

Putting It All Together: Workforce and Economic Development Department

January 2002

Submitted to the Legislature per Session Law 2001, First Special Session, House File 5, Chapter 4, Article 3

Transition Team on Workforce and Economic Development:

Senator Ellen Anderson	Rolf Middleton
Morrie Anderson	Willie Negaard
Representative Bob Gunther	Representative Tony Sertich
Senator Dave Johnson	Ray Waldron
Senator Arlene Lesewski	Ellen Watters
Representative Dan McElroy	Commissioner Rebecca Yanisch

The following individuals also participated substantially in Transition Team discussions:

Commissioner Shirley Chase	Chancellor James McCormick
Roger Hale	Commissioner Earl Wilson

This material is available in alternative formats upon request. Please call: 651-296-3711.

ACKNOWLEDGEMENTS

Special thanks to the members of the Transition Team Staff Working Group and to conveners of Fact-Finding Teams whose collective efforts made the creation of this document possible:

Transition Team Staff Working Group:

- Morrie Anderson, Transition Leader
- Rick Caligiuri, Department of Trade and Economic Development
- Amy Gromer, Governor's Office
- Tom Harren, Department of Finance
- Linda Holmes, House of Representatives
- Mary Jacquart, Minnesota State Colleges and Universities
- Susan Kuss, Department of Finance
- John Rajkowski, Department of Trade and Economic Development
- Libby Starling, Department of Economic Security
- Kathy Sweeney, Department of Economic Security
- Richard Tvedten, Minnesota State Colleges and Universities
- Theresa Van Hoomissen, Department of Labor and Industry
- Luke Weisberg, Governor's Workforce Development Council
- Barbara Yates, Department of Children, Families & Learning

Additional Fact-Finding Team Co-Conveners

- Patty Billings, Minnesota Technology, Inc.
- Marc Breton, Department of Economic Security
- Cathy Carlson, Department of Economic Security
- Mick Coleman, Department of Economic Security
- Mike Haney, Department of Economic Security
- Kari Howe, Department of Trade and Economic Development
- Roger Hughes, Department of Trade and Economic Development
- Bob Isaacson, Department of Trade and Economic Development
- Louis Jambois, Department of Trade and Economic Development
- Chuck Johnson, Department of Human Services
- Gary Langer, Minnesota State Colleges and Universities
- Mark Lofthus, Department of Trade and Economic Development
- Paul A. Moe, Department of Trade and Economic Development
- Paul D. Moe, Department of Trade and Economic Development
- Jay Mousa, Department of Economic Security
- Tom Romens, Department of Economic Security
- Bruce Showel, Department of Revenue
- Dan Smith, Department of Children, Families, and Learning
- Sandy Voigt, Minnesota Technology, Inc.

CONTENTS

Executive Summary	i
Introduction	1
Economic Environment.....	2
Principles.....	6
The Charge	7
Governance Structure	8
Regional Leadership.....	11
Planning, Accountability, and Improvement.....	13
Local Service Delivery	15
Agency Structure.....	20
Information.....	23
Communication	25
Resources	26
Barriers	28
Appendices	31

EXECUTIVE SUMMARY

A New Role

During the past decade, states across the country have been transforming their role in the workforce and economic development arenas. The state role has traditionally been about prudent stewardship – states deliver a portfolio of programs and manage investments that have been largely created at the federal level. The new role for states is to define the portfolio based on individual and business customers' need and then make strategic investments that are, increasingly, delivered and further defined by intrastate region or locality.

Momentum to reform Minnesota's workforce and economic development efforts has been growing for at least the past five years during which a series of reports and task forces have called for Minnesota to be more responsive to our state needs, shifting resources and service delivery structures accordingly. The 2001 Minnesota State Legislature created a Transition Team composed of both legislative and gubernatorial appointees to make recommendations toward such reform. This report contains background information, analysis, and recommendations that creates new organizational structures emphasizing shared state and local leadership; broad engagement among public; private, and nonprofit sectors, and accountability for outcomes meaningful to Minnesota's businesses, individuals and families, and overall economy.

There are many reasons to look at this report and suggest it is not a top priority in today's economic and fiscal environment. With many layoffs, unemployment still rising, and current resources strained to their limits, it is easy – in the short run – to look past the recommendations here as not relevant for today. But tomorrow, when the economy recovers and

economic growth returns all of the fundamental issues presented here will return as a priority. Demographics showing slowing population growth, an aging workforce, increasing skills gaps between working individuals and current as well as future job requirements combined with the expected growth in employment opportunities will profoundly affect Minnesota's ability to be a leader in the global economy. We must respond to our short-term needs but not at the expense of tomorrow.

Principles and Expectations

The Transition Team began its work by adopting ten principles and expected outcomes. The major themes of those principles include:

- Develop state leadership for statewide strategic vision
- Build a regional approach to planning and service delivery
- Be accountable for outcomes meaningful to Minnesota
- Improve customer choice
- Integrate a wide array of public and private efforts to support a shared vision and ownership for workforce and economic development
- Build on our strengths by balancing support for legacy industries as well as new and emerging businesses.

The principles detailed in the full report, taken together with the Transition Team's "charge" shaped the decisionmaking framework followed by the Transition Team. The Team had several specific tasks. The expectation was that the Transition Team would chart a path to:

1. Define the new agency.
2. Coordinate policy and planning between workforce development,

education and training, and economic development, preferably at a regional level.

3. Reposition workforce programs as part of a mainstream pipeline for producing skilled workers to meet the needs of the state economy.
4. Add employers as key customers and build networks of trust.
5. Use economic information to drive policy decisions.
6. Enhance accountability and performance management.
7. Ensure a strong education and training component.
8. Preserve local delivery.

Recommendations

The recommendations of the Transition Team are grouped in eight categories. Following are the primary recommendations in each category with brief narrative accompanying each category.

Governance

The governance section highlights the core need for stronger strategic vision and operational coordination at the state level. The Transition Team sees this as a starting point, with the expectation that these initial steps might lead to further streamlining in the future. The Minnesota Economic Leadership Team is created to provide a clear focal point for overall strategic policy direction. The Executive Coordinating Group plays a key role in "translating" MELT strategic direction into action. The existing Governor's Workforce Development Council (GWDC) and Minnesota Job Skills Partnership Board (MJSPB) work together to address policy and funding issues specific to workforce development.

- Create the Minnesota Economic Leadership Team (MELT) as the statewide policy board for economic and workforce development
- Enhance the coordination between the Governor's Workforce Development Council and the Minnesota Job Skills Partnership Board
- Convene the Executive Coordinating Group of agency heads responsible for workforce and economic development.

Regional Leadership

The development of a regional lens was a key component of the Transition Team's thinking. The Transition Team embraced the notion of "virtual" planning regions that will be defined and coordinated by regional leaders. The core of the regional concept is to move beyond artificial political jurisdictions so that workforce and economic development services can be delivered in response to local economic needs.

- Foster development of a regional leadership function across the state to tie regional priorities into the statewide strategic vision
- Introduce a process to allow regional leadership to emerge organically and to define appropriate regions
- Support the regional leadership function through state leadership

Planning, Accountability and Improvement

Minnesota has traditionally done very well in measuring its programmatic outcomes relative to other states. The Transition Team focused attention on the need for a planning and accountability structure that is responsive to Minnesota's needs, not only accountable at the programmatic level per federal requirements. Accordingly, the Transition Team gave significant responsibility to MELT and the Executive Coordinating Group to develop and

monitor this kind of planning and accountability structure.

- The Minnesota Economic Leadership Team (MELT) shall have responsibility for defining and monitoring a set of strategic indicators designed to assess the overall economic health of the state.
- The regional leadership functions shall have responsibility for defining and monitoring a set of strategic indicators designed to assess the overall economic health of its region.
- Councils and Boards with oversight authority shall have responsibility for defining and monitoring a set of common performance outcome measures that can be applied to individual programs.
- Agency leadership and program management, working closely with the relevant appointed councils, should measure their progress toward management by results using one of the standard quality metrics.

Local Service Delivery

During its deliberations, the Transition Team encountered numerous issues related to improving local delivery of workforce development, economic development and education services. However, reworking local service delivery from the central Transition Team would have violated the Transition Team's own principles emphasizing the role of regional thinking and local leadership, rather than central bureaucracies, in service delivery. The Transition Team agreed on the following guidelines for local service delivery:

- Concentrate on policy outcomes
- Invest in key economic foundations
- Focus on the customer
- Decentralize responsibility

- Adopt an appropriate scale in action to produce real impact in terms of both regional approaches and industry networks
- Never lose sight of equity
- Assess performance

Agency Structure

From the start, the Transition Team felt strongly that a transformation in outcomes, culture, and the role of the state agency was expected – and not simply moving the organizational boxes. Time was spent discussing the programmatic synergies that would result from having certain program units in the new agency or housed elsewhere. However, the Transition Team has not prescribed an internal agency structure, as this is the prerogative of the Governor and his Cabinet leaders.

- Consolidate workforce and economic development programs and services into the Department of Trade and Economic Development to create a single agency environment.
- Transfer Disability Determination Services to the Department of Labor and Industry
- Strengthen linkages to workforce development programs remaining in other agencies, including adult basic education, apprenticeship and customized training.

Information and Communication

The Legislature asked specifically for the Transition Team to consider elements of career information that perhaps would benefit from additional coordination and/or consolidation. The Transition Team developed a fact-finding effort that looked broadly at career information as well as labor market and economic information produced and/or used by stakeholders in this arena.

- Merge existing governing boards through a single joint powers agreement to oversee career information.

- Produce a strategic Economic and Labor Market Information Plan that addresses gaps in economic and labor market information.
- Conduct a comprehensive strategic planning process focused on effective communication and managed by the new department during its initial organization year.

Resources

The agency restructuring was not first intended to be a cost savings measure. However, the Transition Team did ask a fact-finding group to identify any potential cost savings and/or significant resource issues. The general conclusion of the Team was that while there could be some cost savings resulting from the restructuring, they would not be realized until the 2003-04 biennial cycle. The other general conclusion of the Team was that the resources for workforce and economic development are significant, but still not fully leveraged or allocated to be most effective.

- Enact no budgetary adjustments as a result of this organizational transition until the 2004-2005 biennial budget.
- Study the funding structures supporting workforce development and training and explore options adopted elsewhere to expand the resources available to support workforce training.

Barriers

The Transition Team recognized early on that there were several barriers to the vision that are imposed by federal funding constraints and, to a lesser degree by the State Legislature itself.

The Transition Team offered a few recommendations specific to federal funding and reporting issues for the Workforce Investment Act (WIA), the Small Business Administration (SBA) and the Community Development Block Grant (CDBG) program.

The Transition Team also acknowledged two systemic barriers from the state legislature itself: the worker protection clause in the transition legislation and the standing committee structure of the legislature that, to some degree, impedes progress by not having a single legislative committee with oversight over all workforce and economic development issues.

Final Thoughts

The Transition Team sees its work as the last chapter in a story that began nearly a decade ago. This report does not represent radically new thinking. Rather, it takes the best of the ideas, analysis, criticisms, and discussion of previous efforts and puts the puzzle pieces together. This report presents a picture to the Governor and the State Legislature of how we can effectively get the most out of our workforce and economic development efforts for Minnesota businesses and residents.

The Transition Team's charge was to review, assess, discuss, and make recommendations regarding the issues covered here. Of the many recommendations made here, leadership in three key areas will make the difference in transforming our efforts in Minnesota. The establishment of the Minnesota Economic Leadership Team (MELT), chaired by the Governor, will create a new structure to embrace business, labor, education and community leaders who will help policymakers keep their "eyes on the ball" in making strategic investment decisions for workforce and economic development efforts. A "virtual regional planning" effort will begin to create an evolving regional perspective, engaging local and regional leaders in new ways throughout Minnesota. Finally, the consolidation of workforce and economic development programs into a single agency creates a new opportunity to create a synergy between previously separate efforts. Leadership in the new agency, as well

as leadership to bring together Cabinet leaders together across key state agencies focused broadly on economic development, will create a strong focal point for state agency activity accessible to citizen and legislative leaders for future discussion and action about strategic direction for Minnesota.

The picture is complete and the direction clear. The challenge is now to Legislature and Administration to make the picture come alive, transforming and integrating our workforce and economic development efforts. Our success will be evident in the decade to come when Minnesota invests wisely in its businesses and its workers and gives maximum flexibility to them to make their own informed choices to get their needs met. Our success will also be evident as we decide what indicators are key for monitoring our state's economic health and then watching those indicators move in positive directions over time.

We have an opportunity for new leadership, strategic direction, stronger accountability, and a decidedly different role for state government in our economic and workforce arenas. The Transition Team feels strongly that this is an opportunity not to be missed, and that acting now will not only help us meet our short-term workforce and economic needs, but position us well for the future challenges we will face.

INTRODUCTION

This report contains the recommendations of the Transition Team on Workforce and Economic Development that was created by the Minnesota State Legislature in June 2001. The Transition Team was composed of six members of the Legislature and six gubernatorial appointees as follows:

- Senator Ellen Anderson, St. Paul
- Morrie Anderson, Transition Manager
- Representative Bob Gunther, Fairmont
- Senator Dave Johnson, Bloomington
- Senator Arlene Lesewski, Marshall
- Representative Dan McElroy, Burnsville
- Rolf Middleton, MSP Park Place and Ramsey County Workforce Investment Board
- Willie Negaard, South Central Workforce Council and Governor's Workforce Development Council
- Representative Tony Sertich, Chisholm
- Ray Waldron, President, Minnesota AFL-CIO
- Ellen Watters, Midway Chamber of Commerce and Ramsey County Workforce Investment Board
- Commissioner Rebecca Yanisch, Department of Trade and Economic Development

The Transition Team met a total of nine times between August and December 2001.

Overview of Report

The report includes brief descriptions of the historical and economic contexts which the Transition Team

took into account, a list of operational principles and statement of the Team's charge, and the Team's results, i.e., specific recommendations for the Legislature and the Governor to consider.

The report includes sections identifying recommendations on:

- Governance structure
- Regional leadership
- Planning, accountability and improvement
- Local service delivery
- Agency structure
- Information
- Communication
- Resources
- Barriers

Momentum toward reform

The Transition Team represents the culmination of several years of study and debate about how to reform Minnesota's workforce and economic development efforts including their interaction with education.

This proposed reform appears to be a third wave of reform following significant structural changes in two of Minnesota's public education systems during the past two decades. The creation of the Department of Children, Families and Learning to lead elementary and secondary education as well as the consolidation of the state's community and technical colleges and state universities were both intended to establish education as a broad foundation for Minnesota's quality of life and a cornerstone of for citizens to choose their own path to self-sufficiency and economic success.

Call for programmatic and structural reforms

Recognition that corresponding reform must occur to address the state's fragmented employment and training

programs began in earnest in 1994 when Minnesota became one of the first states in the nation to consolidate service delivery through the creation of Minnesota WorkForce Centers. Consolidation and alignment at the policy development and state agency level was put on the table in 1998 with a report from Senator Roger Moe's Workforce Committee. In 1999 the Citizens League called for improved coordination and effectiveness among many programs offering employment related services with another report.

Governor Ventura convened a "mini-cabinet" early in his tenure which produced a set of recommendations in February 2000 aimed at programmatic reform. The State Legislature convened a joint task force during the summer of 2000 to explore specific programmatic reform and consider broader structural change. Momentum built further during 2000 with a summit and report led by the University of Minnesota that put workforce issues in the context of the continued economic vitality of Minnesota. During the 2001 legislative session, numerous proposals for programmatic and structural reform were debated. During this time, many other voices joined in the chorus including community-based organizations, advocates for low-income constituents, and business leaders. In spring 2001, the Minneapolis-Bloomington Chamber of Commerce released a report that highlighted, among other things, the growing need to reform the system and engage business in doing so.

