

# 10 Good Government Reforms to Change the Culture on Beacon Hill and End the Double Standard

## Summary

- With the highest unemployment rate in 34 years, there are currently more than 320,000 people out of work in Massachusetts. (The unemployment rate has inched upward in Massachusetts for 22 consecutive months).
- Massachusetts taxpayers will pay nearly \$2 billion more in taxes by the end of this fiscal year due to the tax increases enacted over the past several years.
- There are more than 7,000 state and quasi-public employees that earned \$100,000 or more last year.
- The state of Massachusetts is operating under two sets of rules: one for state government and one for everyone else.
- If the state is serious about getting its fiscal house in order and putting people back to work, leaders have to send a **strong** message to the citizens of Massachusetts and to the business community that it is no longer business as usual on Beacon Hill. State leaders must be serious about changing the culture because even the best reforms will not succeed if the culture is still the same.

## **This package includes ten common sense reforms to change the culture on Beacon Hill.**

1. Eliminate Evacuation Day and Bunker Hill Day Holidays
  2. Prohibit Bonuses for Non-performance
  3. End Double Dipping
  4. End Excessive Vacation Payouts
  5. Ban the Hiring of Lobbyists
  6. Pacheco Law Reform
  7. Transparency and Reform of Quasi-Public Agencies
  8. Licensing and Permitting Reform
  9. Regulatory Reform
  10. Ban Confidentiality Agreements
-

## **1. Eliminate Evacuation Day and Bunker Hill Day Holidays**

Currently all state and municipal workers within Suffolk County receive March 17 and June 17 off each year to celebrate Evacuation Day and Bunker Hill Day. The courts within Suffolk County are closed those days, along with all municipal offices. There are some state offices that choose to remain open. However, employees of those offices receive floating holidays. State employees outside of Suffolk County generally receive a floating holiday as employment laws prohibit granting an additional holiday to only one set of state workers. All told, over 35,000 public employees get the holidays off from work according to a study done by the Boston Municipal Research Foundation and the Massachusetts Taxpayer Foundation.

Elimination of the holidays would save \$5 million dollars per year according to the Massachusetts Taxpayers Foundation, through reduction of overtime costs, elimination of superfluous floating holidays and lost revenues for having offices closed. Currently, state and municipal employees in Suffolk County get 13 paid holidays, three more than the federally mandated 10 holidays.

## **2. Prohibit Bonuses for PRIM Board Fund Managers**

Under the pay incentive plan approved in 2008 by the PRIM board, the top managers of the PRIM fund qualify for bonuses, despite the extremely heavy losses. There are no current laws either permitting or prohibiting bonuses for pension fund managers. Bonuses should only be awarded in those years when the pension fund grows.

For example, according to an August 2008 Boston Globe story, PRIM Executive Director, Michael Travaglini, and his two top aides received a 20 percent bonus under benchmarks set by the nine-member Pension Reserves Investment Management Board even though the fund lost more than \$1 Billion. The other 23 members of the management staff received bonuses of 16 percent.

## **3. End Double Dipping**

Current Massachusetts law restricts double-dipping on the state payroll - such as not being able to collect two state salaries and not being permitted to hold two state elected offices at the same time. The double dipping ban eliminates potential conflicts of interest and prohibits dual office holders from collecting two public salaries and added pension benefits. The double dipping law must be amended to prohibit elected officials from simultaneously holding paid elected positions at the state and local levels.

Recent examples:

- Tim Toomey served as a state representative and a Cambridge city councilor.
- Michael Sullivan served as Middlesex County clerk of courts and Cambridge city councilor earning a combined salary of \$170,000 a year.
- Thomas Stanley served as a state representative and an alderman-at-large.
- George Rogers served as a state representative and a city councilor.
- Mayor Lantigua served briefly as a state representative and mayor of Lawrence before public pressure forced him to resign from his state representative position.

