

**A REPORT FROM THE TEXAS PERFORMANCE REVIEW**



**VOLUME I**  
**A GAINST**  
**THE GRAIN**

*High-Quality Low-Cost  
Government for Texas*

**JOHN SHARP • TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

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VOLUME 1

# BREAKING THE MOLD

NEW WAYS TO GOVERN TEXAS

A Report From The  
**TEXAS  
PERFORMANCE  
REVIEW**



July 1991

**JOHN SHARP**  
TEXAS COMPTROLLER  
OF PUBLIC ACCOUNTS

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THE WHITE HOUSE  
WASHINGTON

DATE: 2/24/93

TO: Bruce Reed

FROM: JOHN D. PODESTA  
Assistant to the President and  
Staff Secretary

—We need more news  
cuts - cancellation  
of bonuses; cut in The Washington Post  
Cost of Power Company 1/24/93  
D.

27

# RTC Paid 136 Top Officials More Than \$1 Million in Bonuses in '92

By Susan Schmidt  
Washington Post Staff Writer



The Resolution Trust Corp., whose management of the thrift cleanup has come under increasing fire from Congress and the Clinton administration, paid its top 136 officials more than \$1 million in bonuses last year, the agency disclosed yesterday.

The bonuses, approved by outgoing RTC Chief Executive Albert V. Casey, ranged from \$1,500 to \$25,000, and included 32 of \$10,000 or more. The total bonus amount was more than double the previous year's bonuses.

The bonus list, requested by members of Congress, drew instant criticism from leaders of the House and Senate Banking committees.

This kind of extravagance is unacceptable.

in a government agency, especially the RTC, which is supposed to resolve the S&L problem at the lowest possible cost to the taxpayers," said Rep. Stephen L. Neal (D-N.C.), chairman of the House Banking subcommittee on financial institutions.

Neal, noting that the RTC is not subject to government pay ceilings, said that "many RTC executives are earning generous salaries at levels unheard of in government," including some who make more than Cabinet members.

Senate Banking Committee Chairman Donald W. Riegle Jr. (D-Mich.) sent a letter to Treasury Secretary Lloyd Bentsen asking that he review the RTC's bonus policy as he prepares a funding request for the agency.

Casey defended the bonuses at a House Banking subcommittee hearing yesterday, calling the efforts of RTC executives "hero-

ic." Their ingenuity in selling huge pools of loans, real estate and other assets the agency inherited from failed S&Ls is saving taxpayers "hundreds of millions of dollars a week," he said.

"I knew I was passing out" of the agency, said Casey. "Once they lose their benevolent dictator Al Casey, what's going to happen to them?"

Casey noted that both his aides, RTC vice presidents William Roelle and Lamar Kelly, had left top jobs at the Federal Deposit Insurance Corp. to take posts at the RTC, a temporary agency created to clean up the S&L mess.

They and other former FDIC employees now at the RTC are entitled to return to their old agency when their RTC work is completed.

Roelle and Kelly each received a \$25,000

bonus for 1992, making each man's total RTC income for the year about \$170,000.

A provision allowing Roelle, 50, and Kelly, 49, to retire from government service with lifetime pensions valued at about \$1 million each was endorsed by Casey and put into the 1991 RTC funding bill. The pension measure was quietly repealed by Congress last fall.

Other top bonuses went to asset sales executives working under Kelly and some of the agency's lawyers.

Former general counsel Gerald Jacobs received a bonus of \$10,000 in October, three months after he quit the RTC. Jacobs left the agency in July after lawmakers criticized the way his department pursued S&L wrongdoers. In addition, the RTC cited a Phoenix developer he previously represented in a civil fraud and racketeering lawsuit.

Casey announced last week that he is resigning as president and chief executive of

the RTC, a post he was named to in the fall of 1991 by President Bush. He had often cited his personal friendships with key Democrats, including Bentsen, and said he hoped to serve in the Clinton administration.

Yesterday, he said Treasury officials "want to replace me" for partisan reasons. He also said they did not appear to be interested in his program, which would put the RTC out of business this fall—three years early—and transfer to the FDIC whatever assets remain to be sold.

Casey's efforts to wind down the RTC have been criticized by some as a premature declaration of victory over the politically unpopular S&L cleanup. The General Accounting Office and some lawmakers have complained that assets are being dumped too cheaply and the agency is doing a sloppy job keeping track of its nearly 100,000 contracts with private firms.

# BREAKING THE MOLD

## NEW WAYS TO GOVERN TEXAS

### Highlights of the report of the



## TEXAS PERFORMANCE REVIEW

The findings and recommendations contained in *Breaking the Mold* are the result of 54,000 hours of in-depth study of the state government by 104 auditors from both the public and private sectors.

Our mandate, set out in January in Senate Bill 111, was to "challenge and question the basic assumptions underlying all state agencies and the programs and services offered by the state..."

S.B. 111 specified that the performance review should:

- evaluate the efficiency of each state agency;
- look for ways Texas can take full advantage of available federal funding;
- identify programs or services that could be eliminated or effectively performed by private enterprises;
- suggest needed changes in programs and the services state agencies provide;
- find reductions that could be made in the funding of state agencies without cutting back on needed services; and
- recommend the consolidation and/or reorganization of state agencies, where appropriate.

We interpreted our mandate as an opportunity to redesign our state government. And, from the start, we set out with two overriding criteria:

- (1) We wanted to build a government that is customer-friendly, that provides its customers—the agency clients, the school children, the business community—with fast, friendly and personalized service.
- (2) We insisted that this new government be taxpayer-friendly, that it give up

the outmoded procedures, overlapping responsibilities, duplication of services and other inefficiencies that squander tax dollars and shortchange needed services.

In short, we viewed the Texas Performance Review as more than simply a rehash of old ideas or minor tinkering with the existing order. And we feel *Breaking the Mold* is a blueprint for real improvement in government organization, services and operating efficiency.

Texas faces a projected \$4.6 billion revenue shortfall for the 1992-93 biennium. When the Performance Review began, some expressed the hope that we could find savings of \$200 million. We found that much the first day.

In subsequent weeks—while our auditors scoured the books and organizational charts of each and every state agency—we held nine hearings across the state to get input from taxpayers.

We set up toll-free hot lines and aggressively solicited ideas from the public—and from the front-line state employees who struggle with the bureaucracy day in and day out and know better than anyone what would help them do their jobs better.

By the time we completed the audit, we had identified ways to slice more than \$4 billion from the shortfall while actually expanding services.

But while the scope of our recommendations (and the resulting savings) are to our knowledge unprecedented in any state, we do not hold our report out to be the final word on what Texas' state government can or should be. It is only a very big first step toward the kind of state government the people of Texas have a right to expect.

The top-to-bottom performance evaluation just completed should not be viewed as a one-time event; and the Legislature has mandated that the Comptroller's Office continue to conduct these audits on an ongoing basis. Indeed, through this process, the need for other structural and procedural reforms may become evident as we approach the 21st Century.

Meanwhile, we can say with confidence that the landmark recommendations outlined in *Breaking the Mold* would, if adopted, give Texas the most effective and efficient government in our history. ★

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# HIGHLIGHTS

from the January 1993 report of the

## TEXAS PERFORMANCE REVIEW

It's 1993, and state policymakers have convened amid turmoil in Austin—again.

Public school finance awaits a lasting solution, prison authorities demand more space for more inmates, and health and human services officials plead for new money—again. State government is strapped for cash, revenue over the next two years is expected to fall billions short of maintaining even current service levels, and everyone agrees that someone else's belt will have to be tightened—again.

The path of least resistance would be to leave the current system in place—again.