The cumulative result of these efforts was the passage of legislation in June 2001 naming a Transition Team with representation from the Executive and Legislative branches to shape a new organizational, governance, and service delivery structure to bring together Minnesota's economic and workforce development efforts.

ECONOMIC ENVIRONMENT**Emerging consensus on a new role**

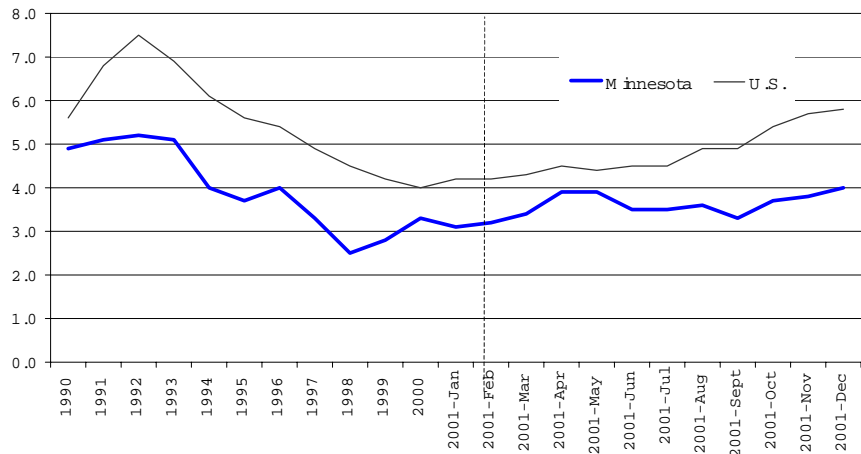
The Transition Team framed its work in the economic and market climate described below and reached consensus on a set of principles and expected outcomes (see p. 6) that reflect the basic programmatic and structural reforms including a new role for state government identified during the past several years. The recommendations in this report call for state government to move away from simply delivering scores of federal and state programs and move toward developing a state economic and workforce development vision built on regional leadership, strategic investments and accountable service delivery. The end result should be that Minnesota invests wisely in its businesses and its workers and gives maximum flexibility to them to make their own informed choices to get their needs met.

Economic Context

The context of workforce and economic development policy is the state's economic environment—its challenges and opportunities now and into the future. Reading the economic map correctly and understanding its complexities are essential to charting the right course of action.

Minnesota's economy benefited from 10 years of a national economic expansion, the longest in the nation's history. The state weathered the mild 1990-1991 national recession without actually experiencing a loss of jobs; Minnesota also outpaced the nation in job growth during the economic expansion of the 1990s. Between 1991 and 2000, the state added 532,000 jobs and by 1998, the state had recorded its lowest annual average unemployment rate ever at 2.5

Comparing Unemployment Rates



Source: Local Area Unemployment Statistics, Minnesota Department of Economic Security and Bureau of Labor

percent, the lowest in the country that year. In fact, job growth and demand for workers were so strong that worker shortages were the top economic concern in the state during the last part of the decade and into 2000. With these labor conditions, it's no surprise that the state's economy grew more than 20 percent faster than the nation's between 1990 and 1999.

Strong labor conditions and a growing economy helped the state generate healthy wage growth that averaged a 4.4 percent annual increase between 1991 and 2000. Minnesota's average annual wage in 2000 was \$35,418, the 12th highest among the states. Wages are likely to continue to rise as fast or faster than in the rest of the nation due to the state's diverse, technology-oriented industrial base. However, the increase will likely be smaller in 2001 due to the economic slowdown and the resulting decrease in upward wage pressure.

Signs of a nationwide slowdown, which included Minnesota, darkened the economic horizon by the end of 2000. Annual job growth fell steadily, and rising unemployment rates and layoffs provided evidence of the downturn. The most recent data indicate that the U.S. economy fell into recession in March 2001 and that

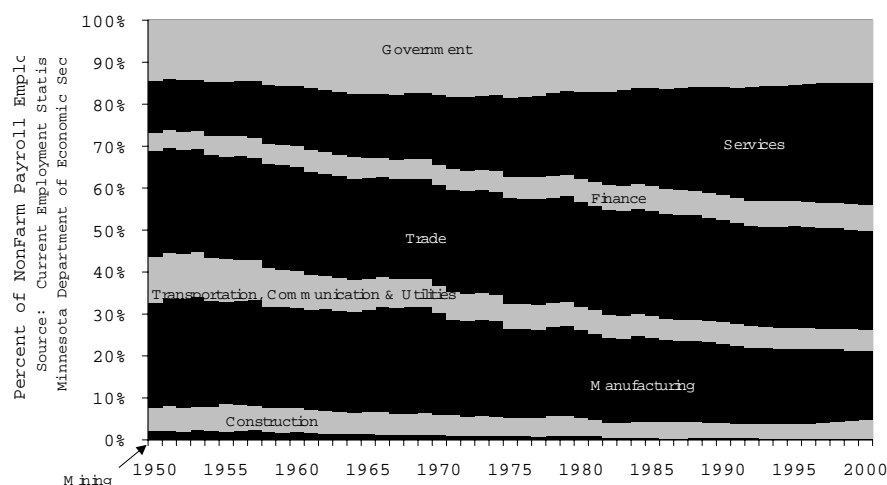
real Gross Domestic Product will continue to decline through the first half of 2002. The state's strong economic fundamentals, including its healthy mix of industries and an educated workforce, will play a major role in propelling Minnesota out of the current slump when a national economic recovery takes hold.

A recent statewide survey estimated only 97,000 job vacancies in the second quarter of 2001. This is down 22 percent from just six months earlier and provides further evidence of a slowing economy. Despite the slowdown, worker shortages still exist in certain sectors, especially those with relatively low wages, unusually rapid growth, or specialized skill needs. Survey results from second quarter 2001 indicate that workforce shortages were most severe in the following occupations (listed in order of severity): healthcare practitioners and technical, personal care and service (including childcare workers, personal and home care aides), healthcare support, and construction and extraction occupations

Despite these pockets of worker shortages and Minnesota's economic strength relative to other states, layoffs are affecting more Minnesotans than during any period since the 1990-91

Economic Environment

Major Industry Share of
Nonfarm Payroll Employment, 1950 to 2000



mild recession. Layoffs are hitting particularly hard in the transportation, manufacturing, mining and high tech industries including the dot.coms. Greater Minnesota is experiencing more than 90 percent of the job losses in manufacturing. With unemployment up and job growth down, laid-off workers will have a harder time than during the past eight years finding good-paying jobs quickly.

Labor Demand

Today, two industries in Minnesota make up nearly half of the state's total employment: retail trade and services. Forty years ago, these industries accounted for about 30 percent of employment. With the growth of technology-related industries and occupations and the challenges of a global economy, the major sources of job growth have changed. Although manufacturing in the state has continued to grow during the past ten years, its share of employment continues to decline.

Worldwide economic conditions and technology advances have led to strong growth in some industries and declines in others. On the global front, despite a growing manufacturing sector and expansion in emerging markets, Minnesota's overall export growth rate during the 1990s trailed the nation and business

investment by foreign companies lags national trends. Meanwhile, lower-priced international competitors are pushing the Minnesota economy away from low-technology manufacturing to sectors where we have a sustainable competitive advantage – such as high technology manufacturing – that take advantage of Minnesota's well-educated workforce. With changes in demographics and industry structures, the services industry, particularly healthcare and high-technology business services like computer programming, has grown rapidly in Minnesota as elsewhere. Government employment has slipped to under 15 percent of total employment after peaking at over 18 percent in the early 1970s.

Occupational employment patterns reflect these structural shifts in industries. Employment in agriculture, production/repair and operator/fabricator occupations has been diminishing while employment has been increasing in managerial, professional, and technical occupations. Almost all professional, paraprofessional and technical occupations require at least some post-secondary training, and many require a bachelor's degree or more. The changing industrial base of the state thus influences the skills– and consequently the education and training– that the workforce of tomorrow, and today, needs to succeed.

Along with the changes in industrial demand, the type of business activity fueling job growth is key to understanding labor demand. Although increasing the number of start-ups is important to state innovation and future economic growth, the number of establishments that expand during the year outnumber start-ups by more than two to one. In 2000, nearly 29,000 businesses expanded and 26,000 contracted while 12,000 businesses started-up and 8,000 terminated operations.

Not surprisingly, expanding businesses remain key to job growth. In 2000, expanding businesses created 145,000 jobs compared to just 62,000 start-up jobs. Likewise, contracting businesses accounted for 105,000 job cuts while terminated businesses represented about 26,000 jobs.

Among business sizes, small businesses continue to post the highest labor demand. In 2000, small businesses (fewer than 50 employees) accounted for 57 percent of net new jobs (43,000) while employing just 28 percent of all jobs. In contrast, businesses with at least 500 employees accounted for 20 percent of net new jobs despite a 38 percent share of all jobs.

Labor Supply

Minnesota continues to be one of the “hardest-working” states in the nation with over 75 percent of the adult population participating in the labor force and the highest female labor force participation rate nationwide. The state also has a high percentage of older workers and one of the highest labor force participation rates for persons with disabilities. Overall, the state unemployment rate remains low and well below the national unemployment rate.

Both high school and college educational attainment is high in Minnesota. Among all 50 states, Minnesota ranked 5th in 1998 in

percent of the population age 25 and older with a high school diploma or more; Minnesota tied with Massachusetts to rank 5th in percent of the population age 25 and older with a bachelor's degree or more. These rankings reflect a strong emphasis on education in the state, an emphasis that has historically given our workforce a competitive edge over other states and lured high-paying employers and company headquarters to Minnesota.

Minnesota's workforce is becoming more diverse. Nonwhite populations in Minnesota grew dramatically in the 1990s (evident from U.S. Census data despite the fact that 2000 data are not strictly comparable to 1990 data because people are now allowed to identify with more than one race). In fact, in 1990, 6.3 percent of the total state population identified themselves as nonwhite or Hispanic or both, while in 2000, 11.8 percent of the state population were nonwhite (either alone or in combination with white) or Hispanic or both. The largest increase was in the Hispanic population followed by blacks and Asians. Other populations grew more slowly over the decade. Despite these shifts, Minnesota is still much less diverse than the nation. But for employers, these population changes may mean that bilingual work places will aid in finding and retaining staff.

The average poverty rate in Minnesota was 6.6 percent in 1999-2000, meaning that about 324,686 people lived below the poverty threshold (\$17,650 annually for a family of four). Comparatively, the poverty rate for the nation was 11.5 percent, and only 10 states had a lower poverty rate than Minnesota during this period. Despite our relative strength, this is the group that is likely to suffer the most severe consequences during the economic slowdown.

Unemployment and low wages can both lead to poverty. Unemployment remains higher for blacks, American Indians and Hispanics than for whites in Minnesota. In terms of low wages,

one-third of Minnesotans earned less than \$10 per hour in 1999. These workers are clustered in retail trade and low wage service industries including amusement and recreation, membership organizations, and social services.

Many regions of the state face economic challenges. Unemployment and low wages continue to be more prevalent in Greater Minnesota. While layoffs (other than manufacturing) are highest in the Twin Cities area, there are also more job vacancies than in rural Minnesota. Northeast Minnesota has had particularly high unemployment this year, a result of shutdowns and layoffs in the Iron Range mining industry. Northwest and Northeast Minnesota take home the lowest wages, with almost half of all workers earning less than \$10 an hour. Compare this to the Twin Cities Metro Area where just over one-quarter of all workers earn less than \$10 per hour.

The economic development approaches to address wage levels and other issues differ by region. Workforce development, business

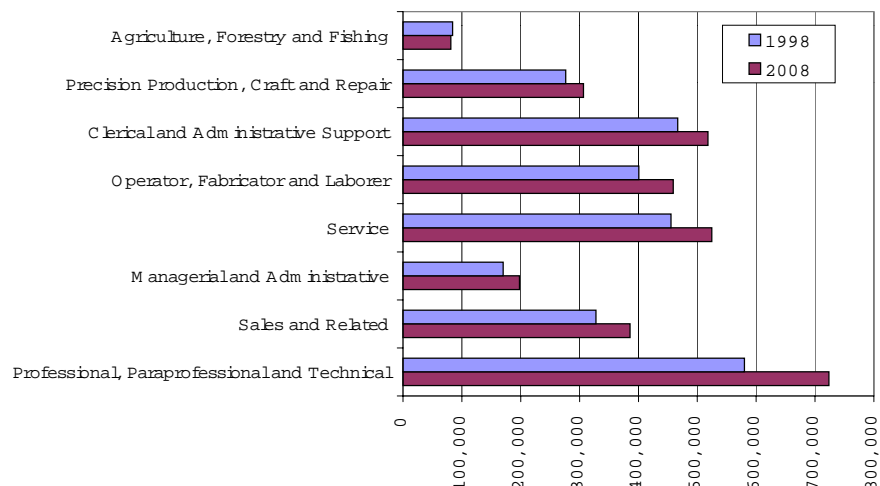
The Outlook

The current economic recession is expected to last throughout the first half of 2002. One thing is clear: Minnesota's diverse economy has weathered past national economic slowdowns and recessions better than most states and has outpaced the nation during economic expansions. We are likely to resume this performance.

From a competitive standpoint, Minnesota is well positioned for future growth. In the "old economy," low costs and availability of low-skilled workers were two important competitive advantages for businesses. Today, success depends on many "old economy" principles like transportation and utility systems, but also on areas where Minnesota excels or is striving to improve:

- skilled workers and innovative training programs,
- linkages to colleges and universities,
- tax policy rewarding research and innovation,

Projected Change in Minnesota Employment, 1998-2008



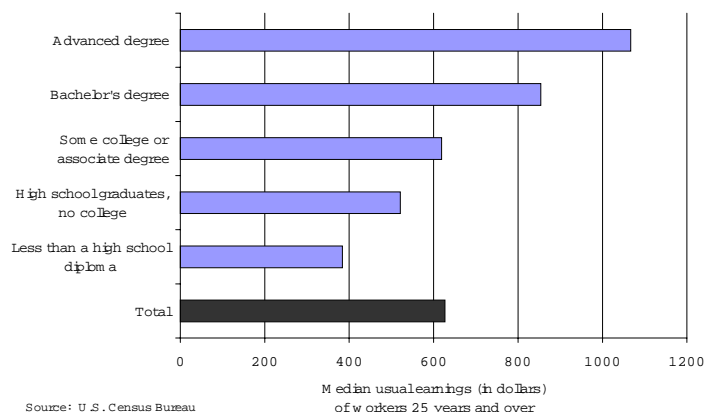
Source: Long-Term Projections, Minnesota Department of Economic Security

development, technology, telecommunications, affordable housing and transportation were each ranked among the top three priorities by at least one region during a recent Rural Summit conference.

- laws that support growth of the digital economy,
- innovative telecommunications regulations, and customer-oriented government.

Economic Environment

Effects of education on earnings



Businesses expect that Minnesota's relatively higher costs generally come with high service levels (i.e., educated workers). Moreover, high value-added industries have higher margins, which minimize tax impacts.

Business failures and worker dislocation are part of the economic landscape. Fortunately, many of Minnesota's industries are in expanding segments that should fuel above-average economic growth. However, once the Minnesota economy recovers from its current downturn, labor shortage problems will surface again. Although a variety of other business factors have been suggested as having the potential to dampen business and economic growth – mergers and acquisitions, a poor start-up rate, lagging productivity, high business taxes, inadequate telecommunications infrastructure, and the potential for energy shortages – labor shortages remain the most problematic for business expansion and economic growth.

