

BACON'S REBELLION

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The Shucet Effect

If the rest of state government had kept pace with VDOT over the past three years, Virginia could have cut spending by \$900 million. Don't tell me there's no waste left in state government!

By James A. Bacon

There's no way the state of Virginia could pay Philip Shucet enough to reward him for what he accomplished as commissioner of the Virginia Department of Transportation. In three-and-a-half years there, he reduced VDOT staff by more than 1,100 positions and payroll by more than \$67.5 million. And he did so without the slashing and burning so often associated with cost cutters.

By installing modern management systems, Shucet engineered dramatic improvement in the on-time and on-budget metrics of VDOT's construction projects. As a parting contribution before he resigned in July, he put into place elements of an asset-management system for conducting VDOT's road maintenance operations more efficiently – a change that could save millions of dollars more in the years ahead.

Today, the long-maligned VDOT is the superstar of Virginia's bureaucracy. Although state government did undergo belt tightening during the budget-crisis days of the early Warner administration, head counts and costs have crept back up. Any department head can freeze hiring during a budget crunch, but most find themselves filling vacant positions when the purse

strings loosen up. Very few can do what Shucet did -- boost productivity and eliminate the need for many of the old positions.

A glance at the numbers show that VDOT accounts for most of state government's reduction in head count during the Warner administration. There may have been other pockets of productivity, but take VDOT out of the equation and the performance is lame.



Drawing upon Virginia's Electronic Labor Market Access database, I

calculated the six-month average for state government employment (excluding universities and hospitals) during Gov. Warner's first half year in office.

Average State Employment (excluding universities and hospitals)

2002	145,967
2003	142,617
2004	144,683
2005	144,917

Source: Virginia Employment Commission, Virginia's Electronic Labor Market Access database Source: Virginia Employment Commission, Virginia's Electronic Labor Market Access database

After a period of belt-tightening in the first year, state govern-

ment shifted back into hiring mode. Total state employment is still 1,050 positions lower than three years ago, but VDOT employment accounts for 1,100 job reductions, meaning that non-VDOT state government has emerged from the budget crisis with no net job cuts at all.

My aim here is not to belittle the accomplishments of the Warner administration, which did, after all, steer the state through a very difficult financial storm. Rather, my purpose is to refute those who still persist in asserting that state government has been "cut to the bone," that there are no efficiencies yet to be achieved, and that the only way to meet the endless list of "unmet needs" is to raise taxes.

To those who would Tax First and Ask Questions Later, I put this question: If Philip Shucet could wring such productivity gains out of VDOT, once regarded as the most intractable bureaucracy in state government, why can't other department heads achieve comparable productivity gains? Why don't Gov. Warner and our lawmakers set higher performance standards, and why don't we as citizens and taxpayers insist that they do?

Think of it this way: In 2002 VDOT accounted for about one state employee in 14. *If non-VDOT agencies had achieved comparable productivity gains, the state would have shed 14,700 additional jobs and would have cut payroll expenses by an additional \$878 million!*

Don't tell me there's no waste left in state government! There's only a failure of will to root it out

-- or, perhaps, an inability to understand how such savings might even be possible.

The political process, alas, is dominated by lawyers in the legislature and watched over by the journalists and pundits of the Fourth Estate. Neither profession has much experience managing departmental budgets, much less leading change in large organizations. Lawyers look at the state budget organized by departments and programs and conclude that there's nothing to cut -- every program serves legitimate needs. Likewise, journalists focus on what they can understand. Their idea of digging into state spending is to flay local government officials for tipping cocktail waitresses while attending conferences in Hawaii. With their eyes fixed on the wasted pennies, journalists are oblivious to the larger scandal that squanders pounds: The failure to change the way government does business.

The big savings in state government need not come from cutting state programs, and they certainly won't come from scrutinizing politicians' travel expenses. The savings will come from implementing modern management systems. Philip Shucet didn't reduce head count at VDOT by cutting spending on roads or nit-picking expense accounts. He did it by changing the way things have always been done.

As many politicians, pundits and special interests continue to lobby for tax increases, citizens face two challenges. The first is to shift the terms of debate from raising taxes to saving hundreds of millions of dollars of dollars through re-engineering state government. The second is to find more people like Shucet who know *how* to re-engineer state government. And that may

require rethinking the state's antiquated personnel policies.

Shucet was a rarity. In the prime of his career, he took a pay cut to work for the state because he was motivated by a sense of public service. Sadly, few executives of his caliber are as selfless.

Here's the fact that no one is talking about: The Commonwealth's personnel policies are hopelessly out of sync with 21st century human resource practices. Designed a century ago to combat the corruption and nepotism so widespread in 19th-century government, the civil service ethic makes it exceedingly difficult to reward competence, punish slackers and recruit star performers. To lure top-flight executives capable of transforming large organizations -- executives who will repay their salaries and perks many times over -- Virginia's governors must be allowed to offer richer compensation packages.

With a gubernatorial race underway, there's no time like now to start talking about fundamental reform of state government. Civil service reform isn't on the radar screen of candidates or pundits. It's up to the citizens and taxpayers, it appears, to force the issue.

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