But finding solutions that go beyond poorly planned patchwork will require us to define a new set of priorities and make tough decisions that stick. It will mean breaking with old patterns of spending money and old patterns of doing business.

Texans want a state government that provides high-quality, low-cost service. They want to know that they'll receive full value when they shop at the government store. They want their state government to have the courage to cut against the grain of business-as-usual. In short, they want *fundamental reform*.

*Against the Grain* is a call for Texas to embrace these principles by bringing genuine customer service to state gov-

ernment, boosting public performance without boosting its cost.

*Against the Grain* follows on the heels of *Breaking the Mold*, the 1991 performance review that examined 195 areas of state government operations, making hundreds of recommendations to improve its effectiveness and efficiency.

This time we've studied another 192 areas of government operations, in even greater detail, and made more than 460

recommendations, many of which also will lead to substantial cost savings. About 85 percent of the proposals are brand new. The remainder are variations of ideas that were recommended in *Breaking the Mold* but not adopted in 1991.

If enacted, the recommendations contained in *Against the Grain* would produce an additional \$4.5 billion in available general revenue over the fiscal 1994-95 budget period—lessening the pressure on legislators to raise taxes or cut spending on public education and vital health and human services programs.

But *Against the Grain* has a broader message than our previous effort. Our scope has gone beyond simply streamlining state government and easing the financial burden on the taxpayers.

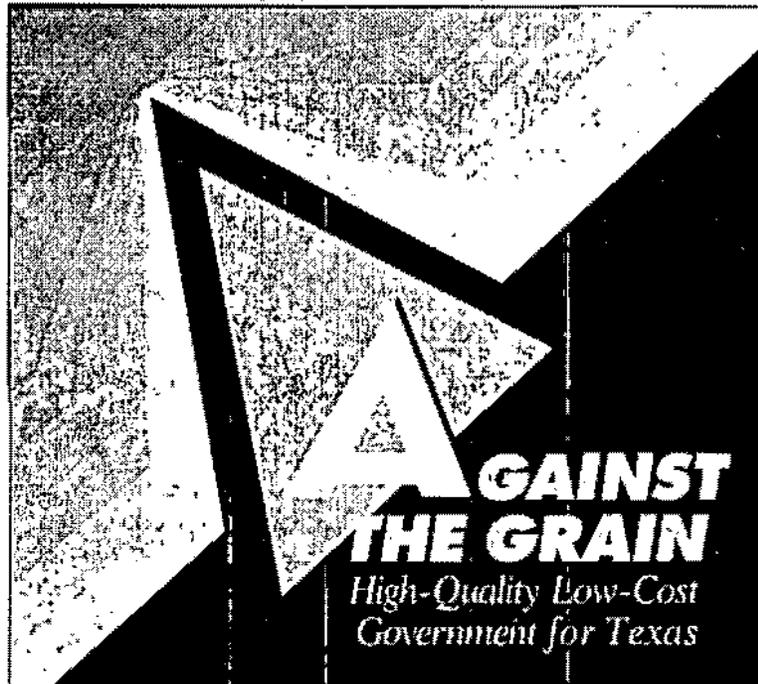
We believe Texans are unwilling to invest any more of their hard-earned paychecks until state government

proves that it can provide a full measure of service for every dollar.

The spirit of *Against the Grain* is not anti-government, nor does the evidence suggest that most Texans are. They understand that government exists to help people achieve as a community what they can't as individuals.

While most Texans don't want bigger

(Continued inside)



**“State government can no longer afford to do business by stumbling from crisis to crisis. The easy fixes are just about gone. We need vision and fresh ideas that cut against the grain. It's time to rededicate ourselves to giving Texans what they want and deserve—quality customer service at a reasonable price.”**

— John Sharp

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John Sharp  
Comptroller of Public Accounts  
Austin, Texas 78774

(512) 465-4000

133 State Office  
Building

## **JOHN SHARP**

### **Comptroller of Public Accounts**

John Sharp, Texas' thirty-fifth State Comptroller, took office on January 3, 1991. As the state's chief financial officer, he immediately began working to fulfill his campaign pledge to give taxpayers "full value for each and every dollar they send to Austin."

In the ensuing months, Sharp has repeatedly challenged the basic assumptions about state government. He has searched for ways to improve the delivery of services to the people of Texas while also cutting the bloated state bureaucracy. He has helped set a national standard for eliminating waste and instilling a renewed sense of responsibility in state government.

Immediately after taking office, Sharp mobilized the massive *Texas Performance Review*, a historic audit of state government that found more than \$4 billion in immediate savings and some \$12 billion in savings for taxpayers through 1997. His *Texas School Performance Review* is an ongoing program to use public education funds as efficiently as possible in the classroom, rather than on unnecessary administrative costs. And *Project Fair Play*, the most extensive tax collection program ever undertaken in Texas, netted more than \$103 million in back taxes and interest for the state.

Sharp has also commanded the most efficient and secure lottery start-up in history. After voters overwhelmingly approved the games in November 1991, the Legislature put the Comptroller in charge of running the Texas Lottery. Sharp's lottery team succeeded in putting the first tickets on sale forty-seven days early, and both first-day and first-week ticket sales set world records that may never be surpassed.

The son of an oil field worker and school teacher, Sharp grew up in the small farming community of Placedo, near Victoria, along the Gulf Coast. In 1968 John graduated from Bloomington High School.

Sharp graduated from Texas A&M University in 1972 with a Bachelor of Arts degree. He was a member of the Corps of Cadets and was elected president of his sophomore class, Student Life Chairman, and A&M Student Body President. Upon graduation, he was commissioned a second lieutenant in the United States Army Reserves.

In 1976, Sharp received a Masters Degree in Public Administration from Southwest Texas State University in San Marcos while working fulltime for the Legislative Budget Board. John returned to Victoria in 1978, where he opened a one-man real estate firm and became a successful small business owner.

Sharp has been married to Charlotte Han of Austin since 1978. They have a son, Spencer, and a daughter, Victoria.

In November 1978, Sharp was elected to the Texas House of Representatives from the Fortieth District in Victoria, and was named the "Outstanding Freshman" by *Texas Monthly* during his first term.

Sharp was overwhelmingly elected to the Texas Senate in 1982, winning more than sixty-four percent of the vote in District Eighteen. He served on the important Senate Finance Committee and the Sunset Advisory Committee.

Four years later, Sharp won election to the Texas Railroad Commission, where he helped reform the state's trucking regulations, improve railroad safety, and develop new markets for Texas' abundant supply of clean and efficient natural gas.

John Sharp's election as State Comptroller with 62.9 percent of the vote—more than any other opposed statewide candidate in 1990—gave him the mandate he sought to "break the mold" of Texas state government.

"Our goal is not simply to improve the old system of government," Sharp says, "but to lay the groundwork for a new and better way of doing business in Texas."

Sharp is currently directing work on *The Forces of Change*, a sweeping study of the economic, demographic, environmental, criminal justice, and other major issues likely to shape Texas over the coming generation.

# Can Government Be Reinvented?

## Clinton's aides are studying a Texas audit as a model

By Stephen Barr

Washington Post Staff Writer

**W**hite House officials are looking at a comprehensive Texas audit of government—called the Texas Performance Review—as a possible model for President Clinton's effort to cut and reshape the federal government.

The Texas Performance Review examined 195 areas of state government operations in 1991 and found \$2.4 billion in savings in a \$30 billion budget. A package of spending cuts, job cuts, agency consolidations and new fees was put together in just five months, with almost all the work done in secret. Texas, like Washington today, faced a multibillion-dollar budget shortfall when it turned to the audit, which is being repeated this year. The Texas audit, which in effect overhauled the state's bureaucracy, capitalized on many of the same themes Clinton used in his campaign.