Demographic factors, such as slower population growth and the aging of the population, are expected to play a key role in the labor market. The state workforce is expected to grow at 1.1 percent annually while job growth is projected to grow at 1.5 percent or over 43,000 jobs annually, through 2008. The supply of workers will remain a challenge for the state. But

that is only half the story— the supply of workers with the right skills will be even more of a challenge. The state is projected to add jobs in occupations requiring post-

secondary education and training. The gradual shift to more professional and technical occupations will accelerate over the first decade of the 21st century as one-third of projected job growth between now and 2008 is expected to occur in professional, paraprofessional and technical jobs. This means that education and training's contribution to the state's economic vitality will be more important than ever before.

Education and training are increasingly needed. The body of knowledge has exploded. The learning process is more frequent and of shorter duration as a lasting job skill. Opportunities will abound but will demand greater levels of technology, integration and adaptability. More fundamentally, education and training are being asked to increase productivity and provide a demonstrated return on investment.

Though returns are sometimes difficult to measure, many studies have been able to document a return to employers from their education and training programs. Businesses are increasing their commitment to training, and more firms now view training as a key investment rather than an expense.

There is a strong positive linkage between wages and increased knowledge, skills and abilities. For every year completed, the average 2- and 4-year college student earns roughly five percent more than a high school graduate. The earnings

advantage continues for master's, doctoral and professional degrees.

The American workplace is undergoing profound change that require workers to acquire advanced skills. Greater worker autonomy, decisions on the production line, teamwork, and technology integration, are occurring, all in an environment of quality and continuous learning. It is leveraging knowledge for competitive advantage.

The 21st century workplace requires education to reexamine the alignment of career and technical education and improved curriculum to meet employers' needs.

More than 90 million Americans perform at low levels of literacy. The new economic environment will pose increasing challenges for these individuals— including those in Minnesota— unless education and training can be used to improve their both their basic and workplace skills.

All of these factors point us to a new role for government in working with the economy – yesterday's tools can no longer function toward ensuring the economic vitality of tomorrow.

PRINCIPLES

On September 20, 2001, the Transition Team adopted the following principles and expected results (in italics) to guide its deliberations.

“Accountable, responsive and limited government”

1. A public accountability system measures local contributions to regional plans and performance in meeting statewide strategic outcomes.

Local and regional efforts add up to meeting statewide goals. By making results public, local efforts are accountable to stakeholders.

2. Government intervenes strategically when needed to meet economic and workforce development needs and commits public resources as needed to fill market gaps.

Government provides leadership for workforce and economic development in partnership with the private and nonprofit sectors.

3. The economic and workforce development system is driven by its customers, both individuals and employers.

Minnesota’s efforts are proactive, customer-driven and continually reviewed and changed as needed to ensure that customer goals are being met.

“Do the right things and do them well”

4. An integrated approach to economic and workforce development requires a vision and direction guided through a common state-level policy, governance, and technology infrastructure.

A focal point for strategic policy development exists and a consolidated state agency ensures the delivery of coordinated economic and workforce development services throughout the state.

5. Economic strength emerges from investment in a diverse economic base of both legacy industries and growth through new technologies.

Minnesota’s economy remains strong with a balance of legacy industries and new business development.

6. An effective workforce development system depends on a common delivery structure that unifies fragmented funding streams.

Block-granted resources allow local areas the flexibility to meet local needs. A seamless network of service delivery points includes WorkForce Centers, higher education institutions, private providers, and school districts through collaborative infrastructure, communication, marketing, and performance management decisions.

7. Sustained economic competitiveness requires coordinated contributions from economic development, education and workforce development.

Continuous improvement of education, economic and workforce development efforts is evident.

8. Individual choice is a central characteristic of all education, training and workforce development policies.

Education, training and workforce development services provide citizens with realistic choices based on objective information that helps individuals evaluate their options.

“Build on unique regional attributes and opportunities”

9. Regional planning identifies the assets and needs of the state’s “economic watersheds” and aligns regions and localities within broader statewide strategic direction.

Regional plans include perspectives from business and industry; economic and workforce development; primary, secondary, and higher education; human services; and other local interests and are supported with financial and/or infrastructure support from state agencies and other resources.

10. Decisions about service delivery on economic and workforce development occur locally in alignment with regional plans and statewide strategic direction.

Local and regional entities decide what services are needed and how best to deliver those services within the statewide strategic framework. State agencies support local and regional decisions and ensure balance with statewide needs and resources.

THE CHARGE

Goals for workforce and economic development

Over recent years, the Governor and the Legislature have outlined five goals for workforce and economic development:

1. Keep Minnesota business competitive by supporting a flexible, skilled workforce.
2. Support efforts to increase personal income.
3. Create an economic environment that encourages the growth of businesses and produces new quality job growth.
4. Create vital communities that derive the full economic benefit from a global economy.
5. Leverage the market place. Gain programmatic and financial support for services through active partnerships and collaboration.

The Governor's 2001 State of the State address outlines the basic challenge:

"Let's start with the basics. The most important asset we have in Minnesota is our human capital. Our workforce will keep business in Minnesota, it will attract new business to Minnesota, and it will create vitality to maintain our superior standard of living. In today's economy, workforce development is economic development."

"Yes, we have a responsibility to create a favorable business climate with tax rates for business that are competitive and property taxes that are fair. But our responsibility does not end there."

"The state must approach education, workforce development and economic development with a single strategy. That is why I am exploring a major reorganization among the two state agencies that are currently delivering workforce and economic development programs: The Department of Economic Security and the Department of Trade and Economic Development."

"My administration's proposal will consider the best of these areas and create new opportunities to take advantage of our commitment to this new principle. The purpose of a reorganization is not cost savings. I expect this reform to be budget-neutral. The primary purpose of a reorganization is to integrate economic and workforce development policy decision-making. Why? Because the new economy demands it."

"Another goal of the reorganization would be to provide a fresh perspective for aging programs that were created in an era of high unemployment, slow economic growth and few career opportunities."

Minnesota Governor Jesse Ventura
 State of the State Address
 January 4, 2001

Charge to the Transition Team

The charge to the Transition Team is to make recommendations that:

1. Reorganize the state agencies (primarily the Department of Trade and Economic Development and the Department of Economic Security) to enhance the ability of the state to meet the needs of workers and employers through workforce and economic development services.
2. Create linkages or agreements across agencies to facilitate cooperation and collaboration where reorganization is not feasible or practical.
3. Build ownership of the economic development and workforce

system beyond governmental and service provider networks by employers and employees.

4. Leave a blueprint that enhances the ability of training and education, workforce and economic development services to achieve a higher level of economic vitality.

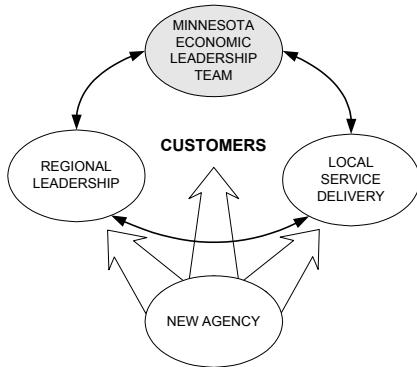
Specifically, the work of the Transition Team tasks should:

1. Define the new agency.
2. Coordinate policy and planning between workforce development, education and training, and economic development, preferably at a regional level.
3. Reposition workforce programs as part of a mainstream pipeline for producing skilled workers to

meet the needs of the state economy.

4. Add employers as key customers and build networks of trust.
5. Use economic information to drive policy decisions.
6. Enhance accountability and performance management.
7. Ensure a strong education and training component.
8. Preserve local delivery.

All of this has been said many times and in many ways by many studies. The failure of all of these reports has been that no one has been charged with the responsibility to "make it work." In the final analysis, that is the charge and responsibility of this Transition Team.

GOVERNANCE STRUCTURE**Background**

The Transition Team realized early on in its deliberations that one of the gaps in the existing Minnesota system was a central high-visibility focus for strategic policy development for workforce and economic development in tandem.

Previous reports had already noted this absence. For example, the Citizens League noted that, “Although many individual efforts are underway in state government to adapt to the new economy, there is a lack of systematic focus and coordination.”

The Transition Team’s review of workforce and economic development reform efforts in other states found that other states had created high-level strategic policy boards – such as Workforce Florida and Team Pennsylvania – that operated in close partnership with the governor.

The federal Workforce Investment Act (WIA) of 1998 requires each state to have a state workforce investment board with specific responsibilities outlined in the Act. WIA gave states two alternatives for the composition of state workforce investment boards – “grandparenting” in existing boards (in Minnesota, the Governor’s Workforce Development Council) or creating new boards with the specific composition and representation defined in the Act (including a business-sector majority).

The Transition Team explored the possibility of waiving federal requirements for a state workforce investment board. However, the U.S. Department of Labor maintains that the governance structure is written into federal law and that it does not have the authority to provide waivers to state governance structures under WIA.

Create the Minnesota Economic Leadership Team as the statewide policy board for economic and workforce development

The Minnesota Economic Leadership Team (MELT) is envisioned to function similar to a corporate board developing and monitoring a long-term strategic framework for the state on both workforce and economic development issues. MELT will develop a strategic vision for the state economy at a higher level than either agencies or programs and, like a corporate board, will have no operational responsibilities.

Specific responsibilities:

- Develop and continually update a strategic vision for the state economy
- Review regional plans in the context of statewide economic priorities
- Define and monitor a set of strategic economic indicators designed to assess the overall economic health of the state.
- Establish performance targets to be met for its indicators.
- Provide direction to the Governor, agency commissioners, and other governing boards regarding their role in the implementation of MELT’s strategic vision.

- Advise private and non-profit organizations on how they may contribute toward achieving MELT’s vision of economic vitality in the state.
- Produce a regular report that outlines the current strategic vision and documents the state’s progress to date on the established indicators.

Membership of the MELT:

- (1) Governor: Chairs the MELT
- (4) Business: Four members from major statewide business groups: two from executive leadership and two chosen by general membership. At least one shall be from a business with 50 or fewer employees.
- (3) Education:
 - One from the leadership of the University of Minnesota.
 - One from the leadership of Minnesota State Colleges and Universities (MnSCU).
 - One from the K-12 system who shall have the endorsement of the Minnesota School Boards Association.
- (3) Labor: Two members chosen from executive leadership of major statewide labor unions and one member from general membership of a smaller labor union.
- (2) Non-profit: Two members chosen from executive leadership representing the non-profit sector.
- (2) Regional: Two members representing the regional leadership function:
 - One shall be a local elected official; one shall represent a local economic development authority.

- One shall represent Greater Minnesota; the other shall represent the seven-county Minneapolis-St. Paul area.

- (1) At-large: Two members shall represent traditionally under-represented communities (e.g., tribal organizations, low-income individuals, communities of color).

Total Membership: 17

Appointments to the MELT:

- The Governor will be the appointing authority based on recommendations from organizations, legislators, etc.
- All appointments will be subject to Senate confirmation.
- Terms and other conditions will be determined by existing statutes. The appointment process, terms, and conditions of appointment shall be governed by Minnesota Statute §15.0575.

Specific implementation details:

- The Commissioner of the new agency will be the Executive Director to the MELT.
- The MELT will be staffed by a small staff appointed by the Executive Director with the advice and consent of the MELT. To the extent feasible, staffing will be drawn from among existing agencies.
- The MELT will meet at least four times per year.

Enhance the coordination between the Governor's Workforce Development Council and the Minnesota Job Skills Partnership Board

The Transition Team envisions using the Governor's Workforce Development Council (GWDC) and the Minnesota Job Skills Partnership Board (MJSPB) as they both currently exist for specific operational roles as

directed by MELT. These roles currently focus on ensuring compliance with WIA expectations and distribution of state and federal grants to employers and educational institutions.

Over the longer term, the Transition Team recommends exploring the consolidation of the Minnesota Job Skills Partnership Board with the Governor's Workforce Development Council, eliminating one board. This movement was begun by the Legislature in 2001 with the requirement that the GWDC and MJSPB share five appointments common to each entity. In the shorter term, the Transition Team recommends steps to enhance the coordination between the two boards and to clarify the respective responsibilities of each body.

Governor's Workforce Development Council

The Governor's Workforce Development Council (GWDC) will continue to be the state workforce investment board defined by the federal Workforce Investment Act of 1998. Furthermore, the GWDC will continue to function as a coordinating board for state and federal workforce programs per existing statutory language.

Under this proposal, the GWDC will:

- Make policy decisions on federally-funded programs in its purview and convey any recommendation to the Executive Coordinating Group
- Serve as an information link from program-specific advisory boards – including but not limited to the State Rehabilitation Council, the State Rehabilitation Council for the Blind, the Statewide Independent Living Council – to the MELT by asking for regular reporting from those boards on their contributions toward MELT-established indicators.

Over the long-term, several options remain open for changing the

membership structure of the Governor's Workforce Development Council within federal parameters. These options would avoid the need for a federal waiver as well as protect the "grandparented" structure of Minnesota's GWDC. These options are:

- Move members who represent potential grant recipients to a nonvoting category. Michigan took aside any member with such a conflict of interest and made them non-voting members. (In the corporate board model, this would be like a store manager reporting activity to the board.) This proposal would require a change in Minnesota statute.
- Repopulate the membership of the Governor's Workforce Development Council. To comply with WIA, the U.S. Department of Labor is concerned with the structural composition of the state workforce investment board not the specific identity of the representatives. The Governor has the discretion to appoint all new members to the Council.

Minnesota Job Skills Partnership Board

The Minnesota Job Skills Partnership Board (MJSPB) will remain responsible for awarding grants from the Workforce Development Fund via the Minnesota Job Skills Partnership Program. This board may also become the grant-making board for other funds as appropriate.

The Minnesota Job Skills Partnership Board could function as a grant-making committee of the GWDC. Over time, the MJSPB might be purely a decision-making body for grant and resource allocation with policy issues being addressed by the GWDC and MELT at their respective levels.

Convene the Executive Coordinating Group of

agency heads responsible for workforce and economic development.

The new agency commissioner will chair the Executive Coordinating Group (ECG) of agency heads with some responsibility for workforce and economic development to include, at a minimum:

- Department of Children, Families and Learning (CFL)
- Department of Human Services (DHS)
- Iron Range Resources and Rehabilitation Board (IRRRB)
- Minnesota Housing Finance Agency (MHFA)
- Minnesota State Colleges and Universities (MnSCU)

- Other agencies may be added to the group as appropriate.

The Executive Coordinating Group will focus on implementation of state policy and strategic goals. The ECG will:

- Translate broad state policy goals into more specific agency policy and/or programmatic goals that further the state vision
- Identify policy issues for consideration by the Regents of the University of Minnesota, the Board of Trustees of MnSCU, Governor's Workforce Development Council (GWDC), Minnesota Job Skills Partnership Board (MJSPB), programmatic advisory boards, or others, as appropriate.
- Recommend agency action to move the state toward

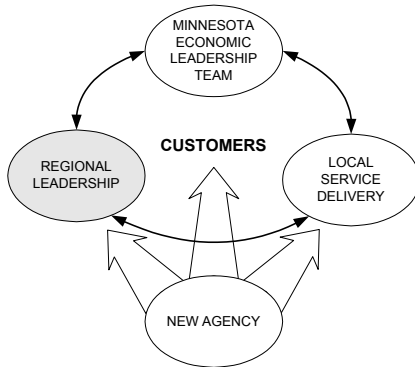
benchmarks within the state vision.

