



## Massachusetts is a miss on government efficiency

By James Stergios

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When U.S. Senator Pete Wilson packed his bags ten long years ago and ran for governor in California, pundits were stunned. But few found it odd earlier this year when former U.S. Senator Gordon Humphrey fled Washington to take on New Hampshire Governor Jeanne Shaheen. When George W. Bush takes office, four of our last five presidents will have been governors.

Simply put, states are where today's substantive policies are crafted.

Since the early 1980s, an alphabet soup of federal programs has been reduced into block grants. Waivers for state experimentation are commonplace and the Supreme Court has encouraged greater state power. States control an ever-greater share of overall government spending and have extended their authority over traditionally local policy areas, such as K-12 education.

The change makes state government a crucial player in the competition for businesses, labor, and capital. It also makes it more important that we measure how effectively states deliver important services. With its new "Government Effectiveness Index" (GEI), Pioneer Institute has created an instrument for doing so.

Effective government is the sum of two components. The first is efficiency, or how much is spent for each unit of service. The second is performance, which represents the quality of the services provided.

Pioneer Institute tested the GEI model on six states-Massachusetts, Michigan, New Jersey, Ohio, Rhode Island, and Virginia - and analyzed eight "core" functions of state government-K-12 education, higher education, highways, transit, state police, the judiciary, corrections, and financial administration. Ratings were computed for fiscal years 1994-98. All dollar amounts in the analysis have been normalized to account for variations in the cost of living.

Our analyses of six functions showed that Massachusetts ranked fourth out of the six states in overall effectiveness. Virginia was by far the most effective and Rhode Island the least.

Massachusetts' poor effectiveness rating was a result of average performance and low efficiency. In other words, the quality of our state services isn't bad, but we pay a high price for them.

Rhode Island's, on the other hand, doesn't invest an inordinate amount in delivering core services, but the overall quality of those services is poor.

Compared to other states, the Commonwealth's K-12 education system demonstrated good performance at average cost. Taking into consideration the programs and degrees offered by our state colleges and universities, the cost of public higher education was also below expectations.

While Massachusetts' highway agencies performed well, their services were expensive. Some of the cost was related to the Central Artery/Tunnel project, but the data indicated that the state's highway program has high structural costs. Transit costs were also high, and performance was only slightly above the sample average.

The Commonwealth's least effective functions were the judiciary, corrections, and the state's financial administration. The judiciary's costs were average, but performance was woeful. Corrections demonstrated below average costs, but the poorest performance in the six-state sample. Financial administration also had the worst performance in the sample.

Given the multiyear data sets collected, the GEI can also address such questions as whether recent administrations-and reforms-have had a measurable effect on outcomes. Are core areas of state administration slipping behind efficiency and performance levels in other states?

No state dramatically reduced unit costs between FY1994 and FY1998. Ohio's cost trends were the best, with unit costs decreasing for some functions. Massachusetts' cost trends were the worst in the sample, with unit costs rising rapidly.

Overall performance trends painted a brighter picture: they generally showed improvement in all of the states. Highway performance, for example, improved in every state except New Jersey. Corrections trends were positive in all six states.

The trend data also suggest that Massachusetts highway services will continue to be good but expensive. State police costs have risen quickly and are higher than in other states. Corrections performance since 1994 has improved and costs are rising at a lower rate than elsewhere. The management of the Commonwealth's finances has also improved notably since 1994, raising hopes that the worst is behind us.

The Commonwealth does not fare well overall, but there are functions that give us reason for hope. The GEI provides policy makers with a road map for improvement. Focusing on other states' successes would help us achieve more effective government. And in this new age of state competition the greatest benefits will accrue to the citizens of those states that are boldest in choosing to compete.

*James Stergios is research director at Pioneer Institute, a Boston think-tank.*