**LISTING OF WORKING PAPERS**

A REVIEW OF PAST MINNESOTA REORGANIZATION AND REFORM EFFORTS & THEIR IMPLICATIONS FOR CORE April 30, 1992

A REVIEW OF SIX STATE REFORM AND REORGANIZATION EFFORTS & THEIR IMPLICATIONS FOR CORE April 30, 1992

SUMMARIES OF SELECTED REORGANIZATION MODELS June 5, 1992

AN OVERVIEW OF AGENCY PERFORMANCE INDICATORS June 6, 1992

ANALYSIS OF PROJECT 1 QUALITATIVE DATA June 16, 1992

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A GENERAL APPRAISAL OF MINNESOTA STATE GOVERNMENT August 1, 1992

AN OVERVIEW OF THE MINNESOTA STATE GOVERNMENT BUDGET August 3, 1992

SECRETARY MODEL - THE VIRGINIA EXPERIENCE August 11, 1992

ASSESSMENT - AGENCY FOCUS GROUP NOTES September 1992 death, payment must be made for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent optional annuity under subdivision 2 using the age of the member and age of the dependent child at the date of death. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account.

Sec. 20. **EFFECTIVE DATE.**

Sections 1 to 19 are effective July 1, 1993.

Presented to the governor May 20, 1993.

Approved May 24, 1993.

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## STATE AGENCIES—ADVISORY TASK FORCES, COMMITTEES, COUNCILS—ELIMINATION, EXPIRATION, REPORTS

### CHAPTER 337

S.F. No. 1054

**AN ACT relating to state departments and agencies; providing for reports on advisory task forces committees and councils; providing for their expirations; eliminating certain advisory bodies; amending Minnesota Statutes 1992, sections 15.059, subdivision 5; 16B.39, subdivision 1a; 41A.02, subdivision 1; 41A.04, subdivisions 2 and 4; 116J.975; 125.188, subdivision 3; 125.1885, subdivision 3; 129D.16; 148.235, subdivision 2; 161.1419, subdivision 8; 246.017, subdivision 2; 246.56, subdivision 2; 254A.035, subdivision 2; 254A.04; 256B.0629, subdivision 4; 256B.433, subdivision 1; and 299F.093, subdivision 1; repealing Minnesota Statutes 1992, sections 41.54; 41A.07; 43A.31, subdivision 4; 82.30, subdivision 1; 84.524, subdivisions 1 and 2; 85A.02, subdivision 4; 86A.10, subdivision 1; 116J.645; 116J.984, subdivision 11; 116N.05; 120.064, subdivision 6; 121.87; 145.93, subdivision 2; 148B.20, subdivision 2; 152.02, subdivision 11; 184.23; 206.57, subdivision 3; 245.476, subdivision 4; 245.4885, subdivision 4; 256.9745; 256B.433, subdivision 4; 257.072, subdivision 6; 299F.092, subdivision 9; 299F.097; and 626.5592.**

*BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:*

Section 1. Minnesota Statutes 1992, section 15.059, subdivision 5, is amended to read:

**Subd. 5. EXPIRATION DATE.** Unless a different date is specified by law, the existence of each advisory council and committee created before January 1, 1993, and governed by this section shall terminate on June 30, 1993. An advisory council or committee whose expiration is not governed by this section does not terminate June 30, 1993, unless specified by other law. An advisory council or committee created by law and in existence after June 30, 1993, expires on the date specified in the law creating the group or on June 30, 1997, whichever is sooner. This expiration provision applies whether or not the law creating the group provides that the group is governed by this section.

Sec. 2. Minnesota Statutes 1992, section 16B.39, subdivision 1a, is amended to read:

**Subd. 1a. ENDOWMENT FUND.** The commissioner of administration may establish an endowment fund to reward state agencies and their employees for improving productivity and service quality. The commissioner shall use gift money to establish the fund. The interest earnings are appropriated to the commissioner to make agency and employee awards. ~~The commissioner shall establish an advisory task force of state employees and private individuals to recommend criteria for granting rewards and to recommend award recipients.~~

Sec. 3. Minnesota Statutes 1992, section 41A.02, subdivision 1, is amended to read:

**Subdivision 1. SCOPE.** The definition of each term given in this section applies whenever the term is used in sections 41A.01 to ~~41A.07~~ 41A.066.

Sec. 4. Minnesota Statutes 1992, section 41A.04, subdivision 2, is amended to read:

**Subd. 2. ENVIRONMENTAL ASSESSMENT.** Notwithstanding any other law or rule, no environmental impact statement must be completed prior to the approval of an application and the issuance of a conditional commitment for the guaranty of a loan for an agricultural resource project, or the taking of any other action permitted by sections 41A.01 to ~~41A.07~~ 41A.066, including the issuance of bonds, which is considered necessary or desirable by the board to prepare for a final commitment and to make it effective. Environmental review, to the extent required by law, shall be made in conjunction with the issuance by state agencies of environmental permits for the project. Permits may be applied for prior to the issuance of a conditional commitment. Action shall be taken as expeditiously as possible on environmental review and all permits required. Environmental review shall be completed within 180 days after the initial filing of an application to the pollution control agency for the first permit. Final action shall be taken on permits within 90 days after completion of environmental review or, as to any permit requiring a public hearing, within 90 days after the receipt of the administrative law judge's report.

Sec. 5. Minnesota Statutes 1992, section 41A.04, subdivision 4, is amended to read:

Subd. 4. **RULEMAKING AUTHORITY.** In order to effectuate the purposes of sections 41A.01 to ~~41A.07~~ 41A.066, the board shall adopt rules which are subject to the provisions of chapter 14. The board may adopt emergency rules and permanent rules.

Sec. 6. Minnesota Statutes 1992, section 116J.975, is amended to read:

116J.975 **PARTNERSHIP PROGRAM PROJECT**

The commissioner may establish an international partnership project as part of the review procedure under section 116J.974, clause (7). The commissioner may solicit applications and proposals from Minnesota companies and nonprofit organizations for projects that will achieve the goals of the international partnership program. The grants may be used for planning or for participation in joint venture programs. Applications or proposals must:

(1) contain a detailed description of the project or activities that will be used to achieve the goals of the partnership program;

(2) identify the source of the matching funds as required by section 116J.974;

(3) identify the participating country or countries and their financial or other contributions to the project;

(4) identify the expected outcomes from the project; and

(5) contain any other information the commissioner determines necessary to award grants.

The commissioner may establish priorities for applications. The commissioner may adopt rules as necessary for the administration of the grants under this section. ~~The commissioner may establish an advisory committee to assist in carrying out the purposes of this section.~~

Sec. 7. Minnesota Statutes 1992, section 125.188, subdivision 3, is amended to read:

Subd. 3. **PROGRAM APPROVAL.** (a) The board of teaching shall approve alternative preparation programs based on criteria adopted by the board~~, after receiving recommendations from an advisory task force appointed by the board~~.

(b) An alternative preparation program at a school district, group of schools, or an education district must be affiliated with a post-secondary institution that has a teacher preparation program.

Sec. 8. Minnesota Statutes 1992, section 125.1885, subdivision 3, is amended to read:

Subd. 3. **PROGRAM APPROVAL.** (a) The state board of education shall approve alternative preparation programs based on criteria adopted by the board~~, after receiving recommendations from an advisory task force appointed by the board~~.

(b) An alternative preparation program at a school district, group of schools, or an education district must be affiliated with a post-secondary institution that has a graduate program in educational administration for public school administrators.

Sec. 9. Minnesota Statutes 1992, section 129D.16, is amended to read:

129D.16 ~~ADVISORY TASK FORCE~~ AUDIT PROCEDURES

The commissioner of administration may ~~appoint an advisory task force consisting of representatives of public broadcasting facilities to make recommendations on the distribution~~

establish a procedure to audit expenditure of money appropriated for grants to public television stations and noncommercial radio stations. ~~The commissioner may establish a procedure to audit the expenditure of this money.~~

Sec. 10. Minnesota Statutes 1992, section 148.235, subdivision 2, is amended to read:

**Subd. 2. NURSE PRACTITIONERS.** (a) **PRESCRIBING AUTHORITY.** A registered nurse who (1) has graduated from a program of study designed to prepare registered nurses for advanced practice as nurse practitioners, (2) is certified through a national professional nursing organization which certifies nurse practitioners and is included in the list of professional nursing organizations adopted by the board under section 62A.15, subdivision 3a, and (3) has a written agreement with a physician based on standards established by the Minnesota nurses association and the Minnesota medical association that defines the delegated responsibilities related to the prescription of drugs and therapeutic devices, may prescribe and administer drugs and therapeutic devices within the scope of the written agreement and within practice as a nurse practitioner.

(b) **RULES.** By July 1, 1991, the board shall promulgate rules to provide for the following:

(1) a system of identifying nurse practitioners eligible to prescribe drugs and therapeutic devices;

(2) a method of determining which general categories of prescription drugs and therapeutic devices have been delegated to each nurse practitioner;

(3) a system of transmitting to pharmacists information concerning nurse practitioners eligible to prescribe drugs and therapeutic devices and the types of drugs and therapeutic devices they have been delegated the authority to prescribe; and

(4) a fee to the nurse practitioner who seeks prescribing authority in an amount sufficient to cover the board's ongoing costs relating to monitoring and regulating the prescribing authority of nurse practitioners.

~~(c) **TASK FORCE.** For purposes of adopting rules under this paragraph, the board shall establish and appoint an advisory task force composed of the following nine members:~~

~~(1) five nurse practitioners;~~

~~(2) two pharmacists; and~~

~~(3) two physicians.~~

~~Members must be appointed from lists of qualified persons nominated by the appropriate professional associations. The task force shall recommend rules to the board on each of the subjects listed above. No rule relating to the prescribing of drugs and therapeutic devices by nurse practitioners may be proposed by the board unless it was first submitted to the task force for review and comment.~~

Sec. 11. Minnesota Statutes 1992, section 161.1419, subdivision 8, is amended to read:

**Subd. 8. EXPIRATION.** The commission shall expire on ~~the date provided by section 15.059, subdivision 5~~ June 30, 1997.

Sec. 12. Minnesota Statutes 1992, section 246.017, subdivision 2, is amended to read:

**Subd. 2. MEMBERSHIP, DUTIES, MEETINGS.** ~~The commissioner of human services may appoint a medical policy directional task force on mental health including members who are experts in their fields of medicine, mental health, mental retardation, or related sciences. Members shall also be selected from social service, rehabilitation, volunteer services, nursing, hospital administration or related fields. Not more than one member shall be selected from any one field of medicine or related sciences which shall include the field of psychiatry, neurology, physiology, biochemistry, internal medicine, pediatrics, pharmacology, and psychology. The task force shall expire, and the terms, compensation, and removal of members shall be as provided in section 15.059.~~

The commissioner of human services shall appoint, and unless otherwise established by law, set the salary of a licensed physician to serve as medical director to assist in establishing and maintaining the medical policies of the department of human services. The commissioner may place the medical director's position in the unclassified service if the position meets the criteria of section 43A.08, subdivision 1a.

Sec. 13. Minnesota Statutes 1992, section 246.56, subdivision 2, is amended to read:

**Subd. 2. POWERS OF COMMISSIONER.** The work activity programs authorized herein shall be planned and designed exclusively to provide therapeutic activities for handicapped workers whose physical or mental impairment is so severe as to make productive capacity inconsequential. Notwithstanding section 177.24, the activities within this program shall conform to the rules and regulations relating to work activity centers promulgated by the United States Department of Labor. To accomplish the foregoing purpose the commissioner of human services shall have the power and authority to:

(a) use the diversified labor fund established by Laws 1945, chapter 575, section 19, to purchase equipment and remodel facilities of the state hospitals referred to in subdivision 1 to initiate the work activity program;

(b) formulate a system of records and accounts which shall at all times indicate the extent of purchases, sales, wages, and bidding practices and which shall be open to public inspection;

(c) contract with public or private entities for the provision of custodial, domestic, maintenance, and other services carried out by patients or residents. To the extent that a qualified direct care employee of a regional treatment center is available, staff services required by the contract shall be provided by that direct care employee.

The commissioner of human services shall, subject to the approval of the commissioner of education, have the power and authority to:

(a) create a work activity center revolving fund for the purpose of receiving and expending money in the operation of the said programs;

(b) contract with public and private industries for the manufacture, repair, or assembling of work according to standard bidding practices;

(c) use the revenue from the operation of said programs to pay wages to patients or residents according to their productivity, purchase equipment and supplies and pay other expenses necessary to the operation of the said programs;

(d) ~~establish an advisory task force consisting of representatives from the departments of health, jobs and training, and human services, labor and business groups, interested community agencies, including but not limited to the Minnesota association of rehabilitation facilities, the Minnesota association for retarded children, and the Minnesota association for mental health, and the general public. This task force will act in an advisory capacity with respect to the scope of work activity programs, the nature of the goods to be produced and services to be performed in such programs. The task force expires as provided in section 15.059, subdivision 5;~~

~~(e)~~ utilize all available vocational rehabilitation services and encourage the integration of the work activity program into existing vocational rehabilitation and community-based programs, so that the work activity program will neither duplicate nor unfairly compete with existing public or private community programs.

Sec. 14. Minnesota Statutes 1992, section 254A.035, subdivision 2, is amended to read:

**Subd. 2. MEMBERSHIP TERMS, COMPENSATION, REMOVAL AND EXPIRATION.** The membership of this council shall be composed of 17 persons who are American Indians and who are appointed by the commissioner. The commissioner shall appoint one representative from each of the following groups: Red Lake Band of Chippewa Indians; Fond du Lac Band, Minnesota Chippewa Tribe; Grand Portage Band, Minnesota Chippewa Tribe; Leech Lake Band, Minnesota Chippewa Tribe; Mille Lacs Band, Minnesota Chippewa Tribe; Bois Forte Band, Minnesota Chippewa Tribe; White Earth Band, Minnesota Chippewa Tribe; Lower Sioux Indian Reservation; Prairie Island Sioux Indian Reservation; Shakopee Mdewakanton Sioux Indian Reservation; Upper Sioux Indian Reservation; International Falls Northern Range; Duluth Urban Indian Community; and two representatives from the Minneapolis Urban Indian Community and two from the St. Paul Urban Indian Community. The terms, compensation, and removal of American Indian advisory council members ~~and expiration of the council~~ shall be as provided in section 15.059. The council expires June 30, 1997.

Sec. 15. Minnesota Statutes 1992, section 254A.04, is amended to read:

254A.04 CITIZENS ~~ADVISORY~~ COUNCIL

There is hereby created an alcohol and other drug abuse advisory council to advise the department of human services concerning the problems of alcohol and other drug dependency and abuse, composed of ten members. Five members shall be individuals whose interests or training are in the field of alcohol dependency and abuse; and five members whose interests or training are in the field of dependency and abuse of drugs other than alcohol. ~~The council shall expire and~~ The terms, compensation and removal of members shall be as provided in section 15.059. The council expires June 30, 1997. The commissioner of human services shall appoint members whose terms end in even-numbered years. The commissioner of health shall appoint members whose terms end in odd-numbered years.

Sec. 16. Minnesota Statutes 1992, section 256B.0629, subdivision 4, is amended to read:

**Subd. 4. RESPONSIBILITIES OF THE COMMISSIONER.** The commissioner shall periodically:

(1) Recommend to the legislature criteria governing the eligibility of organ and tissue transplant procedures for reimbursement from medical assistance and general assistance medical care. Procedures approved by Medicare are automatically eligible for medical assistance and general assistance medical care reimbursement. Additional procedures are eligible for reimbursement only upon approval by the legislature. Only procedures recommended by the ~~task force and the~~ commissioner may be considered by the legislature.

(2) Recommend to the legislature criteria for certifying transplant centers within and outside of Minnesota where Minnesotans receiving medical assistance and general assistance medical care may obtain transplants. Additional centers may be certified only upon approval of the legislature. Only centers recommended by ~~the task force and~~ the commissioner may be considered by the legislature.

Sec. 17. Minnesota Statutes 1992, section 256B.433, subdivision 1, is amended to read:

**Subdivision 1. SETTING PAYMENT; MONITORING USE OF THERAPY SERVICES.** The commissioner shall promulgate rules pursuant to the administrative procedure act to set the amount and method of payment for ancillary materials and services provided to recipients residing in nursing facilities. Payment for materials and services may be made to either the nursing facility in the operating cost per diem, to the vendor of ancillary services pursuant to Minnesota Rules, parts 9505.0170 to 9505.0475 or to a nursing facility pursuant to Minnesota Rules, parts 9505.0170 to 9505.0475. Payment for the same or similar service to a recipient shall not be made to both the nursing facility and the vendor. The commissioner shall ensure the avoidance of double payments through audits and adjustments to the nursing facility's annual cost report as required by section 256B.47, and that charges and arrangements for ancillary materials and services are cost-effective and as would be incurred by a prudent and cost-conscious buyer. Therapy services provided to a recipient must be medically necessary and appropriate to the medical condition of the recipient. If the vendor, nursing facility, or ordering physician cannot provide adequate medical necessity justification, as determined by the commissioner, ~~in consultation with an advisory task force that meets the requirements of section 256B.064, subdivision 1a,~~ the commissioner may recover or disallow the payment for the services and may require prior authorization for therapy services as a condition of payment or may impose administrative sanctions to limit the vendor, nursing facility, or ordering physician's participation in the medical assistance program. If the provider number of a nursing facility is used to bill services provided by a vendor of therapy services that is not related to the nursing facility by ownership, control, affiliation, or employment status, no withholding of payment shall be imposed against the nursing facility for services not medically necessary except for funds due the unrelated vendor of therapy services as provided in subdivision 3, paragraph (c). For the purpose of this subdivision, no monetary recovery may be imposed against the nursing facility for funds paid to the unrelated vendor of therapy services as provided in subdivision 3, paragraph (c), for services not medically necessary. For purposes of this section and section 256B.47, therapy includes physical therapy, occupational therapy, speech therapy, audiology, and mental health services that are covered services according to Minnesota Rules, parts 9505.0170 to 9505.0475, and that could be reimbursed separately from the nursing facility per diem.

Sec. 18. Minnesota Statutes 1992, section 299F.093, subdivision 1, is amended to read:

**Subdivision 1. DUTIES.** (a) The commissioner shall:

(1) adopt rules no later than July 1, 1987, with the advice of the hazardous substance notification advisory committee, establishing the form and content of the hazardous substance notification report form, as required by section 299F.094, and describing one or more hazard categories with specified ranges of quantities in each hazard category, representing increments of substantially increased risk;

(2) print and provide to individual fire departments the requested number of hazardous substance notification reports, which must be made available to a fire department no more than 90 days following its request, for the fire department to mail or otherwise make available to employers in the jurisdiction;

(3) report to the legislature, as needed, on the effectiveness of sections 299F.091 to 299F.099 and recommend amendments to sections 299F.091 to 299F.099 that are considered necessary;

(4) ~~appoint a hazardous substance notification advisory committee as required in section 299F.097;~~

~~(5)~~ adopt rules to implement sections 299F.091 to 299F.099, compatible with the Minnesota Uniform Fire Code so as to not limit the authority of local fire officials under that code; and

~~(6) in consultation with the hazardous substance notification advisory committee,~~ (5) adopt rules that are based on the most recent standard 704, adopted by the National Fire Protection Association, and that allow a fire department to require employers within its jurisdiction to post signs conforming to standard 704, and indicating the presence of hazardous substances. If the signs are required, a fire department shall supply the signs or provide information to assist an employer to obtain them.

(b) The commissioner shall adopt criteria and guidelines, with the concurrence of the hazardous substance notification advisory committee, for the disbursement of funds pursuant to Laws 1986, First Special Session chapter 1, article 10, section 20, subdivision 1. These criteria and guidelines are exempt from the Minnesota administrative procedure act.

Sec. 19. **REPORT.**

The appointing authority for each advisory task force, committee, or council created in statute or by a commissioner or agency head under Minnesota Statutes, section 15.014, must submit a one page report to the chair of the committee on governmental operations and gambling of the house of representatives, the chair of the committee on governmental operations and reform of the senate, and the governor by January 15, 1994. The report must list the following information for each group for the most recently completed fiscal year:

(1) the number of meetings;

(2) the estimated expenses for the group;

(3) the estimated number of hours that the host agency staff served the group; and

(4) a summary of the group's activities.

If there is more than one appointing authority, the authority that appoints the most members must submit the report.