The commissioner, as chair of the Executive Coordinating Group, should build consensus among the group to resolve conflicts regarding economic development and workforce issues when they cross agency lines of responsibility.

The Executive Coordinating Group shall review regional plans and incorporate regional visions into statewide policy and budget determinations.

The staff unit supporting the Executive Coordinating Group, led by the Commissioner/ Executive Director, will also provide staff support to MELT, GWDC and MJSPB.

REGIONAL LEADERSHIP



Background

The Transition Team recognized the importance of regional leadership in putting the state's economic and workforce development vision into practice. Although several regional entities currently exist around the state, infrequently do they work together to create a cohesive regional perspective. These entities range from development commissions and workforce councils to initiative funds and partnership advisory groups. In addition, state agencies and other organizations deploy staff regionally without a clear expectation of synchronizing efforts. The result is often an inefficient use of scarce public dollars and confused customers, both employers and individuals.

The transition team was not at all interested in establishing an intermediary level of government at the regional level. Regional leadership should organize itself and define its own unique point of view. The Team was presented with two current exemplary regional leadership efforts – the West Central Initiative and True North – to learn how the concept might work. Both of these efforts depend on a wide range of views coming together for the region's benefit.

For regional planning and coordination to be successful, it should be seen simply as a facilitation tool to ensure that the real needs of

customers – individuals and employers – specific to each region are being addressed and that customers are consistently satisfied with services. As such, regional planning should provide a quality assurance mechanism for both state and local stakeholders. It should ensure that the state's vision is interpreted through a lens unique to each region.

Foster development of a regional leadership function across the state to tie regional priorities into the statewide strategic vision

This regional leadership function would have the following key responsibilities:

- **Convening:** Regional leadership would bring together everyone interested in ensuring the future economic vitality of the region. Business, economic development, education, labor, local government, and non-profits would convene to discuss critical issues for the region.
- **Connecting:** Regional leadership serves as the lens that focuses the statewide strategic vision developed by the Minnesota Economic Leadership Team into the needs and opportunities of the regional economy and reflects regional priorities toward future statewide strategic direction.
- **Defining:** Providing a forum to review data and information about the region, regional leadership provides an opportunity to define a common vision of the region's goals and priorities.

The regional leadership function should not create an additional layer of government bureaucracy with new staff, physical plant, or additional entitlements, nor should it represent a

political jurisdiction of any type. Rather, regional leadership should support existing organizational functions. The new agency should assist regional leadership – particularly to provide customized information and technical assistance – as needed.

Introduce a process to allow regional leadership to emerge organically and to define appropriate regions

The Transition Team recommends that state leadership, working through the new agency, introduce a process that allows regions of the state to define appropriate regional boundaries and encourages strong leadership to come to the forefront to organize each region. Ideally, these regions should reflect economic or labor-market watersheds; the Transition Team anticipates that the state should have no more than eight such regions.

There are any number of entities operating throughout Minnesota that could play a convening role in the regional leadership system, including the regional development commissions, local workforce councils, the McKnight Initiative Funds, and MnSCU institutions. Rather than arbitrarily selecting any of these organizational structures as the convener, this process should allow appropriate leadership to emerge in each of the various regions across the state in whatever manner leadership in each region determines is most effective.

What matters in creating a regional leadership function are not the boundaries of the regions or the organizational structure of regional leadership. The intent is not to carve the state into a new pattern or to create another set of political jurisdictions.

It is not the organizational structure itself that will define success of this

system but the caliber of the leadership.

Support the regional leadership function through state leadership

The Transition Team recommends identifying opportunities to provide financial incentives to develop effective regional plans that

consistently reflect stakeholder consensus.

After an appropriate period of time – twelve to eighteen months – state leadership should review the regional leadership system that has emerged and address any gaps or overlaps that have developed.

Over the long term, the Transition Team recommends consideration of how funding mechanisms can optimally support the regional

leadership system. For example, could block granted funds (to each region) promote improvement of local performance results? Could a 501(c)(3) funding entity at the state level promote joint ownership of long term economic and workforce development initiatives at a regional level?

PLANNING, ACCOUNTABILITY, AND IMPROVEMENT

Background

First and foremost, an accountability system must occur within the context of **planning** – otherwise, how do we know if the outcomes we've achieved have anything to do with the outcomes we seek? No measurement system can have value until we know if we're measuring length or volume, in ounces or in acres.

Second, an accountability system must be both **strong** and **flexible**. The system must be strong enough to avoid bending to political whim yet be flexible enough to evolve in response to changing priorities and a changing environment.

Third, while they are related, accountability is **not continuous improvement**. What may be improvement at the system level is accountability at the program level. Accountability assesses performance against benchmarks and judges success or lack thereof in achieving those standards. Continuous improvement is a culture that sees movement or lack thereof toward goals as an opportunity to assess processes and services and to devise strategies for improvement. Both accountability and continuous improvement rely upon ongoing performance assessment, but as the use and audience of that information varies between continuous improvement and accountability, the incentives for collecting the data differ.

Fourth, it is key to **distinguish between decreasing program funding because a program is not effective and decreasing program funding because a program is no longer necessary** in terms of the strategic priorities of a region or state. For example, an economic development program designed to work with mainframe computer

manufacturers or a workforce development program designed to assist Vietnam War veterans with reentry into the workforce may have outstanding outcomes for its given purpose and intent. However, if these programs are threatened with a loss of funding, they have every incentive to document that they are needed and that they are producing the desired outcomes. Rather, when strategic priorities dictate changes to the funding or program structure, it may be desirable to allow existing providers to change their strategies or activities to meet new goals and outcomes rather than threaten their very survival.

Fifth, as soon as (but no sooner than) there is general consensus that performance measures accurately assess appropriate outcomes, **performance results should be public**. Due to the constraints of federal and (occasionally) state funding, it may not be possible to implement performance incentives and sanctions. Therefore, making performance results public will allow high-performers to shine and encourage under-performers to improve. This may also subject under-performers to increased scrutiny by legislators, local elected officials, or customers.

The Minnesota Economic Leadership Team (MELT) shall have responsibility for defining and monitoring a set of strategic indicators designed to assess the overall economic health of the state.

Strategic indicators measure progress toward a broad vision of success but operate at such a high level that no single state initiative can have significant influence on them.

As part of its regular strategic planning cycle, MELT shall have the authority to review and revise these indicators to ensure that they provide the necessary information so that MELT can assess the value and direction of current efforts to achieve overall economic goals. While individual programs have a very limited impact on indicators and the system itself can have only a small direct impact, movement on broad indicators assesses the overall effort of public investments and suggests how future investments should be directed.

While MELT will adopt indicators in alignment with their strategic plan, the Transition Team discussed possible indicators including:

- Economic vitality
- Educational attainment
- Family income
- Innovation capacity
- New construction
- Poverty
- Productivity
- Venture capital investments
- Wages

Oregon has 259 benchmarks that are "institutionalized" into state programs and budget priorities, applied to state and regional planning, used by legislators to hold agencies accountable for performance and adopted by local governments and non-profits in setting their own priorities. Incidentally, Oregon has a policy board that is the caretaker of their benchmarks.

The regional leadership functions shall have responsibility for defining and monitoring a set of strategic indicators designed

to assess the overall economic health of its region.

As part of their regular strategic planning cycles, the regional leadership functions shall have the authority to review and revise these indicators to ensure that they reflect the desired outcomes. This information allows the planning entities to assess the value and direction of their efforts to achieve both their own goals and plans as well as MELT's overall economic goals. These indicators should provide sufficient information to the region that future plans identify appropriate strategies to meet their goals.

Councils and Boards with oversight authority shall have responsibility for defining and monitoring a set of common performance outcome measures that can be applied to individual programs.

First, council and board leadership challenge each program manager to document their programs' contribution to the overall strategic goals that MELT defines. (See Appendix XXX on p. 31.) For example, if a statewide goal were to lower the blood pressure of the system, each program manager would need to justify how their efforts work toward lowering the blood pressure whether by reducing stress, thinning the blood, or increasing the capacity of the vessels. Failure to describe how each program advances the goals these indicators reflect could result in a reexamination of funding

regardless of the quality of program outcomes. In other words, even a program with superlative outcomes could be subject to a loss of funding (or redirected priorities) if those outcomes do not advance the strategic goals of the system. It is imperative, of course, that system goals be clear, appropriate, and realistic, and be conveyed in such a manner to program managers.

Second, council and board leadership monitor each program's performance on the basis of a common set of performance outcome measures. For workforce development programs, these measures might include:

- Customer satisfaction
- Entered employment rates
- Employment retention rate
- Return on investment
- Wages at placement

Ideally, staff representing these programs will have significant input into developing these measures so that there is a high degree of buy-in into the measures themselves as well as the sense that these measures contribute to internal program improvement. At first, the emphasis should be on programs developing common measures (one might be customer satisfaction with services) by which they can report their outcomes and presenting plans for how they will use performance information to improve their performance. Performance results may be qualified by an informal assessment that describes program customers in terms of "difficulty to serve." In these early stages, councils and boards should

work toward negotiating levels of performance with programs and providing incentives for developing and implementing performance improvement plans. Over time, repeated failure to meet defined and negotiated levels of performance may result in performance sanctions.

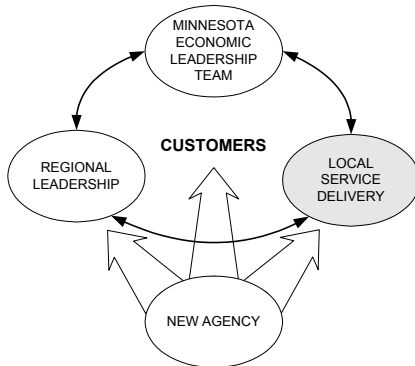
Agency leadership and program management, working closely with the relevant appointed councils, should measure their progress toward management by results using one of the standard quality metrics.

Agency leadership (such as the Executive Coordinating Group) and program management are in the best position to implement management by results, which includes assessment of:

- Leadership
- Process excellence
- Customer satisfaction
- Measures of excellence
- Information and data analysis
- Quality products and services

To support initiatives like this, the Governor's Office has created the Office of Results Management which is designed to support and assess agencies' work in this area. Progress toward this goal may be measured using any of a number of standard metrics such as Baldrige, six sigma, ISO 9000, or any widely accepted set.

LOCAL SERVICE DELIVERY



Background

During its deliberations, the Transition Team encountered numerous issues related to improving local delivery of workforce development, economic development and education services. However, as the primary charge of the Transition Team was to address the organization of the state structure, the Transition Team did not devote extensive time to rethinking the programmatic details of service delivery. Moreover, to rework centrally local service delivery would have violated the Transition Team's own principles emphasizing the role of regional thinking, rather than central bureaucracies, in service delivery.

This is not to say, however, that the Transition Team abdicated its task of identifying improvements in local service delivery. Recognizing that responsibility for the state's economic vision should lie with both the Minnesota Economic Leadership Team and the regional leadership function, the Transition Team has developed a framework for future strategic thinking as well as service delivery changes.

In spite of the millions of dollars spent on economic and workforce development in the state, Minnesota appears to be falling short in meeting the goals of both business productivity gains and individual worker career advancement. The skills gap between workforce needs and the current pool

of workers is not only wide, but growing wider still for persons with economic disadvantages, persons with disabilities, older workers and immigrants. Minnesota must approach economic and workforce development with a new perspective and be more efficient and strategic in delivering programmatic efforts. This new strategy must consider ways to retrain and reemploy our citizens if Minnesota wants to be successful in securing its future economic growth.

PRINCIPLES OF LOCAL SERVICE DELIVERY

Concentrate on Policy Outcomes

Most federal and state investment in economic and workforce development (including a component of secondary and post-secondary education) remains in targeted efforts, whether financial incentives to attract or retain businesses or categorical training funds available to specific individuals. Only recently has the question of whether or not the programs produced results, or whether or not we know the impact on local needs been asked. This program by program approach has become a solution with cost of over eight hundred million of federal and state dollars in Minnesota.

The Transition Team recommends that the state move from a collection of individual targeted programs operating in isolation toward an understanding of how programs work toward a clear set of overarching policy outcomes that are well understood by customers and providers of services. Identified by the Minnesota Economic Leadership Team, these overarching policy outcomes should guide service providers in being accountable.

Invest In Key Economic Foundations

Just as the existence of this Transition Team demonstrates, there has been an increasing awareness that ensuring a state's economic vitality requires more than a collection of targeted efforts. As the description of the economic environment that began this report demonstrates, a statewide economic strategy must consider a wider range of policies, including K-12 education, higher education, housing, transportation, technology infrastructures, human capital, productivity, tax and fiscal policy, and the environment.

The Corporation for Enterprise Development has identified seven areas that affect a state's economic well being:

- a capable and motivated workforce,
- sound physical infrastructure including technology and connectivity,
- well-managed natural resources,
- involved universities and colleges through research, training and technology, and knowledge application,
- a system of regulation, capital and technical assistance that encourages enterprise development,
- a high quality of life, and
- fiscal stability characterized by reasonable tax and spending policies.

Toward this goal of investing in key foundations – including technology transfer and developing innovation – the Transition Team recommends:

- Determine the role of Minnesota Project Innovation, Minnesota Technology Inc, and the

Agricultural Utilization Research Institute in the policy development, regional planning and coordinated service delivery. Study the practicality of consolidating the organizational and management activities of these entities.

- Charge higher education, Minnesota Technology Inc. and the new agency with designing a comprehensive strategy to increase research and development support for private industry.

Focus on the Customer

The Transition Team agreed early on in its work on a principle that “Individual choice is a central characteristic of all education, training and workforce development policies.” Choice is much more than ensuring that there are multiple opportunities or pathways that lead to an individually selected outcome. The foundations of choice need to be imbedded in the culture of the organization. It starts with an understanding of government’s role to serve the public where there is a clear public need or good and includes the customer base in the development of service components.

Over the last two decades, the private sector has moved from a one-size-fits-all approach to customer service to an emphasis on customized products and services designed to meet specific customer needs. For example, thirty years ago, telephones were black and rotary-dial; today, telephones come in all shapes, all sizes, and all colors, from fuchsia to turquoise. As we move into the twenty-first century, the public sector has an opportunity to learn from the private sector on how to customize services for specific customer groups.

The Transition Team heard a number of recommendations on how to enhance the focus on the customer. These include:

- Provide a “case management approach” for employers whereby an account representative would address all the needs of a business from employee recruitment and retention to employee training, from business expansion to productivity analysis, from tax questions to regulatory issues.
- Market workforce and economic development services to individuals and employers. A common theme is that individuals and especially employers are unaware of the programs available to aid them.
- Involve customers in the development of service components. Create focus groups to understand customer issues and needs. Work with private sector employers to define the skills and knowledge needed by a competitive workforce.
- Remove bureaucratic barriers to service delivery. Simplify processes and shorten decision-making.
- Develop program and services with real choices. Reinforce to the customer the opportunity for choice.
- Create a culture of service. Shift from an agency or institutional focus to a customer focus.
- Adopt real time service delivery. 8 to 5 and Monday to Friday may not meet the needs of many clients.
- Work with customers in their environment.
- Base education and training program curricula on industry level standards.

Decentralize Responsibility

Competitiveness is mostly a bottom-up phenomenon with a vivid sense of place: markets, people and specific business environments that is usually

associated with a place. History and literature research would point out that the market is a better determinant of need than bureaucracies.

Yet, the state has a clear supporting and collaboration role it needs to play in sustaining the economic foundations. With its overarching policy direction, the state should depend on regional and local structures to specify each region’s market realities. Efforts must be customized to the distinctive of regional economies, communities and employers.