Those themes—fostering a new spirit in public service, eliminating layers of management and putting power in the hands of front-line workers, and treating taxpayers more like favored customers—have been grouped under the phrase "reinventing government."

Clinton's determination to "reinvent government" provides the subtext for many of his initiatives—from the economic program announced last week to his plan to overhaul the U.S. health care system.

Bruce Reed, deputy assistant to the president for domestic policy, says Clinton's key point "is that he wants to reinvent government so that it is less of a burden to taxpayers and provides better services for less money."

"In my view," Reed says, the Texas audit "is the best model out there for what needs to be done." Clinton also expects the Cabinet to help him find new approaches to governing, Reed adds. "I think the members of the Cabinet are well aware that, in contrast to past administrations, where power may have been judged on the basis of how much budget authority or staff you could accumulate, that this president will judge his Cabinet's efforts by how well they help him reinvent government."

CLINTON'S FIRST EFFORTS IN RESHAPING THE government—cutting the White House staff by 25 percent, reducing the federal work force by 100,000 jobs and ordering a 14 percent cut in administrative overhead over the next four years—were faulted by critics as being either symbolic or probably ineffective changes. But they did fulfill campaign promises and, like Clinton's criticism of eleventh-hour cash bonuses to Bush administration officials, they not only were aimed at setting a new tone in town but at showing voters that Washington won't be immune to sacrifice and cost-cutting.

Perhaps no one appreciates the blending of politics and governing better than John Sharp, the Texas comptroller and driving force behind the statewide audit. After being elected as

comptroller, Sharp cut his staff and its perks. When the state gave the comptroller a new duty—performance reviews—Sharp ran with it. With Texas facing a \$4.6 billion budget gap in 1991, Sharp assembled 104 auditors, state employees, policy experts and consultants to find ways to continue providing state services but with less money. "We put them together in a room behind computer-locked doors and said, 'If anything you're working on leaks, you're going back to your agency,'" Sharp says.

In a \$30 billion-a-year budget, the audit team recommended changes worth \$4.2 billion, and the legislature adopted \$2.4 billion of them. That audit, called "Breaking the Mold: New Ways to Govern Texas," is being followed this year by "Against the Grain: High-Quality Low-Cost Government for Texas."

In pushing through the first audit, Sharp mixed complicated analyses of "fiscal impacts" with tales of abuse, such as a \$38,000 conference table bought by the Texas Teacher Retirement System.

He set up a hot line for Texans to call with ideas on how to save money—Sharp got 3,000 in the first two weeks—and he created a Silver Snout Award to embarrass bureaucrats found with "their noses buried deep in the public trough."

Sharp says state employees were crucial to making the audit a success. "I think what you're going to find is that the people who really provide the services, the lower-level government workers, know where it's screwed up, and it's usually screwed up at the top," he says. "I guarantee you that 70 percent of the

ideas we got to change government come from front-line employees."

Sharp thinks speed and stealth are crucial to any effort to turn a government around. In a Nov. 25, 1992, memo to Clinton's transition team, Sharp said 300 professionals would be needed for a federal audit team. He has urged Clinton's advisers to draw on the rank and file in executive branch agencies for the audit team. "The last thing you want to do is contract this out and turn it over to the usual Washington experts," he says.

The auditors should examine how "to restructure the incentives and motivations of government workers so meaningful savings can occur without cutting the level of service. Innovations like injecting competition into the bureaucracy and incentives for coming in under-budget must be established," Sharp says.

Auditors should examine the government by functions, not by departments, he says, and ask the following questions: "Does it make sense? Does it save money? Does it improve service? Does it eliminate duplication or overlap? Does it help employees?"

The work must be done in the "strictest secrecy possible," Sharp says. "Despite the outcries of special interests, lobbyists and legislators, the work must be kept confidential until it is presented as a package. This is the only way to avoid giving special interests a head start at destroying the package." When the package is finished, Sharp says, the findings must be presented in terms that the average voter can understand. Lengthy volumes should be published to answer questions raised by experts and reporters, he says.

"This performance review will not work if it's seen as an exercise in compromise," Sharp says. "It must take on sacred cows and bloated bureaucracies to convince everyone of its seriousness. It must do away with useless expenses and unproductive jobs. There must be a body count, a specific number of programs eliminated, and teeth on the sidewalk."

"Jobs have to go, programs have to go and, perhaps most importantly, enemies have to be publicly challenged and fought within the bureaucracy."

STATES

# NEW VOICES

LOOK WHO'S TALKING NOW

JOHN SHARP

## GOVERNMENT REPAIRMAN

*A Texan who roots out waste*

**M**ost government auditors are colorless figures whose periodic reports on bureaucratic waste and fraud create a few days of fanfare and then collect dust on the shelves of statehouse reporters. But that doesn't fit John Sharp, who has been described as a cross between David Stockman and Lyndon Johnson. Since winning election as Texas's comptroller of public accounts in 1990, Sharp, a 42-year-old Democrat, has become one of the most powerful figures in Texas politics and the mastermind behind a sweeping overhaul of the bureaucracy that has put Texas at the forefront of the nationwide effort to "reinvent government."

The blueprint of that overhaul is "Breaking the Mold," a 600-page report Sharp's office produced last spring as the state Legislature was wrestling with a multibillion-dollar budget gap. Weeks later, lawmakers passed \$2.4 billion worth of the report's budget-cutting recommendations, from the picaresque (shutting off the advertising lights on vending machines in government buildings) to the profound (replacing food stamps and welfare checks with a paperless electronic system using spe-

AUSTIN AMERICAN STATESMAN



**Audit king.** Sharp

cial government credit cards).

He masterfully built public support for the plan by selective news leaks and by winning the plaudits of civic-spirited bureaucrats. In the end, the public's support for Sharp's agenda forced lawmakers to adopt most of it. "Bubba finally knew what was in the budget," he says. His most far-reaching reforms—like a new accounting procedure to measure the performance of government programs, not just their cost—will take years to implement. But by then his reforms might have spread to Washington. He has been consulting in Little Rock with top officials of the Clinton transition team, and they are very interested in his ideas.

BY PAUL GLASTRIS

# WORTH TRYING

## Texas-style performance reviews at the federal level

A Clinton adviser on economic affairs says the new administration is favorably impressed with the performance-review audits done by the office of Texas Comptroller John Sharp and may consider something similar at the federal level.

Good. This type of straightforward, by-the-numbers appraisal of government operations, on a department by department basis, would appear to be as useful in Washington as it has proven in state government circles.

Following the 1990 elections, the mission given Sharp's office was to "challenge and question" the basic assumption of every part of state government. The Legislature directed the comptroller to "design a new government from scratch, as if it didn't exist," in Sharp's own words.

The effort has had undeniable and continuing impact on state government. In 1991, when Sharp's "Break the Mold" report was introduced, it eventually led to more than \$2 billion in budget reductions. A second effort, released a few weeks ago in Austin, is helping shape the no-new-taxes budget debate now going on in state government.

In addition to the budget-balancing impact it had, the Sharp report did something that may be even more important in the long run. It introduced the attitude that taxpayers are paying customers and deserve to be treated that way. Washington could stand a dose of that, too.

There is precedent for this type of approach at the federal level. Several years ago the President's Private Sector Survey on Cost Control, better known as the Grace Commission, made a lot of waves. The Grace Commission was very specific in citing waste and ways to eliminate it. The commission said one-third of federal taxes is consumed by waste and inefficiency in the federal government. Another one-third of the taxes due escapes collection in the underground economy, the commission concluded.

And what became of the Grace Commission's recommendations? They were promptly forgotten by Congress. The waste and inefficiency continues, and the deficit flourishes.

An approach similar to the one used successfully in Texas could fare little worse. Who knows, it might even do some good.