#### **4. End Excessive Vacation Payouts**

Implement a “use it or lose it” policy similar to private sector practices.

- Employees will not be permitted to carry over vacation time from one year to the next.
- Upon retirement or termination, vacation time payouts for unused days will be prohibited.
- State agencies and state authorities will be prohibited from making payouts for unused vacation time at the end of the year. Currently, Massport buys back up to 15 days at the end of every year.

#### **5. Ban State Agencies and State Authorities from Hiring Lobbyists**

No state agency or state authority should need to hire a lobbyist to work with the Governor or the Legislature. Public funds should not be utilized to influence the government. Records show that more than \$4 million in public funds have been spent on lobbyists over the last four years according to an investigation conducted by Fox 25 News.

##### **Examples**

- Massachusetts Convention Center Authority spent \$334,795
- The Massachusetts Housing Financing Agency spent \$401,658
- Massachusetts Bay Community College spent \$102,780

#### **6. Pacheco Law Reform**

The Pacheco Law, passed in 1993, is the strictest-in-the-nation anti-privatization policy. The law severely suppresses competition and limits the state’s options to offer cost effective delivery of state services. This law has required the government to perform services well beyond its core mission. All contracts over \$500,000 for outside entities to provide services must be reviewed and approved by the State Auditor. The Auditor uses restrictive legislative conditions when reviewing the outside contracts. Absent

repealing this law, these restrictions must be modified to allow for greater flexibility in making determinations.

Other states across the country have outsourced services for years and are currently taking a more aggressive approach to expand options as a way to control spending and save taxpayers money. Massachusetts must re-examine its core government functions and identify those areas that could be outsourced to save taxpayers money.

According to the Reason Foundation's annual privatization report:

- Florida's Council on Efficient Government identified 511 outsourced projects in 2008. A review of 21 potential privatization projects forecast \$94 million in savings for taxpayers.
- Louisiana established a Commission on Streamlining Government that is using privatization to help reduce the size and cost of state government.
- California signed a public-private partnership law that enables and encourages the private sector to fund and manage road, prison and courthouse projects.
- New York created a Commission on State Asset Maximization to identify areas where public-private partnerships can save the state money.
- New Jersey's Governor signed an executive order creating a task force to "develop recommendations for a comprehensive approach to converting certain areas of government operations to privately-run operations in an effort to cut the size and cost of state government."

## **7. Transparency and Reform of Quasi-Public Agencies**

Massachusetts has more than 50 independent authorities. These authorities are often referred to as "the fourth branch of government" because they are neither completely part of the state nor are they completely private. By all accounts, these agencies **lack transparency**, are **unaccountable to taxpayers**, and in many instances are **duplicative**. Basic information such as budgets, payroll, and annual reports are not publicly available. Some of the authorities receive state and federal subsidies, while others receive funding from user fees and assessments. Regardless, it is all public money and taxpayers are footing the bills one way or another.

The following is a compilation of data from those authorities for which information was publicly available.

- Annual budgets total at least \$4B
- Nearly 15,000 employees
- Annual payroll is more than \$800M
- More than 1,000 employees earned more than \$100,000 in 2009
- Annual state pension payments of at least \$13 million

## Reforms

- **Eliminate “Fat Cat” Compensation Packages** - Quasi-public employee compensation and employment perks are far more generous than that of their state counterparts. With guaranteed raises and bonuses, extravagant sick day buyback programs, and extremely generous compensation packages – these authorities largely operate under the radar screen. Additional state oversight is necessary to prevent these abuses. The Secretary of Administration and Finance, on behalf of the Governor, should be required to review and sign off on compensation policies to ensure they do not exceed that of their state counterparts. There is no reason why quasi-public employees should earn more than their state peers. Senior executives should also serve “at will” and expensive buyouts upon dismissal should be eliminated.
- **Public Disclosure** - Mandate the authorities to publicly disclose all business, operational, financial and administrative information. The Governor should hold annual public hearings at the end of each fiscal year and publish a report to disclose the activities, finances, compensation packages and administrative decisions.
- **Legislative Renewal** – Require that authorities receive reaffirmation from the Legislature on a regular basis in order to provide accountability and focus. Enabling statutes should not be until perpetuity and should sunset. Sunset provisions will require the Legislature to renew the authorities every five years.
- **Consolidation** - Reduce the number of authorities by at least 50 percent. Currently there are:
  - fourteen authorities that work on economic development
  - three authorities with a life sciences and clean energy focus
  - four authorities that work on housing policy
  - two higher education building authorities
  - fifteen regional transit authorities throughout the state that each have their own administrative and operational staff

