

The Challenge: *Improve the delivery and efficiency of government services at the state and local levels and provide for their long-term fiscal sustainability.*

DELIVERING EFFICIENT STATE AND LOCAL GOVERNMENT SERVICES AND PROVIDING FOR THEIR LONG-TERM FISCAL SUSTAINABILITY

Dr. Richard Chesteen

State government finance for the latter part of the twentieth century at times resembled a roller coaster ride—up, down, and often scary. The states that were up and the states that were down changed from time to time, but now in the midst of a worldwide economic downturn, all of them stand to benefit or suffer together. Certainly, this was so during the Great Depression of the 1930s when all of the country was hurting economically. Likewise, as the nation and the world respond to the economic meltdown of 2008, the circumstances are again such that all the states are negatively impacted, at least to some degree. And some find themselves in severe financial condition as national circumstances pile on top of their own already serious problems.

Now in serious financial straits, many state government leaders are confronted not only with the challenge of maintaining current service levels, but also with unavoidable retrenchment as revenues shrink far below expected levels. Writing in the March 2001 issue of *Spectrum*, a Council of State Governments publication, the magazine's editor-in-chief, Keon S. Chi, spoke to how, in such hard times, states might seek to govern:

- ▶ Establish special commissions and task forces to increase efficiency and productivity.
- ▶ Empanel experts from the private sector, academic community, and consulting arena to generate ideas about how to do more with less.
- ▶ Impose hiring freezes, limit employee travel, train less, exercise better fiscal management, and reduce or eliminate programs.
- ▶ Institute or strengthen strategic planning and benchmarking, implement better performance measurement, and “outsource.”

Chi gives examples of how various states have used one or more of these strategies to deal with their fiscal exigencies. For decades now, Tennessee has also to some degree used all of these approaches to better manage state resources, deal with financial shortfalls, and preserve government services.

It may seem strange in a time of economic constraint that the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) would support a project exploring Tennessee's future with the state facing the possibility of serious cuts in government funding. But when TACIR began the project, few anticipated how serious the national and states' economic straits would become. Yet, it is in just such times that good planning is most needed. As the state finds itself for at least the next two years facing divided political leadership in the legislature and governor's office, an already difficult governing arrangement will be made more so for a number of reasons. Among these are different policy objectives and priorities, conflicting views about public

expenditure allocations and future revenue needs, and philosophical differences about what government should and should not be doing. It is not my purpose to try to anticipate the consequences of such political realities but simply to note that the real political world is where the planning process must ultimately play out.

A 2003 comment by Barry Hopkins in *State Government News* seems just as relevant six years later:

There is a bright spot in all of this gloomy fiscal talk. States are making inroads to smarter and leaner government operations, taking a cue from business and citizens—you can't spend what you don't have. As states struggle with the lack of dollars, innovation is taking over in state government administration and organization. How can we do more with less? What is worth keeping and what is worth giving up?

It is this reality that Tennessee must face and that it must take into consideration as it plans for the future.

As noted earlier, Tennessee government has not stood still in recent decades. Whether on its own initiative, by court order, because of the need to deal with a pressing problem or other factors, the state has made many changes. Many of them are listed on the following page. In some cases, Tennessee has led the way for the nation. For example, although the state started building new prisons in the late 1980s only after losing a federal lawsuit, by the mid-1990s, Tennessee had the only fully accredited correctional system in the nation. Likewise, the educational accountability reforms implemented under governors Lamar Alexander and Ned McWherter have been widely recognized and copied by other states.