## EDITORIALS

# SHARP'S AUDIT

## State ought to go 'against the grain'

He's baaaaack. Two years ago, Comptroller John Sharp conducted a performance audit of state agencies that resulted in savings of \$2.4 billion from governmental reorganization and the adoption of other cost-cutting recommendations in his "Breaking the Mold" report.

This session, Mr. Sharp has presented another set of recommendations in a report called "Against the Grain." In it, he identifies \$4.5 billion in savings over the next biennium — some of which are significant cost-cutters and others that are just short-term accounting gimmicks. Adoption, however, of a fair amount of them ought to enable lawmakers to balance the budget.

In total, "Against the Grain" encompasses 192 separate proposals and more than 450 individual recommendations in areas that cut across the range of government services. The suggestions will now be examined by the Legislature. Some can be incorporated into the appropriations process; others will require specific legislation.

Short-term cost savings may be critical to this year's budgeting process, but equally important is the concept that the state ought to work smarter and more efficiently. That means streamlining, centralizing functions and rethinking the way state government operates instead of continuing to protect hundreds of small fiefdoms.

In these years of down-sizing and forced efficiencies, private business would not tolerate some Texas governmental policies. For example, state government:

- Spends four times as much per dollar as

the private sector to purchase its supplies.

- Maintains separate personnel departments, employee manuals and policies for each of its more than 300 agencies and commissions, and is the only state without a centralized human resources service.

- Spends \$92 million to lease offices while 1.2 million square feet of state-owned space is vacant.

- Contributes to the state's employee and

In these years of down-sizing and forced efficiencies, business would not tolerate some Texas governmental policies.

teacher retirement systems at rates that are much higher than necessary to fund the systems soundly.

- Spends more than half of its vocational education funds for

agriculture and home economics programs — areas that provide 1 percent of the jobs in the state.

- Operates separate mail services in almost every state agency and university, when substantial discounts on large volumes of mail could be obtained through a centralized postal service.

Just as he did two years ago, Mr. Sharp has proposed further consolidation of governmental functions. Instead of the lottery, bingo and pari-mutuel horse racing being administered by separate agencies, he recommends consolidating responsibility for all gambling under a single Texas gaming commission.

Those who prosper from the status quo obviously will oppose some of the recommendations. But it remains incumbent on the Legislature to carefully review them and adopt those beneficial to the state and to the taxpayers, regardless of whose grain it goes against.

Tuesday, January 26, 1993

# Sharp: Time to do some 'cultivating'

## □ Comptroller wants to help state better serve its customers

AUSTIN — John Sharp passed on replacing Lloyd Bentsen in the U.S. Senate because he felt he could do more as state comptroller to help taxpayers get more bang for their buck. And on Thursday, he's going to unveil his latest round of suggestions for ways to improve state government.

He hopes to help the state better serve its customers — both the people who use government services and the taxpayers who pay for them. However, Sharp wants to use the power granted to him to oversee performance audits of state agencies not just to cut programs willy-nilly, but to make government think smarter.

It's not "slashing and burning," he said, but rather "weeding and cultivating. We try to take the resources that you have and maximize them."

A central theme among the almost 200 suggestions he will unveil Thursday is that state agencies must work together with a long-term plan, rather than just react to crises.

One of the important things to come out of the "Forces of Change" study his agency is engaged in is that demographics of population growth are on Texas' side — if only the state will take full advantage.

Sharp said the head of a company that relocated from the East Coast near to a major Texas city admitted the

move was not because of tax incentives, though it accepted them, but because Texas has a growing labor force.

The company had figured out that East Coast birth and immigration rates aren't high enough to produce a sufficient labor force in 20 years. But before it moved to a foreign country, the company did a demographic study in the United States

— and found that Texas and Oklahoma are the two places where the birth rate and immigration of new families are enough to assure a work force in two decades.

"A big part of that is the Hispanic population growing in Texas," Sharp said. "So all these little schools that we're discriminating against in our school finance structure are the very ones that are going to be making the New Texas — I mean, really be the power behind economic development in Texas."

Sharp said the three things Texas has to sell are natural resources, capital resources and human resources. Natural resources are all but exhausted, and capital resources depend on the other two, so "the last and only other thing any state has to sell is human resources."

"Hell, we treat our gas wells better than we treat our young people in this state," Sharp said. "We're still running around teaching them to castrate sheep for the

vocational education, and build barbecue pits. There ain't no jobs in all that stuff ...

"I think it's cruel (for schools) to take a kid and put him in a vocational program that you know the day he gets there, there's a 90 percent chance he can't get a job — in some cases 99 — and spend the taxpayer's money training him for it anyway," Sharp said. "They forgot who their customers are."

He said Texas must train its people for jobs that will really exist.

"The number one way that you're going to attract businesses to Texas is with a capable work force," Sharp said. "The only way to do this is for business to realize that their future is labor."

He said the idea of assuring that youngsters not bound for college can still find good jobs is in line with the apprenticeship programs President Clinton has endorsed, now being tried in Arkansas and some other states — particularly the Carolinas. They in turn learned it from the Germans, who train people for specific jobs, Sharp said.

Sharp lauded the Texas State Technical College System, based in Waco, for providing training for the future — through meeting with large firms to anticipate their job needs, and then training for those jobs.

"That's why 80-plus percent of their kids get jobs," Sharp said.

He expects resistance in some quarters to new ideas like this. That's why his report is called "Against the Grain."



Monday A.M., March 16, 1992 / Fort Worth Star-Telegram

# Good advice

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## Washington should listen to Sharp

"We spend so much time trying to kill alligators we don't have time to drain the swamp."

So said Texas Comptroller John Sharp when he went to Washington the other day. It was his way of saying that government needs to have a sensible blueprint for action instead of moving from crisis to crisis.

Sharp should know. He and his auditors came up with ways to cut billions of dollars in state spending and streamline state bureaucracy. He helped set a pattern Texas should be able to follow — and

benefit from — for decades.

Because of that, the Joint Economic Committee invited Sharp to Washington to tell how Congress might do likewise. So Sharp obliged, adding that one requirement for cutting government cost is courage. Courage, Congress, courage.

The federal government — and local governments, for that matter — would be wise to follow the example set by Sharp. They are, after all, up to their necks in alligators, and the only way to even begin beating them off is to get on with a little draining of the swamp.

## ★ MAJOR PLAYERS

# Breaking the Mold: How By Playing Scrooge John Sharp Just Might End Up As Governor

By JUDITH CURTIS

Special to THE WALL STREET JOURNAL

AUSTIN—Rep. Ric Williamson was in bed reading one night last January when he was roused by an unexpected telephone call. "How can the state survive if only one of us is working overtime?" demanded the voice on the other end of the line.

Within minutes, a chastened Mr. Williamson, vice chairman of the House appropriations committee, was dressed and headed downtown. There for the next several hours, he and just-elected Comptroller of Public Accounts John Sharp pored over charts aimed at eliminating the most dispensable—and wasteful—divisions in the comptroller's own agency. The late-night call was extraordinary enough, Mr. Williamson recalls. But "for a guy to want to give away his empire...that's phenomenal."

It's also classic John Sharp.

Over the last year, the new 61-year-old chief tax collector and financial officer has ripped away at the fabric of Texas government, relentlessly targeting bureaucratic spending—and sometimes bureaucrats themselves. To many taxpayers, he's a hero; to some old-guard administrators, a scourge.

But either way, one thing is certain: former railroad commissioner, ex-legislator and career politician John Sharp is currently playing at the top of his game.

Gov. Ann Richards' popularity notwithstanding, Mr. Sharp "is the hope of a revitalized Texas Democratic party," maintains Lawrence Olsen, a leading lobbyist. Like others, he assumes a run for the governorship is next.