Adopt an Appropriate Scale in Action to Produce Real Impact

Just as the focus of specific programs has often been too narrow to effect lasting change, the system as a whole has had a tendency to focus narrowly on two critical dimensions – one, to concentrate on local delivery without regional planning, and two, to serve individual employers rather than industry alliances. By adopting a broader scale of focus on these two dimensions, workforce and economic development can have an opportunity to produce real and lasting impacts with an efficient use of public funds.

Regional Scale

The importance of acting at an appropriate scale argues for a regional approach to planning and action. By combining scarce resources – whether that be leadership capacity, hard dollars, human capital or institutional capabilities – a regional direction can achieve more dynamic results. Today the catch phrases are: “think globally, act locally” and “bring regional thinking to local decision-making.”

In addition to its recommendation about regional leadership (see p. 11), the Transition Team recommends that the state agency structure its support of local service delivery within the context of the regional plans. The Team believes that this would

represent a significant, and positive, policy shift toward enhancing regional leadership and leveraging public resources for maximum effectiveness.

Industry Networks

This principle also suggests that the system should look toward a broader service base than individual businesses alone. Rather, to utilize resources more effectively, the workforce and economic development system should incorporate employer alliances or industry networks into its overall service planning and coordination, including in business financing, workforce services, and educational programs.

Previous reports – including those of the University of Minnesota Economic Summit Working Group and the Citizens League – have identified industry clusters as a cornerstone of a statewide economic strategy. MnSCU has recently pursued a Targeted Industry Partnership initiative, and other state institutions have, from time to time, prioritized efforts to industry networks within their constituencies. By moving the focus of service planning and coordination from individual businesses to networks of businesses tied together by common interest, an industry network approach uses scarce resources more effectively. Public investment should be organized around industries and networks that demonstrate a clear competitive advantage and which are consistent with regional plans.

The Transition Team recommends that:

- Wherever possible, use industry networks and regional leadership to strengthen responsiveness to Minnesota's industries.
- Regionally-developed industry networks should become the state's organizing structure for industry growth and development and education policies at the state level.

Leverage Public Resources

Government has a fiscal obligation to its citizens to make the best use of public resources. Too often in our past, however, the public sector has attempted to solve broad-ranging public problems with a standard toolkit of narrowly-focused public programs. The Transition Team encourages the newly-emerging public workforce and economic development structure to leverage public resources in order to:

- Promote and attract private investment, and
- Coordinate initiatives across program and agency boundaries.

Promoting private investment

The Minnesota Job Skills Partnership program, Minnesota Technology, Inc., and MnSCU's Leveraged Equipment initiative are examples of programs that have a fundamental premise of promoting private investment.

The opportunity is far greater even within these program areas. The state has not pursued more aggressive approaches. For example: the potential of creating more dynamic partnerships through 501(c)3 organizations or even in the for profit environment. Much of the concentration has been on matching dollars instead of using dollars to encourage cultural changes or creating other private partnerships such as Learning Alliances. Education, and MnSCU in particular, should expand successful work-based learning opportunities in collaboration with business and industry.

Coordinating initiatives

As workforce and economic development moves beyond being a collection of isolated programs, opportunities to create collaborative initiatives to leverage the impact of existing public investments abound. These include:

- Cross-train staff from agencies that work in workforce and

economic development – including MnSCU, the new agency, WorkForce Centers and non-profit providers – to be effective advocates and marketers for services available to the public.

- Integrate economic development service delivery – such as small business development centers – into the existing local service delivery structure of the WorkForce Centers
- The public sector must play the role of catalyst for action in proactive partnerships with the private sector.
- Remove barriers among industry, universities, entrepreneurs, labor and government and create trusting mechanisms that connect people.
- Integrate adult basic education programs with education and training, and job opportunities.
- Incorporate assessment services from higher education into WorkForce Centers and school districts to assist individuals with educational planning and lifelong learning needs.
- Expand the apprenticeship model as a viable educational delivery option that links organized labor, employers, education and state agencies.
- Public higher education must be a key provider of technical and skills based education to Minnesota workers.
- Public education should invest in education and employment transition programs that accelerate work readiness. Models reflecting promising practices include the Anoka STEP (Secondary Technical Education Program) partnership between the Anoka School District and Anoka Hennepin Technical College, Tech Prep, and Post-Secondary Enrollment Options.

Never Lose Sight of Equity

In our collective efforts to increase the overall economic vitality of Minnesota, we must not lose sight of equity, or fairness based on need. History has shown that extreme inequities in the distribution of wealth are often correlated with weak economic growth, and, more importantly, underserving communities within Minnesota deprives us of their contributions toward our economic growth. We need to continue to nurture these resources individually as well as geographically.

Over the late 1990s, Minnesota outpaced the nation in per capita personal income; however, if the statistics are evaluated on a county basis, there are warning signals of economic disparity. The combination of low per capita incomes and slow growth in per capita incomes should trigger a policy reaction in specific locations. Ensuring that *all* Minnesota communities can gain access to the global marketplace and derive the full economic benefit that such access provides is a key priority of our efforts.

Assess Performance

Local service delivery providers must be in the business of accountability and continuous improvement; the key theme that unites accountability and continuous improvement is the shared emphasis on gathering data to assess performance continuously and consistently.

KEY COMPONENTS OF SERVICE

WorkForce Centers

The WorkForce Center System – the system of one-stop centers for workforce development created in Minnesota in the late 1990s – are a cornerstone of the local service delivery system. The efficiency and effectiveness of the WorkForce Centers are under increasing political scrutiny as evidenced by 2001 legislation requiring the Governor's Workforce Development Council to develop a strategic plan and performance measures for the WorkForce Centers.

The Transition Team briefly considered issues relating to the location, function, and operations of Minnesota's WorkForce Centers, but thought it best to leave detailed recommendations to the Governor's Workforce Development Council's work in this area which will be completed in January 2002. Of basic concern to the Transition Team is that Minnesota's WorkForce Centers are key portals for service – infrastructure for jobseeker and employer customers – that should be utilized fully to deliver all economic and workforce development services in Minnesota. While it is recognized that WorkForce Centers are certainly not the only vehicle for delivering services, they should be viewed as a primary vehicle for delivering services at the local/regional level.

In keeping with the general themes articulated in the Transition Team's "Principles and Expected Outcomes", the Transition Team endorses the GWDC's direction to focus on a common delivery infrastructure and to promote individual choice by making a wide array of services and opportunities available through the WorkForce Centers to jobseekers and business customers. The Transition Team also supports decision-making

about locations and operations as close to customers as possible, e.g., by local leadership. So, within broad parameters established by the state to manage resources available, quality of service, and balance based on need, much of the implementations details of local WorkForce Centers can best be handled by local leaders. The Transition Team supports the recommendations made by the Governor's Workforce Development Council (GWDC).

Education

Several recent reports have recognized education's role in addressing workforce development issues. The Citizens League, for example, commended the role of customized training as a means of addressing skill needs but recognized that MnSCU needs more flexibility (as well as more accountability) from the Legislature in order to meet the skill needs of incumbent workers. The University of Minnesota's Working Group on the Minnesota Economy recommended better aligning education and training systems to meet industry needs.

Education's role is critical in addressing the long term, structural workforce development dilemma facing the state. Education's role extends:

- from math and science foundations, appreciation for the arts and skills communication established during elementary school years;
- through the self discipline, spirit of inquiry and career awareness established during high school years; and
- to the career preparation, adaptability to change and commitment to life long learning established during adulthood.

Local Service Delivery

Minnesota must recognize that lifelong learning is essential in maintaining a skilled workforce and a vital citizenry, and must encourage individuals, employers and educators to embrace lifelong learning as essential for continuing quality of life.

Education is also critical in the narrower sense of workforce development. Enhancing workplace skill must receive a high priority. Individuals must be able to achieve seamless transitions from one learning experience to another, and learning experiences outside the traditional academic arena should be rewarded

(where appropriate) with academic credit.

There are a number of barriers that emerge at the juncture of education and workforce development. These include:

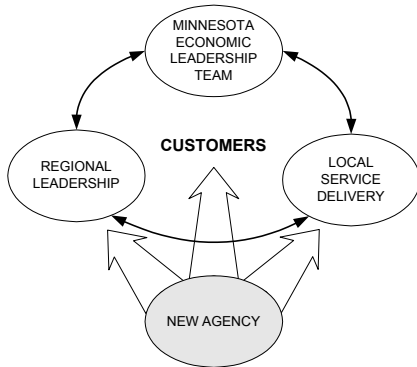
- Limited access to general short-term training programs for adults who are entering or reentering the workforce (immigrants, welfare reform, displaced homemakers, dislocated workers, etc.)
- Limited access to general short-term training programs for adults who are not ready to enter college

programs (lack of basic skills, limited English proficiency, etc.).

- A dearth of knowledge among individuals – both adults and youth, and among particularly those not bound for a four-year university – regarding how their skills and abilities relate to workplace requirements.

The Transition Team recognizes the important regional leadership role education – at all levels – will play in the proposed system. The Team supports continuing clarification and definition of higher education's role in the local delivery system.

AGENCY STRUCTURE



Background

The Transition Team began its deliberations around the issue of agency structure with the assumption that its charge was to consolidate workforce development and economic development into a single agency. As Governor Ventura had stated, “Workforce development is economic development.” The Transition Team agreed that the agency reorganization should not be the focus of workforce development reform but should support the broader goals of regional leadership and stronger governance. The new agency's focus should be on improved customer service to both businesses and individuals; the Transition Team expects that the reorganization of programs should help accommodate those goals as much as possible.

Barbara Yates, Deputy Commissioner of the Department of Children, Families and Learning, led an effort to consult with an extensive set of councils and customer groups in order to gather public input regarding the agency alignment of specific programs. On behalf of the Transition effort, the Governor's Office contracted with the Management Analysis Division to analyze the structure and operations of the Unemployment Insurance program with an eye toward its optimal agency position.

Consolidate workforce and economic development programs and services into the Department of Trade, and Economic Development to create a single agency environment.

The new agency will have two primary components:

- Trade, Tourism and Economic Development drawn from the functions in the current Department of Trade and Economic Development
- Workforce Development drawn from the current Department of Economic Security as well as the Dislocated Worker program and the Job Skills Partnership program now at the Department of Trade and Economic Development.

This proposed structure will consolidate the programs for adults, dislocated workers and youth that are funded through the federal Workforce Investment Act back into a single agency structure, thus streamlining the funding and reporting relationship with the U.S. Department of Labor.

Unemployment Insurance

The Transition Team devoted significant resources to addressing the issue of the appropriate location of the Unemployment Insurance program, considering both the new agency and the Department of Labor and Industry. The Management Analysis Division report helped frame the issue as a series of tradeoffs between flexibility and accountability.

Recognizing the role that the WorkForce Centers play in the reemployment process, the Transition Team recommended that the Unemployment Insurance move with the remainder of workforce

development programs to the new agency.

The Transition Team endorses the recommendation of Economic Security Commissioner Earl Wilson, Labor and Industry Commissioner Shirley Chase, and Revenue Commissioner Matt Smith to move toward a consolidated tax collection structure that would provide for a single uniform business identification number and registration process, and a single tax payment and collection process for all business taxes.

Rehabilitation Services

The Transition Team recommends transferring Rehabilitation Services – including its three primary program areas of vocational rehabilitation, independent living and extended employment – to the new agency.

Moving these programs to the new agency emphasizes their roles as workforce development programs helping a key component of the population optimize their labor force participation. The state's workforce needs the productive contribution of people with disabilities.

This transfer also acknowledges Vocational Rehabilitation as a key partner in WorkForce Centers across the state. Moreover, this move preserves existing administrative linkages both within Rehabilitation Services – among vocational rehabilitation, extended employment and independent living – and between Rehabilitation Services and State Services for the Blind.

Moving Rehabilitation Services to the new agency is consistent with the recommendations received from the State Rehabilitation Council and the Minnesota Association of Community Rehabilitation Organizations.

State Services for the Blind

The Transition Team recommends transferring State Services for the Blind to the new agency. Moving these

programs to the new agency emphasizes their roles as workforce development programs helping a key component of the population optimize their labor force participation. The state's workforce needs the productive contribution of people with disabilities.

In addition, the Transition Team wants to ensure that the following recommendations are integrated in its position:

- The statutory independence for the State Services for the Blind remains because the autonomy it represents is important to the blind community.
- The recommendations of the organization, program and performance of State Services for the Blind by Public Strategies Group, Inc. are included by reference in this report to reflect the broad-based agreement that the implementation of these recommendations are beginning to make a positive difference.
- The placement of State Services for the Blind in the new agency should not diminish the support for any of the State Services for the Blind services that are not workforce-related.
- State Services for the Blind should continue to make a concerted effort to listen to its customer base and respond by giving real choices to individuals.
- State Services for the Blind and the new agency should work toward a broader awareness of its services by potential customers. There is real concern by the leadership of the blind community that State Services for the Blind needs to develop a much broader reach into its customer base.

Youth Programs

Under the Department of Economic Security, programs serving youth –

both workforce development programs and juvenile justice programs – have developed a synergy by virtue of their co-location. Moving the programs together to the new agency would retain this synergy and have minimal impact on the staff. Juvenile Justice benefits from being placed alongside other programs that receive federal funding to improve the economic security of young adults.

Additionally, placing juvenile justice programs alongside youth workforce development programs stresses the State's commitment to a philosophy promoting prevention and long-term solutions, rather than reaction and short-term interventions.

Further study is needed of these youth programs and other youth-related programs across all state agencies. In particular, this review should assess how youth programs are aligned with the state K-12 education goals and the responsibilities of the Department of Children, Families and Learning following the principles established by this Transition Team. This Transition Team focused primarily on adult workforce programs and did not devote a full consideration of the same issues in a youth context. Such a study could provide an assessment of how current structures and goals – including high school completion and transition to higher education – contribute to successful outcomes for all Minnesota youth.

Transfer Disability Determination Services to the Department of Labor and Industry

The Transition Team recommends transferring the Disability Determination Services, a federally-funded unit that works closely with the Social Security Administration, from the Department of Economic Security to the Department of Labor and Industry.

The work of Disability Determination Services, determining the disability status of individuals who claim Social Security benefits, parallels many of the functions that are now operating within the Department of Labor and Industry. Co-location of Disability Determination functions with similar adjudication functions now occurring within the Department of Labor and Industry would allow for process efficiencies and easy transfer of individuals with similar skill sets across program function.

Strengthen linkages to workforce development programs remaining in other agencies

Adult Basic Education

The Adult Basic Education program, also known as Title II of the Workforce Investment Act, is under increasing federal pressure to coordinate its outcomes with workforce development ends. For example, federal incentive funding to states depends upon states meeting their performance measures under Title I-B of the Workforce Investment Act (i.e., adult, dislocated worker and youth programs), Adult Basic Education, and Perkins vocational education funding.

Modeling after other states, the Transition Team considered moving the Adult Basic Education program out of the Department of Children, Families and Learning and into the umbrella of the new agency. However, the Transition Team opted to leave Adult Basic Education in its current agency home because of the interconnectedness of Adult Basic Education with the K-12 delivery system that Children, Families and Learning supports.

Over the longer term, the Transition Team recommends that state leadership examine the role of Adult Basic Education in workforce development and consider a structure

that encourages or directs more Adult Basic Education and English as Second Language resources to direct business and employability needs.

Apprenticeship

The Transition Team agreed with the recommendation received from the Apprenticeship Council that the Apprenticeship program remain in the Department of Labor and Industry.

