

ANNUAL REPORT TO THE GOVERNOR



December 2009



December 31, 2009

The Honorable Tim Pawlenty, Governor
130 State Capitol
St. Paul, Minnesota

Governor Pawlenty:

On behalf of the Drive to Excellence Sub-Cabinet, it is my privilege to submit the *Drive to Excellence 2009 Annual Report*, which summarizes accomplishments over the past year in advancing your reform agenda. Since the launch of the Drive to Excellence on April 4, 2005, we have made continual advancements in the reform of state government.

Among our notable successes:

- **Increased Quality via Lean Continuous Improvement Reform** – The state has adopted “Lean Thinking” as its preferred process improvement tool. So far with Lean, 15 agencies and nearly 1,000 employees have completed over 110 “Kaizen” process improvement events. These Kaizens have yielded significant improvements in the delivery of state government services, from issuing corn refund checks to farmers to processing personal care attendant applications.
- **Increased Customer Service via e-Licensing** – Peace officers and emergency medical technicians can now apply for and renew their professional credentials online, at any time from anywhere, with the state’s new enterprise e-licensing system. The system will eventually be a “one-stop online shop” for more than 500 state-issued business, professional and occupational licenses and permits.
- **Reduced Costs via Sourcing Reform** – Standards for common products and services are leveraging volume to lower costs, while the state’s contract negotiating strategy is delivering better terms and conditions, including price. Together, these components of “strategic sourcing,” and others, are helping state and local governments avoid more than \$250 million in costs.

This report on the Drive to Excellence outlines accomplishments representing the work, overall, of more than 2,000 people from 75-plus state agencies, boards and commissions, as well as representatives of local governments, MnSCU, non-profit and private sector organizations. Their efforts demonstrate an unwavering commitment to reforming Minnesota state government as an enterprise focused on serving customers efficiently and effectively. Their work is transforming state government culture into one in which reform, innovation and improvement are constant and sustained.

Focus for the coming year will be on achieving the objectives of the remaining two outstanding Executive Orders that initiated the Drive to Excellence: 05-05, regarding a “one-stop shop” for licensing, and 05-06, regarding real property management. Work on Lean, Strategic Sourcing and other projects will continue and are already having a real, tangible impact on state government’s ability to look at things differently and see how, with a concerted effort, improvement is achievable.

Sincerely,

Sheila M. Reger, Chair
Drive to Excellence Sub-Cabinet



Introduction

Since its start in April 2005, the Drive to Excellence has sought to increase quality and customer service and reduce costs in the delivery of government services to Minnesota's 5.2 million citizens.

Because of the Drive to Excellence:

- State and local governments today are paying less for the goods and services they need.
- State government is streamlining business processes, often with dramatic results, through the application of Lean principles and tools.
- Citizens can now begin their searches for state licenses, disability information and competitive grants through first-stop web portals.
- State government is implementing modern, web-enabled financial and procurement management tools that will increase government accessibility and transparency for stakeholders and simplify business processes for managers and employees.
- Police officers and emergency medical technicians can complete their state-required licensing online at any time from anywhere.
- The building industry has a convenient "one-stop-shop" in state government for construction codes regulation and information.

These are only a sampling of the many benefits that state government and Minnesota citizens are realizing today through the Drive to Excellence. Furthermore, they represent what is possible – particularly as Minnesota again faces a serious budget shortfall.

For nearly five years, Drive has been identifying opportunities and implementing solutions for reforming, innovating and streamlining the business of state government. Led by the Governor's Sub-Cabinet of eight commissioners, chaired by the Commissioner of Administration, Drive has three primary objectives:

- Creating a long-term solution for the challenges and opportunities facing the state, from the demands of citizens and businesses for faster, better and more cost-effective services to the anticipated surge in state worker retirements;
- Refocusing state government as a unified entity serving all citizens, rather than as an affiliation of semi-autonomous entities serving their individual constituencies; and
- Serving citizens better through increased quality, improved customer service and reduced costs.

Beginning with six projects in 2005, Drive has grown to 14 projects, of which eight have been completed and six are underway. Three projects closed in 2009: Strategic Sourcing, Enterprise Geographic Information Systems and Enterprise Print Strategy.