Mr. Sharp won't talk about his ambitions. "The biggest mistake you can make is to put that target on your back and say, 'Here's what I want to be,'" he says. But his actions speak volumes.

While legislators last spring agonized over a \$4.6 billion budget gap and proposals to close it with an income tax, Mr. Sharp had 104 auditors racing to complete an earlier legislative directive to examine every state agency.

### Sweeping Savings Found

Just as the budget debate peaked, he released a 1,200-page report entitled "Breaking the Mold: New Ways to Govern Texas." In it he proposed \$5 billion worth of spending cuts, job eliminations, agency consolidations and new revenue sources—in effect, a sweeping reorganization of the existing bureaucracy.

In the end, lawmakers adopted only

about \$2.6 billion of his recommendations, and some of those were increased taxes and fees, not spending cuts. But the report had been perfectly timed: It put to rest talk of a personal income levy. And with many voters, Mr. Sharp got credit for the kill.

Penny-pinching is nothing new with Mr. Sharp. As railroad commissioner, he cut his budget 18%. When he took over as

Union. "We think that is healthy."

At first, Mr. Sharp's hard-ball tactics put bureaucrats on the defensive. But many discovered that will just earn them another scolding. So now some of his victims agree with him, at least publicly. Thus, when Mr. Sharp declares that "the head of the Department of Human Services doesn't provide an ounce of services," Commissioner Burton F. Ralford

readily concurs. "My role is to provide the wherewithal (other agency employees) need to get the job done," he says.

Such good sportsmanship also may stem from a recognition of the power behind job. Besides collecting taxes, estimating revenues and monitoring agency spending, the comptroller now has a permanent legislative mandate to uncover waste.

Some credit Mr. Sharp with shrewdly using that power to change voters' perception of the supposedly tax-happy, ever-spending Democratic party. In Texas now, "there is no clear delineation between big-spending Democrats and budget-conscious Republicans. That line has been smudged," says George Christian, a political consultant and former press secretary to President Lyndon Johnson.

Republicans would love to get Mr. Sharp across that line: they've applauded his budget-cutting, invited him to join their party and even endorsed his bid for comptroller. Instead, he has taken their issue and made it his own. "John Sharp has recognized the essence of successful policy for the 21st century," says Rep. Williamson. "That is, that taxpayers want something for their money."

### Talking to Bubba

Mr. Sharp, also knows the importance of reaching grass roots voters. "He is really big on 'Bubba has got to know what you are doing'," says Greg Hartman, Mr. Sharp's director of communications.

The next thing Mr. Sharp may be doing is introducing another new concept to Texas government: planning beyond the next legislative session.

His "Texas Business Plan" is a monumental research project aimed at plotting the state's future as a center of highly trained, diverse workers. "We have a \$60-billion corporation called Texas, yet we don't have a plan for what we will look like in ten years," he says.

Because Mr. Sharp is so meticulous about charting the state's course, some who know him regard as disingenuous his claim that he never much ponders his own political future. "He's a very calculated person when it comes to politics," says state Agriculture Commissioner Ric Perry, a former Texas A&M University roommate and recent convert to the Republican party.

"He has done a good job of telling the people of the state of Texas he has done a good job," adds Mr. Perry. "The people in the state of Texas believe him."



**T**he problem in state government has never been the employees out there on the front line. It's the people on the top."

JOHN SHARP

comptroller, he had his predecessor's name on agency letterheads blacked out and his own printed below to a void spending \$50,000 on new stationery.

Generally, Mr. Sharp's employees fly in cheaper airplanes, stay in duller hotels, and ride more to a car than other state employees. "He's just cheap," says one aide who claims to dread going to lunch with the boss. It's not the food (usually Whataburger), but riding in his 1979 Jimmy truck "with bald tires and 250,000 miles on it."

Nonetheless, that's easier than some targets of his fiscal fervor have it. "In this town," Mr. Sharp declares, "we have a bunch of leeches. Any agency is here to serve the taxpayers. It is not here for the sole purpose of generating funds."

### Piggies and the Press

He skillfully uses the media to help stoke public resentment of what he calls "feudom-building."

Television cameras were rolling for the announcement of his first and so far only Silver Spout Award. (A piggy-bank with a plated nose, it went to the Texas Teacher Retirement System for spending \$700,000 on furniture, art work, china, exercise equipment and a greenhouse.) Overall in the first 10 months of his tenure, Mr. Sharp's office issued some 300 press releases—an average of one a day.

When on the attack, Mr. Sharp is careful to distinguish between administrators and rank-and-file agency affairs. "The problem in state government has never been the employees out there on the front line," he says. "It's the people on the top."

Perhaps partly because of that stance, many state workers support him, even though his proposed budget cuts imperiled 1,000 jobs. "The message he has sent to state agencies is 'Watch out, we will be looking over your shoulder to see how you are delivering services,'" says Eduardo Diaz, organizing coordinator of the 100,000-member Texas State Employees

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## Editorials

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### Sharp job

Comptroller John Sharp's long-awaited audit of state agencies lives up to its advance billing. It is exhaustive in detail — some 1,200 pages encompassing nearly 1,000 ideas to save money and make state government more efficient. And it is ambitious in its scope — \$5.22 billion in savings and new revenues for state government — \$4.01 billion in state general revenue funds and \$1.2 billion in increased federal funds. We commend the comptroller for the thoroughness of his effort.

Sharp's document is the logical beginning point for the work of the Legislature in the upcoming special session. As the lawmakers convene to set a budget, we believe they simply must begin by looking exhaustively for efficiencies and savings in state government. As we have stated previously, finding ways to cut spending must come ahead of raising additional taxes. Sharp's audit offers a comprehensive focal point for the lawmakers to start making cuts.

Obviously, the Legislature will have to review and consider the details of the comptroller's performance audits on an individual basis. According to Gov. Ann Richards, that task may even delay the start of the special session by a few days. If that is necessary, then it should be done. State auditors put an estimated 54,000 hours into the report; it deserves to be studied with care.

At first blush, we find ourselves in general agreement with the comptroller's proposals to consolidate and reorganize many state agencies and departments, including numerous health and human services and environmental agencies. Sharp says Texas government is "overlaid with hundreds of agencies, boards, commissions and advisory groups. It is a jerry-built mess." We know of few Texans who would disagree.

It remains for the Legislature to decide what portion of Sharp's plan will be adopted. We are not sure it can all be enacted, but the early reaction by House Speaker Gib Lewis that the lawmakers will adopt 90 percent of it or more is hopeful.

We are more certain about one thing. The Sharp audit has the Austin Establishment in a box. The public has been led to believe that there are nearly \$5 billion in potential savings and efficiencies, as well as additional revenues from fee and tuition increases, to be found in the budget for the next biennium. The state's leadership will now have a pretty tough time turning around and selling a big tax increase.

Nobody said this was going to be easy. Some of Sharp's remedies are far from painless. But the performance audit has thrown down the gauntlet to the Legislature.

# Comptroller News

San Antonio Light

July 23, 1991

## Party invite by Republicans draws a Sharp 'no' RSVP

AUSTIN (AP) - A state Republican group Monday claimed it is so impressed with Comptroller John Sharp's plan to cut state government it wants the Democrat to join their party.

"The public already thinks John Sharp is a Republican. We just want him to make it official," said James Leonard, chairman of the Associated Republicans of Texas.

"Any chance?"

"No. Of course not," said Greg Hartman, Sharp's assistant.

In fact on Saturday, Sharp blistered some Republicans, saying they have offered only "years of bull" about streamlining government.