The Apprenticeship program is a key part of the state's overall workforce development strategy, and the Transition Team encourages Apprenticeship staff to continue their efforts to reach out to local workforce councils and WorkForce Center staff. However, the Transition Team could see no benefits to transferring the program at this time that would outweigh the potential for service disruptions coming from separating Apprenticeship from its existing relationships internal to the Department of Labor and Industry.

Customized Training

Customized Training services offered by the Minnesota State Colleges & Universities (MnSCU) are available throughout the state, upon request by employers with identified training, education and development needs. These workforce development needs range across a wide spectrum, from occupational English for recent immigrant employees to leadership development for middle managers, from technology network troubleshooting to environmental compliance. Instruction is provided in either non-credit or credit formats by faculty or by expert community consultants.

The Transition Team initially considered transferring Customized Training from MnSCU into the new agency, to improve communication between the colleges and universities and the overall workforce development system. However, the

Team decided against recommending this transfer considering the following:

- Customized Training is an integral part of MnSCU - its faculty, labs and program development – and cannot be viewed as a separate entity.
- Customized Training is a frequently selected partner in the Minnesota Job Skills Partnership funding program, providing a complementary but distinct workforce development role.

The Team further recommends exploring the future feasibility of creating a 501(c)(3) entity – with combined leadership from MnSCU, business and labor – to leverage additional private resources as a means of expanding the capacity of Job Skills Partnership funds and increasing employer access to MnSCU Customized Training.

INFORMATION

Background

Some of the key products of state government in the area of workforce and economic development are the wide array of career, economic, labor market information. Collected through a combination of federally-funded statistical programs, these information products help both individuals and businesses:

- Make career decisions based on assessments of personal interests and future economic opportunities,
- Pursue education or training that advances their career choices, and
- Understand current and future workforce availability in local economies.

The state of Minnesota has invested significant resources into career information products and systems to aid individuals in making informed career decisions. At present, some products, such as the print and web publications of *Minnesota Careers*, are produced at the Department of Economic Security; others, such as Minnesota Career Information System (MCIS), are produced by the Department of Children, Families and Learning; and the Higher Education Services Office produces still others. ISEEK, the Internet System for Education and Employment Knowledge, is housed at the MnSCU and governed by a joint powers board. The Minnesota Career Resource Network Board provides a forum for strategic dialogue and a structure for cross-product and cross-agency workgroups.

The Minnesota Department of Economic Security Research Office collects and disseminates data, and produces a wide range of information about the labor market and the state economy. The Department of Trade

and Economic Development Analysis and Evaluation Office similarly analyzes the economy from the perspective of trade and economic development decision-making. While lauding the excellence of both of these efforts, the Transition Team was interested in how these research and information analysis functions could be better integrated into high level strategic decision making as well as in understanding when there is value in having information produced at multiple agencies and in multiple formats and when this is simply duplicate effort.

Career Information

In order to better coordinate the production and delivery of career and educational information, the Transition Team recommends merging existing governing boards through a single joint powers agreement to oversee career information. Under this proposal, all career information products would come under the governance of a single joint powers agreement, created initially by the merger of four existing entities – the Minnesota Career Resource Network, ISEEK, Minnesota Career Information System (MCIS), and *Minnesota Careers* – and their governing boards.

This joint powers agreement would have legal authority and hold governance and budgetary authority over relevant system components. Members of the governing board would represent agencies involved in career and education information as well as their constituencies. The joint powers agreement would be accountable for the organizational structure, including staffing. Functions currently performed at the Department of Economic Security – such as the Minnesota Career Resource Network and *Minnesota Careers* – would be housed in the new

agency under the governance of the joint powers organization.

This new structure will be given two years to meet specific coordination and career information objectives. If it fails to meet objectives, its functions will be either incorporated into the new agency or returned to their original agencies after an assessment of how to best meet the broader goals of education, workforce and economic development.

Several of the objectives are:

- Enhance coordination and reduce duplication among career and educational information products, particularly Minnesota Career Information System (MCIS) and iSeek Solutions (ISEEK).
- Recommend a better methodology regarding skills assessment and integration of skills into the system.
- Evaluate customer satisfaction by contacting a randomized and representative selection of customers prior to the end of the two year period.
- Develop strategies that include private sector participation and resources to meet critical workforce information needs (e.g., a “career channel”).
- In cooperation with staff from the state Job Service, review the state’s organizational and technological structure supporting postings of job openings and resumes and make recommendations toward integration of these systems and expanded utilization by employers and job seekers.
- Provide a report on the actions taken to market or provide active outreach regarding availability and use of the system(s).

The responses to the objectives should be provided to the Executive

Coordinating Group within 24 months of the effective date of the joint powers agreement. The Executive Coordinating Group will make policy recommendations to the MELT for its consideration.

This section of the Transition Team recommendation is further supported by detailed information contained in Appendix XXX on p. XXX.

The intention to move career information products together in a single joint powers organization and governance structure has the support of stakeholders and the existing iSeek Solutions Joint Powers Board as well as the Minnesota Career Resource Network Board.

Economic and Labor Market Information

The Fact-Finding Team addressing gaps and duplication in information systems identified a number of opportunities to expand the economic and labor market information available in Minnesota.

The Transition Team recommends that the new agency address these gaps in a strategic Economic and Labor Market Information Plan to be submitted to MELT within one year.

- Cross agency familiarity and use of data. There is not good coordination of data resources that can be used by multiple agencies.
 - A more robust electronic portal for business and economic information including the information now in the MNPRO community profiles (at www.mnpro.com) and BizLinks (www.bizlinks.org). For example, geographical information system (GIS) capabilities would greatly enhance the MNPRO functionality.
 - Better information on the skills that employers need as well as on the skills that are currently available in the workforce
 - Timeliness of information due to lags between data collection and dissemination
 - Performance measures on agency programs and services, including the return on public investment
 - Customized information to meet specific needs
 - An occupational forecasting system to provide timely and accurate information on jobs, demographics, wages, and valued skills within regional markets
 - Local economic and workforce information at the county or city level.
 - There is a general reluctance to seek resources from outside partners to support some activities – for example, charging for information products.
- In addition to the gaps in products and services, there are also procedural or structural changes that could improve the information system.
- Many information customers are unaware of the information products of state agencies, while many others – including businesses, government, and individuals – lack the capacity to fully utilize the information available to them. A combination of marketing, needs assessment, and direct training could greatly expand the impact of existing information investments.
 - Laws and regulations sometimes limit the ability of agencies to share information and data with other agencies. Expanded use of data sharing among state agencies would reduce duplication of effort among state agencies and greatly enhance the collective ability of state government to offer valuable knowledge that would inform strategic and individual planning.

COMMUNICATION

Background

One of the tasks assigned to the Transition Team was to “develop recommendations for creating improved communications between the higher education system and the workforce development system.”

Communication – both internal and external to the workforce and economic development systems – is critical in ensuring effective inter-organizational functioning and the successful operation of this interconnected system.

Because communication mechanisms may be thought of as more tactical than strategic, the team agreed to focus its efforts on examining existing information and perspectives and identifying significant issues and opportunities in developing and implementing a communication framework.

Although communication at the local level may be of ultimate significance in effectively reaching customers – both employers and individuals – the entire economic and workforce development system needs to embrace communication expectations and structures that will make a significant difference in the way everyone does business.

Observations and Recommendations

Early on, the team recognized that the task of improving communication should focus on effective communication mechanisms – within organizations, across organizations and between the public sector and stakeholders/customers. It should involve communication across all organizations, not simply communication with higher education, to ensure a fully integrated workforce development system.

With this in mind, the team indicated strong support for the development of any communication framework to include interactive components of two broad types:

- communication between the system and its external customers and other stakeholders
- communication within, between and among partner organizations - both public and private sector - that make up the system.

The following two important facts emerged during study of the communication issue:

- The absence of a common management information system (MIS) shared by economic and

workforce development impedes the flow of information between partners.

- The absence of a regular effective in-person and electronic communication between and among many partners.

To create a solid foundation for a future communication framework, the Transition Team recommends:

- Inventory existing internal and external communication strategies and vehicles.
- Conduct a comprehensive evaluation of communication mechanisms in order to eliminate duplication and inefficiency and enhance effectiveness.
- Review other state systems' communication processes/outcomes.
- Conduct a comprehensive strategic planning process focused on effective communication and managed by the new department during its initial organization year.
- Incorporate expected communication outcomes into the accountability structure.

RESOURCES

Background

It should come as no surprise that a continuous theme heard by the Transition Team was that there are inadequate resources to support economic and workforce development in the state of Minnesota. The economic downturn witnessed over the course of the Transition Team's work – and the concurrent demands of major layoffs upon the workforce development system – exacerbated these concerns. In general, the Transition Team stayed away from the issue of what level of funding workforce and economic development require and focused instead on optimizing the allocation of existing resources.

Administrative Cost Savings

In its charge to the Transition Team, the Legislature asked that the Team “recommend methods for decreasing administrative costs at the state agency level for the purpose of redirecting funding to support the delivery of services at the community level.”

A fact-finding team – composed of staff from the Departments of Finance, Economic Security, and Trade and Economic Development – reviewed and analyzed the potential administrative cost savings associated with combining all of the programs and activities of the Department of Trade and Economic Development and the Department of Economic Security into a single department. (Note that this analysis does not include the more recent recommendation to transfer Disability Determination Services to the Department of Labor and Industry.)

The preliminary report identified 175.6 full-time-equivalent positions (FTEs) between the two departments that fall under the definition of indirect administrative costs. These

positions provide support to the Management Information Systems, Fiscal, Human Resources, General Administration, Commissioner's Office, Legislative Services, Communications, Research Analysis, and WorkForce Center Services.

MDES has 120 of these positions; DTED has 55.6. The team estimated the total cost of the indirect administrative positions at \$12.2 million. MDES' share of that amount is \$8.4 million; DTED's share is \$3.8 million.

Of the \$12.2 million in indirect administrative costs, the team recommended that \$5.3 million in information systems and communications (nearly \$4.4 million is information technology staff; the remainder is communication staff) be excluded from any savings attempts, in the short-term, in order to facilitate the transition of programs to the new agency. Not included in this reduction is the research analysis area (\$1.3 million; 20 FTEs) where it is unclear what overlap, if any, exists in the research each of the units currently produces. After the new agency is formed, it may be more evident if overlap exists in the research units. Also excluded in this reduction are the four positions assigned to workforce services that coordinate agency plans.

The administrative costs that remain occur in several areas where it is easy to conclude that activities are likely to be duplicative. Combining the two agencies makes it clear that maintaining two commissioner's offices and legislative liaisons, two human resource staffs, two fiscal staffs, and two administrative support areas would likely be unnecessary. These potential areas of duplication equal \$5.3 million and 84 FTEs. Of this amount, nearly \$4 million or 76 percent of the potential areas of duplication are federally-funded. Savings in federally-funded administrative costs may be redirected to direct customer service.

The new agency director may consider enlisting the Management Analysis Division to study workloads and recommend appropriate staffing levels by work unit, if necessary.

Offsetting any reductions will be the cost either to modify or replace the State Employment Service Agency (SESA) accounting system to provide better access to information about programs and costs formerly housed in MDES and to better align it with the state's Minnesota Accounting and Procurement System (MAPS).

The worker protection clause in the legislation virtually erases the ability to save on indirect administrative costs by eliminating classified positions. Further complicating the realization of cost savings is that there are fewer than twenty unclassified positions included in the 175.6 FTEs count of indirect administrative costs. If the worker protection clause is kept intact, the administrative cost savings potential will have to be significantly reduced.

It is important to note that it is impossible at this time to predict the precise scope of potential staff duplication without a careful analysis of functions in the new agency. Moreover, any layoffs that occur will require a significant short-term payout of severance payments and vacation time. Consequently, even a staff reduction will not reduce overall administrative costs in the short term.

The Transition Team recognizes that the budgetary adjustments occurring in the 2002 Legislative Session are likely to affect these two agencies and potentially result in cost savings or expenditure reductions. However, the Transition Team recommends that the Legislature enact no budgetary adjustments as a result of this organizational transition until the 2004-05 biennial budget.

*Resources***Funding Structures**

The Transition Team came across a number of issues where the structure of funding – or how funding is allocated – seems to have an inordinate effect on the structure of service delivery, particularly in workforce development.

Outside of higher education, the overwhelming majority of funding for workforce development is targeted toward specific categorical groups. Targeted programs tend to be politically stronger than universal services. As a practical result, there is little funding available to provide core services to universal customers or to support the infrastructure of the workforce development system (including, for example, Resource Areas in WorkForce Centers). Similarly, this structure has created an inherent tension between the specific goals and targets of the existing funding streams and statewide strategic objectives. From a customer perspective, where are program-specific funding streams unified into services that meet the needs of customers?

Conversely, of course, the recent consolidation of secondary school funding that erased a targeted funding stream for secondary vocational education has had the effect of obscuring resources spent on secondary vocational education. Given this, the Transition Team suggests that the Minnesota Legislature may want to reexamine its financial and programmatic commitment to career and technical education, especially as it relates to grades 11 and 12.

Some issues for further study include:

- How do we structure resources in order to promote the development and operation of service delivery systems that respond efficiently and effectively to customer needs rather than resources that simply sustain existing structures? How do we create mechanisms for funding training and employment services that consolidate funds for which customers are eligible and allow the money to follow the customer to the extent appropriate?
- How do we use Individual Training Accounts (ITAs) effectively?
- What is the appropriate funding structure for the WorkForce Centers – Minnesota's One-Stop service delivery system? What role should Temporary Assistance for Needy Families (TANF) play? What role does Unemployment Insurance administrative funding have in supporting the WorkForce Centers?

Funding Opportunities

A key resource question is how does Minnesota expand the financial resources available to support workforce training. In its work, the Transition Team came across a number of options for future consideration:

- Indiana allocates Community Development Block Grant (CDBG) resources for workforce training.

- Iowa uses tax increment financing (TIF) to create funding streams for workforce training.
- Louisiana sets aside a percentage of revenue collected from employers for Unemployment Insurance and uses those resources for worker training.
- Set a trigger mechanism on the Workforce Development Fund reserves such that when the reserve reaches a certain level, up to 20 percent of the resources could be used for worker training.
- Add a surcharge on college tuition that would fund a loan forgiveness program for students who work within a critical employment industry in Minnesota for three years.
- The state could provide state aid to colleges that provide non-credit education and training programs that prepare graduates for critical employment.
- Provide an increased share of financial aid to part-time students, and restructure the part-time grant program to be consistent with the federal Pell program.
- Explore the feasibility of creating a 501(c)(3) structure for the Jobs Skills Partnership Program and MnSCU customized training that could expand the capacity of both services to leverage more private resources and gain broader program reach and utilization. This 501(c)(3) entity would have combined leadership from primarily MnSCU (or higher education), Business and Labor (apprenticeship).

BARRIERS

Background

The Transition Team was not specifically charged to review or make recommendations regarding legislative or regulatory barriers that inhibit service delivery. However, as the Transition Team sought to fulfill its obligation regarding structure, accountability, service improvement and meeting specific legislative objectives, it became necessary to look at some of the current practices and procedures that impede meeting the Transition Team objectives.

In recommending a more dynamic workforce and economic development framework there are three overarching principles the Transition Team attempted to keep in the forefront:

- Unify fragmented funding streams
- Meet changing needs with flexible program and service structures
- Provide services in a cost-efficient manner.

These factors guide much of the barrier analysis. It is fair to say that some barriers are also a direct result of a lack of sufficient funding. For example, the federal Workforce Investment Act mandates providing services to incumbent workers beyond the core targeted services without consideration of resource capacity. This report does not dwell on funding issues.

There are a number of barriers to service provision that are a direct result of the absence of an agency or program priority or funding. The Transition Team tried to capture most of these issues in the body of the report under the respective categorical issues.

