

TEXAS PUBLIC POLICY FOUNDATION

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**LEGISLATOR'S
GUIDE**
to the issues



TEXAS PUBLIC POLICY
FOUNDATION

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

TEXAS PUBLIC POLICY FOUNDATION
901 Congress Ave., Austin, TX 78701
(512) 472-2700 Phone (512) 472-2728 Fax
www.TexasPolicy.com

Grace Commission

The Issue

In the late 1960s, then-Gov. Ronald Reagan signed an executive order establishing the Governor's Survey on Efficiency and Cost Control, a private citizen-composed commission tasked with examining and evaluating the entirety of California's state government. The monumental effort sought to bring a fresh perspective to old systems and determine what, if anything, could be improved.

Making up the commission's membership were 250 business and industry professionals who freely donated their time and expertise toward achieving a common goal. Over the course of 10 months, this group thoroughly examined California state agencies and developed close to 2,000 specific recommendations. Full implementation of these recommendations could have yielded hundreds of millions in state savings. The commission also anticipated that their recommendations could produce annual savings for federal and local authorities.

In the early 1980s, then-President Reagan signed an executive order establishing the "Grace Commission" to identify excessive federal expenditures and improve managerial accountability. Like the California commission before it, the Grace Commission was entirely constituted of private sector citizens who found numerous ways to better serve the public.

The Grace Commission found almost 2,500 separate and distinct ways to right-size the federal government. According to the commission's findings, the full implementation of their recommendations, either through administrative or legislative action, could have saved an estimated \$424.4 billion over a three-year period plus achieved cash accelerations of \$66 billion. Importantly, all of its proposals were achievable "without raising taxes, without weakening America's needed defense build-up, and without in any way harming necessary social welfare programs."

Over time, a number of the Grace Commission's proposals became law, temporarily bending down the federal government's cost curve and improving the delivery of services in some areas. Even those recommendations that did not become law armed the grassroots with substantive ideas to improve the operations of government.

In Texas, there's an opportunity and a need to relaunch President Reagan's Grace Commission concept. A variety of factors—like heightened population growth, near-term budgetary excesses, and long-term structural imbalances—are putting pressure on state and local government finances. If left unchecked, these pressures threaten to erode the foundation of the Texas Model—low taxes and limited government.

To the extent that it makes sense, state agencies and large local governments should be required to undergo this kind of private sector-led analysis. A commissioned group should aggressively seek after-cost containment strategies and ways to improve management techniques. Any redesigned committee should be composed entirely of private citizens, entrepreneurs, employers, and other volunteers appointed by key elected officials.

Grace Commission (cont.)

The goals of this new efficiency commission should be similar to that of its predecessors, seeking to identify the following:

- Efficiency gains and cost reductions that can be realized through administrative discretion, legislative changes, or by the enactment of ordinance or charter amendment;
- Opportunities to streamline programs, departments, and positions;
- Best practices that allow federal, state, or local governments to better share resources, such as personnel and equipment, and that improve personnel accountability in areas such as overtime;
- The nature and structure of federal funds received, including matching requirements and maintenance of effort requirements.
- Possible redundancies and overlap;
- Processes that can be made more cost-effective through the introduction of competitive bidding practices; and
- Programs, departments, and functions that merit further study.

In this way, Texas' state and local governments can have outside experts examine their systems, operations, and procedures with a fresh set of eyes—and at no cost. Any potential savings could be shifted to other, higher uses like lowering taxes, paying down debt, improving infrastructure, and improving the solvency of public pension funds.

The Facts

- The California commission was created as a way to restrain the growth of state government, which was outstripping population growth.
- Near its end, the Grace Commission consisted of 36 task forces that were chaired by more than 160 top executives from around the country, and it was staffed by more than 2,000-plus volunteers who had thoroughly examined “federal departments, agencies, and functions that cross-cut the entire government, in addition to 11 special studies on other important issues.” This exhaustive review led the commission to offer “2,478 separate, distinct, and specific recommendations” which, if fully implemented, would have resulted in \$424.4 billion in net savings and revenue increases over a three-year period.

Recommendation

Require state and local governments to create separate, independent private sector-led commissions to conduct a comprehensive review of all systems and procedures. Mandate full cooperation from all relevant personnel.

Resources

“[Harvey presents a chance to re-examine role of government](#)” by James Quintero, *Austin American-Statesman* (Oct. 29, 2017).