With Executive Branch leadership setting the course, the grassroots efforts of more than 2,000 individuals are carrying out the work and delivering results for state government and the people of Minnesota. These individuals represent over 75 state agencies, boards and commissions; the University of Minnesota and Minnesota State Colleges and Universities (MnSCU); local governments; and non-profit and private sector organizations.

Drive efforts have been recognized with several prestigious awards and nominations, including:

- Semifinalist for the 2008 and 2009 Council of State Governments' Midwestern Region Innovations Award.
- Recipient of Enterprise Minnesota's 2008 Best of Manufacturing Award for Best Nontraditional Use of Lean process improvement.
- Nominee for the Council of State Governments' first annual State Transformation Award.
- Nominee for the Ash Institute's 2009 Innovations in American Government Award.

Several publications, including *GO PRO*, the official publication of the National Institute of Governmental Purchasing; *Governing Magazine*; *Government Technology Magazine*; *Star Tribune*; *Legal Ledger Capitol Report*; and others have featured articles about the Drive to Excellence or its projects.

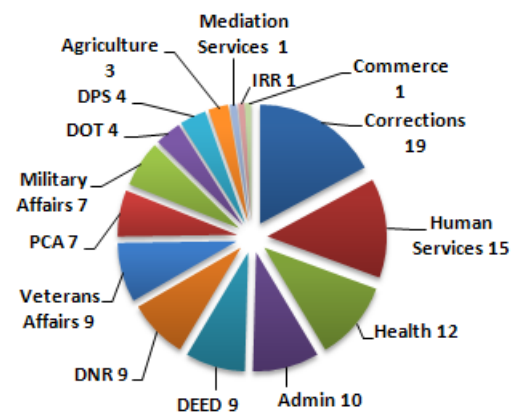
This report summarizes Drive's accomplishments over the past year toward achieving increased quality, improved customer service and reduced costs in the Executive Branch of state government.

Increasing Quality

The **LEAN Continuous Improvement Project**, initiated in December 2007, is among Drive's most successful projects. In just two years, 15 state agencies and more than 1,000 of their employees have evaluated and streamlined more than 110 business processes and established aggressive goals for results that are already improving service delivery. Additionally, over 200 state agency personnel are now trained facilitators fully capable of furthering improvement in their respective organizations. Minnesota's "Lean Toolbox" includes:

- **Kaizen events** – Japanese for “change for the better,” a Kaizen is an intensive and dedicated effort that identifies waste in a given business process and rapidly implements improvements in that process.
- **5S** – A five-step process for organizing and standardizing the workplace, summarized by five words or phrases beginning with the letter “S.” They are: Sort, Set in order, Shine, Standardize and Sustain.
- **Swim Lane Map** – A map used to study a process that involves more than three functions and illustrates “who does what” in a given process. The swim lane map is a useful tool for effectively showing interruptions in a process due to handoffs between functions, transportation, queues and rework.

Lean Events by Agency



By focusing on a single business function and streamlining its steps, the state has realized phenomenal results with Kaizens:

- A 93 percent improvement in process time for the disbursement of community development block grants by the Department of Employment and Economic Development's Business and Community Development Division.
- A 96 percent reduction in process time, from 73 days to less than six days, on average, for issuing corn refunds to farmers from the Department of Agriculture. The Kaizen event was a cooperative effort of the Department of Agriculture and the Minnesota Corn Growers' Association and realized additional benefits as well, including a revised refund form and trained stakeholders.
- A 97 percent reduction, from an average of 88.5 days to less than two days, in the time it takes the Minnesota Army National Guard to fill a vacancy.



Additionally this year, Minnesota and General Mills Inc. initiated a partnership in which the two organizations are sharing their experiences and successes in the application of Lean tools and principles. In July, more than 80 state government leaders met with General Mills executives to hear how the company is applying Lean principles to reduce costs and improve productivity.

In closing comments at that meeting, John Church, Senior Vice President at General Mills, both complimented and challenged state managers: “You are doing this in some areas of state government operations and the results are impressive. As a citizen and taxpayer of this state, I thank you for that. However, opportunities for doing more abound, and your visible, involved leadership is needed to continue the growth and evolution of your Lean efforts.”

WIKIPEDIA

[Wikipedia](http://www.wikipedia.org) (www.wikipedia.org), the free online encyclopedia, lists Minnesota Enterprise Lean as an example of Lean government practices under the definition of “Lean Government.”