## **8. Licensing and Permitting Reform – Streamline the Process to Create a Friendlier Business Climate**

There are more than 100 state agencies that actively administer more than 1,100 licenses, certifications, permits and registrations. Licensing authority should be granted to one office in order to eliminate redundancies, streamline oversight and coordinate functions more efficiently.

## Reforms

- **Streamline the Process** - Create a central point of responsibility for all licensing, permitting and certification in the Commonwealth under the Executive Office for Administration and Finance. Currently, this responsibility is spread across more than 100 state agencies.

- **Make it Business Friendly** - Establish a Licensing and Regulatory Review Board with representatives of the business community, trade/professional organizations, and other key regulated parties. No regulation, license, permit, or certification will be created or amended without this Board's review.
- **Eliminate Red Tape** - As part of a broader statewide initiative for full regulatory and licensing reform, conduct a review of all regulatory requirements to re-assess the purpose of the license, permit, certification and registration, ensure reasonableness and define the financial impact to the licensee and the Commonwealth.

## **9. Regulation Reform - Make Massachusetts More Competitive**

Businesses often cite frequent changes to the rules under which they are permitted to operate as reasons why Massachusetts is a difficult place to do business. As a result, the state is losing jobs every day to other states – like North Carolina, Virginia, South Carolina, Florida, Colorado, Texas, Michigan and our neighboring state New Hampshire. In order to provide a more predictable business climate, Massachusetts must adopt competitive and consistent tax and regulatory policies that don't change year to year and aren't more burdensome than those of other states.

### **Example**

In 2008 Massachusetts implemented a combined reporting taxation system for corporations that do business in more than one state, and in many cases around the world. States across the country that have implemented a combined reporting system consider only revenues generated within the borders of the United States to determine what share should be apportioned to that state for taxable purposes.

The Massachusetts Department of Revenue implemented regulations that allows them to consider income earned around the world in a manner that results in double taxation. International companies that do business in Massachusetts are now required to file a Massachusetts tax return.

This regulation discourages foreign investment in Massachusetts because other states have not taken this aggressive approach to taxing foreign investors

### **Reforms**

- **Immediate Moratorium** - Place an immediate moratorium on all new regulations and amendments and launch a full Competitive Regulatory Reform initiative.
- **Eliminate Anti-Competitive Policies** - Rescind or modify regulations that place undue burden on Massachusetts citizens and stifle competition in the business community.

- **Make it Business Friendly** - Establish a Licensing and Regulatory Review Board with representatives of the business community, trade/professional organizations, and other key regulated parties. No regulation, license, permit, or certification will be created or amended without this board's review.
- **Stop the Madness** - Veto any bill that is overly burdensome, anti-competitive, or excessively restrictive for businesses.
- **Set a deadline** - Establish an aggressive schedule to complete the review within one year.

## 10. **Ban Confidentiality Agreements**

Public employees are just that – public employees. The details of their service with state government, along with details of their departure, should be made available to the public. In some cases, confidentiality agreements have been tied to severance packages, in essence paying for the departing employees' silence. Massachusetts state law does not prohibit state officials from requiring confidentiality agreements upon employee departures. Confidentiality agreements are common in the private sector, but they are rare in government and should be banned.