
11 options and how they would cost out, will have  
12 an affect on the function itself. Whether you  
13 --

14 SENATOR WILLIAMS: Is there --

15 MR. McTIGUE: Hum?

16 SENATOR WILLIAMS: I am sorry. Is  
17 there a way to -- Because I don't want -- For  
18 the time. I'm coming in late and asking lots  
19 of questions. Is there a way to --

20 And I understand what you mean by  
21 scale. Is there a way to keep quality?

22 And I agree with you that personnel  
23 is essential, so pay will get better quality  
24 as opposed to the numbers. But that said, is  
25 there a way to cross-reference or partner with

1 other surrounding states or the federal  
2 government to get value as opposed to added  
3 personnel in terms of the process?

4 We are not a federal government, so  
5 we are only -- We are only one state. Is  
6 there a way to do that?

7 MR. McTIGUE: Right. I think there  
8 are many groups in the private sector that can  
9 complement what the CBO is doing and do it;  
10 and that the same with your legislative fiscal  
11 office, providing you make the information  
12 available, I think that you have the potential  
13 to be able to get a lot of it; and help coming  
14 from private sector groups who will take that  
15 and analyze it, and say, we think you are  
16 wrong on this assumption, we think you are  
17 wrong on that assumption.

18 And those are major benefits. And  
19 I think that it is transparency that allows  
20 that to happen. It is not going to happen  
21 because you direct it.

22 The other thing is that where you  
23 have a special issue, don't be frightened to  
24 go out and employ somebody--you know, a  
25 consultant, a consulting firm, or professional

1 support--to be able to get the job done if it  
2 is really important. If you are tinkering  
3 around with a million dollars or so and you  
4 are spending \$25 billion dollars, its margin  
5 of error is staff.

6 SENATOR WILLIAMS: Um-hum.

7 MR. McTIGUE: It is well spent if  
8 you don't make a 1-percent mistake on what you  
9 are doing with \$25 billion. That is money  
10 well spent.

11 SENATOR WILLIAMS: And the only  
12 thing I would say in closing is two things.  
13 One, I am not Irish Catholic, but I would fear  
14 the Pope also. So I just want to say that for  
15 the record.

16 MR. McTIGUE: Yes. But  
17 fortunately, I was leaving, so.

18 CHAIRMAN LEVDANSKY: Thank you,  
19 Senator Williams.

20 Representative Pallone.

21 REPRESENTATIVE PALLONE: Thank you,  
22 Mr. Chairman.

23 Just very quickly. I am kind of an  
24 anomaly. I am a free market Democrat. I  
25 studied at Grove City College under Doctor

1 Hans Sennholz. So I have a different view  
2 maybe than some of my colleagues.

3 And I fully appreciate the concept  
4 of the dynamic modeling, where one dollar  
5 translates into 10 or 12 or 15 dollars.

6 The question that you -- You kind  
7 of alluded to the fact of changing some of the  
8 investment structure by maybe reducing tax  
9 rates and so forth.

10 And what we have seen historically,  
11 at least for the last two decades anyway, in  
12 Pennsylvania, is we try projects--Keystone  
13 Opportunity zones, tax abatements--different  
14 incentive programs that have a limited life to  
15 them.

16 And what we see is you will invest  
17 for the life of that particular program and  
18 then often times you see them move. And what  
19 you end up happening is a competition between  
20 neighbors that say while we are going to put  
21 in this tax incentive zone, in this area, so  
22 that everybody from five miles away moves  
23 over, creates a couple of jobs, takes  
24 advantage of the tax incentives, and then 10  
25 years later goes to the -- leaps to the next

1 investment.

2 Are you suggesting then that we  
3 shouldn't be doing that and should just be  
4 looking at a flat reduction across the board  
5 with permanency?

6 MR. McTIGUE: My advice to you  
7 would be not to try and pick winners. I think  
8 that it is better to try and encourage a  
9 thousand businesses to employ one more person  
10 than try and bring in a business that is going  
11 to employ a thousand people.

12 I think the longevity of those jobs  
13 created by a thousand entrepreneurs is going  
14 to be much greater than from that one entity.