The **Enterprise Email Project** is an outgrowth of Drive’s IT Governance project (Executive Order 05-04). In 2006, the project led to the establishment of the Office of Enterprise Technology (OET) and, through legislation, granted the new organization greater authority over statewide technology policy and assets. OET continues to focus significant effort on enterprise solutions for state technology needs. Enterprise solutions reduce redundancy, ensure compatibility across state government and leverage purchasing volume.



The Enterprise Email project is replacing 21 agency-based email systems on four platforms with one statewide system. This single system, with completion slated for the end of March 2010, will improve and simplify communications and calendaring through a statewide directory and a highly secure and redundant email system. The state’s total cost for ownership for messaging will decrease and it will be easier to implement new functions.

By the end of 2009, 17 of 21 agencies – accounting for more than 20,000 email boxes – will be successfully migrated to the new system.

The **Fleet Management Project** is realizing better utilization of the state’s approximately 8,000 on-road passenger vehicles. Semi-annual vehicle usage reports flag underutilized vehicles, which agency heads can then decide to discontinue. For example, the Department of Administration’s Fleet Services vehicle count has decreased by nearly 9 percent since 2000. Statewide, the fleet has been reduced over 15 percent since 2003.

Additionally, quarterly fuel reports help managers monitor fuel usage and progress toward the Governor’s goal of reducing state government’s reliance on petroleum products. The state’s use of alternative fuels, such as E85 and bio-diesel, is growing. In the first quarter of FY10, E85 accounted for 17.1 percent of overall retail non-diesel fuel purchases, more than 15 times greater than four years ago.

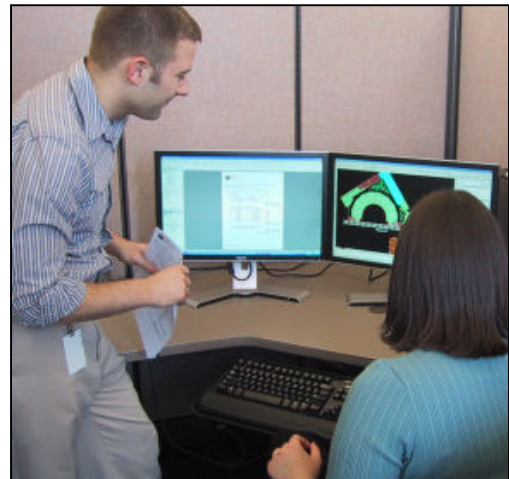


In September 2009, Minnesota completed migrating more than 13,000 fleet fuel cards to a new vendor under a partnership agreement with Wisconsin. In addition to leveraging the purchasing volume of both states for increased rebates that are sent directly to the agencies using the cards, benefits include streamlined billing and accounting, prompt-pay incentives and a uniform policy across state government.

The **Enterprise Real Property Project** achieved a critical milestone in 2009 with the implementation of an enterprise system framework for managing the state's 5,000-plus buildings and associated real estate across 18 state agencies. When fully populated, the state for the first time will have an enterprise-level view of the property it owns and will be able to more efficiently manage its assets.

The 2009 Legislature appropriated \$1.439 million for ongoing support and maintenance of the system. Additionally, custodial agencies are contributing \$399,000 for operational costs. The benefits of this enterprise system include:

- More efficient space management, including an anticipated minimum 6 percent reduction in leased space.
- Quicker responses to on-demand work through prioritizing tasks and avoiding work backlogs. Ultimately, it will reduce and/or eliminate on-demand work through orderly, planned and cost-effective facilities maintenance.
- Faster identification of vacant or potentially vacant state-owned space for re-tasking or disposal.
- Retention of facilities-related staff knowledge, saving significant time for training and re-training personnel and searching for information.
- Lower costs for goods and services by identifying common needs, then leveraging the state's volume purchasing power for their acquisition.



Square footage data, including building schematics, are now being entered into the Real Property Management system.

The system includes modules for managing building space, building operations, fixed assets, moves/additions and condition assessment, with the capacity for additional modules such as energy. As of December 2009, more than two-thirds of the state's square-footage data has been entered into the system, with over one-third of state building AutoCAD drawings on the Space Management module. Several agencies are also issuing work orders and tracking fixed assets via the system. System rollout to all 18 agencies responsible for managing the state's real property will continue through the 2010-11 biennium.