Sec. 20. **REPEALER.**

Minnesota Statutes 1992, sections 41.54; 41A.07; 43A.31, subdivision 4; 82.30, subdivision 1; 84.524, subdivisions 1 and 2; 85A.02, subdivision 4; 86A.10, subdivision 1; 116J.645; 116J.984, subdivision 11; 116N.05; 120.064, subdivision 6; 121.87; 145.93, subdivision 2; 148B.20, subdivision 2; 152.02, subdivision 11; 184.23; 206.57, subdivision 3; 245.476, subdivision 4; 245.4885, subdivision 4; 256.9745; 256B.433, subdivision 4; 257.072, subdivision 6; 299F.092, subdivision 9; 299F.097; and 626.5592, are repealed.

Sec. 21. **EFFECTIVE DATE.**

Section 11 is effective the day following final enactment. The remainder of this act is effective July 1, 1993.

Presented to the governor May 20, 1993.

Approved May 24, 1993.

# *INACTIVE ADVISORY GROUPS ELIMINATED IN S.F. 1054/H.F. 1203*

| STATUTE | ADVISORY BOARD | AGENCY AFFILIATION | YEAR ORIGINATED | DATE EXPIRES |
|---|---|---|---|---|
| ~~6.65~~ | ~~Audit Guide Task Force~~ | ~~State Auditor~~ | ~~1983~~ | ~~Open*~~ |
| 16B.39 Subd. 1a | Productivity Fund Task Force | Administration | 1987 | Open* |
| 116J.975 | International Partnership Program Advisory Committee | Trade and Economic Development | 1991 | Open* |
| 125.188 Subd. 3 | Alternative Preparation Teacher Licensing Task Force | Board of Teaching | 1990 | Open* |
| 125.1885 Subd. 3 | Alternative Preparation Administrator Licensing Task Force | State Board of Education | 1991 | Open* |
| 129D.16 | Public Broadcasting Advisory Task Force | Administration | 1985 | Open* |
| 148.235 Subd. 2 | Nurse Practitioner Advisory Task Force | Board of Nursing | 1990 | Open* |
| 246.017 Subd. 2 | Medical Policy Directional Task Force on Mental Health | Human Services | 1953 | Open* |
| 246.56 Subd. 2 | Prevocational Training for Patients with Mental Illness or Mental Retardation | Human Services | 1969 | 6/30/93 |
| 256B.0629 Subd. 4 | Organ and Tissue Transplant Advisory Committee | Human Services | 1990 | None** |
| 256B.433 Subd. 1 | Nursing Home Ancillary Services Advisory Task Force | Human Services | 1987 | Open* |
| 41.54 | Family Farm Advisory Council | Agriculture | 1976 | 6/30/93 |
| 41A.07 | Agricultural Resource Loan Guaranty Advisory Committee | Agriculture and Economic Development Board | 1984 | Open* |

| STATUTE | ADVISORY BOARD | AGENCY AFFILIATION | YEAR ORIGINATED | DATE EXPIRES |
|---|---|---|---|---|
| 43A.31(4) | Insurance Advisory Task Force | Employee Relations | 1981 | Open* |
| 82.30 | Real Estate Advisory Task Force | Commerce | 1973 | Open* |
| 84.524(1,2) | BWCA Advisory Task Force | Governor Appoints | | Open* |
| 85A.02(4) | Zoo Advisory Task Force | Zoo Board | 1969 | Open* |
| 86A.10(1) | Outdoor Recreation Advisory Task Force | Trade and Economic Development | 1975 | Open* |
| 116J.645 | Natural Wild Rice Promotion Advisory Task Force | Trade and Economic Development | 1990 | Open* |
| 116J.984(11) | Community and Neighborhood Development Advisory Committee | Trade and Economic Development | 1989 | Open* |
| 116N.05 | Regional Advisory Committee | Rural Development Board | 1987 | 6/30/93 |
| 120.064(6) | Outcome-based Schools Advisory Committee | State Board of Education | 1991 | None** |
| 121.87 | Community Education Advisory Task Force | State Board of Education | 1971 | 6/30/93 |
| 145.93(2) | Poison Information Center Advisory Task Force | Health | 1980 | 6/30/93 |
| 148B.20(2) | Social Worker Licensure Board Continuing Education Advisory Bd. | Social Worker License Board | 1987 | None** |
| 152.02(11) | Controlled Substances Advisory Task Force | State Pharmacy Board | 1971 | Open* |
| 175.008 | Code Enforcement Advisory Council | Labor and Industry | 1984 | 6/30/93 |
| 184.23 | Employment Agency Advisory Task Force | Labor and Industry | 1967 | Open* |
| 206.57(3) | Voting Systems Advisory Task Force | Secretary of State | 1984 | Open* |

| STATUTE | ADVISORY BOARD | AGENCY AFFILIATION | YEAR ORIGINATED | DATE EXPIRES |
|---|---|---|---|---|
| 245.476(4) | Residential and Inpatient Treatment Services for Adults Advisory Task Force | Human Services | 1989 | Open* |
| 245.4885(4) | Residential and Inpatient Treatment Services for Children Advisory Task Force | Human Services | 1989 | Open* |
| 256.9745 | In-home Services Advisory Task Force | Board on Aging | 1987 | Open* |
| 256B.433(4) | Nursing Home Therapy Services Advisory Task Force | Human Services | 1987 | Open* |
| 257.072(6) | Minority Child Welfare Advisory Task Force | Human Services | 1988 | Open* |
| 299F.097 | Hazardous Substances Notification Advisory Committee | Public Safety | 1986 | 6/30/93 |
| 626.5592 | Child Protection Worker Steering Committee | Human Services | 1988 | None** |

* Open -- Continuation at the discretion of appointing authority.
** None -- No expiration.

3/10/93
House DFL Caucus Research

## Cleaning the state slate

A new law will reduce the number of state task forces, councils, committees, and boards and require those that remain to report on their activities to the governor and the Legislature.

The law is designed to continue only those bodies that actively advise the state and to eliminate those that have become irrelevant or outdated, said chief author Rep. Mark Mahon (DFL-Bloomington).

On July 1, 1993, the law will terminate 36 of the more than 160 advisory panels authorized by state law. Among the advisory bodies targeted for elimination are the Nurse Practitioners Task Force, the Medical Policy Directional Task Force on Mental Health, the Natural Wild Rice Promotion Advisory Task Force, and the Zoo Advisory Task Force.

An unknown number of advisory task forces, many without expiration dates, have been created by the commissioners of various state agencies. The new law stipulates that these and all other advisory bodies submit a one-page report on their activities to the governor and to the chairs of the House and Senate committees on governmental operations by Jan. 15, 1994.

In addition, a section of the law sets a June 30, 1997, expiration date for all advisory groups.

The Senate proposal was sponsored by Sen. Deanna Wiener (DFL-Eagan). (HF1203/SF1054*/CH337)

### Contract cuts

(See Vetoed Bills, page 80)

### No gender balancing

(See Vetoed Bills, page 81)

### Evironmental reorganization

(See Vetoed Bills, page 81)

### Gender balancing fire council

(See Vetoed Bills, page 79)

## Exempt from mandates

An 11-member board of government innovation and cooperation will be created under a new state law.

The board will serve as a quasi-judicial body with the authority to grant waivers of administrative rules and temporary, limited exemptions from the procedural requirements in state law for between two and four years.

Counties, cities, and other authorities can submit detailed "waiver" applications to the board, which must respond to the requests within 60 days. If there is an objection to a request, an informal hearing will be held on the issue.

Exemptions could be granted from procedures in either state rules or laws which govern the delivery of services. Any requests from metro area governmental units also will be sent to the Metropolitan Council for its review.

The board will consist of three House members and three Senate members, two administrative law judges, the state auditor, and the state commissioners of finance and administration. The legislative members will be non-voting members.

The board also will be a financial resource for local units of government seeking to improve their management practices or the delivery of services.

Grants of up to $50,000 may be awarded to counties, townships, and other authorities such as school districts to implement "design models or plans for innovative service delivery and management." The board also will disburse cooperative planning grants to encourage intergovernmental service delivery.

A total of $1.2 million in grant funds will be appropriated to the board. The board also is authorized to hire staff and consultants, and may purchase services from the Metropolitan Council to aid in the reviewing of waiver requests and grant proposals.

Additionally, the board will study and recommend eliminating any state mandates that "inhibit local government efficiency, innovation, and cooperation."

Local governmental units often express frustration over the number of mandates placed on them by both the federal and state governments, particularly when such mandates come without additional funding to help put them in place.

The proposal, which is effective Aug. 1, 1993, was incorporated into the omnibus tax bill sponsored by Rep. Ted Winter (DFL-Fulda) and Sen. Sandy Pappas (DFL-St. Paul). (HF427*/SF585/CH375 Article 15)

The original proposal (HF980/SF734) was sponsored by Rep. Irv Anderson (DFL-Int'l Falls) and Sen. Ember Reichgott (DFL-New Hope).

## Metro advisory council

A state advisory council on metropolitan governance will be established to identify "emerging regional needs and appropriate responses" to those needs.

The purpose of the council is to provide a forum at the state level to discuss and identify the needs of the seven-county metro area.

The 15-member council, composed of six legislators and nine public members, will advise the Legislature on the present and future duties and responsibilities of the Metropolitan Council, metropolitan agencies, and local governmental units.

Those metro agencies to be examined include the Regional Transit Board, the Metropolitan Transit Commission, and the Metropolitan Airports Commission, among others.

The new advisory council may hold public hearings to solicit input, and may conduct appropriate research and analysis.

Assistance to the council will be provided by metro agencies, the Metropolitan Council, and legislative staff upon request by the advisory council.

The Metropolitan Council is responsible for compensating all members of the panel at the rate of $55 per meeting plus expenses for public members, $48 for House members and $50 for Senate members. At its first meeting, the advisory council shall adopt a budget of estimated expenses and provide the Metropolitan Council with a copy.

The council, which is authorized to form at any time, will sunset on June 30, 1994.

The proposal was incorporated into the omnibus tax bill authored by Rep. Ted Winter (DFL-Fulda) and Sen. Sandy Pappas (DFL-St. Paul). (HF427*/SF585/CH375, Article 17, Section 25)

The original proposal (HF1588/SF1454) was sponsored by Rep. Myron Orfield (DFL-Mpls) and Sen. Carol Flynn (DFL-Mpls). It was one of several bills Orfield introduced aimed at restructuring and more equitably redistributing metro area governmental services.

April

# A REVIEW OF PAST MINNESOTA

# REORGANIZATION AND REFORM EFFORTS

# & THEIR IMPLICATIONS FOR *CORE*

**ASSESSMENT/EXECUTIVE REORGANIZATION WORKING GROUP**

WORKING PAPER
DRAFT

April 30, 1992

# Minnesota's Past Reorganization and Reform Efforts: A Review

> *. . . the enormous growth of state expenditures emphasizes the crying need for radical changes. The commission's plan would mark a tremendous improvement. It would check the constant rise in the burdens of taxation. It would give the people more for their money. It would enable the people to control their public service.*

This quote, taken from the *Preliminary Report of Minnesota's Economy and Efficiency Commission of 1914*, could easily have been written by the Commission on Reform and Efficiency. Contained within it are themes familiar to most state reforms -- change, control, and efficiency.

Whenever governments have been perceived as bloated, fragmented, inefficient or unaccountable, the call to reorganize is commonly heard. Despite their popularity, state reorganization efforts often do not prove to be successful. Traditional executive branch reorganizations often concentrated on internal issues, and consequently failed to give adequate attention to the influence of important external factors. This reality is understandable and forgiveable in light of the notion that bureaucracies were created in such a way as to be protected from certain outside forces. Nevertheless, past failure to account for the fiscal, political and societal issues which triggered government reforms, leaves us with studies that appear to have been performed in a vaccuum. Stacks of reports exhibiting the familiar "before and after" charts misleadingly depict governments as static rather than dynamic entities. While this fact does not make historical documents irrelevant, it does highlight the need for CORE to be keenly aware of government's external environment as it sets out to redesign services and structures.

Minnesota has often sought executive reorganization as a tool to create better government. Since 1910, the state of Minnesota has sponsored twelve major studies on the organization and management of state government. Three of the reports reviewed the state's constitution, seven recommended major structural reorganizations, and three suggested primarily managerial reforms. (see appendix for listing of reforms)

Several factors precipitated studies in Minnesota: the need to concentrate executive authority and to coordinate staff services; the lack of functional integration between agencies; the proliferation of boards and commissions; the need to establish an independent audit; and the necessity of forming a cabinet to serve at the governor's leisure. A scan of the reorganization literature shows that Minnesota is not unique in its reasons for pursuing reorganizations. Government theorists include all of the above in a classic set of administrative principles which have dominated most state reorganization efforts prior to 1978. [1]

Most of Minnesota's reorganization and reform efforts saw limited success. Of the literally hundreds of recommendations spanning the past eighty years, only a fraction were adopted during the years immediately following publication. Adding to the difficulty of assessing the impact of suggested reforms is a clear absence of follow-up reports or implementation data. Interestingly, historical analysis does show that many of the same restructuring and reform ideas were suggested repeatedly over periods of ten to fifty years before they were adopted. Due to the lack of appropriate documentation, we are left to guess at why certain worthy recommendations were largely ignored when initially suggested.

## Minnesota Reforms in the Context of National Trends

Reorganization theorists have identified a chronological pattern to state reorganizations, demonstrating how they seem to emulate federal executive branch reorganizations.[2] The following study describes Minnesota's major reform and reorganization efforts within the context of national reorganization trends.

### 1910 to 1936

The first wave of state reorganizations occurred between 1911 and 1936 and had as its catalyst, Presidents Taft's *Economy and Efficiency Commission Report* of 1912. Following the federal government's lead, state reorganization of this period focused on creating clearer lines of accountability in the executive branch and garnering more control for the governor.

During this period Minnesota attempted two significant reorganizations, through Governor Eberhart's Economy and Efficiency Commission of 1914 and the Legislative Reorganization Act of 1925. The 1914 Economy and Efficiency Commission was made up of 30 members appointed by the governor. At the outset the Commission decided to "focus not on *what* the State should do, but the *way* it should do it."[3] The Commission had determined that the major problem with state government lay in its organization and methods of finance.

The main features of the Commission's plan included: creation of six departments headed by directors who serve at the pleasure of the governor, Finance, Public Domain, Public Welfare, Education, Labor and Commerce, Agriculture; establishment of a merit system in the civil service to protect against the possible abuse of power due to centralization of authority in the governor's office; and establishment of new policies to guide the biennial budget appropriations process.

Actions taken by the legislature in 1925 brought about significant reforms in the executive branch. The Reorganization Act of 1925 was this century's first major consolidation of many small agencies and divisions under department umbrellas.[4] The 1925 Act created the Executive

Council, and several major departments including the Departments of Administration and Finance, Conservation, Commerce, Education, Highways and Public Institutions. In most cases these new departments were run by commissions, rather than by a director or commissioner as recommended in the report of 1914. Nevertheless, the Act did make significant headway towards organizing the disparate functions of state government and in bringing the executive branch under gubernatorial control.

## 1937 to 1946

Franklin Roosevelt's Brownlow Committee report sparked the second wave of reorganizations, occurring between 1937 and 1946. These efforts focused on enhancing the administrative powers of governors and on tightening fiscal control. Reforms of this period resulted primarily in changes in state financial management practices such as accounting, budgeting, auditing and purchasing.

Perhaps Minnesota's most significant restructuring effort occurred during this period. Based on the findings of a legislative investigating committee, the legislature adopted the 1939 Reorganization Act. This action created the Department of Administration, gave the Commissioner of Administration power to regulate purchasing, to plan for building and highway construction, and to prepare the biennial budget. The act also created the Departments of Public Examiner, Taxation and Social Security. By the same Act, Minnesota adopted a civil service system, quarterly budget controls and a centralized purchasing system based on competitive bidding.[5]

## 1947 to 1965

A third wave of state reorganizations, covering 1947 through 1965, emanated from the Hoover Commission. The Hoover Commission promoted themes that were prevalent in the growing American business sector -- economy, efficiency and enhanced service to clients. Across the country states inaugurated "Little Hoover Commissions" which attempted to achieve economies of scale by eliminating duplication and streamlining management processes.

Minnesota's own "Little Hoover Commission," formally known as The Efficiency in Government Commission, was established by the 1949 legislature and directed to "fully and impartially inform the Legislature about the administration of state government so that measures may be taken to achieve greater efficiency and economy."[6] Nineteen commission members, with the assistance of 130 private citizens and a team of nationally recognized consultants, studied the executive branch of government, which at that time consisted of 105 agencies in state government (35 major departments and 70 boards, commissions and offices).

In 1951, the Efficiency in Government Commission submitted a report to the legislature listing 111 major recommendations. Areas under study were executive management, legislative authority, agriculture, commerce and utilities, conservation, education, licensing and inspection, health, highways and aeronautics, labor and industry, law enforcement, welfare and taxation. The whole of state government would have undergone major changes if the recommendations had not been largely ignored at the time.

A few short years later, newly elected Governor Orville Freeman, began his term in office by presenting a sweeping reorganization proposal to the legislature. The 1955 legislature passed the proposal, however, problems with the Act's engrossment caused it to be struck down by the Minnesota Supreme court in Foster v. Naftalin, 246 Minn. 181, 74 NW.2d 249 (1956). Had the reorganization plan been enacted it would have reduced the number of state agencies and organized them by function, granted the governor the authority to appoint and remove department heads, reduced the number of boards and commissions that diffused executive responsibility, and established an Office of Post-Audit independent of the governor.

Following the invalidation of the 1955 Reorganization Act, Governor Freeman established a Task Force on Overall Structure which commenced a comprehensive study known as the *Minnesota Self-Survey*. The Task Force recommended consolidating major state functions into 14 departments and increasing the Department of Administration's span of control. Most notably it recommended that the Department of Administration take on the pre-auditing and accounting responsibilities of the State Auditor, and that the duties of the Public Examiner be assigned to the new office of the Legislative Post-Auditor.[7]

In 1948, Minnesota also sponsored an analysis of the state constitution. The 1948 report of the Constitutional Commission recommended the abolition of the elected positions of Secretary of State, State Treasurer and the State Auditor and also recommended revisions to the constitution. No action was taken by the legislature as a result of the Commission's findings.[8] It should be noted that four subsequent studies of Minnesota government concurred with the findings of the Constitutional Commission recommending constitutional changes in the elected-position status of State Secretary, Auditor, and Treasurer.[9]

Reports and documents leave few clues as to why Minnesota government did not undergo a major restructuring as a result of any of the reorganization studies of this period. While minor internal alignments and management improvements did occur, a growing bureaucracy lacking clear lines of accountability remained.

## 1965 to 1978

The period between 1965 and 1978 is referred to as the "golden years" of state reorganization. This description is based on compiled data indicating a high adoption rate for the 22 states which attempted reorganizations during that time. Factors said to have initiated this next wave of state reorganizations included: unprecedented growth in state expenditures; the expansion of state services and regulatory activities; the influence of private sector management practices and budgeting techniques; citizen demand for improved services; and legislatures seeking more power in the policy implementation arena.[10]

Coinciding with this period, Minnesota government underwent another serious reform and reorganization effort: Harold LeVander's Governor's Council on Executive Reorganization of 1967-68. The objectives of this effort differ markedly from those of prior reform efforts. While it is true that the examination of executive branch structure remained a priority, the 1968 Council took a proactive stance, attempting to identify both the potential problems of state government administration and the best management tools available to meet future administrative and programmatic challenges.