15 The second thing is that, while we  
16 would like to ignore it, competition isn't  
17 just from your neighbor and the state next  
18 door, it is also from the businessmen in  
19 Taiwan and it is from the countries in Eastern  
20 Europe and it is from South America. Because  
21 investment capital today is very tangible. It  
22 moves very quickly from place to place.

23 Over the last four or five years, I  
24 have spent quite a bit of time working with  
25 and looking at the economies of Eastern



1 Europe--they came out of Communism and  
2 totally, economically, sort of destroyed--and  
3 how they built those.

4 And what is actually happening is  
5 that we have a great living laboratory there  
6 that we can look at, and many of them are  
7 taking different approaches. The thing that  
8 clearly is making a difference is that those  
9 that are creating the best environment for  
10 investment to occur are doing best.

11 Now, in some cases, it is as simple  
12 as they have managed to get on top of  
13 corruption and that's made the investment  
14 climate better. But in other cases, there are  
15 a whole lot of tools.

16 For example, I have been doing some  
17 work in Puerto Rico. And something that the  
18 World Bank does, it is very neat, it is called  
19 the Ease of Doing Business Index. And it  
20 looks at a whole range of things that are  
21 disincentives to businesses.

22 Now, one of the disincentives is  
23 how long it takes to get decisions made, and  
24 lots of places in America are bad at that.

25 REPRESENTATIVE BOYD: Amen.

1                   MR. McTIGUE: And a lot of  
2 countries and one or two places in the United  
3 States have started to do things like, if you  
4 apply for a permit or an authority and you  
5 don't get a response in 30 days, it is  
6 granted.

7                   Now, that certainly has hurried  
8 people up. Because delaying or making people  
9 wait to make their capital investment tends to  
10 chase it away as well. So some of it is  
11 mechanical.

12                   One of the things that we did in  
13 the government in New Zealand was to say, all  
14 our agencies, when the citizen comes and  
15 applies for whatever it is--this permit to  
16 start this particular business--and it  
17 involves five other departments, you must all  
18 consider that application concurrently.

19                   Because they used to do it  
20 sequentially. Because if the first one turned  
21 it down, they didn't have to do the work. And  
22 we said, that's not your choice any longer.  
23 You have to serve the citizens. We want you  
24 to do it concurrently.

25                   They got the permitting process

1 down to about one-fifth of the time that it  
2 used to take before. So some of those kind of  
3 things are some of the tools that you can look  
4 at that create a more attractive business  
5 environment.

6 REPRESENTATIVE PALLONE: Thank you.  
7 Thank very much.

8 Thank you, Mr. Chairman.

9 CHAIRMAN LEVDANSKY: Thank you,  
10 Representative Pallone.

11 No other questions.

12 Mr. McTigue, thank you very much  
13 for your testimony today.

14 MR. McTIGUE: Thank you.

15 CHAIRMAN LEVDANSKY: Let me next  
16 call Mr. Phil Durgin. Phil is the Executive  
17 Director of the Joint Legislative Budget and  
18 Finance Committee.

19 MR. DURGIN: Good morning. Thank  
20 you. We are handing out some of our annual  
21 reports.

22 Thank you for inviting me to speak  
23 with you today about the duties and  
24 responsibilities of the Legislative Budget and  
25 Finance Office.

1                   The Legislative Budget and Finance  
2           Committee was created by statute in 1959.  
3           Under that act, our committee is empowered to  
4           request, receive, review, examine, study,  
5           ascertain and compare fiscal information  
6           concerning the budget, the revenues and  
7           expenditures of the Commonwealth and to make  
8           recommendations to the legislature, when found  
9           advisable, directed to the elimination of  
10          unnecessary expenditures and to the promotion  
11          of economy in the government of the  
12          Commonwealth.

13                   We are also charged to examine  
14          whether or not appropriations are being  
15          currently expended for the purposes and within  
16          the statutory restrictions provided by the  
17          legislature.