Workforce Investment Act

The Workforce Investment Act has a number of barriers that cut across funding, equity and management related areas. This outline primarily deals with the management related barriers. These barriers have been included in discussions by MDES with Congressional leadership in the past six months and are likely to be part of the Congressional discussion regarding amendments to WIA.

The format below outlines the issue and then provides a potential solution the Federal government could take to assist the State.

Inefficient reporting procedures.

To complete the annual report on WIA Title IB activity, State staff had to spend far too much time sifting through unnecessary data. Since the records system required was originally designed for another federal program, there were regularly occurring cases of useless data.

In addition, different parts of WIA have to report to entirely different areas of the federal bureaucracy. The Department of Labor, the Department of Education, and the Department of Health and Human Services all have different reporting requirements, even for similar programs serving similar populations.

Solutions:

- Simplify reporting requirements for WIA data.
- Create a single office that can serve as the “point agency” for workforce development concerns.

Inflexibility of program funds

Regulations disallow the transfer of WIA program dollars into core services. Because of this, one-stop centers often let critical needs that would benefit all partners (e.g.,

employer recruitment) go under funded, or unfunded.

Solution: Either specifically dedicate more dollars to core services, or allow for transfer of funds at states’ or local areas’ discretion.

Counterproductive RFP process.

Local areas are required to produce Requests for Proposals for each service they propose. This is a burdensome requirement to begin with; but even worse, it is a disincentive to area service providers from joining in the one-stop system.

Solution: Allow local areas to forego RFP process if the proposed service would be delivered by a signatory of the local one-stop center’s Memorandum of Understanding.

Mandated, over-large local boards.

The federal government is being too prescriptive on the number and type of partners who should serve on local workforce investment boards. As a result, these boards are typically too large to conduct useful business. The additional creation of youth-specific boards only adds to the problem.

Solution: Set basic guidelines for the interests that must be represented on a local board, and give local elected officials and workforce investment boards the discretion they need to create a viable working group that meets their local needs.

Economic Development

Specific federal program resources – if given more flexibility through mission redefinition, expansion, and funding utilization – could aid the capacity of the state and local communities to enhance economic development. The Council for Urban Economic Development prepared a report entitled *Partnership for Prosperity: A Federal Policy Agenda* which outlines a number of issues for consideration

Barriers

by Congress and the Bush Administration. Several of these recommendations are probably more critical in a time of recession and would be vehicles for a federal aid package. These issues are:

Community Development Block Grant (CDBG)

Return the Community Development Block Grant (CDBG) program back to a block grant allocation. Local economic development is most effective when communities can tailor initiatives to meet their specific needs and unique vision for the future. A block grant, because it decentralizes decision-making, best stimulates the innovative capacity of local communities.

Given the importance of human capital investment for the new economy, CDBG dollars should be allowed to support worker training, including meeting the training needs of specific industries.

Moreover, the existing regulatory structure that accompanies CDBG applications is unnecessarily cumbersome and discourages local areas from fully utilizing these resources that are available to them.

Regulatory barriers on small businesses: Small Business Administration (SBA)

- Reduce loan fees. The 504 program, which is not subsidized by government but paid for by fees on the loans, has had a long-standing fee calculation problem, resulting in fees that are too high. The fees which are determined by the Office of Management & Budget need to continue to decline.
- Decrease the job creation requirement for 504.
- Permit the use of SBA 504 financing with tax-exempt financing.

Decentralize decision-making: Reform the use of private activity bonds.

- Expand the definition of eligible program applicants to include technology-based companies.
- Either eliminate total bank deductibility for commercial lenders to enable them to purchase the tax exempt mortgage and bonds or put a cap of \$3 million for bank deductibility to encourage small businesses to use this program.
- Increase capital expenditure limitation from \$10 million to \$20 million, and adjust this limit for inflation beginning in 2002.
- The IRS Code defines a “manufacturing facility” to include assets “directly related and ancillary to a manufacturing facility”. This section is unnecessary and should be repealed. The term “manufacturing facility” should be changed to include: (1) “facilities which are functionally related and subordinate to a manufacturing facility” and (2) research and development facilities which are not functionally related and subordinate to a manufacturing facility located on the same site.

Increase coordination among federal economic development programs.

Federal programs, even those administered in the same departments, often have unique enabling legislation and regulations, and are overseen by different administrators. The disjuncture among programs has reduced the effectiveness of federal programs in the following ways:

- It is difficult for a community to apply for funds for multiple sources for a single, large project due to program regulations and a general drive to reduce government subsidy.

- Different programs use different criteria (such as poverty measures) to target assistance.
- Federal programs can be inconsistent in their interpretations of federal requirements. For example, different agencies have required different responses to Davis-Bacon wage rates determinations and environmental review.
- Federal programs also have different reporting requirements: which increases the amount of monitoring and paper work local actors with limited resources must undertake.

Better coordination, common standards, common reporting requirements and consistent practices among the various programs would increase their effectiveness and reduce inefficient red tape requirements on communities.

Systemic

The Transition Team identified two potential barriers that specifically relate to the legislation and the legislature.

- **Worker Protection.** The 2001 legislation establishing the Transition Team and setting the criteria for the reorganization of DTED and MDES included a provision that did not allow the reorganization to result in the lay-off of workers. Yet, the legislation also mandated a report on administrative cost savings. Most of the administrative cost savings would be generated by consolidation of central service or duplicated service components. For example, human resources, financial management, executive support staff, and research and analysis. It will be difficult for this report to show significant savings.

- **Legislative Committee Structure.** Another structural issue that promotes fragmentation in workforce and economic development is the number of legislative committees with oversight over workforce development funding in the state. Assuming that workforce development occurs not only in the Departments of Economic Security and Trade and Economic Development but also in the Departments of Children, Families and Learning, and Human Services as well as Minnesota State Colleges and Universities, workforce development funding flows out of at least three different committees in each legislative body. As a result, no single legislative committee has authority or oversight over the complete menu of workforce development programs and services in Minnesota.

Solution: As an attempt to respect the committee structure and the prerogatives of the committee, ask committee chairs of the respective committees to meet and develop a common agenda for cross-committee issues and then review the outcomes before final passage.

APPENDICES

Appendix A: Background Materials.....	A-i
Measures and Indicators.....	B-i
Career Information	C-i
Proposed Modifications to the Workforce Investment Act of 1998	D-i

APPENDIX A: BACKGROUND MATERIALS

Minnesota-specific material:

From Jobs for Workers to Workers for Jobs: Better Workforce Training for Minnesota, Citizens League, November 1999.

A report by the Citizens League Committee on Workforce Training, chaired by Roger Hale, that identifies a shift in our economic environment that requires a change in focus for our employment and training system. The report calls for greater coordination at the state and local levels to better leverage our existing investments in job training and economic development. Available upon request or online at: www.citizensleague.net/studies/workforce/report1.htm

Getting to Preeminence, August 2001

This is the final draft of a document prepared by the Governor's Workforce Development Council (GWDC) that outlines goals, strategies, and key outcome areas against which to measure our progress in delivering workforce services. This framework will be completed with the development of system measures for workforce and economic development efforts during 2001-02. Available upon request or online at www.gwdc.org.

Inventory of Employment and Training Programs, January 2000.

The Inventory's purpose is to provide a source of information about federal and state employment and training programs in Minnesota. It is the result of state legislation passed in 1999 calling for the collection of specific information about employment and training programs to be compiled by the Commissioner of the Minnesota Department of Economic Security (MDES), in consultation with the Governor's Workforce Development Council (GWDC). The Inventory contributes to efforts to examine and improve the state's workforce development system. This report is not intended to make recommendations about the programs, but to serve as a source of information. Available upon request or online at www.mnwfc.org/eandtstudy/index.htm

Minnesota: World Competitor (Governor's Workforce Development Plan), February 2000.

This document reflects the deliberations of the Governor's Mini-Cabinet on Workforce Development, including the Commissioners of Children, Families and Learning; Economic Security; Finance; Human Services; Labor and Industry, Trade and Economic Development, the Chancellor of MnSCU, and the Director of Minnesota Planning. Available upon request or online at: www.mnwfc.org/lmi/pub1/wdp/.

Minnesota State Senate Workforce Committee Final Report, August 1998

Chaired by Senate Majority Leader Roger Moe, this report reviewed the state's workforce efforts and made several policy recommendations regarding the structure, content, and delivery of our workforce services in Minnesota. Available upon request or online at: www.senate.leg.state.mn.us/Caucus/dem/CaucusNews/hottopics/WORKFORC.PDF

Joint Legislative Task Force on Workforce Development, 2000

The House and Senate convened a joint task force on workforce issues that met during 2000. The results of the research and testimony from that work are available upon request and will be posted on the transition web site www.mntransition.org.

Other material of interest:

The State New Economy Index: Benchmarking Economic Transformation in the States, Progressive Policy Institute, Washington, DC, 1999. Available online at www.neweconomyindex.org.

Regional Stewardship: A Commitment to Place, Collaborative Economics, Palo Alto, CA, 2000. Available online at: www.coecon.com/Monograph_1.pdf.

2000 Development Report Card for the States: Economic Benchmarks for State and Corporate Decisionmakers, Corporation for Enterprise Development, Washington, DC, 2000. Available online at: www.drc.cfed.org.

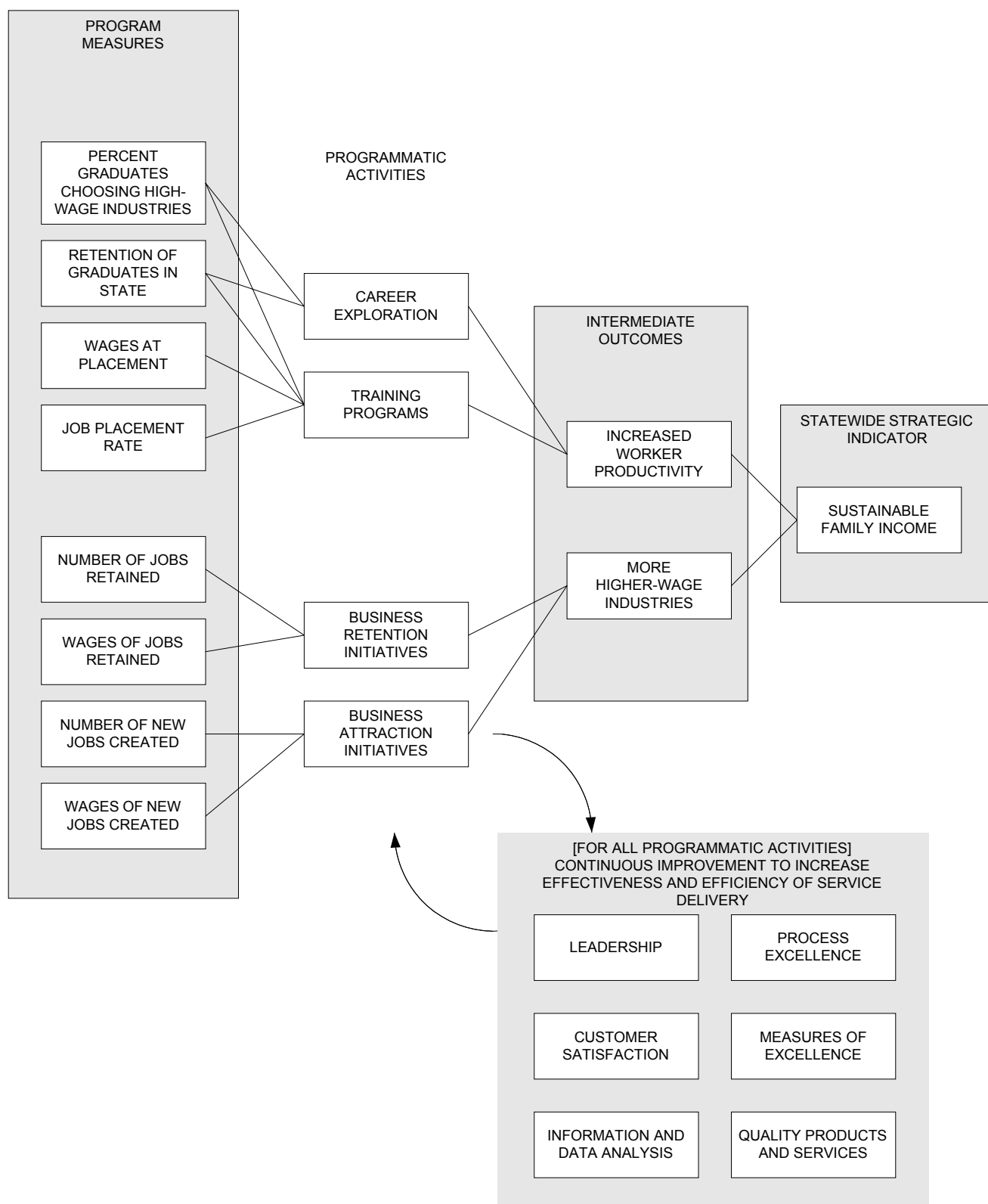
State Strategies for the New Economy, National Governor's Association Center for Best Practices, Washington, DC 2000. Available online at www.nga.org/cda/files/strategy.pdf.

Strategies for Building America's 21st Century Workforce, 21st Century Workforce Commission, Washington, DC 2000. Available online at www.workforce21.org/finalreport.htm

Transforming State Workforce Development Systems, National Governor's Association Center for Best Practices, Washington, DC 2001. Available online at www.nga.org/cda/files/072001WORKFORCEDEV.pdf

Opening Doors: Expanding Education Opportunities for Low-Income Workers, Manpower Demonstration Research Corporation, 2001. Available online at www.mdrc.org/Reports2001/OpeningDoors/ngafinal.pdf

APPENDIX B: MEASURES AND INDICATORS



APPENDIX C: CAREER INFORMATION

A Proposed Organizational Model For Career & Education Information

Accountability for and use of career and education information (C&EI) spans agency boundaries. These products are often associated with K-12/higher education and workforce/economic development departments. However, diverse user groups, such as welfare recipients and offenders, also make extensive use of these information resources. Multi-agency participation in the development and application of C&EI is critical to assure access to customers, expertise, data, and funding streams. Yet, precisely because of the lack of clarity in the boundaries, an organization structure must be implemented that ensures accountability and collaborative development to minimize duplication.

Recognizing the nature of C&EI, ISEEK Solutions adopted and successfully operated under a legal arrangement called a Joint Powers (JP) agreement that covered its three system components (ISEEK, MnVU, and CRS). Yet, other closely related activities continued to operate independently within state government. Tasked by the Transition Team to assess potential duplication between ISEEK and the Minnesota Career Information System (MCIS), the Career Information Fact-Finding Team recommended consolidating these products under a single governance structure. It went further, proposing an expansion of the existing ISEEK JP agreement to encompass ISEEK, MCIS, the Minnesota Career Resource Network (MCRN) and Minnesota Careers and for this entity to develop strategic relationships with related statewide C&EI activities. This arrangement brings a critical mass of the state's C&EI activities under the direction of a single entity with close ties to agency leadership and statewide economic development policy makers. Both the ISEEK and MCRN Boards endorsed this recommendation.