In addition, Sharp, when he was off the Texas Railroad Commission, was one of the first statewide officials to support Democratic presidential candidate Mike Dukakis.

He later became Texas chairman of the unsuccessful Dukakis-Lloyd Bentsen campaign against Republican George Bush.

Sharp's \$4 billion plan of fee in-



**JOHN SHARP**  
No party-hopper

creases, cuts, and agency mergers has become the focal point of the special legislative session as lawmakers tackle the task of writing a state budget with a projected \$4.8 billion revenue shortfall.

The proposal was the result of a

four-month study of state government that produced audits called the Texas Performance Review.

Leonard said the blueprint shows Sharp's "heart and mind are in the Republican Party."

In his letter to Sharp, Leonard said, "You have shown courage with the Texas Performance Review audits. Now, the Associated Republicans of Texas ask you to show your courage once more and join the ranks of the Grand Old Party."

Hartman said Sharp appreciates the broad-based support of the plan, but added, "All we've done is tapped into something the public has known for a long time: We can do services better, less expensively."

In addition, Hartman said Sharp's plan reflects the Democratic philosophy.

"This is Democrats doing what they do best, that is taking on the establishment and kicking it in the butt," Hartman said.

## Republicans say they'll support Sharp plan

By DIANA R. FUENTES  
Express-News Austin Bureau

AUSTIN — After staging a Democrat-bashing news conference Tuesday on the steps of the Capitol, Texas Republican leaders grudgingly admitted they will support state Comptroller John Sharp's plans for slicing \$5.2 billion from the state budget.

State GOP chairman Fred Meyer of Dallas said details of some of Democrat Sharp's proposals for balancing the budget — including increasing some state fees and taxes — are still being debated.

But the party generally agrees in principal with Sharp's proposals to trim state spending without having to resort to a major tax increase or implementing a state income tax, they said.

The Republicans called the news conference to step their attack on Democratic state leader and on a commission's recommendation for a state income tax.

### Mock memorial

They held a mock memorial service for the projected deficit, complete with tombstone and money-laden coffin. If taxes are raised, they said, voters should sweep the Capitol clean.

"If it doesn't (avoid a tax hike), I think the people of Texas need to really scream," said Rep. Tom Craddick of Midland, who heads the House Republican Caucus.

"If they have to pay a tax increase in this session of the Legislature — after all the budget cuts and proposals that have been laid



Comptroller John Sharp's audit proposes \$4 billion in savings.

out — we need a total wipeout of everybody in Austin and need to start over. I guarantee you that," Craddick said.

Craddick and Meyer praised Sharp's recent audit, which proposed \$4 billion in savings and \$1.2 billion in new revenue, mostly federal funds. Sharp called for mergers of agencies, about 1,000 layoffs and higher fees for some services.

"The budget-cutting proposals of the House Republican Caucus and the results of the (state) comptroller's performance audit have exploded the Democrats' deficit deception," Meyer said.

The Legislative Budget Board has projected that the state faces a \$4.6 billion shortfall to fund current services in the 1992-93 biennium beginning Sept. 1.

Last week, Sharp said his auditors had found ways to save the state \$5.2 billion for the biennium. His recommendations still must be approved by the Legislature.

Meyer and other Republicans at Tuesday's news conference stood in front of a weathered coffin with play money poking from under the lid and a mock granite tombstone emblazoned with the words "HERE LIES THE DEMOCRATS' DEFICIT," as they vowed to help pass Sharp's budget-cutting measures.

It won't be easy, cautioned Rep. Jeff Wentworth, R-San Antonio.

### Very concerned

"I am very concerned, frankly, that I'm already hearing... I like Sharp's plan except for this small part that affects me. I think we're all going to have to say let's look at the overall good for the state," Wentworth said.

He said he is willing to support cuts in the University of Texas Health Science Center and the University of Texas at San Antonio, if his colleagues are willing to go along with cuts in their districts, too.

"You bet I am, if it's necessary," Wentworth said. "I can't say, 'Okay, House, adopt all of Sharp's plan except leave UT Health Science Center out of it.' I can't do that. That's not a responsible position."

The GOP also urged Richards to promise to veto any income tax bill during her tenure.

Response to Meyer's cutting remarks was quick from the governor's office.

"I wonder where these same Republicans were in January when their own appointees to state agen-

cies asked for budget increases that would have amounted to a \$13 billion deficit?" asked Bill Cryer, Richards' press secretary.

"They had the power and the responsibility to hold the line on spending, and they failed to do so," Cryer said.

A sharply divided blue-ribbon task force appointed by the governor to study the state's taxation system voted last week, by a narrow margin, to call for the Legislature to implement broad-based tax reform by 1993, including the creation of a state income tax.

JUL 2 1991

## Sharp's state proposal shows courage, caution

**T**exas Comptroller John Sharp's proposal to reorganize state government is both courageous and politically safe.

It is a marvelous blueprint from which the Legislature can work as it begins on July 15 to craft a state budget.

Sharp's long-anticipated audit of state government made its debut this past week, and it has caused quite a stir. It calls for \$5.2 billion in savings and additional revenues — with the emphasis weighted heavily on the savings side.

The comptroller has called for an across-the-board re-vamping of the maze of agencies that make up state government. Sharp, who took office just this past January after serving in the Legislature and, briefly, on the Railroad Commission, said state government is too complex, too laden with agencies, boards and commissions. He wants, for exam-

ple, to sunset the Texas Education Agency and reorganize the office from stem to stern.

Those are the courageous parts of the proposal.

Where does Sharp's audit become a safe recommendation? It all but kills for this year any serious talk about a personal state income tax in Texas, according to state Rep. Curtis Soileau, D-Lumberton.

Gov. Ann Richards has predicted the audit makes an income tax a non-starter in this year's special session.

That will make many lawmakers breathe more easily. Now, instead of having to decide whether to vote against a state income tax, they probably will have to decide only on which services to cut, which agencies to reorganize.

Legislators will have little difficulty selling those choices to an electorate that dislikes its state government and opposes a state income tax.

# Breaking the mold

*If you're going to call your legislators and harass them about some \$500,000 item, then have the guts to call them and tell them you're for a \$5 billion tax increase at the same time.*

— Comptroller John Sharp

John Sharp has not proposed to throw out the baby with the bath water, but it's certain that a small army of lobbyists will try to convince legislators that the Texas Performance Review unveiled by the comptroller on Wednesday does precisely that.

Ordinarily, that would be cause for grave concern about the prospects for legislative approval of the sweeping restructuring of state government that Mr. Sharp says could slash revenue requirements by \$4 billion and pump up revenue from existing fees by \$1.3 billion over the next biennium.

However, the lobbyists are certain to find that it isn't going to be easy to sabotage the comptroller's proposals, and that's because Mr. Sharp's has handled the review process from beginning to end with the sure touch of a political master.

The product is a 1,200-page set of recommendations — titled "Breaking the Mold" — that, if implemented, will result in the most thorough shaking-out of state government ever. Moreover, adoption should make it unnecessary for the Legislature to enact any new or increased taxes for the biennium, despite the fact that as late as last week the conventional wisdom held that a tax hike of as much as \$5 billion was inevitable.

Beyond the plan's obvious appeal to tax-weary Texans and to the substantial majority of them who have correctly believed the growth in state government to be unwarranted and out of control, it specifically targets two of the most controversial segments of state government: education and social-services agencies.

For example, outside of the army of paper-shufflers at the Texas Education Agency, no one in Texas is likely to be in any mood other than celebratory at the idea of shutting it down and starting over. Nor will angry local taxpayers around the state be upset at the report's proposal that school administrative costs be limited to no more than 25 percent of the cost of actual instruction.