Federal efforts to soften the effects of the current economic downturn notwithstanding, we must look to ourselves to prepare for Tennessee's future. The messenger from Washington with a fat bag of money will not be back. Federal fiscal restraint will become the rule just as it must be for states. States must rely on themselves, not only to plan for the future, but even to preserve the status quo. In such hard economic times, what strategic actions are necessary to survive and move on? It would seem at least the following actions are necessary:

- ▶ *realistic assessment,*
- ▶ *careful prioritization,*
- ▶ *creative strategizing,*
- ▶ *broad inclusion,*
- ▶ *public education, and*
- ▶ *bold actions.*

These actions will often incorporate the steps noted above by Keon Chi. Some may be necessary immediately. Certainly, Governor Bredesen and the Tennessee General Assembly have little

Tennessee Efforts at Government Modernization and Improved Performance

- In the 1960s the state legislature carried out important structural reforms and funded the building of a modern legislative plaza. Also, during this period the legislature created a joint fiscal review committee so that the legislature could collect its own data on the state's economy separate from the figures provided by the governor.
- In a series of limited constitutional conventions, beginning in the 1950s, the state citizens approved additional important structural and procedural changes to state and local government.
- In the 1970s and 1980s Tennessee became a national leader in K-12 education accountability measurement. Then in the 1990s the state began a process of more equitable funding between rural and urban school systems. Later Governors Don Sundquist and Bredesen focused on new initiatives in the areas of Early Childhood Education and reading proficiency for grades one to three.
- Both Governors Lamar Alexander and Ned McWherter took major initiatives in the 1970s and 1980s to attract industry to Tennessee and to improve the state secondary and primary road systems in the state.
- As a result of federal lawsuits, Tennessee, in the 1980s and 1990s, was forced to modernize its state prison system. Also, a state sentencing commission proposed a more uniform sentencing system in the state based on a new criminal classification system. Too, the state was required to restructure the delivery of services to the mentally and physically challenged, which included the movement from institutional to community based housing and services.
- In 1967 the state legislature created the Tennessee Higher Education Commission (THEC) for the purpose of coordinating and supporting the efforts of post-secondary institutions in the State of Tennessee. One of its statutory requirements is to create a master plan for the development of public higher education in Tennessee.
- Due to the need to comply with federal legislation and to be in a better position to receive federal funding for state and local governments, the state has created regional economic development districts to administer such services as public transportation, Head Start education funding, and community services funding for such areas as sewer improvements and fire fighting services.
- The state of Tennessee has created and funded, since the 1970s, a series of initiatives to improve the quality of state and local government management. This has come through the creation, mostly through the University of Tennessee, a network of agencies dedicated to improving the administration of government and to improving the management skills of government personnel at both the state and local levels.
- Through the Tennessee State Planning Board and the Tennessee Planning Commission, the state established the structure for local county and municipal powers to engage in zoning and land use planning.
- A Local Government Planning Advisory Commission was established to advise the governor concerning local government conditions and inclusion of those needs in a state's general plan. Today the State Planning Office operates through regional planning offices which assists over 200 local municipalities and counties and nine regional planning commissions, created in 1960, with their planning responsibilities.
- As a result of federal court rulings, the state of Tennessee and its political subdivisions have had to restructure their governing bodies so that the distribution of their membership comply with the one man one vote apportionment requirement.

choice but to implement spending freezes and impose reductions on state agencies because Tennessee cannot constitutionally engage in deficit spending.

In 2000, California's state controller, Kathleen Connell, proposed a series of policy initiatives to "ensure continued statewide prosperity, improve California's long-term planning, and increase government responsiveness by identifying and proposing solutions to key strategic management needs facing the state." The proposals included the following: capital outlay prioritization, alternative work and transition credits, a capital debt management commission, revamping of Medi-Cal reimbursement rates, long-term care insurance reforms, direct contracting of health care, a five-year information and technology strategic plan, and legislation to rectify the imbalance in state and local government financing.

Twenty states now have created commissions to look at current and future correctional sentencing systems. In Colorado, a blue ribbon commission for healthcare reform has issued a final report on its plan to expand health coverage for its citizens and to reduce operating costs. A large number of states even now are in the process of reforming areas such as election procedures, health care, taxation, pensions, and ethics. National associations of state governments and agencies are also studying reforms. The National Conference of State Legislatures, for example, has a blue ribbon commission on higher education that is exploring ways to

- ▶ better inform state legislators about the "big picture" of higher education,
- ▶ design new models for state budgets and state higher education funding,
- ▶ provide continuing training for new and veteran legislators about higher education issues, and
- ▶ develop stronger links between legislators and education policymakers to improve long-term planning.