In total, the Council's final published report contained 51 recommendations. Two of the Council's major recommendations echoed suggestions from previous reorganization studies. First, the Council suggested that department heads should be appointed by and serve at the leisure of the governor. Second, the Council recommended the abolition of the constitutional elected offices of State Auditor, Treasurer, and Secretary. Other noteworthy recommendations included broad executive reorganization powers for the governor and same ticket election of the Governor and Lt. Governor. In addition, the Council's report included a plan for reorganizing the executive branch.[11]

There is evidence in the Laws of Minnesota for 1969 that several of the Council's reorganization recommendations were adopted. The 1969 legislature created a Department of Public Safety, renamed the Department of Conservation to Natural Resources, and most importantly, gave the governor the power to appoint commissioners to serve at his pleasure. Interestingly, during this session, the legislature also took the opportunity to increase its own influence on the executive branch by establishing a Legislative Services Commission and a Reference library.[12]

The Loaned Executive Action Program, commonly known as LEAP, also occurred during the period from 1965 and 1976. Established by Governor Wendell Anderson, LEAP's objective was not to study the total reorganization of the executive branch, but to improve executive branch efficiency and responsiveness by enhancing administrative systems and organizational structures. LEAP utilized the expertise of one hundred private sector loaned-executives in its effort to find ways for government to become more customer-oriented and to gain business savvy. The LEAP report, published in 1973, contained 136 recommendations with a projected savings to the state of $32 million. Major recommendations called for changes in the Departments of Administration and Personnel, improvements in management information systems, and creation of a Department of Finance.[13]

As with most government reforms, LEAP's implementation details are largely undocumented, thus making an assessment of its success or failure difficult. However, the session laws of 1973 do show that some of LEAP's reorganization recommendations were adopted. They include, the creation of the Department of Finance, the transfer of the power of the Public Examiner to the State Auditor, and changes in the newly created Department of Revenue. During that same session the legislature created a new office in its own branch, that of the Legislative Auditor.[14]

## 1975 to 1985

The number of states undertaking comprehensive reorganizations tapered off dramatically between 1975 and 1985. The literature identifies several reasons for the dearth of sweeping reorganization studies during this period. First, many states were content with the success of recent reorganizations. Second, emerging policy issues and tight resources caused budgeting and management reforms to take precedence over structural and executive control issues. Also contributing to the lack of reorganization efforts was legislative resistance to any effort which could be construed as an attempt to expand gubernatorial power.[15]

Governor Rudy Perpich established Minnesota's only major reform effort of this period, the Task Force on Waste and Mismanagement. It should be noted however, that this was not a reorganization study. The fundamental objective of the Governor's Task Force on Waste and Mismanagement, (also referred to as the Goff study, after the Chair of the Task Force), was to search out and then recommend ways to eliminate waste in state management. The theme and attitude of the Goff report was similar to those of a President Reagan's Grace Commission, a federal reform of the same period.

The Goff task force was staffed by twelve state employees who were assisted by twenty-one private sector volunteers. The Goff report contained 255 recommendations, many of which were implemented, but resulted mostly in one-time savings. The Goff study suggested several specific reforms in the areas of statewide inventory management, professional development, long distance telephone use, purchasing, printing and publications, and land acquisition.[16]

## 1986 to 1990

Since 1986, there has been a significant increase in state reorganization efforts. Many elements account for the recent resurgence in comprehensive reforms. State resources are dwindling due in large part to the escalating costs of health care and education. Likewise, public dissatisfaction with higher taxes has combined with a general suspicion of bureaucratic and political systems forcing a new wave of bipartisan reform demands. In addition, downsizing and quality control measures in the private sector have put pressure on the government to follow suit.

Contemporary reforms show evidence of moderate success in terms of dollar savings and enhanced executive control. Recently published reports from other states identify elimination of services and positions, user fees, privatization, and performance based budgeting among the popular remedies for healing the afflictions of state organizations. (see Working Paper No.2)

Between 1986 and 1990, the state of Minnesota, Governor Rudy Perpich led the state of Minnesota in a reform effort known as STEP -- Strive Toward Excellence in Performance. STEP was a coordinated effort to improve the quality and cost-effectiveness of state government services. STEP emphasized the need for long-term, continuous changes in the productivity and quality of state services. Unlike many of the state efforts occurring concurrently throughout the nation, STEP did not focus on the structure of government, nor did it attempt a reorganization. The STEP effort consisted of 60 projects covering a wide range of topics. One example of a STEP project is "Sentencing to Service," a partnership between two state agencies which put non-violent lawbreakers to work on environmental projects. A second example is the "Minnesota Weather Information Network" which provides thorough, timely localized weather information for pilots, motorists, and farmers. The 1990 change in executive administrations halted the progress of most STEP projects. However, it should be noted that STEP has been heralded as an innovative and effective government reform model.

## Implications for CORE

An examination of previous Minnesota reform and reorganization efforts suggests several implications for the Commission on Reform and Efficiency's reorganization plan.

First, the importance of legislative support of any reorganization effort should not be underestimated. History shows that the most successful reorganization efforts in Minnesota were those sponsored or strongly supported by the legislature. Several reasons account for this reality. Constitutionally, the legislature holds most reorganization powers. Additionally, the legislature controls policy development and budget appropriations. Moreover, the legislature is often unwilling to allot too much power to the executive branch for fear of losing some of its influence on policy implementation.

Second, if CORE's reorganization objective is to bring the executive branch under the tighter control of the governor, then the legislature must be willing to develop a more *laissez faire* attitude about its role in policy implementation. In this case, CORE also needs to foster a bi-partisan climate for its reorganization plans if there is to be any hope for adoption.

Third, the design of a new blue print for state government is a worthy task, however, at the outset CORE should recognize the likelihood that a traditional reorganization will not result in major cost savings for the state. If significant dollar savings are a goal, the CORE commission must ultimately be willing to recommend a sizable reduction in the number of positions and programs.

Fourth, CORE would be wise to think big and plan with an eye to the future. A reorganization plan should be based in part on a scan of current and future critical policy issues. Fiscal, societal and political trends should play as large a part in any redesign of state government organization as functional duplication and administrative cost efficiencies. Most reform and reorganization ideas are not adopted immediately, thus, what may appear like a radical idea in 1992 may seem to be the perfect solution for a crisis in 1995.

Fifth, a reorganization study should begin with specific goals in mind and produce a final report which provides solutions to discrete problems. General goals such as eliminating duplication or tightening executive control can be broadly interpreted and are typically difficult to address. An example of a more specific and perhaps more attainable reorganizing goal would be to realign environmental regulatory agencies so that businesses can apply for permits with ease.

Finally, CORE should design a methodology for measuring the positive and negative impacts of its reorganization recommendations. Such a design should not be an afterthought, but instead should be integral to the reorganization plan. Documented results will be valuable to analysts and policy makers who deem it necessary to initiate future reforms and reorganizations of Minnesota government.

# Minnesota Reorganization and Reform Efforts

| Study | Dates | Governor | Sponsor | Type |
|---|---|---|---|---|
| Efficiency and Economy Commission | 1913-14 | Adolph O. Eberhart | Governor | Executive Reorganization Civil Serivice and Budgeting Reforms |
| Reorganization Act | 1925 | Theodore Christianson | Legislature | Executive Reorganization |
| Senate Committee Investigation of All Departments of State Government | 1935 | Floyd B. Olson | Legislature | Investigation of allegations of political favoritism and misuse of public funds. |
| Reorganization Act | 1939 | Harold E. Stassen | Legislature | Executive Reorganization Civil Service reforms |
| Constitutional Commission of Minnesota | 1947-48 | Luther W. Youngdahl | Governor | Constitutional Reforms, Constitutional offices changes |
| Efficiency in Government Commission | 1949-50 | Luther W. Youngdahl | Legislature | Reorganization Administrative Reforms Strengthen the Legislative Branch, increase control of the Executive. |
| The Minnesota Self-Survey | 1955-56 1955-58 | Orville L. Freeman | Governor | Executive Reorganization |
| Governor's Council of Executive Reorganization | 1968 | Harold LeVander | Governor | Executive Reorganization |
| Loaned Executive Action Program, LEAP | 1972-73 | Wendell R. Anderson | Governor | Executive Reorganization Management Reforms |
| Minnesota Constitutional Study Commission | 1973 | Wendell R. Anderson | Legislature, Governor, Judicial | Reforms in all three branches, Constitutional office changes |
| Governor's Task Force on Waste and Mismanagement | 1977-78 | Rudy Perpich | Governor | Managerial reforms, some Executive reorganization |
| Governor's Task Force on Constitutional Officers | 1984 | Rudy Perpich | Governor | Constitutional Office changes |
| Strive for Excellence in Performance, STEP | 1985-90 | Rudy Perpich | Governor | Managerial and Programmatic reforms |
| Commission on Reform and Efficiency, CORE | 1991-92 | Arne Carlson | Governor | Executive Reorganization, Managerial and Programmatic Reforms |

**Endnotes**

1. James L. Garnett, *Reorganizing State Government: The Executive Branch* (Boulder: Westview Press, 1980) p.9.

2. In his book, *Reorganizing State Government: The Executive Branch*, Garnett, attributes the significant thinking on the wave theory of state reorganizations to A.E. Buck, W. H. Edwards, and H. Kaufman.

3. "The Preliminary Report of the Economy and Efficiency Commission", May, 1914.

4. See, Laws of Minnesota, 1925, chapter 426.

5. See, Laws of Minnesota, 1939, chapter 431.

6. See, Minnesota's Efficiency in Government Commission's Report, "How to Achieve Greater Efficiency and Economy in Minnesota's Government," December 1950, pp. 1-15.

7. General information of some of Minnesota's past reorganization efforts can be found in, "A Summary of Earlier Comprehensive Survey Proposals for Executive Reorganization", (Chicago: Public Administration Service, 1968).

8. "Report of the Constitutional Commission of Minnesota", Saint Paul, Minnesota, October, 1948.

9. Studies referenced include: "The Minnesota Efficiency in Government Commission" (1950); "Modernizing State Executive Organization," (1968); the "Report of the Minnesota Constitutional Study Commission" (1972); and, the "Report of the Governor's Task Force on Constitutional Officers,"(1984).

10. James K. Conant, "In the Shadow of Wilson and Brownlow: Executive Branch Reorganization in the States, 1965 to 1987," *State Government*, (Sept/Oct 1988); 892-902.

11. See, the report of the Governor's Council on Executive Reorganization, titled, "Executive Reorganization for the Improvement of State Government," December, 1968. Similar information can be found in "Modernizing State Executive Organization, State of Minnesota," (Chicago: Public Administration Service, 1968).

12. See, The Laws of Minnesota, 1969.

13. See, the "Governor's Loaned Executive Action Program's Final Report", Saint Paul, Minnesota, December 1972.

14. See, Laws of Minnesota, 1973.

15. Conant, James, "In the Shadow of Wilson and Brownlow: Executive Branch Reorganization in the States, 1965 to 1987."

16. See, "Final Report: Governor's Cost Savings Program," prepared by the Governor's Task Force on Waste and Mismanagement, December 1978.

# A REVIEW OF SIX STATE REFORM AND REORGANIZATION EFFORTS & THEIR IMPLICATIONS FOR *CORE*

ASSESSMENT/EXECUTIVE
REORGANIZATION WORKING GROUP

WORKING PAPER DRAFT

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# I. INTRODUCTION

The Commission on Reform and Efficiency (CORE) has identified Executive Reorganization as one of nine major areas for in-depth examination and possible reform. Several other states have recently turned to Executive Reorganization as a significant reform opportunity. This working paper presents the results of a systematic review of six reform/reorganization projects that have taken place in five states between 1985 and 1992. The purpose of this review is to:

- update commission members on recent, significant reform and reorganization projects, providing a context for CORE's reorganization project;
- provide Commission members and staff with ideas for articulating goals and refining project methodology;
- educate Commission members and staff about the results associated with reorganization and reform efforts and about the factors which contributed to a project's success or failure; and
- address other issues that arise from a comparison between CORE and other states' efforts.

Several reviews of state reorganization and reform efforts have been completed by state analysts and academicians in the last several years. In 1989, for example, James K. Conant reviewed the efforts of 22 comprehensive executive branch reorganizations that took place between 1965 and 1987 (Conant, 1989). Conant's analysis found that the principle goals or values for reorganizations were effectiveness, efficiency, and economy, and that the prescribed mandates for achieving these goals were expanded executive power and a modern, streamlined executive branch. Further, Conant emphasized that improvements in effectiveness, efficiency, and economy have seldom been documented. Conant concluded that "proponents of the classical school should be more cautious about the bottom line results they expect from reorganization, but they need not abandon the pursuit of a modernized, streamlined executive branch or strong executive leadership" (Conant, 1988).

A more recent survey of all 50 states and their reorganization activities by the South Carolina State Reorganization Commission reported similar results (State Reorganization Commission, 1991). This survey found that states continue to search for ways to improve the effectiveness and efficiency of government services. Summaries of state reorganization projects reported by the Commission also indicate, however, that reorganization efforts conducted in the last several years are more likely than previous efforts to claim significant cost savings. It also appears that they are more likely to be carried out as part of larger reform efforts. In a few states, "reinventing government" or total quality management techniques are promoted as part of the most recent reforms.

Reviews by Conant, the South Carolina Commission, and others provide a useful broad-brush look at state reorganization program. This working paper builds upon that research by looking in greater depth at six major reorganization/reform efforts recently conducted in five states. The six sample projects chosen for this analysis are those which were conducted in the last two years (with one exception) and represent a wide range of goals, methodologies, and types of recommendations. There is also a mix of projects whose recommendations were successfully implemented, and those projects whose recommendations are struggling to stay alive.

In summary form first, followed by a description of each of the six reorganization and reform efforts, the following project components are described:

- goals, mission, and/or guiding principles (including estimated savings);
- estimated savings;
- general approach/methodology;
- reporting of analyses and recommendations;
- status of implementation;
- funding;
- success factors;
- comparison with CORE; and
- implications.

## II. SUMMARY OF SIX MAJOR STATE REORGANIZATION AND REFORM EFFORTS

This review examines six reform/reorganization efforts conducted in the five states of Alabama, Iowa, New Jersey, South Carolina, and Texas (see Table 1). Two of these efforts include a plan for restructuring the entire state government (Iowa, 1985 and South Carolina, 1991). The other four projects were broad efforts to reform state government as a whole. In those four cases, restructuring recommendations are found throughout the report, relevant to specific departments or issues being studied. The reorganization/reform efforts considered here were completed in 1990-1991, except for the 1985 Iowa study. All of the studies were initiated or supported by the state's Governor. The length of time taken to complete the six studies ranged from about four months to twelve months.

### Goals

Nearly all of the state reform efforts examined in this paper shared the goals of cutting costs and increasing efficiency. Two states explicitly conducted restructuring efforts to enhance the Governor's control of government agencies. As shown in Table 1, other goals identified by reform and restructuring efforts are increased productivity, eliminating unnecessary programs, enhanced government responsiveness, improved management practices, privatized services where appropriate, and involving stakeholders to ensure implementation.

### Estimated Savings

With the exception of South Carolina, all the states reported significant cost savings resulting from their reform efforts. Estimated savings ranged from $30 to $40 million in Iowa in 1985, to $12.26 billion in Texas over five years.

Texas promotional materials relate the ease with which significant savings were realized:

> *"When the Performance Review began, some expressed the hope that we could find savings of $200 million. We found that much the first day" (TPR, 1991b).*

Often "savings" are the expected result of several different activities such as increasing state fees and charges, eliminating unnecessary services and privatizing services. The methodology for calculating these savings is rarely (if ever) specified. It is nearly impossible to identify the savings directly attributable to reorganization. Data on cost savings are usually broken down by the relevant departments or issues rather than by reorganization vs. other strategies.

Another problem in evaluating savings due to reorganization is that "reorganization" can refer to different activities in different states. In a South Carolina study, reorganization is defined generally as "the rearranging of personnel and resources to achieve a common goal" (State Reorganization Commission, 1991). In Iowa, executive reorganization includes "reducing layers of middle management, simplifying the job classification system and implementing a management incentive program" (GCGSR, 1991). In other cases, reorganization might include the elimination of positions, agencies, and programs. Most of the six reform efforts recommended major workforce and service reductions as a way to save millions of dollars.

# TABLE 1: Overview of Project Goals & Estimated Savings

| STATE | PROJECT NAME & AFFILIATION | YEAR STUDY COMPLETED | MAJOR GOALS | EST. SAVINGS ASSOCIATED WITH REFORM* |
|---|---|---|---|---|
| Alabama | Alabama Management Improvement Program (AMIP): private corp.; Gov. sponsored | 1991 (Phase 1 and Phase 2, about one year)[1] | Identify short-term savings; encourage new management techniques; effectiveness and efficiency; involve stakeholders to ensure implementation | $91 Million Annually |
| Iowa - 1991 | Governor's Committee on Government Spending Reform; Booz-Allen facilitated | 1991 (six months) | Develop strategies to reshape future role and practices of Iowa government with focus on spending reductions | About $482 M in FY 1993; $592 M in FY 1994; $6.3 M due to reorganization |
| Iowa - 1985 | Restructuring and Downsizing Government; Governor initiated; Peat Marwick conducted | 1985 (four months) | Identify savings; eliminate unnecessary programs and activities; improve Governor's control | $30 - $40 Million |
| New Jersey | Governor's Management Review Commission | 1990 (about one year) | Cut costs; streamline operations; increase productivity | $965 Million |
| South Carolina | South Carolina Commission on Government Restructuring; Governor appointed | 1991 (about one year) | Establish/concentrate authority/ responsibility; manageable span of control; enhance government responsiveness. Also address problem of inefficiency | Not yet determined |
| Texas | Texas Performance Review | 1991 (six months) | Efficiency; maximize federal funding; eliminate unnecessary services; privatize as appropriate; suggest needed changes; consolidate/reorganize where appropriate | $12.26 Billion over five years |

*May include cost avoidances, revenue increases and cost savings, and often includes the elimination of many programs and positions. It is almost impossible to determine the savings attributable to reorganization (see discussion on previous page).

[1]Substudies took 6-10 weeks to complete; the process took about one year.

General Approach

As seen in Table 2, three of the states approached the reform task by conducting studies of a variety of programs and cross cut issues (Alabama, New Jersey, and Texas). Others conducted examinations of all major departments or focused on reorganization needs. Generally states relied on teams composed of public and private experts to conduct the analysis, with a commission or similar body guiding staff work. Approaches ranged from top-down studies in Iowa (1985) in which Peat Marwick teams developed the basic restructuring plan, to Texas and Alabama reform efforts involving extensive employee input.

Sources of data used by the states included previous reports, public and private experts, state employees, and specific department information. Some states such as Iowa (1985) developed recommendations quickly and without much reporting of the rationale behind the recommendations. Other states such as South Carolina employed a very systematic approach and conducted surveys of every department.

Cost

The reported cost of the reorganization and reform studies ranged from $160,000 in Iowa (1985) to $1.6 million in Alabama. In most cases, the private sector picked up all or much of the tab, either through direct contributions or in-kind support.

## TABLE 2: Project Methodologies, Reporting of Recommendations, Status of Implementation & Costs

| STATE | GENERAL APPROACH/ METHODOLOGY | REPORTING OF ANALYSES & RECOMMENDATIONS | STATUS OF IMPLEMENTATION | COST |
|---|---|---|---|---|
| Alabama | **Project 1:** short-term studies of 17 agencies and departments and 4 cross-cut studies. **Project 2:** address seven specific questions. Focus on functional areas | Recommendations made in wide variety of areas (e.g., raise revenues, eliminate services and positions, restructure departments) | As of 1991, 74 percent of original recommendations implemented | $1.6 Million. Private business funded. |
| Iowa - 1991 | Seven task forces studying broad areas, facilitated by Booz-Allen | Recommendations made in wide variety of areas, focusing on savings; brief rationale and implementation plans. Some study of Executive Branch | About $200 million worth of FY 1993 recommendations in the Governor's budget | Approximately $400,000. About 2/3 private sector funding. |

| STATE | GENERAL APPROACH/ METHODOLOGY | REPORTING OF ANALYSES & RECOMMENDATIONS | STATUS OF IMPLEMENTATION | COST |
|---|---|---|---|---|
| Iowa - 1985 | Peat Marwick teams meet with other experts to devise plan; department heads provide input; state managed estimate impact | Recommendations made in wide variety of areas; overall restructuring recommendations reduce Iowa's 68 departments to 18. Eliminates 37 boards and commissions. Little discussion | A majority of all recommendations and most of the restructuring recommendations implemented through State Reorganization Act of 1986 | Approximately $160,000 (approx. $500,000 if done today). Private sector funding. |
| New Jersey | **Phase 1**: Audits of 12 departments and 19 cross cut issues. About 1/2 done by private sector. Methodology varied by audit, often includes surveys, interviews, etc. **Phase 2**: 10 more audits completed by private sector | Recommendations made in wide variety of areas; each audit has its own report. Reorganization recommendations common within departments | Phase 1 report done. About $245 million of $965 million in expected savings realized | **Phase 1**: Unknown, much pro bono work. **Phase 2**: approximately $1.4 million. |
| South Carolina | Data gathered from numerous sources, including extensive department surveys; six primary analyses of data; | Restructuring Plan developed. Consolidation of 145 agencies to 15 cabinet departments; each proposed department described in detail; 11 basic principles outlined | Report to serve as guide, one model. Report is Stage 1 of 5 Stages. Attempting now to get referendum on ballot for setting maximum number of cabinet department-level departments at 15 | Unknown. All public funds. |
| Texas | Ten teams covered a wide variety of issues. Methodologies included review of other state efforts, interviews with experts, "hotline" for public input, public hearings, and employee ideas | Recommendations made in wide variety of areas in three volume report. Restructuring recommendations within specific areas | 65 percent of proposals adopted in some form as of August 1991 | Between $200,000 and $250,000. Funded by public sector. |

Major Success Factors and Problems Associated with Reorganization/Reform Efforts

A list of the major factors associated with a project's success is presented in Table 3. Factors especially emphasized by the project directors or chairs interviewed included the involvement of state employees in developing recommendations, using consultants when necessary, having a short timeframe to conduct the study so that momentum for the project isn't lost, and "good timing". Good timing was said to include an associated budget crisis which stimulated a need for change and a strong Governor.