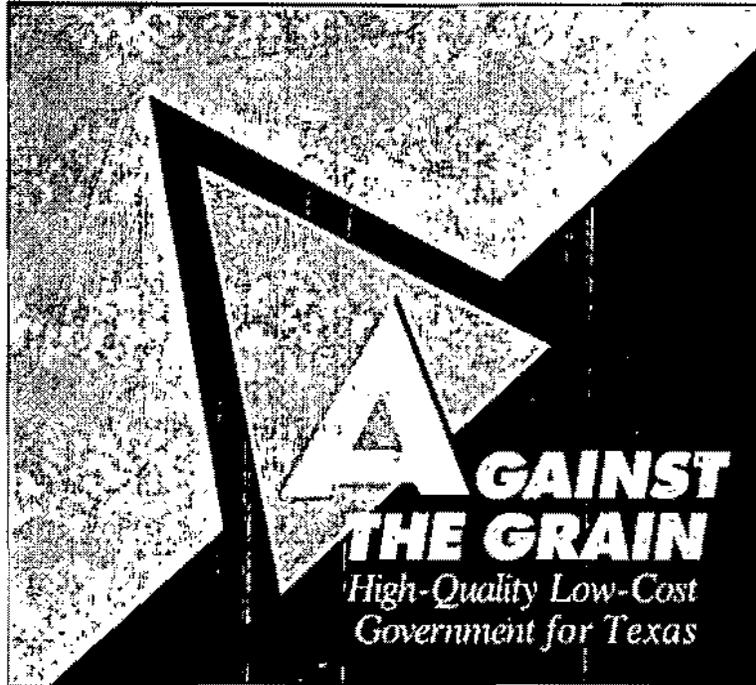
The comptroller's blueprint is precisely what his title implies: a methodical approach to free state government from the hidebound inefficiencies that have accumulated within its jerry-built structure — to "break the mold," as it were, and give to Texas a streamlined, more efficient and responsive state government.

No less an authority than Lt. Gov. Bob Bullock, Mr. Sharp's predecessor as comptroller, calls it "the finest piece of work" he has seen in his long career in public office. We agree. Mr. Sharp and his exceptional staff have done a remarkable job. It's up to the rest of us now.

# HIGHLIGHTS

from the January 1993 report of the

## TEXAS PERFORMANCE REVIEW



It's 1993, and state policymakers have convened amid turmoil in Austin—again.

Public school finance awaits a lasting solution, prison authorities demand more space for more inmates, and health and human services officials plead for new money—again. State government is strapped for cash, revenue over the next two years is expected to fall billions short of maintaining even current service levels, and everyone agrees that someone else's belt will have to be tightened—again.

The path of least resistance would be to leave the current system in place—again.

But finding solutions that go beyond poorly planned patchwork will require us to define a new set of priorities and make tough decisions that stick. It will mean breaking with old patterns of spending money and old patterns of doing business.

Texans want a state government that provides high-quality, low-cost service. They want to know that they'll receive full value when they shop at the government store. They want their state government to have the courage to cut against the grain of business-as-usual. In short, they want *fundamental reform*.

*Against the Grain* is a call for Texas to embrace these principles by bringing genuine customer service to state gov-

ernment, boosting public performance without boosting its cost.

*Against the Grain* follows on the heels of *Breaking the Mold*, the 1991 performance review that examined 195 areas of state government operations, making hundreds of recommendations to improve its effectiveness and efficiency.

This time we've studied another 192 areas of government operations, in even greater detail, and made more than 460

recommendations, many of which also will lead to substantial cost savings. About 85 percent of the proposals are brand new. The remainder are variations of ideas that were recommended in *Breaking the Mold* but not adopted in 1991.

If enacted, the recommendations contained in *Against the Grain* would produce an additional \$4.5 billion in available general revenue over the fiscal 1994-95 budget period—lessening the pressure on legislators to raise taxes or cut spending on public education and vital health and human services programs.

But *Against the Grain* has a broader message than our previous effort. Our scope has gone beyond simply streamlining state government and easing the financial burden on the taxpayers.

We believe Texans are unwilling to invest any more of their hard-earned paychecks until state government

proves that it can provide a full measure of service for every dollar.

The spirit of *Against the Grain* is not anti-government, nor does the evidence suggest that most Texans are. They understand that government exists to help people achieve as a community what they can't as individuals.

While most Texans don't want bigger

(Continued inside)

**“State government can no longer afford to do business by stumbling from crisis to crisis. The easy fixes are just about gone. We need vision and fresh ideas that cut against the grain. It's time to rededicate ourselves to giving Texans what they want and deserve—quality customer service at a reasonable price.”**

**— John Sharp**

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**Reinventing Government Workplan**  
**First Draft - March 3, 1993**

1. Who constitutes the task force on reinventing government?
2. Where should it be housed?
3. Should the Administration prepare to testify at the March 11 Congressional hearings?

4. What first steps should we take?

- Meet with OMB management staff.
- Review relevant OMB, Congressional and outside reports .
- Cabinet meeting agenda item.
- Visits by VP to Cabinet officials followed by agency town meetings. → go w/ President?
- Meetings with key congressional players.
- Meetings with federal government employees unions and outside groups.
- Itemize those areas of the federal government where federal employees interact directly with the public.

5. What topics should we look at?

- customer* - user friendly government
- models using high tech government
- devolution.
- programs that should simply be eliminated.
- combining categorical grants into "challenge" grants.
- performance standards and enhanced evaluation.
- waivers.
- performance driven budgeting or mission driven budgeting.
- civil service reform.
- *environmental efficiency technology*

6. How should we gather information from the public and from the civil servants?

- 800 numbers.
- solicitation of views by federal employees.
- polls of providers and of customers.



John Sharp  
Comptroller of Public Accounts  
Austin, Texas 78774

512/463-4000

LBJ State Office  
Building

January 28, 1993

Mr. Bruce Reed  
Assistant to the President for Domestic Policy  
Office of the President  
The White House  
1600 Pennsylvania Avenue NW  
Washington, DC 20006-9900

Dear Bruce:

Congratulations on your appointment. I enjoyed our December meeting in which we discussed how the federal government could benefit from a performance review similar to the one my office conducted in Texas, and I wanted you to have the first volume of *Against the Grain*, our latest effort to bring efficiency and savings to Texas state government.

*Against the Grain* makes 460 recommendations for improved customer service and \$4.5 billion in savings over the next budget biennium. I firmly believe that the billions of dollars we have found at the state level could easily be found many times over at the federal level. The key is to start early and move quickly.

My offer to assist you in a federal effort remains, and I hope the President will find that our experience in Texas will be of value to him.

If I can provide you with any additional information, please do not hesitate to contact me directly at (512) 463-4444.

I wish you well in your new position and look forward to speaking with you again soon.

Sincerely,

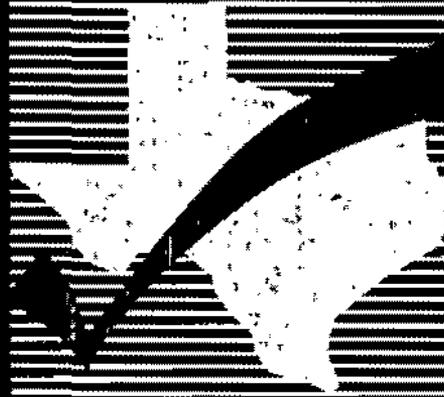
JOHN SHARP  
Comptroller of Public Accounts

Enclosures

# BREAKING THE MOLD

## NEW WAYS TO GOVERN TEXAS

Highlights of the report of the



TEXAS PERFORMANCE REVIEW

The findings and recommendations contained in *Breaking the Mold* are the result of 54,000 hours of in-depth study of the state government by 104 auditors from both the public and private sectors.