The **Enterprise GIS Project** officially closed in June 2009 with the kickoff for the new Minnesota Geospatial Information Office (MnGeo). Within days of opening shop, MnGeo had secured an

enterprise agreement for GIS software that would reduce future acquisition costs by 20 to 25 percent. In November, MnGeo staff, in partnership with Minnesota Management & Budget, delivered a “[Recovery Map](http://www.recovery.mn)” (www.recovery.mn) in which Minnesotans can see exactly where state-administered American Recovery and Reinvestment Act funds are being spent. The map is among the latest examples of the capabilities of geospatial technology for helping citizens increase their understanding of government and its work.

MnGeo, created by the 2009 legislature and encompassing the recommendations of the Enterprise GIS project team, is headed by the state’s first geospatial information officer and succeeds the Land Management Information Center. Its expanded responsibilities include

planning, coordinating and guiding the implementation of geospatial information technology across state government. MnGeo will also help agencies control the costs of implementing GIS technology in the future and create efficiencies by expanding capacities to identify and jointly pursue strategic projects.



The Enterprise GIS Project Steering Team, from left: Robert Maki, Natural Resources; Wendy Nelson, Health; John Lally, Enterprise Technology; Larry Palmer, Agriculture; Fred Logman and David Arbeit, Administration; and Commissioner Gene Hugoson, Agriculture. Other members are Paul Eger and Edward Meyer, Pollution Control Agency; Dan Storkamp, Human Services; and Michael Barnes and Kathy Hofstedt, Transportation.

Details are available on the [MnGeo website](http://www.mngeo.state.mn.us) (www.mngeo.state.mn.us).

The **SWIFT Project** will integrate all of the administrative functions across state agencies, including financials, procurement, reporting and the current SEMA4 (human resources/payroll) system.

The accounting and procurement of goods and services affects almost every business function in state government, and touches the lives of nearly every Minnesotan. It is essential to managing the state’s billion-dollar biennial budget. The state processes 1.3 million payments and 300,000 purchase orders yearly.



The project received a critical boost in May, when the legislature approved the Governor's request for an appropriation of nearly \$7.1 million for the development and implementation of a new web-based accounting and procurement systems for the state, with a "go-live" date of July 1, 2011.

SWIFT Project became the new name for the MAPS Replacement project in October when Commissioner Tom Hanson of Minnesota Management & Budget and Wanda Dalhoff of the Department of Natural Resources (pictured above) unveiled the new name and logo at the conclusion of the project kick-off meeting. Dalhoff's suggestion of SWIFT – an acronym for StateWide Integrated Financial Tools – was selected from among more than 150 entries from state employees for the project's new name.

The name was chosen because it best represents the scope, vision and purpose of the project, which will replace the aging MAPS. The SWIFT project encompasses numerous mission-critical tools that are integrated into one system for all 130 state agencies. Additional information is available on the [SWIFT Project website](http://www.swift.state.mn.us), www.swift.state.mn.us.

Increasing Customer Service

The **Office of Grants Management**, established in late 2007, is working with 30 Executive Branch agencies, boards and commissions, along with the non-profit community, to standardize and simplify grants procedures in state government and improve the public's access to grants information.



Since opening, the office has developed and implemented 13 statewide grants policies and created a new [website](http://www.grants.state.mn.us) (www.grants.state.mn.us) that provides a single entry point for citizens and non-profits to State of Minnesota competitive grant opportunities. Visitors can search for grant opportunities by state agency, subject area or key word. A second [website](http://www.admin.state.mn.us/ogm) (www.admin.state.mn.us/ogm) is a resource for state employees responsible for grant processing. In addition to statewide policies and statutes, it includes training and development opportunities, best practices and links to federal grant material..

The 2009 legislature adopted a funding structure in which office costs are recovered via deductions of up to 2.5 percent from individual grants. The 2009 legislature also appropriated \$25,000 to the office in FY10 to study and make recommendations on improving collaborative activities between the state, nonprofit entities and the private sector.