18                   In terms of the structure of our  
19          committee, by law the committee is comprised  
20          of 12 members; six senators and six  
21          representatives evenly divided between the two  
22          parties. The committee's members are  
23          appointed by their respective chambers and  
24          caucuses. The committee elects its own  
25          officers. And by tradition, the Chair has

1     been from the majority party in the Senate,  
2     with the other three officers coming from each  
3     of the other three caucuses.

4                 So we differ from many committees,  
5     in that we are independent, bipartisan and  
6     bicameral.

7                 Over the years, the purpose and  
8     function of our committee has evolved from a  
9     fiscal watchdog role envisioned in the  
10    original legislation to more of a program  
11    evaluation and performance art role. This  
12    change began in the mid 1970s and was largely  
13    completed with the enactment of the Sunset Act  
14    in 1981.

15                Although the Sunset Act had its own  
16    Sunset date in December of 1991 and was not  
17    reauthorized, virtually all of our staff time  
18    is spent conducting other types of performance  
19    audits and studies.

20                As for how we currently get our  
21    assignments, most of our reports are done in  
22    response to either a statutory charge--for  
23    example, we are required by statute to do a  
24    performance audit of the Department of  
25    Transportation every six years--or as the

1 result of a House or Senate resolution.

2 We occasionally receive projects  
3 through a concurrent resolution of both the  
4 House and the Senate, but by far most of our  
5 resolutions are through a resolution passed by  
6 just one of the chambers.

7 The committee can also initiate its  
8 own studies, but our current chairman prefers  
9 the resolution or bill process so that it is  
10 clear that the projects that we undertake  
11 represent a broad consensus of the  
12 legislature.

13 But none of our projects are staff  
14 initiated, they are all in response to some  
15 type of request by the members of the General  
16 Assembly.

17 I would say that the nature of the  
18 reports we do has also changed somewhat over  
19 the years, in that increasingly we are being  
20 asked to take on topics of a more technical or  
21 prospective analytic nature rather than the  
22 more traditional work of reviewing the  
23 efficiency and effectiveness of existing state  
24 agencies and programs.

25 For example, in 2008, we were asked

1 to assess the potential costs to wastewater  
2 treatment plants to comply with the Chesapeake  
3 Bay Tributary strategy. While we have a  
4 qualified professional staff that is familiar  
5 with many key state and federal programs, we  
6 do not have civil engineers on staff; so, we  
7 had to contract this project out to an  
8 engineering consulting firm.

9 We had a similar situation recently  
10 when we were asked to assess the Pennsylvania  
11 Game Commission's deer management program,  
12 which of course requires expertise in forest  
13 and wildlife biology. The point being that we  
14 do have at least a limited ability to contract  
15 out for specialized help when necessary.

16 With regard to our in-house staff,  
17 we currently have 14 full-time and two  
18 part-time staff, all of whom are hired on a  
19 nonpartisan basis. Of those 16 positions,  
20 three are administrative or clerical. Of the  
21 13 professional staff, we have two attorneys,  
22 one of whom doubles as a project manager; a  
23 paralegal; and nine analytic staff with  
24 advanced degrees, mostly in public or business  
25 administration, including one with a

1 doctorate.

2                   The staff is organized into three  
3 units with each unit typically working on  
4 between one to three projects at any given  
5 time. Of course, projects vary in length and  
6 complexity, but an average project typically  
7 takes us between six months and a year to  
8 complete.

9                   Our reports are released at public  
10 meetings of the Legislative Budget and Finance  
11 Committee, where the project manager does a  
12 short presentation of the report, and the  
13 committee members can then ask questions of  
14 either us or the audited agency.

15                   The audited agency is always in  
16 attendance when we release a report, and their  
17 comments on the report are always included in  
18 the final document.

19                   We provide copies of all of our  
20 reports to the legislative leadership, the  
21 Chairs of the Appropriations committees, and  
22 the members of the relevant standing  
23 committees.

24                   Also when we release a report, we  
25 send order forms and a one-page summary of



1 each report to every member of the General  
2 Assembly, the press, the executive branch  
3 officials and other interested parties.