Table 3 also lists major problems experienced by states in completing and implementing their work. One common problem is that recommendations can be stalled or killed by interest groups and the legislature. Texas' strategy for mitigating this problem was to keep the recommendations secret until the project's completion, and then release all 975 recommendations at once. This delayed the speed with which interest groups could digest the recommendations and form their opposition. Iowa (1991), took the opposite approach - the press was invited to attend all meetings. This reportedly resulted in good press, which in turn stimulated public support. Another strategy to strengthen the chance of recommendations actually being implemented, the Director of the Texas program advised, is to educate legislators regarding the recommendations right before the report is released so that the legislators can confidently withstand interest group opposition.

## TABLE 3: Major Success Factors & Problems Reported in Reform/Reorganization Efforts*

| STATE | MAJOR SUCCESS FACTORS | MAJOR PROBLEMS |
|---|---|---|
| Alabama | Involvement of state employees; use of private sector expertise; implementation plans and monitoring | "Where is all the money you saved?" |
| Iowa - 1991 | Short timeframe; consultants; informed press; consensus process | Special interest groups can try to block recommendations. |
| Iowa - 1985 | Building credibility; good timing; backing of Governor | Some "vocal constituents" can try to block recommendations. |
| New Jersey | Focus on areas under Executive Branch control | Legislature can block recommendations; a later report was issued which critiques the Commission's work. |
| South Carolina | Systematic approach; public support strong | Opposition to referendum may be based on fears of too much gubernatorial control. |
| Texas | Budget crisis; broad support; short timeframe; adequate resources; state staff; independent sponsor; "timing was everything", results released in a single package | [Advice] Avoid grandiose promises; expect agency opposition; educate legislators so they can stand up to lobbyists; brief special interest groups; take measured risks. |

*As reported by project directors, chairs, or other staff

Similarities and Differences to CORE

Major similarities and differences between CORE and other state efforts are highlighted in Table 4. Generally, many states are like CORE in that one of their reforms goals is efficiency, both public and private expertise is tapped, the scope of the study is broad, and a team analysis approach is used. CORE's approximate one year timeframe is similar to several other states.

One major difference between CORE and other efforts is that CORE will likely do a more comprehensive job of justifying recommendations than other states have done. Several of the six reports reviewed for this paper justified program and position eliminations in a sentence or two. CORE also has a broader scope and smaller staff than many other projects. CORE's funding is primarily from the public sector, whereas most other states were funded by private monies.

## TABLE 4: Major Similarities & Differences Between CORE and Other Efforts

| STATE | MAJOR SIMILARITIES TO CORE | MAJOR DIFFERENCES FROM CORE (PRESENT OR EXPECTED) |
|---|---|---|
| Alabama | Team analysis approach; public and private expertise used; emphasize efficiency; broad scope | CORE will provide more justification for recommendations; CORE larger scope; CORE has specific restructuring project. |
| Iowa - 1991 | Use of Commission; public and private mix; broad scope | CORE has specific restructuring project; CORE's timeframe longer; CORE smaller staff. |
| Iowa - 1985 | Focus on restructuring; goals of efficiency | CORE longer timeframe; CORE more detailed analyses; CORE more employee input. |
| New Jersey | Broad scope; cost cutting goals; use of Commission | CORE has specific restructuring project; CORE less reliance on consultants. |
| South Carolina | Focus on restructuring; careful analysis; some shared goals | CORE likely to have more detailed plan; CORE broader; some goals may differ. |
| Texas | Goals of efficiency; customer focus; broad scope | CORE has specific restructuring project; CORE has limited public input as yet; CORE scope smaller. |

## III. IMPLICATIONS

This review of other states raises several questions and implications for CORE.

- Reorganization efforts in other states have been undertaken for a variety of reasons, and CORE Commission members have expressed concern that CORE do more than "just move boxes around". What are the specific goals of CORE's restructuring project? Which goals are most important? To what degree is cost control or enhanced gubernatorial power a desired outcome? When developing restructuring models, should different cost scenarios be considered?

- In reforming or restructuring their governments, some states have tried to maintain services and positions, while other states focus on eliminating them. The elimination of services and positions is usually where the greatest savings are found. Does CORE have parameters which limit the type of reorganizational models that should be developed, such as a desire to maintain all or most current programs and positions?

- Employee and public suggestions for reform are an important part of many state efforts. What type of mechanisms would be best for gathering and reporting public data?

- It appears that developing and tracking implementation plans are an important part of an effective reorganization and reform efforts. To what degree should such plans be developed and tracked by CORE?

- States vary greatly in the depth of analysis associated with recommendations. What level is most appropriate for CORE?

- There are advantages and disadvantages to releasing the reports on a project's subtopics in one package. A question to consider in the future is whether all reports should be released separately or as one set.

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## IV. STATE-BY-STATE DESCRIPTIONS

# ALABAMA

The Alabama Management Improvement Program (AMIP) was established in March, 1987, to "study state government operations by addressing cost savings, organizational effectiveness and productivity" (State Office of Management Analysis, 1991). Alabama's efforts at reform are especially interesting because of the apparent success the state has had in implementing AMIP's recommendations, and because of the financial net benefits associated with the program.

Larry Roe, AMIP Coordinator, reports that at the end of 1991, over 83% (781) of the AMIP program recommendations had been implemented. The "actual net benefits" associated with the program have been $91 million annually. These net benefits include revenue increases, cost savings, and cost avoidance (Roe, 1992).

AMIP was created to reach the following goals:

- impact the budget by identifying short-term, cost-saving opportunities;
- institutionalize change by exposing managers to new management approaches and business methods;
- maintain and improve effectiveness in the delivery of services while enhancing the efficiency of departments and agencies; and
- obtain active involvement by key stakeholders to ensure implementation (AMIP, 1988).

About one-third of the recommendations had projected savings. The remainder were simply designed to increase efficiency (Roe, 1992).

### General Approach/Methodology

The AMIP consisted of phase one (Short-term Studies), phase two (Long-term Studies) and a pilot project at Jacksonville State University.

Phase One activities were completed between March 1987 and February 1988. Nine project teams were formed in the areas of: conservation and other agencies, revenue, law and public safety, human services, highway and state enterprise, education and outside agencies, economic development, "cross cut issues", and special functions.

Within these groups, a total of 22 Short-term Studies were completed. They included analyses of 17 major agencies and departments, four "cross cut" studies of issues that crossed agency and department lines, and one study of special functions.

Each department and agency review utilized the same general methodology. First, study teams collected and analyzed data from employees and managers regarding potential areas for improvement. Next, flow diagrams were created which described the major agency or department functional areas, and identified potential problems and opportunities for further analysis. In the third step, subteams examined specific areas in greater depth. Study and project teams then drafted recommendations which were submitted to the AMIP Board. The Board reviewed the materials and sent a final report of recommendations to the Governor.

Study teams were composed of two to three private executives, six to ten governmental managers, and one or two professional consultants. Each team worked from six to ten weeks on its issue.

Phase Two, begun upon the completion of Phase One, allowed study teams to address issues that could not be adequately dealt with in the period of time devoted to phase one. Long-term Study teams were comprised of two legislative members and 8 to 15 public and private sector individuals selected by the governor and the AMIP board. Components of the long-term study process included:

- issue identification (in which potential issues needing further study were identified by the governor, AMIP, and other sources);
- issue development and selection (in which specific issues were chosen based on budget impact, interdependency, departments and agencies impact, administration agency, future impact, business agenda, implementation success, state employee impact, and public awareness);
- issue analysis (with consultants such as Ernst and Whinney guiding the analysis);
- and implementation.

Long-term studies were conducted in seven areas, with the following objectives:

1. Develop a process to evaluate the efficiency and effectiveness of local school districts.
2. Review state compensation, develop appropriate incentives, and design a management training program.
3. Develop a strategic plan for mental health and mental retardation institutions and community programs.
4. Develop a process to review and adjust state licenses and fees.
5. Develop a comprehensive strategy for information systems planning.
6. Develop a process for capital planning and budgeting.
7. Develop options for the consolidation of the state's enforcement functions (AMIP, 1988).

Long-term Studies were completed in approximately eight weeks (Roe, 1992).

In addition, a Pilot Study was conducted at Jacksonville State University to determine whether an AMIP review of the management practices of institutions of higher education in Alabama would be useful (AMIP, 1988).

**Reporting of Analyses and Recommendations**

Short-term Studies: Short-term study recommendations were made in a wide variety of areas, from conducting energy audits of all state facilities, to reviewing and assessing department mission statements, to selling cargo pallets. Recommendations associated with first year dollar benefits of more than $3.5 million included revising user fees and licenses, conducting an agriculture study, reducing on-site detours, implementing a value engineering program, removing the University of Alabama from Special Mental Health Fund funding, utilizing the Special Educational Trust Fund, increasing foreign audit unit size, accelerating utility license payments, and accelerating telephone receipts tax.

In the Final Report's presentation of short term recommendations, there is a brief (one to four) paragraph description of each department/agency, followed by a list of study team participants and recommendations. Reported analysis is extremely brief. Several sentences describe or justify each recommendation. Reorganization recommendations are made as they pertain to departments under study. There is no separate organizational study.

An example of a short term recommendation and reported analysis is:

> ***322. Reorganize and Rename the Department of Finance.***
>
> *The span of control exceeds an acceptable level. Ten divisions of diverse nature currently report to one assistant director. Communication is impaired by this organization structure. Two new non-merit positions are needed. Legislation is required to accomplish a name change and modify the organization. Cost is estimated at $120,000 (AMIP, 1988).*

Long-term Studies: For long-term recommendations, each issue is listed, and a brief background (in one case, only two sentences long) is provided. Study team members are listed, followed by a set of recommendations in each of the areas listed on page 2. The first recommendation in any set provides a basic description of the set of recommendations. Subsequent recommendations expand upon the idea presented in the first recommendation. Recommendations are described in several sentences.

An example of a long-term recommendation, in the area of education, is:

1. The AMIP school district program should be initiated by local board of education. The program should have local leadership provided through local businessmen, industrial leaders, administrators, and other community leaders. The program must be characterized by local control.

In addition to presenting short-term and long-term recommendations, the Final Report also briefly describes a pilot study at Jacksonville State University and how the implementation of recommendations will accomplished.

**Status of Implementation**

After recommendations were approved by Governor Hunt, agencies and departments were required to submit an implementation plan to the governor and AMIP for approval. The Office of Management Analysis was established to develop and track implementation. An outside auditor also verified the implementation of recommendations and associated cost savings.

As of year end 1991, 83% (781) of the "active" recommendations had been implemented. "Inactive" recommendations include those which were no longer deemed necessary or appropriate (e.g., the need for the recommendation's implementation changed in some way).

As of year end 1991, 74% of the original recommendations had been implemented (781 of 1054). Approximately 10% of the original recommendations required legislative action for implementation (Roe, 1992).

**Funding**

Approximately $1.6 million was needed to fund phases one and two. This money was obtained from private businesses.

**Success Factors**

According to AMIP Coordinator Larry Roe, one of the primary factors contributing to AMIP's success was that state employees were heavily involved in the project. An earlier effort to reform government in Alabama that did not include employee input failed.

Another strength of the program, Roe noted, is the use of private sector resources and expertise. AMIP was a private, non-profit corporation, and executives from business and industry lent their knowledge and experience to the project. Consultants were also used to facilitate team analysis and discussion, and add expertise.

Perhaps the most noteworthy aspect of AMIP's program, however, is the emphasis on implementation. Recommendations were approved and agency implementation plans were developed and monitored.

### Problems

Generally, AMIP has received favorable press and national recognition. Roe notes that the major problem that concerns AMIP is that people ask, "Where is all that money you saved?" For the most part, money has been absorbed by the state budget in the form of program improvements (e.g., more bridge repair) and pay raises to state employees (two seven and a half percent increases in the last several years) (Roe, 1992).

### Current Status

AMIP is currently in a transition phase, as most of the recommendations have been implemented. A staff of three follow the progress of the departments and agencies in implementing recommendations. In the future, AMIP plans to focus on Quality projects and Management Training.

AMIP is part of the Finance Department, and is subject to the sunset law affecting Alabama departments and agencies (Roe, 1992).

### Comparison to CORE

CORE is similar to AMIP in that there are two phases to the Project (short-term and long-term) and team analysis approaches were used to study issues. Also, both CORE and AMIP:

- recognize the importance of using private sector expertise in developing recommendations;
- solicit and utilize extensive public employee input to develop recommendations;

- are expected to improve efficiency in general, and not just identify cost saving opportunities.

One of the most obvious differences between CORE and AMIP is the depth of analysis reported with the recommendations. AMIP recommendations included several sentences of description or justification. CORE Project One recommendations, in contrast, included information on the background, rationale, local government impact, staff impact, impact on affected parties, and method and timing of implementation associated with the proposals. CORE Project Two recommendations are expected to be developed only after extensive research.

Another major difference is the scope of the projects. AMIP's study teams completed their analysis and recommendations in six to ten weeks. Generally, AMIP conducted a department by department analysis to identify opportunities for saving money and increasing efficiency. CORE Project One recommendations were completed over the course of several months, and CORE Project Two recommendations will be developed in approximately nine months. CORE Project Two contains several major topics not addressed by AMIP, such as executive reorganization and a general appraisal of state reform opportunities, efficiencies, and inefficiencies.

CORE also differs from AMIP in that CORE's funding has come from the public and private sector, whereas AMIP was totally funded by the private sector. Also, in CORE there is less reliance on consultants, and more reliance on state employees to conduct background research for the Commission.

**Implications**

1. CORE is on the right track by utilizing the expertise of both public employees and the private sector. This should help insure the development of viable and creative recommendations.

2. CORE has, and will, provide interested parties with recommendations that are specific and have been well researched and analyzed. AMIP's recommendations often appear to understate what needs to be done and why. For example, the recommendation, "Reorganize and rename the Department of Finance" is an easy one to make. But, how will such a reorganization take place? Why? It is expected that CORE's recommendations will be more specific, providing the Governor and others with background information, rationale, expected impact on interested parties, and implementation plans.

   Specificity in recommendations should make the implementation of those recommendations more meaningful. In the above example, if the Finance

Department is reorganized and renamed, then the recommendation has been successfully implemented. The recommendation is so general that it is simple to call the implementation a success, whether or not the reorganization of the Department was an efficient or reasonable one. CORE's recommendations should be specific enough so that implementing the recommendation will result in positive change.

3. The implementation of reform recommendations is possible. Alabama has had success in developing and implementing recommendations, despite an apparently shallow depth of analysis. CORE is tackling very ambitious projects with fewer. However, this should not preclude the development of sound recommendations for needed reform.

4. Plans for implementing recommendations and tracking their implementation should be a part of CORE.

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# IOWA - 1991

Governor Terry E. Bramsted established the Governor's Committee on Government Spending Reform (GCGSR) in July, 1991. The Committee's mission was to:

> *develop and implement short and long-term strategies to reshape the future role and practices of Iowa government with a focus on spending reductions.*

GCGSR was comprised of representatives from business, labor, politics, government and agriculture organizations. The Committee's work was completed between July 1991, and December 1991, with the assistance of approximately 15 state staff persons and the private consulting firm of Booz-Allen.

The final report includes 22 "top opportunities" for cost savings, totalling an estimated \$388.4 million in Fiscal Year 1993 and \$498 million in 1994. Forty-eight other recommendations are estimated to have the potential to save \$93.8 million in FY 1993 and \$94.0 million in FY 1994 (GCGSR, 1991).

One of the interesting features of the Iowa plan is that it was completed just five years after the state had undergone major restructuring. Iowa's plan is also noteworthy because of its emphasis on cutting costs, its grouping of saving opportunities into "top" and "other" categories, and its use of three scenarios for developing recommendations. In the latter case, task forces developed recommendations with the goal of 10 percent, 20 percent, and 40 percent reductions. Another notable feature of the project was that the press was invited to all GCGSR meetings.

### General Approach/Methodology

Seven task forces were formed to assist the GCGSR. They covered the areas of collections, executive branch review, inter-governmental relations, privatization, public finance, statewide service delivery, and technology enhancement. Eleven to 20 persons from the public and private sectors served on each task force.

The mission of the executive branch review was to:

> *examine budget process, employee benefits, organization and management programs and activities (GCGSR, 1991).*

Booz-Allen assisted the Committee by coordinating the task forces, managing issues, facilitating meetings, quantifying opportunities and integrating final recommendations.

The task forces were asked to develop recommendations under three scenarios: 10 percent, 20 percent, and 40 percent reductions. According to the final report, this framework "helped to ensure that the task forces broke through conventional paradigm to think about fundamental changes". The report also notes that the Governor set the tone for the Committee's approach by "giving us our charge and stating, 'there are no sacred cows'" (GCGSR, 1991).

The stated methodology includes the generation of a "free flow of ideas, first considering ideas objectively, then looking at benefits and costs, and finally implementing issues." Near-term and long-term opportunities were identified.

**Reporting of Analysis and Recommendations**

The final report includes four sections. Section One is an executive summary. Section Two provides background information on the economic environment, current budget and project-specific objectives. Section Three presents recommendations and Section Four contains three appendices.

Recommendations are divided into 22 "top opportunities" and 48 other opportunities. Top opportunities are those which represented the greatest savings over the next two years and for which there was a high degree of consensus among the Committee members on the proposed action. Top opportunities with reported savings potential of over $35 million in Fiscal Year 1993 are "comprehensive K-12 education finance reform" ($127.8 million), "reallocate $50 million in motor vehicle use tax revenues to the General Fund" ($50 million), "use provider funds to leverage Medicaid dollars ($45 million) and program eliminations, reductions and deferrals ($39.6 million).

Each recommendation is described. Generally there is a brief background of the problem at hand, a short rationale for the recommendation, a one sentence explanation of the "timing" of the recommendations, and several paragraphs describing implementation plans and issues. A short appendix highlights "suggestions received from the citizenry" and "opportunities to be quantified".

"Restructure executive branch organization" was identified as a top opportunity with potential savings of $6.3 million in Fiscal Year 1993 and $6.3 million Fiscal Year 1994. The restructuring recommendation reads as follows:

> *We recommend that the organizational structure of state government be significantly changed by reducing layers of middle management, simplifying the job classification system, and implementing a management incentive program (GCGSR, 1991).*

The Executive Summary contains a subsection on "barriers to change" and "implementing change". Implementation of recommendations, according to the Committee, has nine steps: 1) establish step-level target; 2) fine tune the vision; 3) understand risks; 4) install communication processes; 5) define implementation tasks; 6) establish contingency plans; 7) executive plans; 8) monitor progress; and 9) assess results. The Executive Summary also supports Total Quality principles.

**Implementation**

In December 1991, the GCGSR offered the Governor 22 recommendations totalling $388.4 million for Fiscal Year 1993. About $200 million worth of these recommendations were included in the Governor's 1992 budget message. As of late April 1992, the Iowa Legislature was still in session and the status of these recommendations had not been determined (Fisher, 1992).

**Funding**

The GCGSR's study cost approximately $400,000. Of this about two-thirds was raised from the private sector.

**Success Factors**

According to David Fisher, Chair of the GCGSR, a short timeframe (six months) and the assistance of Booz-Allen were instrumental in the success of the GCGSR's work. Also, the Committee members made decisions by consensus rather than taking votes. Fisher felt this made Committee members more comfortable with the process.

Another success factor noted by Fisher is that the press was kept well informed throughout the GCGSR project. All meetings were open to the press and press representatives were encouraged to attend. Fisher also stated that having one individual responsible for shepherding the recommendations could be important in getting them implemented. Finally, Fisher noted that it was very important to "keep politics out of the [GCGSR] process" for the project to succeed (Fisher, 1992).

**Problems**

The only problem noted by Fisher was the pressure special interest groups have put on the Legislature to block implementation of certain recommendations (Fisher, 1992).