Experts

Kara Belew, *Senior Education Policy Advisor, Center for Innovation in Education*
kbelew@texaspolicy.com AREAS OF EXPERTISE: State Budget, Taxes, Public Education Finance and Policy, Public Education Accountability

Derek Cohen, Ph.D., *Director, Center for Effective Justice and Right on Crime*
dcohen@texaspolicy.com AREAS OF EXPERTISE: Juvenile Justice Reform, Victims' Rights, Overcriminalization, Constitutional Limitations on Corrections

The Hon. Chuck DeVore, *VP of National Initiatives; Senior Fellow for Fiscal Policy*
cdevore@texaspolicy.com AREAS OF EXPERTISE: Tax and Fiscal Policy, Elections, Foreign Affairs, Military Affairs, Energy and Environmental Policy

Vance Ginn, Ph.D., *Director, Center for Economic Prosperity; Senior Economist*
vginn@texaspolicy.com AREAS OF EXPERTISE: State Budget and Tax Reform, National and State Labor Market Trends, Tax and Expenditure Limits, Energy Markets and Policy

Michael Haugen, *Policy Analyst, Center for Effective Justice and Right on Crime*
mhaugen@texaspolicy.com AREAS OF EXPERTISE: Civil Forfeiture, Overcriminalization, Substance Abuse Policy

The Hon. Talmadge Heflin, *Director, Center for Fiscal Policy*
theflin@texaspolicy.com AREAS OF EXPERTISE: State Budget and Taxation, Economic Stabilization Fund, Local Government Spending, Pension Reform, Federal Funds

Haley Holik, *Attorney, Center for Effective Justice and Right on Crime*
hholik@texaspolicy.com AREAS OF EXPERTISE: Juvenile Justice, Grand Jury Reform, Constitutional Limitations on Search and Seizure, Overcriminalization

Marc Levin, Esq., *VP of Criminal Justice and Right on Crime*
mlevin@texaspolicy.com AREAS OF EXPERTISE: Adult Corrections, Juvenile Justice, Overcriminalization, Victim Empowerment and Restitution, Law Enforcement, School Discipline

Thomas Lindsay, Ph.D., *Director, Center for Innovation in Education*
tlindsay@texaspolicy.com AREAS OF EXPERTISE: Higher Education, Culture Wars (Political correctness, cultural decline, etc.), America's Founding Principles, Online Learning, Federalism, Tenth Amendment, Interstate Compacts

Brandon J. Logan, Ph. D., *Director, Center for Families & Children*
blogan@texaspolicy.com AREAS OF EXPERTISE: Child Welfare Policy, Foster Care, Adoption, Family Law, Parental Rights

Bryan Mathew, *Policy Analyst, Center for Local Governance*
bmathew@texaspolicy.com AREAS OF EXPERTISE: Local Economic Regulation, Local Economic Development, Municipal Annexation, Housing Affordability, Property Rights, Special Districts

Stephanie Matthews, *VP of Public Affairs*

smatthews@texaspolicy.com AREAS OF EXPERTISE: Workforce Development, Charter Schools, School Choice, Virtual Learning

Jennifer Minjarez, *Policy Analyst, Center for Health Care Policy*

jminjarez@texaspolicy.com AREAS OF EXPERTISE: Medicaid Reform, Mid-Level Providers, Medical and Dental Licensure Reform

Bill Peacock, *VP of Research*

bpeacock@texaspolicy.com AREAS OF EXPERTISE: Electricity Markets and Renewable Energy, Insurance, Technology and Telecommunications, Tort Reform, Property Rights, Economic Development, Consumer Issues

Randy Petersen, *Senior Researcher, Center for Effective Justice and Right on Crime*

rpetersen@texaspolicy.com AREAS OF EXPERTISE: Policing Policy, Diversion Programs, Civil Asset Forfeiture

James Quintero, *Director, Center for Local Governance*

jquintero@texaspolicy.com AREAS OF EXPERTISE: Budgets, State and Local Spending, Debt, Taxes, Transparency, Pensions

Kevin D. Roberts, Ph.D., *Executive Director*

kroberts@texaspolicy.com AREAS OF EXPERTISE: K-12 Education Growth, Increasing Public School Efficiency, Education Choice, Higher Education, Tenth Amendment

Emily Sass, *Policy Analyst, Center for Innovation in Education*

esass@texaspolicy.com AREAS OF EXPERTISE: K-12 Education, Education Choice, School Finance, Civic Education, Charter Schools

Deane Waldman, Ph.D., *Director, Center for Health Care Policy*

dwaldman@texaspolicy.com AREAS OF EXPERTISE: Health Care, Medicaid, Telemedicine, Scope of Practice, Regulatory Issues

The Hon. Kathleen Hartnett White, *Distinguished Senior Fellow-in-Residence; Director, Center for Energy & the Environment*

khwhite@texaspolicy.com AREAS OF EXPERTISE: EPA Regulation, Energy and Environmental Policy, Free Market Environmental Policies, Endangered Species Act, Water Rights

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