4 All of our reports and one-page  
5 summaries are also posted on our website  
6 (<http://lbfc.legis.state.pa.us/>) and are  
7 available upon request in hard copy.

8 I have handed out our most recent  
9 annual report. At the very back, it lists all  
10 of the reports we have released since 1982.

11 As you will see, while we have not  
12 looked at every program or agency where the  
13 state spends money, we have looked at quite a  
14 few of them. Currently, our staff is working  
15 on studies of Pennsylvania's property tax  
16 assessment system, the effectiveness of 18  
17 different state tax credit programs, a  
18 statutorily required performance audit of the  
19 Fish and Boat Commission, the feasibility of a  
20 state registry for blighted properties and  
21 several others.

22 We will soon release reports on a  
23 study of the statewide complement level of  
24 state probation and parole officers, the Game  
25 Commission's deer management program, and the

1 use of Growing Greener II funding, among  
2 others.

3 As of last week, 31 resolutions and  
4 16 bills were pending before either the House  
5 or Senate requesting us to do various studies  
6 and projects. Plus there are several more  
7 that I am aware of that have not yet been  
8 formally introduced. Some of those projects  
9 are relatively modest and others are, well,  
10 monumental.

11 Before I close, I would also like  
12 to say that once a report is released, we are  
13 always available to the standing committees or  
14 to the individual members of the General  
15 Assembly to present or further explain the  
16 findings and recommendations of our work.

17 And while a study is ongoing, we  
18 are also more than willing to hear any  
19 concerns the members may have about a program  
20 or agency, and we will do what we can to  
21 address those concerns or issues in our  
22 report.

23 We feel honored and privileged to  
24 have had so many legislators trust us over the  
25 years to provide accurate and unbiased

1 information on topics that often they feel  
2 quite passionate about.

3 I hope that we will continue to  
4 earn your trust in the years ahead.

5 I would be happy to answer any  
6 questions that you may have about the  
7 committee or how we conduct our studies.

8 Thank you.

9 CHAIRMAN LEVDANSKY: Thank you,  
10 Phil.

11 Any questions from members?

12 Senator Browne.

13 SENATOR BROWNE: Thank you, Phil,  
14 for your participation today.

15 In continued conversations about  
16 the efficacy of this proposal pending  
17 establishment of a legislative fiscal office,  
18 part of the conversation has been about  
19 duplication of effort and how that fits in, in  
20 regards to the role of this office, in  
21 comparison with other functions of state  
22 government that may perform some of the same  
23 tasks. And, of course, your committee had  
24 been part of that discussion.

25 But I think it was appropriately

1 determined that the role of your office is not  
2 to stand in a companion role to the Governor's  
3 Budget Office in the annual development and  
4 evaluation approval of a budget, but target  
5 evaluation of program and quality analysis and  
6 can stand in a companion role to the  
7 legislative fiscal office in their annual role  
8 of doing and developing a qualitative analysis  
9 matrix for all of our programs that we can  
10 look at as we are looking at the budget. Do  
11 you agree with that assessment.

12           And what do you think we should do  
13 to make sure there isn't a duplication of  
14 effort in regards to what you do and what the  
15 pending legislative fiscal office would do?

16           MR. DURGIN: Well, I do agree with  
17 that assessment. I think if we were -- We  
18 really don't have any economists on staff. We  
19 have never done economic forecasting or  
20 modeling or a global economic -- things like  
21 that, so I really don't see much overlap at  
22 this point.

23           There is, obviously in the act,  
24 there is a provision about performance  
25 measures. And when we do, when we look at a

1 program or agency, we try to identify what  
2 performance measures they have. Oftentimes,  
3 there are some, but they are typically not  
4 very robust.

5 And we will work with the agency to  
6 try to develop measures that we would use, not  
7 in a formal sense but at least as we do the  
8 evaluation; so, if there is any overlap, it is  
9 maybe in that performance measurement area.

10 But as I understand the bill, that  
11 what you are proposing is a much more  
12 comprehensive, ongoing kind of a process than  
13 what we do when we go into a particular agency  
14 to try to identify measures.