### Comparison to CORE

Both CORE and GCGSR utilize a Commission and a group of analysts to study a wide range of issues. Both projects hope to result in some level of cost savings. There is also overlap in the type of issues studied. Both projects examine the executive branch, service delivery, and technology enhancement.

One of the most significant differences between CORE and the GCGSR is that GCGSR's focus was on cutting costs. CORE's efforts may or may not emphasize this factor. Another difference between GCGSR and CORE is the emphasis given to various topics. CORE's major projects include restructuring of the executive branch, for example, while restructuring was not addressed in depth in GCGSR's study. The GCGSR, on the other hand, specifically addressed the issue of privatization, a topic not separated out from other CORE projects. The GCGSR's timeframe was six months, compared to CORE Project studies which will take approximately one year to complete. The GCGSR had the assistance of Booz-Allen and approximately 100 task force members, whereas CORE is primarily staffed by 20-30 state employees.

### Implications

1. To what degree should the goal of saving money guide the restructuring project? The GCGSR was clearly focused on cost savings.

2. Staff-manager ratios may be an indicator of the need for restructuring.

3. CORE could explore the use of different cost goal scenarios in developing a restructuring plan (e.g., "cost is not an issue", "save 10 percent", "save x percent").

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# IOWA - 1985

In December 1985, Iowa Governor Terry Bramstad announced a plan for restructuring and downsizing Iowa state government (the Restructuring Study). This plan was developed by the consulting firm of Peat, Marwick, Mitchell and Company (Peat Marwick) between September and December of 1985. A major impetus for the restructuring plan was a projected deficit of $107 million for the state in fiscal year 1987.

The restructuring plan called for the reduction of Iowa state government departments from 68 to 18, and proposed the elimination or consolidation of 42 boards and commissions. Downsizing recommendations were made in many areas, from decreasing mileage reimbursement rates to eliminating positions and programs, to putting a freeze on Iowa's medically needy program. In sum, the Study's recommendations were expected to yield approximately $40 million in savings.

An examination of Iowa's efforts is especially instructive because the restructuring plan was implemented. The state implemented a majority of Peat Marwick's recommendations through the State Government Reorganization Act of 1986. Among other results, the number of state departments dropped from 65 to approximately 28, and cost savings of $30 to $40 million were reported (Barney, 1992).

The Restructuring Study had three stated objectives:

- identify opportunities to save and avoid costs by streamlining or restructuring State government organization and operations;
- determine State government programs or activities that are no longer necessary and can be eliminated; and
- improve the Governor's ability to manage the Executive branch of State government (Peat Marwick, 1985).

## General Approach/Methodology

Initially, the study was divided into two parts, restructuring and downsizing. In the restructuring analysis, general precepts for restructuring were developed, a new organizational structure for the executive branch was created and senior state managers analyzed the implications of the new structure. Peat Marwick study teams then revised, accepted, or modified the analyses completed by the senior state managers.

Study teams were comprised of senior professional staff with expertise in government. Other sources of expertise included previous reports, Iowa state government management, public and private leaders, and attorneys with background in state government.

For the downsizing analysis, approximately 40 major department heads were asked to identify "programs or portions of programs which met any or all of the following criteria: misplaced responsibility; duplicate or unnecessary activity; fragmented activity; nonproductive or counter productive activity; obsolete program; opportunity for privatization; or lowest relative priority". Further analysis was conducted in selected areas based on this information.

The downsizing and restructuring projects were later merged when savings from the projects were analyzed (Peat Marwick, 1985).

**Reporting of Analysis and Recommendations**

Major topics of the final report include precepts for restructuring and downsizing, presentation of the new structure, a summary of the savings, detailed recommendations, and an implementation plan.

Precepts. Twelve precepts for analysis were developed early in the study process. They included such items as "do not create new levels of administration", "group departments logically to deal with major issues facing the State", "reduce the Governor's span of control to approximately 20 State departments", "combine functions to reduce administrative costs", and "eliminate duplicate, obsolete, or unnecessary programs". The rationale for each of these precepts is briefly described.

New structure. The Restructuring Study recommends that Iowa's 68 state government departments be reduced to 18. This reduction included eliminating departments or absorbing them into new departments. Generally the new structure is organized around the program areas on: economic development and commerce, human services, education, public safety, infrastructure, and administration and control. In addition, a new Office of Management is created as part of the Governor's Office. There is very little discussion of the new structure. Analysis of each new department is provided in the "Detailed Recommendations" section (see next page).

Peat Marwick's proposal also calls for the elimination of 37 boards and commissions and the consolidation of six boards and commissions. Two umbrella departments, the Department of Human Rights and the Department of Cultural Affairs, were created to provide all required administrative support to the boards and commissions assigned to them.

Examples of boards and commissions eliminated include the Agriculture Marketing Board, the City Finance Committee, the Energy Council Committee, and the Midwest Nuclear Board. There is virtually no discussion of these eliminations, except to say that an estimated $255,500 will be saved by eliminating "unnecessary Boards and Commissions" and the per diem and salaries associated with them.

Summary of savings. Peat Marwick estimated that Iowa could save $40 million by implementing the restructuring and downsizing plan. Of this, $34.2 million comes from general restructuring and downsizing recommendations, $4.2 million comes from eliminating positions which have been vacant for two or more years, and $1.6 million comes from increasing incentives for early retirement.

Detailed recommendations. The Restructuring Report includes a department by department analysis of the 18 proposed agencies. Information provided in this section includes how and why the department will be organized (several paragraphs), an organizational chart, and a list of recommendations affecting that department. Recommendations are made in a wide variety of areas. Examples of major types of recommendations are provided below:

- Eliminate positions no longer needed in the restructuring. (For example, the establishment of a consolidated Department of Health and Human Services eliminates an estimated 75.9 full time equivalent positions. Overall, 432 FTEs are eliminated.)

- Eliminate programs or services that are unnecessary because they are duplicative. (For example, "eliminate Maternal/Child Health Care Program": "This is a new program which duplicates other programs already in existence....")

- Eliminate programs or services that are unnecessary because eliminating them will have a minimal impact on what happens to the people or services involved; (e.g., "eliminate Sudden Infant Death Syndrome Autopsy Reimbursement": "Since these autopsies will continue to be performed, this cut will have no impact...")

- Eliminate, reduce or freeze funding of programs that are unreasonable given the current fiscal crisis, (e.g., "eliminate Expansion of Medically Needy Program": "[given] the broad range and high level of services already provided in this area, and given the State's current fiscal crisis....")

- Privatize certain services, (e.g., privatize the Railroad Safety Program":.."funding of this small joint state/railroad safety program could be shifted totally to the private sector.")

- Shift program responsibility to local government (e.g., "eliminate Mobile Home Inspections": "By shifting this responsibility to local jurisdictions and allowing the jurisdictions to charge fees to recover the inspection costs, the State could save an estimated $28,500.")

Implementation Plan: An implementation plan is provided in the final report. It addresses the following areas:

- actions which need to be taken by the Governor and Legislature;

- establishment of implementation management and logistics teams;

- selection and placement of key personnel within departments;

- development of a plan for carrying out personnel reductions in State government (relying heavily on inducing early retirement);

- creation of a communications program for within and outside State government; and

- specific actions which need to be taken to implement individual recommendations.

**Implementation**

Peat Marwick assisted the state of Iowa in the implementation process. An "Implementation Project Team" was also created to oversee the project. Overall, a majority of all the recommendations, and most of the restructuring recommendations, were implemented through the State Government Reorganization Act of 1986 (Roe, 1992).

**Funding**

Funding amounting to approximately $160,000 was provided by private businesses. Peat Marwick estimates that the same study done today in the same timeframe would cost about $500,000 (Carney, 1992).

**Success Factors**

Factors contributing to the success of the project may include marketing the restructuring in a way people understand (Barney, 1992), building credibility, relying on good timing, and having the strong backing of the governor (Carney, 1992).

**Problems**

Some vocal constituencies were able to block some of the recommendations (Barney, 1992). A short time frame for study was not noted as a problem by persons interviewed (Barney, 1992 and Carney, 1992).

## Comparison to CORE

Like the Iowa Restructuring Study process, CORE project activities include efforts to identify cost saving opportunities by streamlining or restructuring State government organization and operation. Also, both plans include the development of strategies for implementing recommendations.

One difference between CORE and Iowa's project is that the Iowa study focused on restructuring and downsizing, while CORE's emphasis is on restructuring and efficiency. Also, Iowa's study was completed in only two months, and by consultants; CORE's work will take place over more than a year's time, and be accomplished by a mix of consultants and staff. Another difference between the two projects is that the Iowa study apparently included relatively little employee input.

Further, much of the expected savings in the Iowa study came from the elimination of services and staff. This may or may not be an outcome of CORE. Finally, the Iowa study provided very little background or justification for the elimination of programs. We would expect that CORE recommendations will be more detailed.

## Implications

1. The Iowa study raises the issue of, what is the goal or goals of the restructuring project? What major problems are we trying to address? Some possibilities are cost savings, enhancement or reduction of Gubernatorial control, and improving effectiveness.

2. Another question is, are there parameters to the development of new models? Iowa's plan eliminated major and minor services, and hundreds of positions. Do we have biases in terms of position or service cuts?

3. A third issue raised by the Iowa study involves the depth of analysis associated with the recommendations. Even when secondary data and government and nongovernment expertise was used, one wonders if two months were a sufficient amount of time to carefully analyze the need and function of all 68 Iowa departments, numerous programs within those departments, and 190 boards and commissions. CORE's recommendations, especially if they call for eliminating departments, boards, commissions, or services, should be carefully analyzed and justified.

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# NEW JERSEY

New Jersey Governor Jim Floria created the Governor's Management Review Commission as an independent entity in 1990. The Commission was comprised of "seven distinguished individuals who represent a cross-section of the varied interest present in our State, including the corporate sector, academia, labor and public services" (State of NJ, 1990). Under the Commission's direction, private consultants and state staff conducted an audit of state departments and functions.

Governor Floria established three goals for the audit:

- cut costs,
- streamline operations, and
- increase productivity.

Results of the audit, which were really a set of 31 separate audit reviews, were published in 1990. These results included over 400 recommendations and reported cost savings of $248 million for fiscal year 1992. Implementation of all 400 recommendations is expected to save $965 million. Because of the success of the first year of the Commission, additional funds were obtained to allow its work to continue.

New Jersey's efforts are noteworthy in several ways. First, many recommendations have been implemented, and with significant reported savings. Second, the majority of the audits completed in the first year (Phase One) were completed pro bono by the private sector. Third, a Reorganization Act in New Jersey allows the reorganization of departments by executive order - both Houses have to reject an executive order of this type by a majority in order to rescind it. Fourth, a Corporate Advisory Board of Government Effectiveness (CABGE) was created in January, 1991, at the request of Assembly Minority Leadership to review 10 of the 31 audits. Its critique of the Commission report could hold valuable lessons for CORE.

### General Approach/Methodology

Audits were completed of 12 major departments (e.g., Health, Human Services, Transportation) and of 19 "cross cut" issues (e.g., Training, Sick Leave Policy, Commissions and Advisory Boards). The Commission issued a Request for Proposals to private sector businesses to complete the studies. RFPs were reviewed, and over half of the audits were completed by firms such as Deloitte and Touche, Laventhol and Howath, and Ernst and Young. Almost all of the remaining audits were completed by Commission staff.

Methodologies used in conducting the audits included site visits, collection of financial and other data via surveys, analysis of financial and other data, and interviews with affected parties. Specific methodologies varied by topic and firm/agency conducting the study.

### Reporting of Analysis and Recommendations

A report was issued for each of the 31 audit areas. Generally, reports include a description of the audit's objective, study approach and methodology, an analysis of observations and findings, a list of recommendations, and a summary. Recommendations are justified in several pages, and the fiscal impact of implementing the recommendations is estimated. The summary report, The State Audit, contains one to two pages per topic, highlighting major findings, recommendations, and expected fiscal impact. Overall, recommendations are made is a wide variety of areas, such as eliminating services, making better use of technology, and revising user fees.

There is no plan for reorganizing the structure of the state government generally. However, reorganization recommendations are common within departments. In the Department of Health recommendations, for example, recommendations included the consolidation of four management information systems, combining rabies programs, consolidating grants monitoring, consolidating AIDS programs, and eliminating the emergency response unit.

The New Jersey plan calls for the elimination of nearly 5,000 positions through managed attrition, early retirement incentives, lay-offs, and a hiring freeze (Clark, 1992).

### Implementation

Thus far, $248 million of the $965 million in expected savings have been realized. Dollar savings have resulted from about two-thirds of the audits (State of New Jersey, 1990)(Clark, 1992).

Because of the success of the Commission, it began Phase Two upon the completion of the first 31 audits. Phase Two involves audits of the nine departments not studied in Phase One, and one more cross cut issue. These studies have just been completed and include about 300 recommendations. A final report on Phase Two is expected to be available in the summer of 1992.

Most of the Phase One recommendations have been implemented through the Executive branch.

### Funding

Approximately one-half of the audits were done free-of-charge by private sector firms. The Commission's staff of seven was loaned (and paid for) by other state agencies. The Executive Director stated that in addition to the salaries paid for the staff by other agencies, the state spent several hundred dollars on the project to print reports and house the staff.

Phase Two audits were paid for through government contracts, as the Commission felt it had sufficiently tapped the private sector for Phase One studies. Phase Two audits cost about $1.4 million (Clark, 1992).

### Success Factors

One reason why the Commission was so successful, Executive Director Steve Clark noted, was that it focused on areas under the Governor's and Executive branch control. This minimized the need to work with the legislature to implement recommendations. Also, the Reorganization Act makes it relatively easy to implement restructuring recommendations because Executive orders have to be rejected by both Houses to be rescinded. Further, Clark stated that the Commission did not "move boxes for the sake of moving boxes". Generally, organizational structure was recommended when the Commission felt that economies of scale would result from the move. This apparently made it easier for the state to justify and implement restructuring ideas (Clark, 1992).

### Problems

One problem experienced by the Commission was that legislative action was required to implement certain recommendations. Medical copays, for instance, are set in statutes, and therefore difficult to change. The Commission also received some criticism for not better publicizing the Commission's work (Clark, 1992).

Another problem experienced by the Commission was that its results were called into question by the Corporate Advisory Board on Government Efficiency (CABGE), a group of private sector experts formed at the request of the Assembly Minority Leadership to review the results of 10 of the 31 audits.

Because it may have important lessons for CORE, especially in the areas of evaluation and reorganization, a lengthy excerpt summarizing some of CABGE's major concerns is provided below.

> *CABGE would argue that while the reports provided a good, if superficial, overview of current State practices and procedures concerning cross-cutting issues, other key questions were never addressed. Further, although those reports dealing with the departments of Corrections, Community Affairs, and Human Services glibly recommended certain divisional transfers and the like, no sound basis existed for making these recommendations - i.e., a genuine, program-by-program review did not take place . . .*
>
> *It is unlikely that anyone would dispute the premise that in order to assess the effectiveness, operational efficiency and productivity of State programs, the performance of these programs must be measured. Only if a reliable*

*measurement of performance has been taken can a viable blueprint for State government restructuring and reorganization be charted. The GMRC reviewers, rather than studying areas or issues methodically, appear to have targeted their efforts randomly, placing no particular emphasis on gauging a department's effectiveness in performing responsibilities assigned to it by law or undertaken by regulation. Nor was "operational efficiency," as measured by the low cost and effective provisional services, given the proper emphasis. Thus, rather than examining major issues, such as attempting to challenge whether certain programs might have outlived their usefulness and should be eliminated or their scope reduced, the GMRC's modus operandi focuses on areas that were several tiers lower in importance, such as whether a bureau or division should exist within one department or another.*

*. . . GMRC merely advocated consolidation and centralization trends in accordance with jurisdictional considerations. Nowhere is this more apparent than in the report concerning "Boards and Commissions." In many instances, the rationale for eliminating a particular board or commission is parenthetically noted in the report's "recommendation" section as ". . . can be fulfilled by the department . . ." [with which the commission is associated]. Thus, decision-making receives little input from the public or from experts in a variety of fields and is, instead, channeled towards a centralized approach within a particular department structure.*

*(Corporate Advisory Board, 1991)*

**Comparison to CORE**

Like CORE, the New Jersey project is broad in scope, including the analysis of many departments and systems. The New Jersey project is also similar to CORE in its focus on improving government by streamlining operations, cutting costs, and increasing productivity. Further, both projects rely on a Commission representing various views and areas of expertise to guide the analysis and make decisions.

Unlike CORE, the Governor's Management Review Commission did not conduct a general appraisal of the state or an assessment of the state's organizational structure. Also, private sector consultants conducted more than half of the studies in the New Jersey project, whereas CORE is staffed primarily by public employees. Another potentially large difference between CORE and the New Jersey project is that the Management Review Commission's recommendations included many cuts in services and positions. CORE may or may not take that approach.

**Implications**

1. Does CORE have a bias toward not cutting positions and services? New Jersey's plan, for example, called for the elimination of over 5,000 positions.

2. What are the specific goals of the restructuring project? In New Jersey's case, "economies of scale" were important.

3. Should we focus our efforts on recommendations that can be implemented by the Executive branch, in order that our recommendations have the greatest chance of being implemented?

In addition to these questions, New Jersey's experience also provides us with a reminder of the importance of clearly justifying any proposed elimination or consolidation of programs or agencies.

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# SOUTH CAROLINA

Governor Carroll A. Campbell, Jr., created the South Carolina Commission on Government Restructuring (SCCGR) in early 1991. One of the Commission's charges was to "review and fine-tune" a preliminary plan developed by the Governor's office for consolidating approximately 56 agencies and commissions into ten cabinet-level departments. The Commission was also responsible for reviewing restructuring legislation and plans implemented in other states, developing a timetable for implementation of the restructuring plan, and offering an analysis of potential budget savings.

The Commission was composed of 38 representatives from government, political and educational organizations, and the private sector. The following principles were to guide the Commission in developing a long-term proposal for restructuring:

- establishment of clear lines of authority, responsibility and accountability;
- concentration of governmental authority, responsibility, and accountability;
- creation of a manageable span of control;
- departmentalization and functional integration of State government; and,
- enhancement of the responsiveness of State government to the needs of South Carolina's citizens.

South Carolina's efforts are among the most systematic taken by any state. Before the SCCGR began its work, the State Reorganization Commission, a state agency, completed a comprehensive review of reorganization literature and practice. The SCCGR then surveyed all agencies regarding their missions, programs, and other characteristics. Agency data was analyzed in several ways to provide a basis for restructuring recommendations. The Commission then recommended that private sector consulting groups conduct additional studies which will provide the specifics for the Restructuring Plan. SCCGR's efforts are also unusual in that the Commission is calling for a referendum to propose a change in the State Constitution to provide for a maximum number of executive cabinets.

In short, the Commission called for the consolidation of 145 state agencies, boards, and commissions into fifteen cabinet departments. The restructuring plan was proposed to address the problems of:

> *Inefficiencies, lack of agency accountability, the presence of overlapping and duplicative services, and no clear central authority that presently hinders the operation of State government.*

Implementation of the restructuring plan is designed to take place in five stages. Stage 1 is the completion of research and development of the restructuring plan, presented in a report entitled Modernizing South Carolina State Government for the Twenty-first Century, (September, 1991). Stage Two includes a referendum proposing a change in the State Constitution, and the completion of detailed studies by the private sector in 1992. Stages Three to Five allow the restructured government to be put into place.

### General Approach/Methodology

In developing its restructuring plan, the Commission gathered data from several sources, including an extensive survey of all agencies presentations by agencies to the Commission, a public hearing to gather input on the proposed restructuring of State government, and staff analysis of other documents. Six primary analyses were performed on the data.

1. **Functional Analysis:** agencies were compared in terms of their missions, policy objectives, enabling legislation, and major programs to provide an indication of the degree of similarity between agencies, and to provide a rationale for grouping agencies within functional categories.

2. **Program Analysis:** all agency programs within a functional group were compared (and in some cases, across all Executive Branch agencies) to determine where there may be program duplication or "similarity" (e.g., similarly program purposes, objectives, clients served).

3. **Administrative Analysis:** administration functions of agencies within a functional grouping were compared to provide an indication of the amount of resources being utilized and "potential areas" for savings (e.g., operating budgets and FTE's for personnel administration).

4. **Accountability Analysis:** the level of agency accountability to the State's Chief Executive was assessed by examining such factors as the number of members appointed by the Governor to the agency's governing body, the number of legislative members on the governing body, and the role of the body (policymaking, administrative, quasi-judicial).