The **e-Licensing** project in May debuted Minnesota's new enterprise online licensing system before more than 80 police chiefs from across the state (pictured) with the opening of electronic licensing for the Peace Officers Standards & Training Board (POST). Later, the Emergency Medical Services Regulatory Board joined POST on the new system. This pilot project built the foundation for the enterprise system including:



- A gateway for a consistent face to the customer or front-office online licensing
- Regulation for providing back-office license administration and enforcement, and
- A web portal that includes license content and search, identity management and electronic payment.

A second phase of the project includes the migration of additional agencies, beginning with segments of the Department of Human Services, to this web-enabled business and professional licensing system. Funding for implementation is derived through a temporary surcharge on licensing that went into effect July 1.

The **Enterprise Training** and **Every Employee Counts/Workforce Planning** projects, both closed out in 2008, are now under the auspices of Minnesota Management & Budget. The state in 2008 signed a new enterprise contract for online training, which provides dozens of courses for improving employee effectiveness, knowledge and efficiency, along with tools for managing their training performance. Additionally, agencies continue to update their annual workforce plans, which are assisting in preparing for the increasing wave of “Baby Boom” state worker retirements and a projected shortage of future workers.

Reducing Costs

Strategic Sourcing, broadly defined, utilizes best-practice procurement strategies such as product standardization, contract consolidation, multi-jurisdiction purchasing and negotiations to achieve efficiencies and cost savings. Through the work of more than 200 individuals, Minnesota state agencies, colleges and universities and local governments are avoiding upwards of \$250 million in costs for goods and services, through FY11, than they would have without the Strategic Sourcing project. More significantly, the Strategic Sourcing Project is building a culture across state government in which purchasers, from commissioner-level on down, increasingly understand the importance and benefits of best-practice procurement, not only for the potential for lowering costs, but for ensuring the state is receiving the best value for the taxpayers’ dollar.

The components of Minnesota’s Strategic Sourcing strategy, based on the new paradigm of working with customers to get them what they *need*, rather than whatever they *want*, are:

STATE OF MINNESOTA

COOPERATIVE PURCHASING VENTURE

New Multi-Function Devices Contract and Standards



Multi-function devices are copiers that have digital scanners. They function as copiers, but can be upgraded for black and white and color printing, faxing and scanning.

You get:

- Great pricing — 20% to 68% average savings or more
- New standards — Faster selection and procurement
- Full service — Purchase, rental and maintenance, and supplies
- Usage analysis — Vendors will analyze your needs and help you select the best options
- Environmental responsibility — Energy conservation and recycling

For more information go to
www.mmd.admin.state.mn.us.

Details included in Contract Release C-1005(5).







- Developing standards for common products and limiting agency choice;
- Negotiating contract terms and conditions; and
- Increasing the emphasis on price in the scoring equation to at least 30 percent of the total of all evaluation factors.

Some Minnesota specifics include:

- A projected \$94 million in costs avoided through FY11 for personal computer hardware and software through standardization, with 88 percent of these reductions accruing to local governments, school districts and colleges and universities.
- Over \$95 million in cost avoidance through negotiating commodity and professional/technical contracts, plus unquantifiable benefits for the state from more favorable contract terms and conditions.
- More than \$1.1 million in cost avoidance by increasing the emphasis on pricing in the proposal evaluation process.

Standards adopted so far include desktop and laptop computers and monitors, office supplies, office chairs, cell phones and service plans, computer storage and routers and multi-function (printer/copier/scanner/fax) devices. In 2009, the Department of Administration and the Office of Enterprise Technology unveiled ASAP-IT, an enterprise information technology services master contract program that significantly streamlines the process of acquiring IT services. Services include project managers, business analysts, information architects, JAVA programmers, database designers and more. Also this year, the Department of Administration instituted “Decision Tree,” a web-based self-help tool for agencies that streamlines – and helps eliminate errors and mistakes – in the professional/technical services contracting process.

Additionally, in FY09, the state began waiving the \$500 annual membership fee for local governments and other eligible entities for Minnesota’s Cooperative Purchasing Venture (CPV). In 2009, Minnesota also increased efforts to enroll Wisconsin governmental entities in response to an agreement between Minnesota Governor Tim Pawlenty and Wisconsin Governor Jim Doyle to increase cooperation between the two state governments.