15 SENATOR BROWNE: Well, and thank  
16 you. And as I said, we are trying to avoid,  
17 eliminate duplication.

18 But one thing we want to duplicate  
19 with this office is the reputation that your  
20 committee has in terms of the work product  
21 that you produce, and I wanted to thank you  
22 and compliment you for your ongoing efforts in  
23 that regard.

24 MR. DURGIN: Thank you. We  
25 appreciate it.

1 CHAIRMAN LEVDANSKY: Any of the  
2 other members have questions?

3 I have a couple.

4 MR. DURGIN: Okay.

5 CHAIRMAN LEVDANSKY: But just in  
6 the interest of full disclosure, just so  
7 everybody knows. I am a member, and have been  
8 for many terms --

9 MR. DURGIN: Many years.

10 CHAIRMAN LEVDANSKY: -- of the  
11 Legislative Budget and Finance Committee. And  
12 I presently serve as an officer of the  
13 committee, as the treasurer of the committee.

14 And first let me concur and  
15 highlight, Phil, your conclusion. That our  
16 committee, our staff, has over the years  
17 earned the trust and respect, in a bipartisan  
18 fashion of legislators, for the accurate and  
19 unbiased information that the staff and the  
20 work that they do.

21 And that's really important. We  
22 have built up, I think, a significant bond of  
23 trust, in a bipartisan fashion, and that's in  
24 an environment that is often very, very, very  
25 partisan.

1                   So, Phil, again, you know, my  
2                   accommodation to you and your staff for the  
3                   professionalism and for the unbiased way that  
4                   you approach issues.

5                   But that said, I do want to focus  
6                   just a little bit on the law that created the  
7                   Budget and Finance Committee.

8                   Back in 1959, and as you state,  
9                   Phil, the act empowered the committee to  
10                  essentially, you know, receive, study,  
11                  examine, compare fiscal information regarding  
12                  the budget, revenues and expenditures and to  
13                  make recommendations to the legislature, and  
14                  when found advisable, to direct the  
15                  elimination of unnecessary expenditures and to  
16                  promote economy in the operations of state  
17                  government.

18                  And you are also charged with  
19                  examining whether or not appropriations are  
20                  being currently expended for the purposes and  
21                  within the statutory restrictions provided by  
22                  the legislature. That's a mandate that sounds  
23                  a lot like what we are trying to get at, with  
24                  the creation of an independent fiscal office.

25                  However, notwithstanding the

1 original statute creating the committee, you  
2 do appropriately note that we have -- that the  
3 committee's function has evolved over time.  
4 And in particular you note that in the 1970s,  
5 the committee evolved from the fiscal watchdog  
6 role more into the present role of program  
7 evaluation and performance audit.

8 I know it would -- You know, Dick  
9 Dario (phonetic), your predecessor, and  
10 Senator Bell who had a very strong hand in the  
11 creation of this and led it for quite a long  
12 time, aren't here; but from your perspective,  
13 in the '70s, when that role of the Budget  
14 Finance Committee changed, what would you  
15 attribute that to?

16 MR. DURGIN: Well, I wasn't there  
17 at the time, but I think part of it was  
18 necessity. I mean there was -- Our committee  
19 was not held in great esteem in the early  
20 '70s, and there was a move to eliminate it, so  
21 it was an effort to revamp and revitalize the  
22 committee into something that was useful to  
23 the General Assembly.

24 So when I said it evolved from a  
25 fiscal watchdog role, that might have been a



1 little bit of an overstatement as to, I think,  
2 how it was perceived at the time.

3 But it was a move that was  
4 necessitated. And at the time, also many  
5 states were moving towards a more program  
6 evaluation role. That was something that was  
7 sort of a national trend, so it was a natural  
8 evolution as well.

9 CHAIRMAN LEVDANSKY: I am just  
10 thinking aloud here. I mean in the 1970s, I  
11 mean the legislature, over time, become much  
12 more involved. You know, we went from a  
13 part-time legislature to more of a  
14 full-time --

15 MR. DURGIN: Right.

16 CHAIRMAN LEVDANSKY: -- effort to  
17 professionalize the General Assembly in its  
18 operations. So I would presume that in 1970,  
19 you probably -- You know.