5. **Efficiency and Effectiveness Analysis:** agency efficiency, effectiveness, and workload measures for each program were analyzed using the following criteria: relevancy, validity, significant, uniqueness, clarity, timeliness, reliability, quantification, practicality, completeness and control. This analysis provided an indication of the extent to which agencies were measuring their programs, and the quality of those measures.

6. **Organization/Management Analysis:** using agency organizational charts, this analyses examined management's span of control, and the potential limits in managerial effectiveness within the current organization structure (SCCGR, 1991)

Following the data analysis, a Restructuring Plan was developed. The Commission also created a Five-Stage Plan for implementing the restructuring recommendations.

In completing its analysis, the SCCRC was able to use information presented in an earlier report released by the State Reorganization Commission in April, 1991. This report, On Reorganizing, contains useful information about the importance of setting goals for reorganization efforts, the problems with measuring and obtaining these goals, and general guidelines for succeeding at any reorganization effort. The contents of On Reorganizing may be discussed in a later CORE working paper concerning current reorganization theory.)

**Reporting of Analysis and Recommendations**

The Commission set forth its recommendations in Modernizing South Carolina State Government for the Twenty-first Century. This report includes an Introduction and chapters on "Background and Methodology", "A Framework for Better Government: The Proposed South Carolina Commission on Government Restructuring Approach", "South Carolina State Government Today", "Overview of the Problems with South Carolina State Government", "Proposed Cabinet Department Organizations", "Independent Agencies", "Implementation of the Restructuring Plan" and a conclusion.

The Commission developed a model for organizing the Executive Branch of South Carolina State government that was organized around a cabinet form of government and based on 11 guiding principles. These principles include:

- recognize the value of a governor's cabinet;
- unify executive authority and responsibility;
- integrate functions into a smaller number of departments;
- eliminate the undesirable role of boards involved in purely administrative work;
- coordinate and integrate administrative staff support;
- provide for an independent auditor;
- continue to focus on better management of government resources;
- improve commitment to total quality performance;
- maintain competent careerists;
- provide for citizen participation; and,
- create an environment in which people, money, and information are viewed as resources to be managed to promote efficiency, effectiveness, and economy.

The Commission's model called for the state to reduce its 146 agencies, boards and commissions into 15 departments. Each of these departments is described in detail. Specifically, components of proposed cabinet-level descriptions include:

- summary of recommendations for the proposed department;
- components of the proposed department;
- discussion and analysis of department structure;
    - definition of the Cabinet Department
    - rationale for the Cabinet Department
    - present government configurations
    - functional analysis
    - program analysis
    - efficiency and effectiveness analysis
    - administrative analysis
    - accountability analysis; and
- recapitulation of [the] Commission's Proposal.

The Commission's report does not include information on the expected impact of the restructuring plan on the number of state employees or the state budget. Rather, the Commission recommends that its Restructuring Plan lay the groundwork for further analysis by private sector firms to provide the needed specifics.

Implementation of the Restructuring Plan is recommended to take place in five stages. Stage 1 (1991) is the completion of research on the Governor's proposed restructuring plan and related items, resulting in the publication of Modernizing South Carolina State Government for the Twenty-first Century.

Stage 2 (1992) involves passing a constitutional amendment that would establish a minimum number of cabinet departments (e.g., 15 or 20). To accomplish this, a referendum would be needed for 1992. This referendum would also include amendments to the Constitution allowing for the appointment, rather than election, of the Adjutant General, Superintendent of Education, and Commissioner of Agriculture. At this stage, private agencies would also study state agencies to provide the specifics for the Restructuring Plan. Private firms would be responsible for completing six tasks.

1. Examine potential obstacles in grouping agencies into the function categories proposed in the Commission's 1991 report.
2. Determine the most effective manner in which to group agencies, boards, and commissions within a functional category.
3. Examine the impact on the people effected by restructuring and planning for a smooth transition for all concerned.
4. Review which agencies, boards, and commissions need to be consolidated or abolished to provide for the effective implementation of policies.

5. Develop specific transitional plans to accomplish the goals of the restructuring process, while allowing for the greatest level of agency participation.
6. Analyze the merits and potential consequences of including, within a reconstituted framework of State government, a process, procedure, or administrative function (entity) which would be responsible for "minority advocacy).

The Commission also mentions in its description of Stage 2 that it is committed to the principles of Total Quality Management, and recommends implementation of these principles.

In Stage 3, (1993), legislation addressing the specific restructuring proposal would be proposed. State laws and regulation would be modified at this stage to allow the actual restructuring to be accomplished. Stage 4 (1994-1995) involves the actual transition of agencies. An examination of the function of the cabinet departments is conducted in Stage 5 to determine if additional adjustments are needed.

**Implementation**

The first stage, research as presented in the Commission's first report, has been completed. As of April, 1992, the South Carolina Legislature was still considering proposed legislation for putting a referendum on the ballot. This referendum would be to change the state constitution so that there are no more than 15 (unspecified) cabinet-level departments. At this point, the referendum would not include changing the constitution to allow for the appointments of key leaders (e.g., Adjutant General).

According to Jim Bradford, Director of the Office of Research at the Governor's Office, there is currently a movement to "kill the whole thing" (see "Problems" below) (Bradford, 1992). He remains hopeful, however. As of April 23, the reorganization bill had passed in the House and was headed for the Senate, where eight additional votes are needed.

**Funding**

The cost of this study is unknown. The Commission suggested that private firms be contacted to conduct Stage Two studies pro bono. There is a reference to similar pro bono work being worth $10 million in New Jersey's efforts (SCCGR, 1991b).

## Success Factors

One of the primary strengths of the South Carolina Restructuring Plan is that it is the result of much research and analysis. Perhaps more than any other state, South Carolina has attempted a careful review of relevant reorganization and state studies, and conducted numerous systematic department analyses. Also, public support for the proposed referendum has been strong, with 80 percent of those polled supporting the plan (Bradford, 1992).

## Problems

The SCCGR's report was to serve as a guide, or one possible model, for restructuring South Carolina's government. As reflected in the proposed referendum, the major goals of the Plan are to reduce the number of departments and unify executive authority and responsibility. A major problem facing the SCCGR is the opposition to the referendum and uncertainty regarding its approval.

Some opponents to the referendum disagree with the cabinet form of government in the first place and fear that the restructuring plan will leave too much power in the hands of the governor. Others fault the referendum for being too general. It specifies how many, but not which, departments will remain after restructuring. According to Bradford, a more general approach to restructuring was taken this time because many previous attempts at restructuring have failed when specific department recommendations sparked strong resistance from affected parties.

Still other opponents feel that the Commission's analysis was not thorough enough. One piece of legislation, introduced in early 1992, requires the SCCGR and state auditor to do additional reports related to restructuring and improved management (e.g., a study of total quality management.) According to this legislation, recommendations from these reports would be expected at different times between December 31, 1992, and June 30, 1997, effectively delaying reorganization efforts until at least 1997. This legislation is not expected to pass (Bradford, 1992).

## Comparison to CORE

CORE's work is similar to that of the SCCGR in that an independent commission has been established to develop recommendations for restructuring. It is also expected that CORE and SCCGR will utilize some of the basic methodological approaches to collecting and analyzing data, such as studying the efforts of other states, reviewing previous home state reorganization efforts, reviewing other various relevant reports, and analyzing current department missions and functions to identify areas of overlap and duplication. It is likely that CORE and SCCGR also share some of the same goals for restructuring (i.e., functional integration of state government and increased responsiveness to state citizens).

However, CORE and SCCGR may differ in many significant ways. First, SCCGR's methodological and thorough study of relevant literature, practice, and current state departments is only a preliminary plan and lacks many important details such as the impact of restructuring on the number of employees and the state budget. The specifics for implementing the Plan are to be developed by the private sector firms conducting additional studies at a possible additional cost of $10 million. CORE, in contrast, may be expected to estimate the cost and staffing impact of restructuring recommendations. It is unlikely that CORE will recommend additional comprehensive studies by the private sector on restructuring.

Some of SCCGR's and CORE's goals for restructuring may also differ. SCCGR, for example, hoped to strengthen the authority of the Executive Branch. This may or may not be a goal of CORE. A third difference between CORE and SCCGR is that SCCGR's focus was on restructuring. In CORE, restructuring is only one topic of many being investigated by the Commission.

**Implications**

A major implication from an examination of South Carolina's experience is this: strong research design and analysis are important for justifying recommendations, but do not guarantee success. It appears, for instance, that Iowa's quick, broad restructuring recommendations were more easily implemented than the recommendations resulting from South Carolina's detailed analyses. Factors such as political climate and strength of special interest groups may be crucial in determining the outcome of restructuring efforts.

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# TEXAS

The Texas Performance Review (TPR) Project was established by Senate Bill 111 and signed into law by Texas Governor Ann Richards on January 31, 1991. Senate Bill 111 required the state to conduct a review of state agencies and all programs, services, and activities operated by those agencies. The estimated fiscal impact of the project over five years was $12.26 billion. These projected savings were expected to result from spending cuts ($2.3 billion), minus spending increase ($0.1 billion), plus revenue administration ($1.5 billion), and permanent bookkeeping changes ($0.3 billion) (Texas Performance Review, 1991).

The project was completed by 104 auditors from both the public and private sectors between January and July, 1991. The specific objectives of the performance review were to:

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

Texas' efforts are remarkable for the amount of savings they attribute to the implementation of their plan. The program is also notable for its large scope and the degree to which the recommendations have been implemented. As of August, 1991, 65 percent of the proposals were adopted intact or modified by the 72nd Legislature (Cockreham and Donnelly, 1991).

## General Approach/Methodology

More than 100 staff from 16 state agencies and a number of private sources were organized into ten teams. These teams covered the areas of education, health and human services, transportation, employee benefits, public safety, criminal justice, general government and regulatory agencies, natural resources, and cross government issues.

The work teams completed a variety of tasks in developing their recommendations. These include a broad review of previous analyses, review of similar efforts by other states, collection and analysis of background information, interviews with a variety of experts from the public and private sector, a "hotline" to encourage input from the general public, solicitation of employee ideas, public hearings and three task forces. The task forces included a Blue Ribbon Panel on Technology, and Electronic Benefits Transfer Task Force and a State Management Practices Task Force.

**Reporting of Analysis and Recommendations**

The results of the Texas Performance Review are reported in three volumes. All together, 975 recommendations are made related to 195 issues. Volume One contains 14 chapters which provide background information and summarize the results of the TPR. Volume Two provides a detailed discussion of the Comptroller's specific recommendations in the nine areas previously listed (e.g., education, health, and human services).

Volume One, Chapter One provides background information regarding TPR's methodology, purpose and reports. Chapter Two describes "How State Government Works Today", including information on the state organizational structure, number of employees, and the state budget. In Chapter Three, "Six Keys to the State Budget Problem" are identified. Examples of these keys are *"state services [are] 'balkanized' among hundreds of agencies and thousands of programs that overlap and duplicate"* and *"old budget and performance measurement methods hinder effective management and analysis".*

Chapter Four's topic is the "Organization and Management of State Government". Restructuring and management recommendations are made in seven broad areas:

- Public and higher education (e.g., restructure the Texas Central Education Agency);
- Health and Human Services (e.g., the administration and delivery of health and human services in Texas should be treated as a single, unified system);
- Transportation (e.g., consolidate the state's transportation agencies and functions);
- Public Safety and Corrections (e.g., consolidate duplicate functions within the Department of Criminal Justice);
- General Government (e.g., consolidate health-related licensing functions spread among various agencies of the state);
- Natural Resources (e.g., create a Department of the Environment); and
- Other organization and management changes (e.g., performance measurement should be improved to ensure better outcome measurement and cost; accounting).

Organization and management recommendations are estimated to save $198.8 million in general revenue and other funds, and eliminate 958.5 jobs.

Chapters Five through Fourteen deal with a variety of topics, including policies and programs, fiscal management, capital finance and debt management, changes in basic management practices, privatization, state government employment issues, technology, federal funding issues, revenue administration, and "breaking the mold". Examples of recommendations made in these chapters include eliminating the funding for small programs in the public education budget, requiring outcome measures to be defined for policy areas related by service function, requiring the State Purchasing and General Services Commission to develop a ten-year strategic facilities plan, increasing prison privatization, containing rising health insurance costs, continuing the electronic benefits transfer project, expanding drug treatment programs, and raising fees and charges for state services (TPR, 1991).

### Implementation

As of late August 1991, 124 of the 191 proposals (65 percent) of the TPR were adopted intact or modified by the 72nd Legislature. Of the original 191 recommendations, twenty-nine percent were adopted as originally proposed; 29 percent were modified and adopted; and six percent required no legislation to implement (Cockreham, 1991). Several recommendations for reorganizing specific agencies were adopted.

### Funding

The study, paid with public sector funds, was estimated between $200,000 and $250,000 (Pollock, 1992).

### Success Factors

TPR Director Alan Pollock cites eight factors that worked in TPR's favor.

1. There was a crisis. The whole idea for reform arose when state revenues were $4.6 billion less than the cost of maintaining services.

2. There was a broad-based support among state leadership to look at "the big picture".

3. The study was constrained in time (four months), which kept the momentum going.

4. Adequate resources were available for the study. Comptroller John Sharp leveraged staff resources from their agencies.

5. State employees were involved in developing recommendations. The staff already had a knowledge of state government so there was a short learning curve.

6. The TPR had an independent sponsor, Comptroller John Sharp. The comptroller is an elected official.

7. "Timing was everything". Legislation creating the TPR was introduced early in the session, then the legislature moved on to other pressing issues. This allowed the TPR to avoid working "under a microscope".

8. TPR's results were released in a single package. The reports contained so much information that it took a while for interest groups to organize opposition.

Further, Pollock notes that the TPR was never intended to simply cut government spending. It was supposed to "change the way we think about government, to bring Texas into the 21st century". There was a focus on quality and customer service (Pollock, 1992).

## Problems

Rather than identifying specific problems experienced by the TPR, Pollock listed several things he might do differently if he were to design a project today.

1. Avoid making grandiose promises - you may eat your words.

2. Expect strong opposition from agencies when gathering data.

3. Brief the legislature on your progress, at least letting them know what you are looking at (but not necessarily what you are finding).

4. Just before you release the report, distribute an "education kit" to legislators to allow them to defend themselves against lobbyists.

5. Once recommendations are released, brief special interest groups and give them "their day in court".

6. Be prepared to take measured risks. You have to be able to try new things.

## Comparison to CORE

CORE and the TPR share similar goals for improving the efficiency of state agencies, recommending the consolidation and/or reorganization of state agencies where appropriate, and finding reductions that could be made in the funding of state agencies without cutting back on needed services. Also similar to CORE, the TPR focused on building a government that was "customer friendly" and "taxpayer friendly" (Sharp, 1991). CORE and TPR are also alike in having a broad scope covering restructuring and other major issues.

One difference between CORE and the TPR is that the TPR did not appear to emphasize the development of restructuring recommendations. Rather, restructuring recommendations primarily evolved from studies of other specific areas. The TPR may also have been broader in scope than CORE. The TPR covered the areas of criminal justice, education, and employee benefits, for example, as well as issues CORE is examining. Further, staffing and timelines differed between the two projects. The TPR had over 100 auditors to complete its work over the course of about seven months. CORE has 20 to 30 staff to complete its Project 2 work in about one year.

## Implications

1. Texas reported potential savings of over $4 billion obtained through such strategies as cutting positions and services, raising fees and charges, and privatizing services. To what degree should CORE focus on cost savings as a goal? What are the specific goals of CORE's restructuring project?

2. Texas solicited public input for reform through a "hotline" and public hearings. CORE as yet has not solicited ideas from the general public. At what point, if any, would that be appropriate? Gathering public input may be particularly important given that one of CORE's (and Texas') goals is a customer-focused state government.

3. Most of the recommendations in the TPR report came from the front-line state employees. This suggests that CORE should be careful to use and report on employee ideas.

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June

# SUMMARIES OF SELECTED REORGANIZATION MODELS

EXECUTIVE REORGANIZATION &
ASSESSMENT WORKING GROUP

WORKING PAPER BRIEF

June 5, 1992

June 5, 1992

# THEORIES/MODELS OF REORGANIZATION

Executive Reorganization/Assessment Team
Working Paper Draft

This working paper briefly describes selected major theories and models related to reorganizing and restructuring governments. A very broad definition of "restructuring" was used in describing possible models. "Restructuring" here includes any overall attempts to change the way in which government policies and services are developed, administered, and delivered. Six categories of models are listed:

1. Administrative orthodoxy and political realism models.
2. Reinventing government.
3. Total Quality Management.
4. John Brandl's restructuring ideas.
5. Constitutional reform.
6. Secretarial, cabinet, and policy systems.

(NOTE: several of the descriptions are taken directly from other sources)

## 1. Administrative orthodoxy and political realism

As described in the 1991 South Carolina report, On Reorganization, there are two competing theories of why reorganizations occur: administrative orthodoxy and political realism.

The theory of administrative orthodoxy emerged from the perceived need to reorganize government into a cabinet form of government (Conant, 1988, in South Carolina, 1991). Basic principles of administrative orthodoxy, outlined in 1938 and applicable today include:

- concentration of authority and responsibility;
- departmentalization, or functional integration;
- undesirability of boards for purely administrative work;
- coordination of the staff services of administration;
- provision of an independent audit; and
- recognition of a governor's cabinet.

The principles of administrative orthodoxy emphasize economy and control, which can be achieved through the abolition of offices, reduction of salaries, elimination of positions, and curtailing of expenses. In addition, the principles call for a strong executive leader, clear lines of authority and responsibility, manageable spans of control, meritocratic personnel procedures, and modern techniques for management. In short, the goal of reorganization, under the principles of administrative orthodoxy, is primarily that or organizationally restructuring government so that efficiency and economy are achieved.

The thrust of the political realism theory is that reorganizations are undertaken as a result of political competition between the executive and legislative branches, among interest groups, or among political parties.

The basic principles of political realism:

- Reorganizations are undertaken to achieve political ends, and
- Goals for reorganizations may be to exchange, or detract from, either the Governor's of the Legislature's power.

The principles of political realism hold that the structure of an organization does not in itself ensure efficiency and economical operations of state government. Scholars who believe in the theory of political realism contend that governmental structure has little influence on performance (South Carolina, 1992).

## 2. Reinventing Government

In the 1992 book Reinventing Government, David Osborne and Ted Gaebler describe how the "entrepreneurial spirit is transforming the public sector". According to the authors, most there are typically two ways leaders suggest meeting a budget crisis in government: raise taxes or cut spending. Osborne and Gaebler suggest a third way, "reinventing government".
"Reinvented governments" are entrepreneurial public organizations which:

1. Steer more than they row
2. Empower communities rather than simply deliver services
3. Encourage competition rather than monopoly
4. Are driven by their missions, not their rules
5. Fund outcomes rather than inputs
6. Meet the needs of the customer, not the bureaucracy
7. Concentrate on earning, not just spending
8. Invest in prevention rather than cure
9. Decentralize authority
10. Solve problems by leveraging the marketplace, rather than simply creating public programs.

3. **Total Quality Management**

Total Quality Management, a popular concept among many public and private corporations these days, is a "system of ideas that W. Edwards Deming taught Japanese corporations in the 1950s and has been preaching in the United States ever since" (Walters, 1992).

No two experts agree on exactly which ingredients constitute the best recipe for quality. But there is widespread recognition that total quality management must go well beyond cutting down on the number of product defects. Total quality includes talking to customers to find out what is important to them and then meeting or exceeding their expectations; setting ambitious goals and measuring progress; education everyone in the company about its mission and how it intends to achieve it; strong leadership and deep involvement from the chief executive, and involving employees at all levels and departments (Peterson, 1992).

The "14 Commandments of TQM", as defined by one author are:

1. Establish constancy of purpose
2. Improve systems constantly and forever
3. Eliminate numerical goals and quotas
4. Drive out fear so that everyone may work effectively
5. Institute leadership (don't boss, "coach")
6. Consider quality, not just price, when considering bids
7. Break down the barriers between departments
8. Institute training on the job
9. Eliminate the annual rating or merit system
10. Institute a program of education and self-improvement
11. Eliminate slogans and exhortations
12. Cease dependence on mass inspection
13. Adopt the new philosophy
14. Top management should drive the transformation

(Walters, 1992)

4. **John Brandl,** Professor, Humphrey Institute and CORE Commissioner

According to John Brandl, government should be reorganized through the use of "systematic institutional arrangements" to orient citizens, politicians, and bureaucrats so as to align their private motives with social good.