CPV members help to increase purchasing volumes, enhancing the state’s bargaining position during negotiations and leading to better terms and conditions for all contract users. Toward its goal of increasing local government participation in CPV, the Department of Administration expanded a marketing program that now includes participation in trade shows, visits with local government

Local governments: Save time and money with CPV

Purchasing Power:
Widespread public sector purchases from State IT contracts topped \$40 million in July-September 2009.

- Cities - 3%, \$1.2 million
- Counties - 8%, \$3.3 million
- K-12 - 29%, \$16.1 million
- State agencies - 23%, \$9.5 million
- Colleges and universities, courts, libraries, Indian tribes, non-profits and others - 27%, \$11 million

What is CPV?

Minnesota's Cooperative Purchasing Venture (CPV) is a free service of the Department of Administration's Materials Management Division. Members can purchase directly from more than 800 state contracts for everything from custodial supplies and copiers to batteries and buses, at significant savings over what they paid previously.

Counties, cities, school districts and other eligible organizations can participate simply by signing up. The CPV membership fee was eliminated in 2008 and there is no cost for using the service.

Why participate?

CPV helps members save time and money by:

- Leveraging the power of volume purchasing
- Standardizing common products to achieve better pricing
- Researching product specifications
- Negotiating, awarding, processing and maintaining contracts

CPV membership includes:

- Online access to contracts
- Email notification of important contract information by request
- Prompt, efficient service

How?

A membership form is online at www.mmd.admin.state.mn.us/pdf/CPVSubscribe2.pdf, or call the Materials Management Division Helpline at 651/296-2600.

Learn more
www.mmd.admin.state.mn.us/cpv2.htm

Computers - Minnesota's innovative IT Standards program offers more than 100 desktop and laptop computer configurations at average savings of 20% to 50%.

Multi-function copiers - A new state contract for multi-function copiers offers average savings of 20% to 68%.

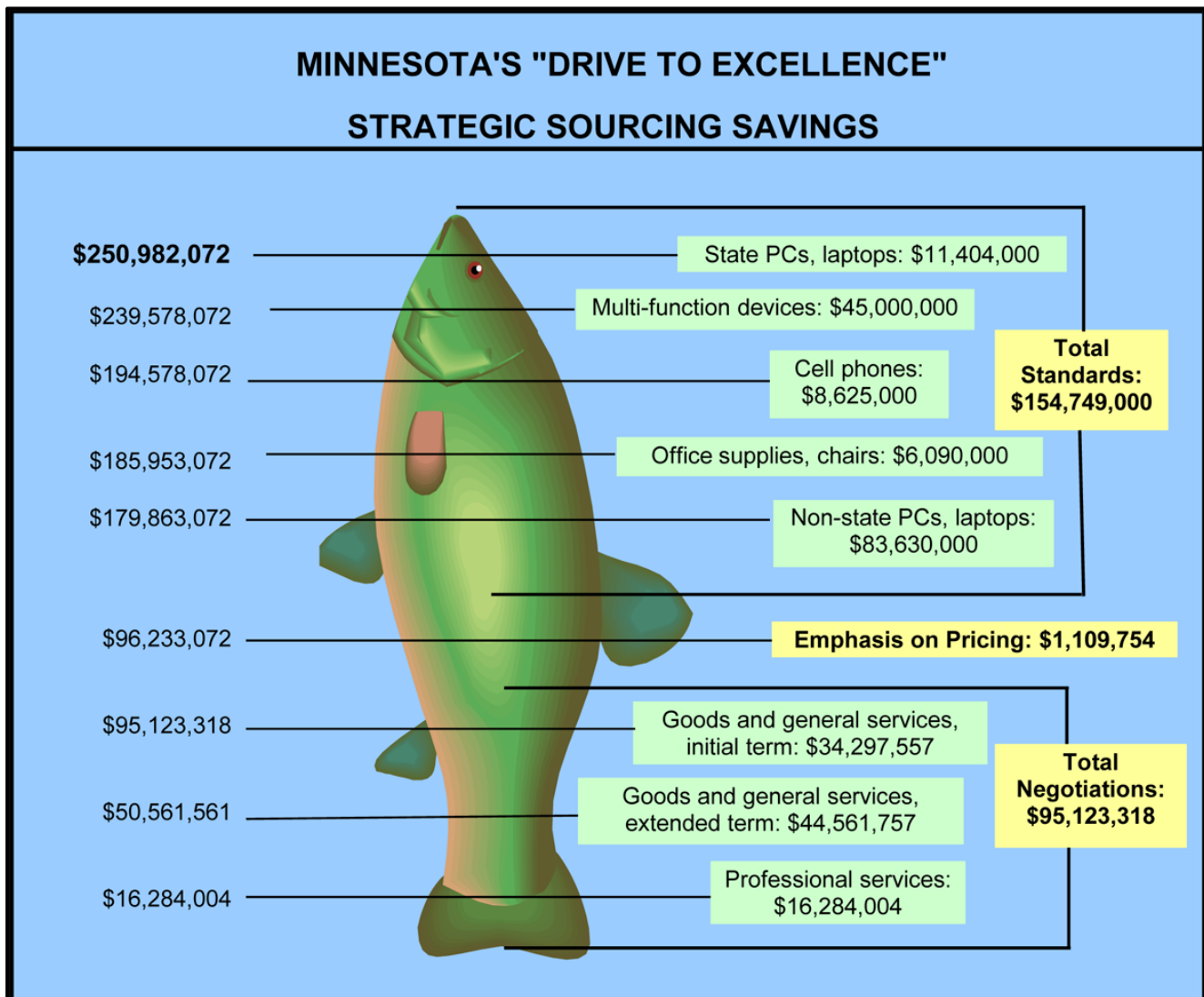
Environmentally preferable products - State contracts include hundreds of items that are friendlier to the environment, from cleaning products to recycled paint and carpet.