20 MR. DURGIN: That was part of it,  
21 yeah.

22 CHAIRMAN LEVDANSKY: Was it a  
23 growth in the role and the function of the  
24 Appropriations committees in the House and  
25 Senate or did the Governor seem to gain more

1 influence and power vis-a-vis the Governor's  
2 Budget Office? Were those factors in  
3 operation, too?

4 MR. DURGIN: I don't believe so.  
5 Again, I wasn't there at the time. But I  
6 think it was more a role that our committee  
7 saw that they could play and that more states  
8 were starting to do and that we got involved  
9 with and within our statutory charge as well.

10 CHAIRMAN LEVDANSKY: Okay.

11 MR. DURGIN: But I am not aware of  
12 any of those. I don't think there were those  
13 kind of tradeoffs or discussions.

14 CHAIRMAN LEVDANSKY: Okay. And  
15 while our function has changed over the  
16 decades, I mean the statute creating it, it  
17 really has not.

18 MR. DURGIN: Right.

19 CHAIRMAN LEVDANSKY: It really  
20 hasn't evolved. I mean it still is for the  
21 intended purposes. But the function of the  
22 committee has evolved, whereas the statute has  
23 not.

24 MR. DURGIN: Correct.

25 CHAIRMAN LEVDANSKY: Okay. And one

1 final thing, just as an observation. I think  
2 I have -- I know I have shared it. We have  
3 had this conversation before, but I just want  
4 to put it on the record.

5 The really good work, the excellent  
6 work that our committee staff does in  
7 evaluating programs. And in--and I am glad  
8 you called out--and in times when we don't  
9 have the expertise, we reach out and retain  
10 consultants, to help do that deer management  
11 audit that I have been so interested in  
12 recently. We really have a really good staff  
13 that does really good work.

14 And our reports include findings  
15 and recommendations that are very user  
16 friendly. From my perspective, it is an  
17 underutilized asset that we have. I mean the  
18 reports with the information and the findings  
19 and recommendations, from my perspective, all  
20 too often just fall on death ears and are not  
21 used by the legislature to make changes in  
22 programs or policy.

23 And for me, that's the, you know,  
24 that's the one shortcoming. And it is surely  
25 not the fault of the staff and of the

1 leadership of the staff. You know, not at  
2 all.

3 But it is an area we do. You know,  
4 the committee does such good work. And I am  
5 just so disappointed to see that that good  
6 work product is not used to effectuate  
7 programmatic change in state government and  
8 state government agencies.

9 So I have an ongoing concern with  
10 that. You can react to that if you would like  
11 or --

12 MR. DURGIN: Well, we try. I think  
13 we have a good relationship with the executive  
14 branch agencies. And oftentimes, they will  
15 implement our recommendations without any fan  
16 fair or public notice about it. It is a  
17 struggle.

18 CHAIRMAN LEVDANSKY: Yeah. And  
19 again, I am not faulting the staff of the  
20 committee. I think it is more a  
21 responsibility to the legislature to react and  
22 to utilize the good work product of the  
23 committee and its staff.

24 MR. DURGIN: Thank you.

25 CHAIRMAN LEVDANSKY: Any other?

1                   No other questions.

2                   Okay. Thank you. Thank you, Phil,  
3 for your input and your insight.

4                   MR. DURGIN: Thank you.

5                   CHAIRMAN LEVDANSKY: And we are  
6 either planning -- We will follow with more  
7 detail about the joint committee meeting  
8 schedule for February 17th.

9                   Senator Browne, anything else?

10                  SENATOR BROWNE: Just real briefly.  
11 I wanted to thank Chairman Levdansky, Chairman  
12 Rohrer, and the members of the House Finance  
13 Committee for their participation in this. I  
14 think our efforts to finalize this will really  
15 improve our overall budget process.

16                  I look forward to the next hearing.  
17 Thank you.

18                  (At 11:00 a.m., the hearing was  
19 concluded.)

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