These arrangements include:

- competition;

- adjusting prices;

- principled oversight (judicial oversight to ensure that benefits of government programs exceed costs); and

- Mediating Structures (i.e., the use of mediating institutions such as churches and families to provide services. For example, in Minnesota, providing families with a government payment of $250 to care for their disabled child at home instead of placing him or her in an institution).

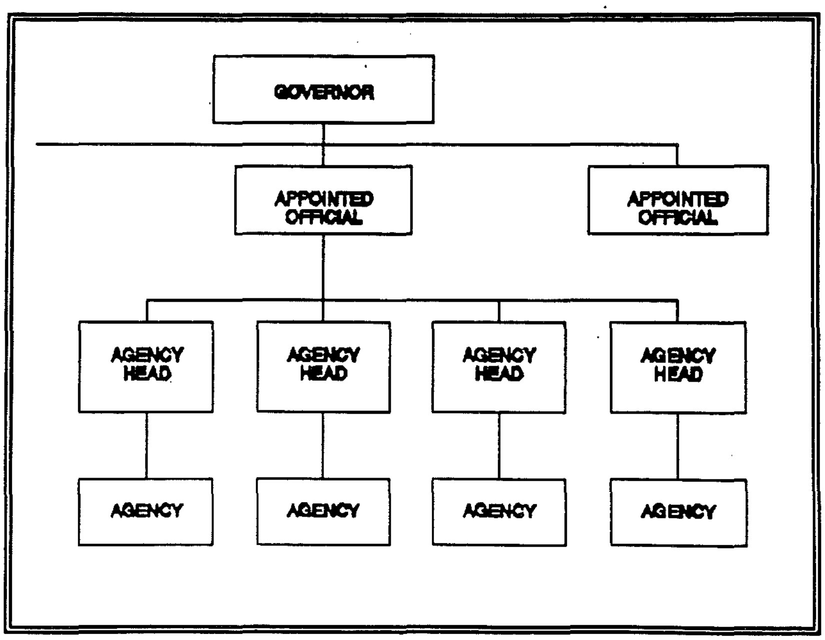
## 5. Constitutional Reform

One theory of reorganization holds that reorganization efforts are basically incapable of achieving real reforms. Instead, ambiguities in the Constitution should be addressed "head on" to effect change (Garnett, 1987).

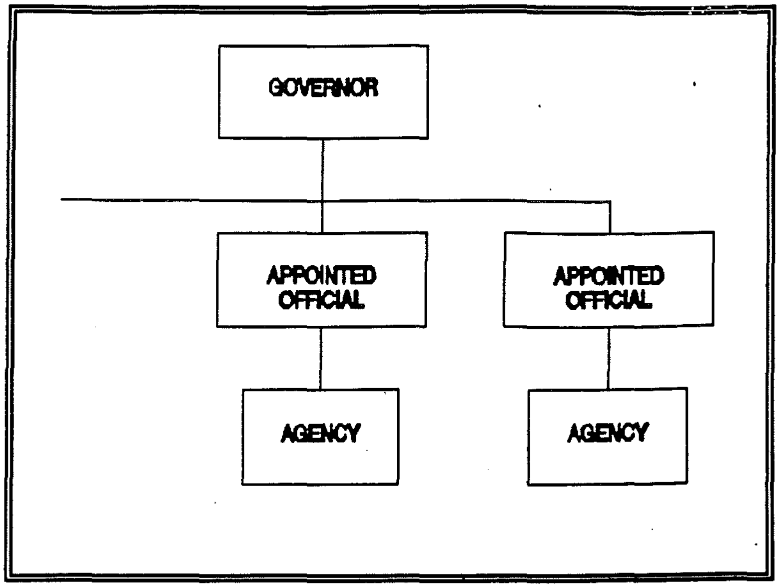
## 6. Secretarial, Cabinet, and Policy System Models

As described in a 1984 report by the state of Virginia, there are generally three recognized management models for the overall operations of state government (Commonwealth of Virginia, 1984). Each of these models assumes the chief executive must rely on appointed officials out of practical necessity. The models are the secretarial system, the cabinet system, and the policy system.

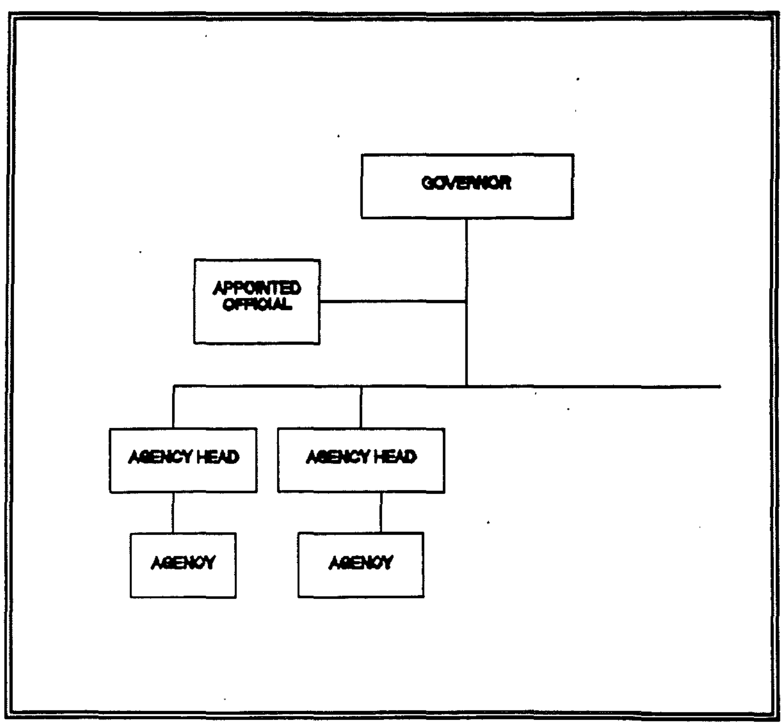
In the Secretarial System, an appointed official provides policy guidance, resolves conflicts, and coordinates agencies, programs, and activities.



In the Cabinet System, an appointed official is the agency head and oversees the day-to-day operation of the agency.




In the Policy System, an appointed official advises the Governor on operations, policies, programs, agencies and actions, but agency heads report directly to the Governor.



A 1982 study by the National Governor's Association found that 39 of the 50 states had some type of cabinet, and only six states felt that the cabinet system was not effective. Many of the negative comments centered around the size of the cabinet, its slowness to act and respond and the fact that, often, important segments of government such as the Attorney General are not represented. One state with no cabinet reported its Governor had 132 agencies reporting to him. This was viewed was an unmanageable situation.

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# An Overview of Agency Performance Indicators

EXECUTIVE REORGANIZATION &
ASSESSMENT WORKING GROUP

WORKING PAPER BRIEF

June 16, 1992

## INTRODUCTION

In its April 1992 meeting, the Executive Reorganization and Comprehensive Assessment Working Group emphasized that a primary goal of CORE is to reform government so that it provides "better customer service in a more cost-effective manner". More broadly, the CORE vision statement calls for a renewed government that is mission driven, oriented toward quality outcomes, efficient, responsive to clients, and respectful of stakeholders.

An important source of information for evaluating how well the state is currently meeting this vision - and therefore how Minnesota state government needs to be restructured - is the biennial budget. In addition to monetary information, nearly each agency's budget submission has a "performance measurement" section. This section describes how agencies measure the services they are providing, and what results from the provision of these services. An analysis of the performance measures section can be a significant indicator of what agencies are measuring, and how these measurements relate to CORE's vision for state government.

For this working paper, the performance measurement section of the budget is used to broadly indicate to what degree agencies are:

> oriented toward quality outcomes;
> efficient; and
> responsive to clients.

At a later date, further analysis of the budget may be used to evaluate the two remaining CORE vision goals of "mission-driven" and "respectful of stakeholder".

**The Importance of Measuring Outcomes, Efficiency, and Responsiveness to Clients:** In the past, governments have often focused on measuring how activities are conducted, rather than measuring the outcomes of program activities. Osborne and Gaebler state the problem well in their book, Reinventing Government:

> Traditional bureaucratic governments ... focus on inputs, not outcomes. They fund schools based on how many children enroll; welfare based on how many poor people are eligible; police departments based on police estimates of manpower needed to fight crime. They pay little attention to outcomes - to results. It doesn't matter how well the children do in one school versus another, how many poor people get off welfare into stable jobs, how much the crime rate falls or how secure the public feels.... Entrepreneurial governments seek to change these rewards and incentives. Public entrepreneurs know that when institutions are funded according to inputs, they have little reason to strive for better performance. But when they are funded according to outcomes, they become obsessive about performance (page 139).

There are many compelling reasons to focus on outcomes measurement. As Osborne and Gaebler simply describe:

- o What gets measured get done
- o If you don't measure results, you can't tell success from failure
- o If you can't see success, you can't reward it
- o If you can't reward success, you're probably rewarding failure
- o If you can't see success, you can't learn from it
- o If you can't recognize failure, you can't correct it
- o If you can demonstrate results, you can win public support.

Outcomes measurement, while valuable for the reasons noted above, does have some important limitations. One concerns the accuracy of the data. Poor data collection methods and inaccurate information can result in a misrepresentation of a program. Another problem is that outcomes may be difficult and expensive to measure. It is much easier to count the number of children who attend school, for example, than to measure the quality of the curriculum provided. Other problems with outcomes measurement include using inappropriate measures, using too few or too many measures, and expecting outcomes beyond the control of any program.

Outcomes are not the only important program characteristic that can be measured. To understand an education program, for example, it is helpful to know certain basic explanatory data such as the number of children in the state aged 5 to 18. "Output" data which documents program activities is another type of measure that can be used to describe a program - for example, the number of children enrolled in school. Information on process, such as the number of task forces established, may also be useful.

In addition, efficiency data is often of critical import in determining a program's or government's success or failure. This is particularly true in the current environment of budget shortfalls and public disillusionment with the efficiency of government. As noted, "efficiency" is one of the five goals that CORE has for Minnesota state government.

Another type of measurement that is of particular significance is customer satisfaction. Representatives of CORE and other experts in the public and private sector have repeatedly stated the need for government to become more involved in measuring and meeting customer needs. Measuring customer and meeting customer needs is basic to most Quality programs.

<u>Caveats regarding the analysis:</u> As explained in the methodology section, the analysis is a broad indicator, rather than a precise evaluation of, agency performance in measuring program activities and outcomes.

## METHODOLOGY

This study examined performance indicators reported by 99 programs within the 23 cabinet level agencies and two higher education systems in the 1992-93 Biennial Budget. With four exceptions, all programs within each department were included in the study. Due to the large number of programs within Public Safety, Education, and the higher education systems, a sample of their programs was analyzed. In higher education, the instruction programs of the University of Minnesota and the Community Colleges were used. In Public Safety, all programs with budgets exceeding $5 million were included in the analysis. For K-12 Education, the Education Aids budget was removed from consideration, because the aids are determined by formula and therefore no performance information was provided. The three largest remaining programs were selected for inclusion in this analysis.

The primary source of information for this analysis was the 1992-1993 Biennial Budget document. It was selected as the instrument for this analysis because it emphasis on measuring performance, and because the State of Minnesota does not have a comprehensive performance management system. The budget was the only central location for statewide performance information. It was assumed that agencies presented their most important measurements in the budget.

Using a standard form, information was collected on the following items: department mission statement, program purpose, and the number of performance indicators which measure outputs, outcomes, efficiency, or are explanatory in nature. Definitions used to categorize performance measures are as follows:

> **Output measures** report the number of units produced or services provided by a program. Examples are the number of health care home visits provided to the elderly and the number of road improvements completed. Output measures should capture what a program does.
>
> **Outcome measures** report the results or impact of a program. Examples of outcomes measures are the decrease of malnourishment in children who received free school lunches, the percentage of cancer patients treated who are now in remission, and the value of stolen property recovered. Outcome measures should capture why a program exists.
>
> **Efficiency measures** report the cost per unit of output or outcome. Cost per highway mile constructed and average time per vehicle inspection performed are efficiency measure examples.
>
> **Explanatory information** provides details regarding elements or factors of the environment in which the agency operates that may affect performance. Examples would be weather conditions for road maintenance, passing ratio for nationally administered examination, establishment of a task force, and income cap for health

care program recipients. These may also be referred to as "process measures".

(Adapted from, Accurate and Appropriate Performance Measures Are The Foundation of Tomorrow's Texas, L. Alwin, State Auditor, Austin, Texas, 1992)

Analysts also took note of how many of the indicators related to customer satisfaction whether they were outcome, output, efficiency or explanatory measures. Customer satisfaction related items included such measures as the results of customer surveys and attempts to promptly revolve customer complaints.

It is important to note that although standards were used for categorizing performance measures, some subjectivity was required in classifying some of the less clear performance indicators. In addition, there is no way to determine whether the measures in the budget are accurate. Some claim that many agencies do not regularly review or in any way change their performance information from year to year. And since there is no statewide system to track performance data, there is no standard set of rules for measuring or reporting performance. Further, agencies may have been limited in to how much or how well they could describe their programs in a budget document. Therefore, these results should be viewed as a general view of how agencies are measuring performance, rather than a precise measurement of performance indicators.

**RESULTS**

Overall, 977 performance indicators were identified as being used by the 25 departments analyzed (Table One). Most of these indicators were related to outputs (40%) or were explanatory in nature (39%). Outcome indicators accounted for 15% of all indicators identified, while efficiency measures comprised 6% of the total.

Outputs: All departments reported at least one measure of output, and fourteen (56%) reported more than 10 measures. Output measures accounted for at least half of all measures used in 7 (28%) of the departments.

In most cases, the output measures provided a quantified description of activities conducted by a department. For example,

- 2,845 waterways were developed for recreational use
- 1.5 million pieces of mail were processed
- approximately 2,500 miles of rail line were inspected

In other cases, the output measures did not provide much insight into what the program did, or why it was done. For example, many programs simply listed as a measure of performance how much money they spent for certain activities.

Outcomes: 84% of the departments reported at least one outcome measure, while 20% reported more than ten outcome measures. In only one department did outcome measures comprise the majority of all measures used. In many cases, outcome measures were used to demonstrate the effectiveness of the program. For instance,

- State employee turnover rate is 4.9% as compared to an industry average of 10.8% (where one of the purposes of the program is a stable workforce)
- 50% of the insurers changed their policies to comply with Minnesota law (where the goal is compliance with state law.)
- 25% of persons at risk for nursing home placement were diverted to less expensive community services.

In other instances, outcome measures were too vague to be meaningful. Examples are provided below.

- development of a pilot program resulted in significant improvements in health and fitness (but no measure of how).
- Professional staff provides training to several other divisions to improve success rates (but no discussion of whether it worked).

Efficiency: Surprisingly, only 55 of the 951 measures reported (6%) measured efficiency. 32% of all departments had no measures of efficiency, and only 1 department used more than 10 efficiency measures. In one department, efficiency measures comprised more than 25% of all performance indicators.

Efficiency measures were often an indicator of cost effectiveness, such as the cost per rider. Many efficiency measures were also related to customer satisfaction. For example,

- Percentage of work requested completed within the requester's deadline
- Discontinuance conferences are being held within 15 days of receipt
- The time required to process an application was reduced from an average of two months to two days.

On the other hand, some measures were too vague to truly measure the program's efficiency. Examples of weak efficiency measures include:

- The unit has basically achieved its goal to process filings with the required 10 to 30 day allowance. (There is no quantification of "basically." How many of the filings met the goal efficiency rate?)
- More computers were purchased to increase the productivity of employees (but no discussion of the results).

Explanatory/Process Information: Explanatory information was provided by 92% of the departments. 52% of the departments examined reported more than 10 explanatory measures. In 20% of the departments, explanatory information comprised at least half of the measures.

Explanatory information often included background data that was helpful in understanding a program. For example, the number of family farms in Minnesota or the number of older persons in the state are helpful background to have when dealing with programs intended to affect those populations. By definition, however, the measures do not quantify the activities or outcomes of the program. As a result, they provided little evidence of the program's activities or outcomes. Examples of explanatory information include:

- 5 new staff members were added to the Division in 1991.
- Discussion of attempts to coordinate new rules or programs with other agencies.
- Details about the creation of a task force to address an issue, the outcomes of which are not clear.
- A new MIS system for the department was implemented.

Customer Satisfaction:

Approximately 16% of all measures used by the departments reviewed in this study were related to customer satisfaction (Table 2). 84% of the departments had at least one measure, and 24% had more than ten measures. As noted above, customer satisfaction often relates to efficiency measures, such as promptness in responding to requests, applications, or complaints. See examples provided above.

In some cases, departments actually measured consumer satisfaction with service or products. In many of these cases, the results of customer surveys, etc. are not presented, although one of the department's performance indicators states that a survey was conducted. In other cases, "customers" are mentioned, but there is no indication that customer concerns were measured and taken into account. For example,

- On behalf of consumers, our staff take a lead role with other agencies to maximize all available resources.
- customer expectations for service are changing [no data]

## SUMMARY AND CONCLUSION

The results of this analysis indicate that Minnesota state government agencies are primarily measuring outputs and process when evaluating their programs. Forty percent of the measures employed by agencies related to outputs, while 39% were explanatory in nature. Fifteen percent of the measures evaluated program outcomes, while only six percent appeared to measure efficiency. Only 16% of all the measures related to customer satisfaction. Seven of the 25 agencies had one or no measure of outcomes, and six had one or no measure of customer satisfaction.

This analysis of performance measures was limited in some ways. For example, some subjectivity was required in the categorization of measures. Also, the appropriateness and accuracy of the outcomes, customer satisfaction and other measures were not assessed.

However, even with these limitations, this analysis clearly indicates that agencies, in general, are not effectively measuring their programs. They are concentrating on process and outputs rather than outcomes or efficiency. There is also wide variation among departments and programs as to what and how measurements are being made. Due to this variation and the emphasis on process and outputs, it is extremely difficult to use the existing performance data to assess how well or poorly an agency is performing.

This analysis suggests that in developing restructuring proposals, CORE should consider the importance of providing agencies with incentives for appropriately measuring and reporting on the results of the activities they are conducing. Measures should be developed which allow for a true evaluation of programs' outcomes, efficiency, and responsiveness to customers. Without such measurement, it will be difficult, if not impossible, for Minnesota to achieve the state government envisioned by CORE.