Admin Minnesota
MATERIALS MANAGEMENT DIVISION

representatives and their professional organizations and the development and distribution of support materials.

On a final note, state procurement officials and General Mills Inc. are sharing their knowledge of and experiences with strategic sourcing methods, including General Mills' Five-Step Sourcing Process. This collaborative exchange has proven that the public and private sectors, especially in the area of enterprise sourcing strategies, clearly have a lot of commonalities.

The following chart summarizes savings realized through Strategic Sourcing. Savings from the adoption of standards extend over five years. Savings from the increased emphasis on pricing and negotiations are for the terms of the contracts, which vary from one to three years.



The **Enterprise Print** project, completed in early 2009, successfully transitioned the Office of Enterprise Technology's printing operations – with 17 customers and nearly 5 million printed pieces annually – to the departments of Administration, Employment and Economic Development and Human Services. In addition to providing the same high-quality printing service at an equal or lower cost, the three agencies were able to expand their print volumes to optimize existing capacities.

Outcomes of the project included the redesign of all warrants for printing on one standard warrant stock form, reducing paper costs through volume discounting, and the redesign of seven Department of Public Safety postcards (renewal notices, etc.) to a standard size, reducing postage costs and optimizing paper stock volume discounts.

Conclusion – Looking to the future

Drive to Excellence is delivering results for state government and for citizens. Today:

- State agencies are reforming government by streamlining business processes and delivering services to citizens faster, better and at less cost by utilizing Lean principles and tools. Additionally, these changes will enable the redeployment of employees to higher value activities and can reduce the need for hiring replacement workers for retirees.
- Agencies are working together on solutions for delivering effective, efficient and economical government services in real estate management, online licensing, financial management, purchasing and more.
- The Minnesota Geospatial Information Office, headed by the state's first geospatial information officer, now has the responsibility and authority for coordinating statewide geospatial information technology and data.
- Peace officers and emergency medical technicians can now renew their licenses online through the state's new enterprise licensing portal.
- State and local governments are paying less for goods and services and receiving better terms and conditions on their purchases.
- Minnesotans can more easily access information about state licenses, grant opportunities and disability information through first-stop Internet portals.
- Minnesota has one agency setting statewide technology policy and direction, and a single agency "one-stop shop" for construction codes oversight.
- The state now has a well-defined workforce planning policy that is helping agencies prepare for the smaller workforce of the future.

Even further benefits, including work efficiencies, customer service improvements and reducing costs will be realized through Drive. With additional dedicated human and financial resources, the state will accomplish:

- Continued improvements in government internal business processes through the expanded application of Lean techniques and tools.
- Increased collaboration between Minnesota and Wisconsin via their respective governors' commitment to greater partnering.
- An evaluation of mail handling procedures and resources in the Capitol Complex, with a focus on increasing efficiency and decreasing costs.