Our mandate, set out in January in Senate Bill 111, was to "challenge and question the basic assumptions underlying all state agencies and the programs and services offered by the state...."

S.B. 111 specified that the performance review should:

- evaluate the efficiency of each state agency;
- look for ways Texas can take full advantage of available federal funding;
- identify programs or services that could be eliminated or effectively performed by private enterprises;
- suggest needed changes in programs and the services state agencies provide;
- find reductions that could be made in the funding of state agencies without cutting back on needed services; and
- recommend the consolidation and/or reorganization of state agencies, where appropriate.

We interpreted our mandate as an opportunity to redesign our state government. And, from the start, we set out with two overriding criteria:

- (1) We wanted to build a government that is customer-friendly, that provides its customers—the agency clients, the school children, the business community—with fast, friendly and personalized service.
- (2) We insisted that this new government be taxpayer-friendly, that it give up

the outmoded procedures, overlapping responsibilities, duplication of services and other inefficiencies that squander tax dollars and shortchange needed services.

In short, we viewed the Texas Performance Review as more than simply a rehash of old ideas or minor tinkering with the existing order. And we feel *Breaking the Mold* is a blueprint for real improvement in government organization, services and operating efficiency.

Texas faces a projected \$4.6 billion revenue shortfall for the 1992-93 biennium. When the Performance Review began, some expressed the hope that we could find savings of \$200 million. We found that much the first day.

In subsequent weeks—while our auditors scoured the books and organizational charts of each and every state agency—we held nine hearings across the state to get input from taxpayers.

We set up toll-free hot lines and aggressively solicited ideas from the public—and from the front-line state employees who struggle with the bureaucracy day in and day out and know better than anyone what would help them do their jobs better.

By the time we completed the audit, we had identified ways to slice more than \$4 billion from the shortfall while actually expanding services.

But while the scope of our recommendations (and the resulting savings) are to our knowledge unprecedented in any state, we do not hold our report out to be the final word on what Texas' state government can or should

be. It is only a very big first step toward the kind of state government the people of Texas have a right to expect.

The top-to-bottom performance evaluation just completed should not be viewed as a one-time event, and the Legislature has mandated that the Comptroller's Office continue to conduct these audits on an ongoing basis. Indeed, through this process, the need for other structural and procedural reforms may become evident as we approach the 21st Century.

Meanwhile, we can say with confidence that the landmark recommendations outlined in *Breaking the Mold* would, if adopted, give Texas the most effective and efficient government in our history. ★

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## THE CAMPAIGN TO REINVENT GOVERNMENT

### 1. National Performance Review

- \* Audit of every program & every dollar govt spends
- \* 800-number Hotline for fed employee & taxpayer tips
- \* Public hearings -- national gripe sessions
- \* Will go after: wasteful programs, commissions, and subsidies; reorganize, downsize, and reinvent depts; budget reform; limit unfunded mandates; devolve responsibilities to states; grant reform; waivers; perf-based budget; civil service reform to reward performance, create incentives for innovation, and establish greater managerial flexibility;
- \* Deadline: 6-months (Labor Day)

### 2. Ask Congress for Reorganization Authority

- \* civil service reform
- \* grant reform
- \* performance-based budgeting
- \* sunset laws
- \* waiver process

### 3. Government Enterprise Zones

- \* wave all rules for 2-3 agencies: HUD, IRS, Labor, USDA, Ed

### 4. Lorena Mickok Brigade

... gao

... eller as grass rts. 800#, hearings, town hall mtgs

... good ideas bubbling up, not threatened from outside

... BC can package any way he wants; more than one bill

... reorg auth -- nothing they haven't done before; go back to

'48. Every President before Bush got this since Truman.

-- way to show they're serious w/o doing anything.

... split agencies by function -- 5 teams

... communications staff

... secrecy

... private sector kitchen cabinet

... customer surveys

**FOR IMMEDIATE RELEASE:**  
Thursday, January 28, 1993

## SHARP UNVEILS \$4.5 BILLION IN 1994-95 SAVINGS—ANNOUNCES SWEEPING PROPOSALS TO RESTRUCTURE STATE GOVERNMENT

(AUSTIN)—Saying that "it's time for state government to cut against the grain of business-as-usual," State Comptroller John Sharp today unveiled 460 proposals to restructure state programs and make available \$4.5 billion during the next two-year budget period.

"Our purpose is to provide the Legislature with a full range of options—some easy, some hard—to (a) avoid a tax increase without crippling vital services, and (b) to operate state government more efficiently and effectively," Sharp said at a State Capitol news conference.

"We want state government to run a lot more like how Southwest Airlines operates in Texas and a lot less like how General Motors functions out of Detroit."

Contained in a sweeping two-volume report entitled *Against the Grain*, Sharp's proposals are the latest round of recommendations from the Comptroller's *Texas Performance Review* to save taxpayer dollars and streamline state government operations.

"Some of our recommendations are obvious," Sharp said. "For example, under current law, the state plans to spend more than \$160,000 just to change the Department of Health to the Department of *Public Health*. That should be stopped.

"Other recommendations are far more complex. They are aimed at boosting child support collections to near 100 percent by the year 2000, improving prison operations, and making a highly trained work force available to Texas businesses," Sharp said.

[over]

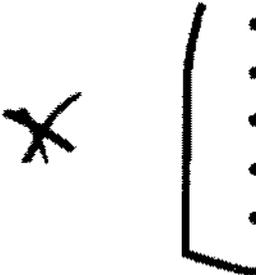
Two years ago, Sharp's *Texas Performance Review* team examined some 195 areas of state government operations and made nearly 1,000 recommendations in its historic *Breaking the Mold* report, which would have saved \$4.2 billion. The Legislature adapted about two-thirds of the proposals, saving \$2.4 billion.

This year, *Against the Grain* looks at another 192 areas of government operations and makes 460 detailed recommendations. About 85 percent of the proposals are brand new, while 10 percent are variations of ideas first presented in *Breaking the Mold*. The remaining 5 percent are proposals from the 1991 report that were not adopted by the Legislature.

A series of *Against the Grain* recommendations call for streamlining the state's process for purchasing supplies, which currently cost \$4 for every \$1 the most efficient private sector companies spend. Another proposal to meet tomorrow's work force needs would merge the Texas Department of Commerce and the Texas Employment Commission, along with the job-training functions of the Texas Education Agency and the Department of Human Services, into a Texas Commission on Commerce and Labor.

Still other proposals would greatly improve the state's childhood diagnostic screening efforts and its agency personnel hiring procedures, while placing greater emphasis upon combatting so-called "welfare fraud."

Each *Against the Grain* recommendation answers at least one of five basic questions that should be asked of every government program, Sharp said.

- 
- Does it improve customer service?
  - Does it save taxpayer dollars?
  - Does it represent a better way?
  - Does it make government more enterprising?
  - Does it build a better future?

"At a time when every issue has become a pocketbook issue, we need to cut against the grain of business-as-usual in our state government and start providing high-quality, low-cost customer service to Texans—at a price they can afford," Sharp said.

(more)

"State government is strapped for cash again. But many of its long standing policies and practices are also bankrupt. That's why our recommendations, while saving taxpayers billions today, will also reform and reengineer our state government for tomorrow.

"We believe Texans are unwilling to invest any more of their hard-earned paychecks until state government proves it can provide a full measure of service for every dollar taxpayers spend at the government store.

"For the eleventh consecutive year, the Texas Legislature is confronted by the struggle to produce and balance a state budget without slashing important state services. If enacted, our proposals will help them do that.

"We believe that *Against the Grain* represents a landmark step toward dramatically revising and upgrading the way state government serves its customers—the people of Texas," Sharp said.