Just as states are assessing their own structures, others are studying the need for action at the local level. Examples of such efforts are the recent Indiana Blue-Ribbon Commission on Local Government Reform, the New York Commission on Local Government Reform, the Ohio Commission on Local Government Reform and Collaboration, and the New Jersey Local Unit Alignment Reorganization and Consolidation Commission. While the charge to these commissions varies by states, they all highlight the need to make local government operations more effective and efficient.

While Tennessee has not had its own local government study commission, local government reforms have been contemplated and sometimes implemented. The list on the previous page includes some important efforts at reform and modernization. More, however, are needed, particularly in the areas of planning and revenue systems. Demographic change and financing realities will not tolerate a failure to act.

All of these factors lead to a few unavoidable conclusions:

1. Tennessee is confronting a fiscal crisis of unanticipated, but significant magnitude.

This will necessitate immediate reduction, reallocation, and restructuring of the state's budget.

2. Continuation of the current state revenue funding system, with its primary dependence on consumption-based business and personal taxes in a time of economic downturn will only magnify the state's fiscal crisis.
3. Because local governments rely on state support of such programs as education, industrial development, and local road and bridge funding, and depend on the local sales tax for much of their funding, Tennessee's county and municipal governments will face serious financial problems in the near future. They, too, will need to examine how to function better in these hard times.
4. Tennessee's financial crisis comes at a time when the state already is pushed to expand spending on government services such as health care, higher education, children services, mental health services, and road and bridge construction.
5. The options available for dealing with the state's present financial situation are limited because of reluctance to reform the state tax system to incorporate more progressive taxes such as an income tax; state and local sales tax rates that are among the highest in the nation and, consequently, significant "leakage" of public spending to border states with lower tax rates; the difficulty of amending the state constitution; and vocal and confrontational anti-tax reform groups.

Yet, even in these difficult times, changes can be made that will allow the state to utilize its resources better. Finding a way forward in these hard times will require the same type of planning now being done by other states and various state associations, the type of planning Tennessee policy makers have done successfully in the past.

It is incumbent upon Tennessee's political, governmental, business, and educational leadership to move expeditiously toward a broad-based, comprehensive and modern planning process that is both realistic and non-ideological. Our leaders must assess where we are, where we want to go, and what we must do to reach our goals. This process will not be easy or quick, but without it, we are in danger of losing ground, compared to other states. When one considers Tennessee's already low rankings in many governmental, financial, and socio-economic areas, procrastination is not an option.

Now, more than ever, Tennessee's citizens must demand that the state's leaders step forth resolutely and confidently recognize that the road to the future is for us to build. Realistically, we will be limited and shaped by our own capabilities and capacities, but to achieve our state motto—*the best America has to offer*—we must all be willing to participate and contribute.

Dr. Richard Chesteen



Richard Chesteen received his Ph.D. in political science from the University of Mississippi in 1976. He has taught in higher education since 1964. He has been at the University of Tennessee since 1969. He retired in 2007 but now teaches half-time on a post-retirement appointment.

Dr. Chesteen has involved himself in a wide range of political related activities. He was a county commissioner in Obion County for twelve years. He was a contender in the Democratic gubernatorial primary in 1994. He has been a past instructor for the UT Center for Government Training in management areas. He also has complete the ICMA public management certificate program and has completed all levels of the UT County Officials public management program. He is a former president of the Tennessee County Officials Association and a former member of TACIR.

Dr. Chesteen has reported on political events on both radio and TV and currently has a public affairs program -“Conversations”- on WOBT-TV in Union City. He also has authored numerous political essays that have appeared in state newspapers.

He lives with his wife Gloria in Union City.