A JP agreement is a vehicle that reduces bureaucratic and legal 'red tape' in situations that necessitate numerous, multi-party binding agreements. It minimizes exposure of a single entity to liability and increases the flexibility of the parties to the agreement to enter into working arrangements. Features of the JP agreement currently in place for ISEEK Solutions include:

1. Each Party to the agreement determines its financial contribution to the organization.
2. Parties to the agreement constitute a Board, which determines an annual budget.
3. The Board is authorized to receive and disburse funds on behalf of the JP organization.
4. The Board is accountable for all funds expended by the JP, has an annual audit, and makes an annual report to the Parties of its receipts and disbursements.
5. The organization has flexibility in revenue raising activities; e.g., receiving royalty payments and selling or licensing rights to its products/services.
6. The organization has flexibility in contracting and forging working agreements since it can act through or in the name of one or more of the Parties with that Party's consent.
7. The organization functions like a limited liability partnership in the sense that net liabilities incurred by the organization are attributed to the parties proportional to their respective investment of financial and other resources, rather than solely to the fiscal agent.

Additional features of the proposed C&EI JP organization include:

- 1) Governance:
 - a) The JP Board implements the strategic framework related to C&EI developed by the Minnesota Economic Leadership Team (MELT) through its system components and through strategic relationships with related entities.
 - b) The JP Board holds governance and budgetary authority over system components; i.e., those covered by the JP agreement. These components may change over time but are limited in scope to C&EI products and services.

- c) The system components will initially include ISEEK, MCRN, Minnesota Careers, and the Minnesota Career Information System (MCIS).
- d) The JP Board undertakes a coordinating role for all state education and career information within its scope and under the direction of MELT.
- 2) Legal authority:
 - a) The JP organization has legal authority vested in a JP agreement signed by state agency leadership.
 - b) The JP organization is designated by the Governor and MnSCU to receive Perkins Section 118 Federal funds to carry out MCRN functions.
- 3) JP Board Membership:
 - a) Members are state entities eligible to participate in a joint powers arrangement under M.S. 471.59. Associate (non-voting) members represent other entities with significant roles in career and education information in Minnesota.
 - b) Includes existing entities represented in the combined boards with additional agency members proposed (Attachment A).
 - c) State agency representatives and representatives from the University of Minnesota and Minnesota State Colleges and Universities are voting members.
 - d) Local, non-profit, labor, and employer representation are under consideration as Associate members.
 - e) Agency commissioners and leadership from the University of Minnesota and Minnesota State Colleges and Universities will appoint representatives to the Board, typically assistant commissioners or directors that have responsibility and budgetary discretion specific to C&EI activities in their respective organizations.
- 4) Organizational structure:
 - a) The JP Board will replace the MCRN and ISEEK Boards and the Minnesota Careers Advisory Committee.
 - b) The JP Board selects an Executive Director to manage the organization and provide staff services as needed to support state policy boards.
 - c) The JP Board is accountable for organization structure, including staffing responsibilities.
 - d) The JP organization will include cross-product workgroups (Marketing, Training, etc.) comprised of staff and organization representatives and will interface with customers through user groups.
- 5) Funding:
 - a) Recommendations for legislative initiatives will flow through MELT and member agencies.
 - b) MELT, the Governor, and the Legislature determine state funding for the JP organization and its allocation across agencies. Ideally, this allocation will reflect the stake of those agencies in C&EI.
 - c) The Joint Powers members determine the Fiscal Agent(s) for the JP organization.

Key advantages of the JP model include:

- 1) A proven vehicle for coordinating C&EI activities across agencies.
- 2) Addresses Legislative concerns about duplication of efforts across agencies by creating a single, accountable entity through which policy boards can operationalize C&EI-specific strategies.
- 3) Has a system-wide, customer focus rather than an agency/product-specific focus.
- 4) Preserves and promotes buy-in from essential partners and access to agency staff expertise, data, customers, information channels, and funding.
- 5) Allocates efforts across agencies on the basis of production efficiency and customer relationships.
- 6) Facilitates the adoption of cross product, cross-agency standards; e.g., data quality, language consistency, customer feedback, etc.
- 7) Minimizes adverse operational impacts due to the department reorganization.

The C&EI Joint Powers organization and the functional relationships to other entities are depicted in Attachment B.

Attachment A: Joint Powers Board Membership

Existing Members

State Agencies

Minnesota Department of Administration - Office of Technology
Minnesota Department of Children, Families and Learning
Minnesota Department of Economic Security/Trade and Economic Development
Minnesota Higher Education Services Office
Minnesota State Colleges and Universities
University of Minnesota

Other

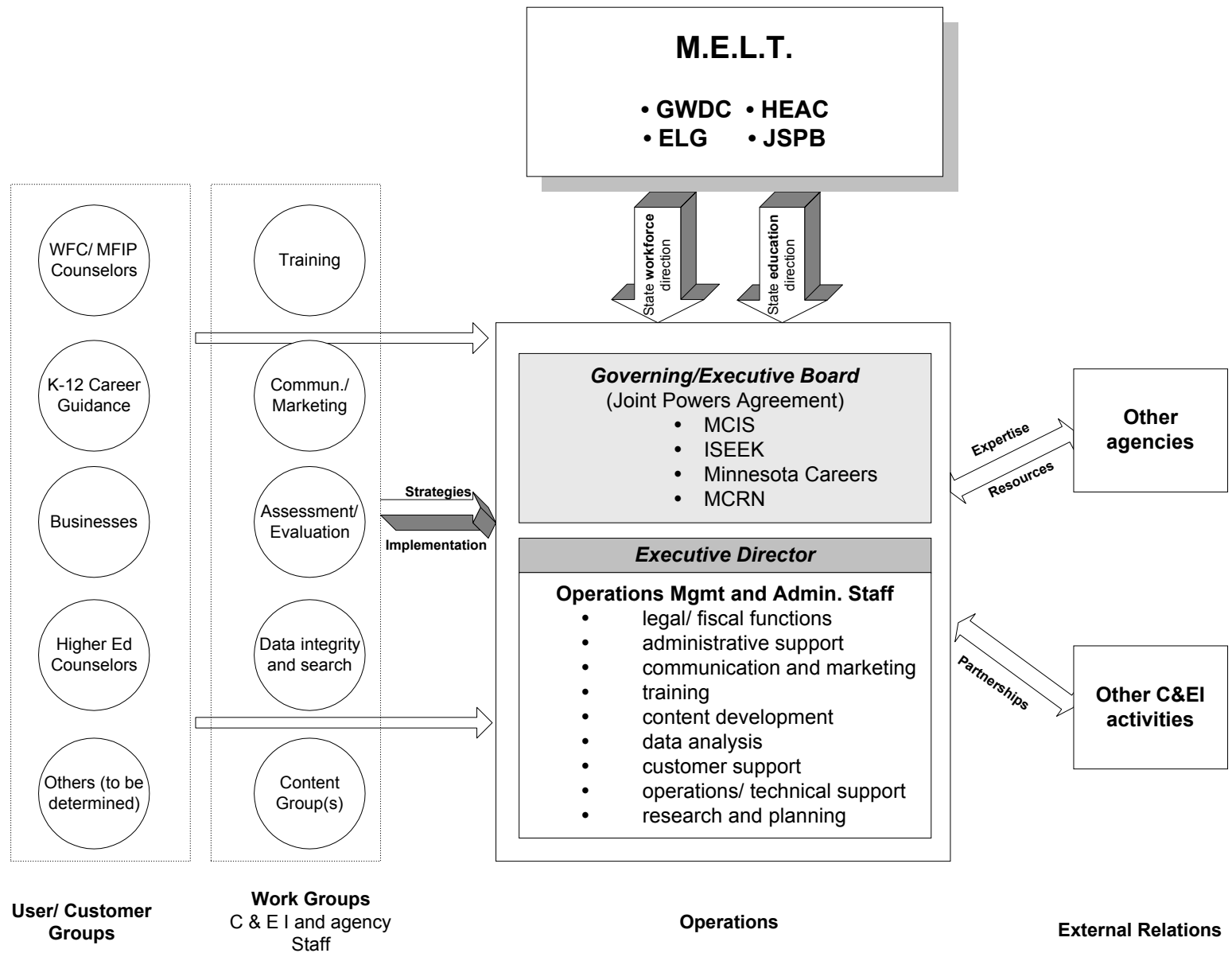
Governor's Workforce Development Council (Assoc. Member)
Minnesota Private College Council (Assoc. Member)

New Members

State Agencies

Minnesota Department of Corrections
Minnesota Department of Human Services
Minnesota Department of Labor and Industry
Minnesota Planning

Attachment B: Career and Education Information (C&EI) Joint Powers Organization



APPENDIX D: WORKFORCE INVESTMENT ACT UNIFIED PLAN

Proposed Modifications

The following language are proposed modifications to the language of the Minnesota Workforce Investment Act Unified Plan, submitted to the U.S. Department of Labor in April 2000. Proposed deletions are noted by ~~strike through~~ and additions are noted by underlines.

II. A. Vision and Goals:

- Improve basic skills competencies ~~and increase technical course requirements in K-12 curriculum.~~ (p. II-5)
- Encourage ~~and provide incentives for employers to involvement of~~ parents, business leaders and others to work directly with school and educators to ensure students understand potential career choices. (p. II-6)

II. B a) ii) One-Stop Delivery System

- Additionally, the following partners and programs also collaborate to deliver their services through some or all WorkForce Centers in the System: American Indian Programs, Americorps, Client Assistance Program, Community Action Agencies, Community-Based Collaboratives, Displaced Homemakers Programs, Family Service Collaboratives, Green Thumb, Headstart Operators, Homeless Assistance Act Providers, Job Corps, Migrant and Seasonal Farm-worker Services, Minnesota Youth Program, National Literacy Act Providers,

Older Worker Program Providers, Post-secondary Education Agencies, ~~School-to-Work Programs~~, Secondary Agencies, Urban League, Welfare-to-Work Programs [Note that Carl Perkins or "Secondary Education Agencies" is a mandatory partner under the WorkForce Investment Act.] (p. II – 29)

II. D Needs Assessment

- To understand that children learn about career opportunities from a variety of sources including parents, other family, peer group and through their primary and secondary schools ~~and to make sure the schools are prepared.~~ (p. II – 68)
- In today's rapidly changing job market, primary and secondary schools ~~should become important sources of career information even for younger children. Students of all ages must become aware that old occupations may no longer lead to good careers and new occupations with strange, unfamiliar names may be very wise choices. The schools are a logical place for this understanding to begin. schools may play an important role in providing access to current and comprehensive career information.~~ (p. II – 68)

II. E. State and Local Governance

- ~~Education to Employment~~ Emerging Worker Committee: This committee ~~provides recommendations to prepare new and future workers for the workforce. It identifies issues and resources to enable individuals to~~

~~make successful transitions from school to work--~~ identifies policy and programmatic opportunities that insure students have a wide array of individual choices from which to select career paths. (p. II-76)

II. I Special Populations and Other Groups

- Migrant Labor Counselors contact farm-workers at their work sites, living areas and gathering places. ~~Coordination-They coordinate with social service agencies migrant K-12 education centers, and migrant Headstart Centers, migrant health centers, community action agencies, migrant legal services and other migrant service providers enables farm workers who are not aware of Minnesota WorkForce Centers and that the Centers offer the same full to make farm-workers aware of Minnesota WorkForce Centers and the range of programs and services to farm-workers that are provided to non-farm-workers.~~ (p. II – 172)

Additional Language

There has been some concern expressed regarding references to school-to-work in other areas in the WIA Unified Plan. Many of these represent agreements between the secondary education system and the vocational rehabilitation programs that are required by the federal Rehabilitation Act or the Workforce Investment Act itself. See the table on the next page.

Unchanged Areas of the Workforce Investment Act

<p>II. H. Coordination and Non-Duplication (p. II-147)</p> <p>In preparation (2/00): Collaborative Agreement among MDES-RS, MDES-SSB and Children, Families and Learning:</p> <p>To coordinate the activities of the state's VR agency and the State's education agency regarding the transition of students with disabilities from school to work. The agreement promotes seamless, flexible, individualized service delivery, encourages school districts to develop and promote a pre-adolescent vocational skill development, provides for data sharing and encourages allocation of staff time in support of the agreement.</p>	<p><i>No change.</i> This agreement is required by the federal law (Rehabilitation Act as Amended through 1998, Sec.101,a(11)D) that funds the state's vocational rehabilitation programs (MDES-Rehabilitation Services-Vocational Rehabilitation and MDES-State Services for the Blind). The agreement among the two vocational rehabilitation agencies and CFL ensures that these agencies talk to each other about students served in common, so that when students with significant disabilities graduate from high school the adult service agencies (RS-VR and SSB) are there when needed to continue services. The agreement encourages school districts to provide students with significant disabilities some early learning about careers so that they see themselves heading for careers and self-sufficiency, equally with other students.</p> <p>"Career tracking" is not lawful under the Rehabilitation Act which funds Vocational Rehabilitation Programs and plays no part in any VR program activity. The purpose of coordinated relationships here, under the Rehabilitation Act, is to serve the consumer-chosen individualized goals of each student with a disability, not the needs of agencies or the state.</p>
<p>II. H. Coordination and Non-Duplication (p. II-147)</p> <p>Interagency Cooperative Agreement: Minnesota Interagency Cooperative Agreement to Plan (10/87 – ongoing)</p> <p>To facilitate working relationships among local agencies, State agencies and private entities that have program and planning responsibilities for the transition of youth and young adults with disabilities from school to work.</p>	<p><i>No change.</i> This agreement which dates from 1987 established relationships among public and private educational institutions and the Minnesota Vocational Rehabilitation Programs to ensure that students with significant disabilities have access to education and that when barriers to access are found they are removed. As noted above, under the federal law funding Vocational Rehabilitation, services are based on principles of individual, informed choice and the right of people with significant disabilities to self-determination. Services of the state's Vocational Rehabilitation Programs begins with the needs of the person with a disability.</p>
<p>II. H. Coordination and Non-Duplication (p. II-151)</p> <p>Agreed upon practices to facilitate a students smooth transition include:</p> <ul style="list-style-type: none"> ▪ Special Education will encourage local school districts to implement pre-adolescent career exploration and vocation skill development. ▪ RS/SSB will develop Employment Plans, whenever feasible, prior to a student completing secondary school. 	<p><i>No change.</i> This agreement is required by the federal law that funds the state's vocational rehabilitation programs (MDES-Rehabilitation Services-Vocational Rehabilitation and MDES-State Services for the Blind). <i>See above.</i> It refers to career exploration and vocational skill development for students with significant disabilities while in school so that these students can see themselves becoming self-sufficient in jobs and careers, just as other students do. RS-VR and SSB become involved with students with significant disabilities before graduation so that the students and their families have the service support they need when school services stop. VR and SSB are vocational services for the individual and are based on the informed choice of the person with a disability. Services often include post-secondary education.</p>

Appendices

<p>II.H. Coordination and Non-Duplication (p. II-152)</p> <p>Services For Students with Disabilities</p> <p>Vocational Rehabilitation (VR) provides vocational rehabilitation (VR) services to secondary school students with disabilities who are in a transition from school to work. VR works closely with the schools and other community service providers to ensure a smooth transition from school to work for students receiving VR services.</p>	<p><i>No change.</i> This agreement is required by federal law funding the state's vocational rehabilitation programs (MDES-Rehabilitation Services-Vocational Rehabilitation and MDES-State Services for the Blind). <i>See above.</i></p>
<p>II. K. Performance Accountability (p. II-207)</p> <p>Attainment of basic skills, work readiness and/or occupational skills</p> <p>Youth who successfully improve their basic skills during the program year will show demonstrable improvements in areas such as math and reading levels. Pre and post-testing of participants will determine the individual level of improvement in basic skills. Improvements in work readiness and or occupational skills will be determined, in part, by worksite supervisors who will document each participant's progress in learning and implementing new skills and the overall work habits of each participant under their supervision.</p>	<p>This performance requirement is mandated by federal law and as such cannot be changed.</p>