References

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## TABLE 1

## NUMBER OF PERFORMANCE MEASURES BY TYPE IN 1992-1993 BIENNIAL BUDGET

| DEPARTMENT | OUTPUT | OUTCOME | EFFICIENCY | EXPLANATORY | TOTAL # (%) |
|---|---|---|---|---|---|
| Administration | 26 (35%) | 5 ( 7%) | 11 (15%) | 33 (44%) | 75 (100%) |
| Agriculture | 16 (48%) | 5 (15%) | 1 ( 3%) | 11 (33%) | 33 (100%) |
| Commerce | 13 (46%) | 9 (32%) | 1 ( 4%) | 5 (18%) | 28 (100%) |
| Community Colleges | 1 ( 8%) | 8 (67%) | 1 ( 8%) | 2 (17%) | 12 (100%) |
| Corrections | 5 (36%) | 1 ( 7%) | 0 ( 0%) | 8 (57%) | 14 (100%) |
| Education | 2 (15%) | 2 (15%) | 0 ( 0%) | 9 (69%) | 13 (100%) |
| Employee Relations | 23 (31%) | 6 ( 8%) | 8 (11%) | 37 (50%) | 74 (100%) |
| Finance | 3 (15%) | 9 (45%) | 0 ( 0%) | 8 (40%) | 20 (100%) |
| Health | 30 (52%) | 2 ( 3%) | 1 ( 2%) | 25 (43%) | 58 (100%) |
| Housing Finance | 20 (77%) | 2 ( 8%) | 2 ( 8%) | 2 ( 8%) | 26 (100%) |
| Human Rights | 10 (100%) | 0 ( 0%) | 0 ( 0%) | 0 ( 0%) | 10 (100%) |

| DEPARTMENT | OUTPUT | OUTCOME | EFFICIENCY | EXPLANATORY | TOTAL # (%) |
|---|---|---|---|---|---|
| Human Services | 26 (31%) | 19 (23%) | 5 ( 6%) | 33 (40%) | 83 (100%) |
| Jobs & Training | 19 (73%) | 0 ( 0%) | 1 ( 4%) | 6 (23%) | 26 (100%) |
| Labor & Industry | 10 (29%) | 3 ( 9%) | 10 (29%) | 11 (32%) | 34 (100%) |
| Military Affairs | 3 (25%) | 3 (25%) | 1 ( 8%) | 5 (42%) | 12 (100%) |
| Planning | 6 (86%) | 1 (14%) | 0 ( 0%) | 0 ( 0%) | 7 (100%) |
| U of M | 2 ( 9%) | 0 ( 0%) | 1 ( 5%) | 19 (86%) | 22 (100%) |
| Natural Resources | 34 (37%) | 18 (20%) | 2 ( 2%) | 37 (41%) | 91 (100%) |
| Pollution Control | 20 (38%) | 7 (13%) | 0 ( 0%) | 26 (49%) | 53 (100%) |
| Public Safety | 13 (29%) | 6 (13%) | 0 ( 0%) | 26 (58%) | 45 (100%) |
| Public Service | 14 (33%) | 11 (26%) | 4 (10%) | 13 (31%) | 42 (100%) |
| Revenue | 12 (50%) | 2 ( 8%) | 3 (13%) | 7 (29%) | 24 (100%) |
| Trade & Econ. Development | 13 (25%) | 17 (33%) | 1 ( 2%) | 20 (39%) | 51 (100%) |
| Transportation | 75 (60%) | 11 ( 9%) | 4 ( 3%) | 34 (27%) | 124 (100%) |
| Vets Affairs | 6 (67%) | 0 ( 0%) | 0 ( 0%) | 3 (33%) | 9 (100%) |
| **TOTAL** | **396 (40%)** | **147 (15%)** | **57 ( 6%)** | **377 (39%)** | **977 (100%)** |

June 5, 1992

# TABLE 2

# EVALUATION OF BIENNIAL BUDGET PERFORMANCE MEASURES: 1992-1993

**Customer Satisfaction Measures**

| DEPARTMENT | CUSTOMER SATISFACTION | PERCENT OF AGENCY TOTAL |
|---|---|---|
| Administration | 20 | 27 |
| Agriculture | 8 | 24 |
| Commerce | 2 | 7 |
| Community Colleges* | 5 | 42 |
| Corrections | 0 | 0 |
| Education | 0 | 0 |
| Employee Relations | 15 | 20 |
| Finance | 8 | 40 |
| Health | 4 | 7 |
| Housing Finance | 2 | 8 |
| Human Rights | 0 | 0 |
| Human Services | 1 | 1 |
| Jobs & Training | 16 | 62 |
| Labor & Industry | 7 | 21 |
| Military Affairs | 2 | 17 |
| Planning | 1 | 14 |
| MN, University of* | 14 | 64 |
| Natural Resources | 11 | 12 |
| Pollution Control | 1 | 2 |
| Public Safety | 0 | 0 |
| Public Service | 5 | 12 |
| Revenue | 5 | 21 |
| Trade & Econ Devel | 27 | 53 |
| Transportation | 1 | 1 |
| Vets Affairs | 1 | 11 |
| **TOTAL** | **155** | **16%** * |

* Percent of all measures in all agencies

*Prepared for CORE Management Systems and Executive Reorganization/Comprehensive Assessment Working Committees*

# Analysis of Project 1 Qualitative Data

EXECUTIVE REORGANIZATION &
COMPREHENSIVE ASSESSMENT WORKING COMMITTEE

WORKING PAPER BRIEF

June 16, 1992

# I. Introduction

During CORE Project 1, qualitative data was collected identifying ways in which government could be made more efficient. CORE staff interviewed individuals and groups having expertise or special knowledge in public administration, including current and former state administrators, for their insights and recommendations. Over 700 employees responded to a questionnaire from the governor asking for ways in which departments can be more efficient. In all, approximately 1,000 individuals volunteered recommendations.

Immediate cost savings were achieved using this data for CORE Project 1. This information also included many suggestions for simplifying or streamlining processes and operations and provides support for the assessment and reorganization efforts as well.

When used for this purpose, there is some considerable variation in the value of the data. Most of the interviews and written responses have short term savings as a target, and were not aimed at assessment or organization. By design, some interviews were relatively in-depth while some response forms encouraged brevity. Still, all of the data serves as raw ore for this process: the issue of cost savings and the issues of assessment and organization are closely related. From this perspective, perhaps the most interesting observation is that state employees and the other interviewed stakeholders tended to see cost savings not as a primary goal but rather as a by-product of improved operations.

# II. Findings

The sheer quantity of state employee responses indicates a real interest in participating in a change process. This willingness, and sometimes enthusiasm, may be crucial in implementing any of CORE's final recommendations. Respondents answered the questions presented them (which differed among the various subgroups) but typically they went beyond those questions to provide other information and suggestions they considered germane. Most respondents dealt with immediate concerns, but often they provided commentary on what they perceived to be the issues behind those concerns.

In reviewing the qualitative data, a concern for accountability appears as a central theme across all of the respondent subgroups. Accountability to consumers is demanded, whether the consumer is a citizen wanting service, or a state employee wanting assistance in delivering that service. Accountability is diagnosed as both a cause and a symptom. It is explored within an agency, among executive agencies, and among the branches of government.

A perceived lack of accountability was often expressed with a sense of frustration. Respondents cited an inability to hold others accountable, especially other state agencies involved in joint operations, and their own service vendors, including state agencies and private organizations. A picture emerges of agencies which perform their functions adequately on their own timetables, but their timetables are not synchronized with each other. Part of the reported frustration comes from not knowing who in fact does have the authority and responsibility to hold other agencies accountable for their performance.

The following summary is an attempt to condense the volumes of Project 1 responses into categories of general findings and observations. All of them, in effect, serve as subcategories of accountability, since they all deal with that theme in different ways.

1. *MISSION.* Why are we here? What are we supposed to be doing? These kinds of questions get asked in numerous ways. Respondents are concerned about not having a visible mission statement, about not having or not following outcome measurements, about hazy obligations to customers, about contradictions between regulatory and supporting roles, and about shared responsibilities with other state units.

Basic worklife concerns are often expressed as conflicts. Respondents described conflicts between: input or output focus; agency or customer driven; rules or purpose as a priority; status quo or improvement; problem solving or avoidance; and uniformity or flexibility. But from an internal perspective there was not a sense that government operations are bad. A prevailing sense was that operations are good, but not at their full potential. Respondents said that systemic change (with myriad, often contradictory, specifics offered) could result in improved effectiveness.

2. *SYSTEMS.* Managers, professionals and support staff were alike in decrying internal support. They claimed that the systems designed to alleviate their work problems not only aren't doing so, but are causing additional problems as well. The system functions cited most often are: human resources (staff hiring and training), accounting (budget planning and reporting), and various centralized administrative activities including technology introduction. A recurring complaint was the "use it or lose it" approach to budgeting, which was charged with encouraging wasteful spending near the end of each fiscal year, and with discouraging any saving of funds.

Respondents did not speak in terms of a morale problem, but a lack of incentive to improve performance was stressed repeatedly. They reported lacking improvement tools--information, technology, training--and authority to act. Managers reported an inability to plan creatively or to look beyond the current fiscal year.

3. *COMMUNICATION.* Respondents reported having difficulty communicating (and therefore, cooperating) with other employees within their own and among other organizational units. The difficulty appears to be among and between both supervisors and subordinates in both staff and line positions. Respondents in interviews suggested that the difficulties are symptoms of confusion caused by unclear lines of authority and responsibility. Some respondents said

agencies provide as little specific information as possible about their activities to administrative and legislative leadership.

4. *STRUCTURAL REALIGNMENT.* Respondents expressed strong concern that consumers are uninformed about available state services, and about how to access services. One part of this difficulty is the redundancy in names: respondents reported that both employees and consumers are confused by the multiple agencies with similar titles. While some insist functional duplication exists, others caution that similar names do not necessarily mean similar functions.

Respondents called for a redrawing of the administrative branch's organizational charts. Some called for mergers; for example, among the various units dealing with environmental issues. Some cautioned against mergers, and others urged breaking up the larger units, such as the human services department. Still others called for leaving the charts alone, and concentrating on the methodologies by which agencies work with each other.

These recommendations appear contradictory, but they have an element of commonality. All address the question of "who's in charge here?" Those promoting merger view it as a way to pull together the various agencies with responsibility for the same issue. Those promoting break-ups view it as a way to give clearer focus and more visibility to agencies now "hidden" in mega-structures. Those concerned with methodology view the real issue as making someone accountable for improved responsiveness and cooperation between agencies.

5. *POLITICS.* This may appear incongruous coming from respondents in a system with an overtly political focus. But the inherent periodic changes in policy and priorities are not the real concern. The identified issue is unnecessary disruptive involvement with agency administration. The identified consequences are lack of consistent management strategy and lack of accountability within agencies.

Two sources were commonly identified. One, leadership changes often go beyond the policy-making level, extending to middle management levels. This can result in a loss of agency goals and practices, and often culminates in a rearranging-the-chairs kind of reorganization. Two, legislative committees often move beyond policy making and exercise micro-management control that can be inconsistent with the legislature's own goals.

# III. Conclusions

Throughout the CORE Project 1 qualitative data, accountability is a dominant theme. In CORE Project 2, the Executive Reorganization and Assessment Working Group already has begun addressing accountability through its Quality Initiative. Quality concepts involve determining and delivering what the consumer wants. Successful implementation requires accountability for measuring both the process and output.

Accountability is likely to be a key consideration in the CORE Project 2 activities of assessment and possible reorganization of state agencies and operations. The Project 1 data has several implications for those activities.

1. *INITIAL ASSESSMENT.* The CORE Project 1 qualitative data provides a starting point for an assessment of the effectiveness of state government. Overall, participating employees and other stakeholders found state operations to be generally in working order, and described service to consumers as adequate or better. In that assessment, employees also diagnosed general and specific problems which, if resolved, could result in higher levels of productivity and consumer satisfaction.

2. *SEARCH FOR FOCUS.* A major concern of respondents is the focus of each state agency. Respondents have implied that a potential measurement of agency effectiveness is the clarity of its focus. The purpose, and functions of each agency--what it can and cannot do--needs to be understood by its own staff members, by other state agencies, by its consumers and by its potential consumers.

3. *PROCESS ASSESSMENT.* An arena for further assessment may be the set of processes and support systems involved in delivering services to consumers. Respondents clearly warned that the sources of inefficiencies and other problems that consumers encounter do not always originate in the agencies that they deal with face-to-face, but often stem from "faceless" agencies that are involved elsewhere in the process.

4. *REORGANIZATION GOALS.* Proposals for reorganization may follow from an assessment of state government. CORE Project 1 data suggests that goals for any reorganization should include stronger and more visible accountability both within and among agencies, and an improved public perception of the purpose of each state agency. Structural reorganization issues transcend the bigger-vs.-smaller size debate, and one possibility is that the Working Group's recommendations may include elements of both.

# Analysis of Project 1
# Qualitative Data

# APPENDIX

EXECUTIVE REORGANIZATION &
COMPREHENSIVE ASSESSMENT WORKING COMMITTEE

WORKING PAPER BRIEF

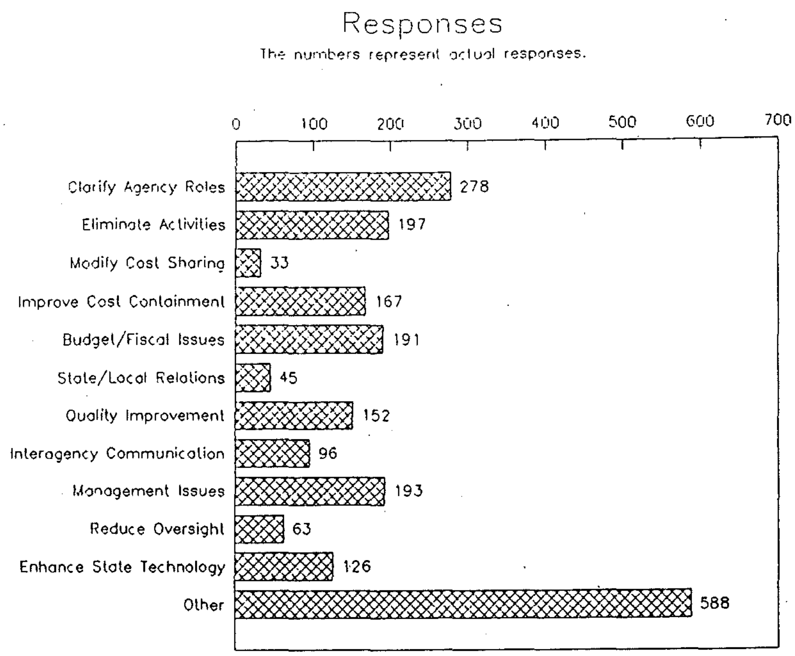
June 16, 1992

# Summation of Selected Data

# I. Comprehensive Set

This is the actual survey outline that was used in the tabulation process. This should give a better idea of what the general sentiment is within those sampled. Be aware that close to 1,000 people responded to the survey with additional people participating in interviews.

The qualitative data was collected from the following: Expert Interviews (69), Group Interviews/Focus Groups (16), Employee letters (689), a Survey of Cost-savings and Quality Improvement Activities (22) Project Two Interviews (66), CORE Telephone Hotline (12), Miscellaneous Letters (30) and Results of the Manager's Conference (37).




**I. Clarify agency roles and responsibilities/Reorganize agencies and activities accordingly.**

A. Examine role of, mission of, and/or possibly eliminate...
[various agencies, boards, departments....]
**103 Responses**

B. Examine, eliminate duplication...
[in and among various agencies, boards, departments...]
**102 Responses**

C. Suggestions for consolidations
[of programs, agencies, activities...]

**67 Responses**

D. Other suggestions for reorganizing and restructuring agencies.

**6 Responses**

**II. Eliminate or reduce unnecessary/low priority activities, services, reports, positions, and buildings.**

**197 Responses**

**III. Modify/increase cost sharing**

*-Some responses talked of state employees taking pay cuts, but most seemed to say the state should start charging the public for certain services i.e., copies of bills and etc...*

**33 Responses**

**IV. Improve management of certain high cost areas.**

A. Institutional and health care used both by state employees and recipients of social service and, in a few cases, correctional programs.

*-Most responses in this area voiced a strong reaction not to touch any of the state employees benefits. There were a few surveys that did mention excluding spouses from benefits, especially if the spouse also had a job.*

**23 Responses**

B. Employee wages.

*-Some employees talked about having pay cuts as opposed to across the board cuts. Also included in this number are request for legislators to take pay cuts.*

**47 Responses**

C. Employee pension programs and other benefits, NOT health or wages.

-A majority felt there are too many meetings to the point they are counter productive.

**41 Responses**

D. Energy use.

*-This area includes anything from using lower wattage light bulbs to eliminating one-sided paper. State employees had many recommendations.*

**56 Responses**

**V. General Budgeting and Fiscal Issues.**

A. Give agencies incentives to save money.

*-By far the single most predominate issue that kept coming up was Departments and Agencies being unable to carry over funding, is was more commonly referred to as, "Use it or lose it".*

**67 Responses**

B. Examine the use of federal funds.

**1 Responses**

C. Employ better auditing and accounting methods.

*-The responses had suggestions as to how to better streamline the current methods being used in various Departments and Agencies.*

75 Responses

D. Conduct more cost/benefit analyses.

*-These responses varied widely from Department to Department. Mostly people were recommending that more cost/benefit analyses should be conducted.*

**41 Responses**

E. Other (e.g., examine bonding process, consolidate funding sources, examine use of categorical grants).

**7 Responses**

**VI. Examine/improve the relationship between the State and other levels of government/examine district and regional boundaries.**

A. Local services funding

*-Responses to better control local funding, and/or to consolidate various local services.*

**36 Responses**

B. Other.

**9 Responses**

**VII. Improve focus of quality.**

A. In General.

**58 Responses**

B. Focus on client satisfaction.

**10 Responses**

C. Focus on outcomes.

**84 Responses**

**VIII. Promote Interagency Communication and Cooperation.**

*-The responses seemed say that this is an area which needs a lot of improvement.*

**96 Responses**

**IX. General Management Issues** (planning, structuring, and employee relations).

A. Do more strategic and long-term planning.

*-Responses seemed to point to the fact that too many times Departments and agencies are concerned with only the short term. There was a lot of emphasis on state purchasing of certain products.*

**77 Responses**

B. Examine management structure (e.g., too many managers).

*-This area came up a lot, especially in the state employee responses. There were many examples where a manager would have as many as five assistant managers.*

**55 Responses**

C. Provide more manager and other staff training.

*-The expert interviews stressed the importance in this area, while the state employee responses emphasized the need for less training and meetings.*

**19 Responses**

D. Human Resources/Civil Service: Improve employee hiring and firing practices; examine employee job satisfaction, job flexibility, incentives for good performance.

*-A mixed response, some questionnaires said there should be more reward for job quality, instead of being rewarded for the length of employment.*

**30 Responses**

E. Improve employee and manager accountability

*-Most of these responses stressed that both employees and managers need to be held more accountable.*

**12 Responses**

**X. Reduce the level of oversight of citizens, consumers, and state employees.**

A. Administrative rules.

*-This refers to the state being able to tell day care providers how to provide their services. It seemed most of the feedback came from expert interviews, they would like to see agencies*

*with less control and regulation.*

**18 Responses**

B. Agencies over-supervising employees or other agencies (not directly related to administrative rules).

*-Many ideas in this area. Some employees would like to see the state treat them with a more hands off type of approach. The attitude of, "I'd do my job if they only let me".*

**45 Responses**

## XI. Improve Communication Systems/Make greater use of technology.

A. Electronic Business Transactions.

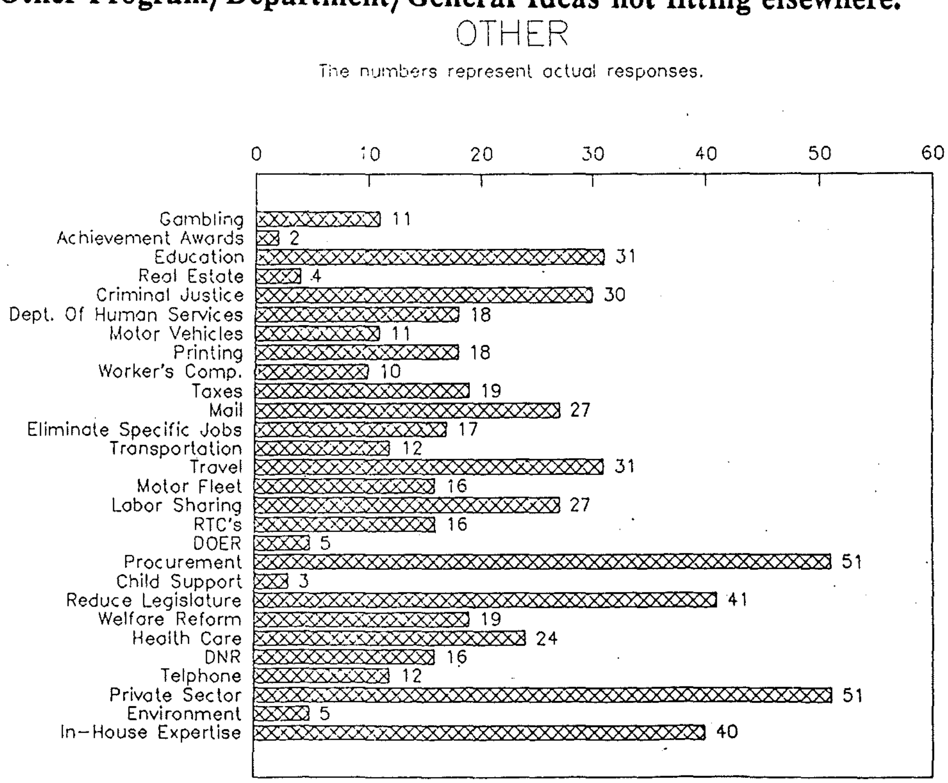
*-There is wide support for the state to spend some money in order to improve the long term. A lot of answers were critical of the current computer system the state is using, it needs to be updated. Also, there was a lot of negative feedback regarding the current payroll system. This is another area that needs to be looked at closer.*

**121 Responses**

B. Other

**5 Responses**

## XII. Other Program/Department/General Ideas not fitting elsewhere.



A. Gambling 11 Responses
*-A majority wanted to use lottery funds to pay off budget shortfalls.*

B. Bonus Achievement Awards 2 Responses
*-Both wanted to eliminate Achievement Awards to managers at the state level.*

C. Child Support 3 Responses
-These respondents wanted tougher child support laws.

D. Education 31 Responses
*-Most wanted to see education untouched by any future revenue cuts. Some talked of combining school districts.*

E. Criminal Justice/Corrections 30 Responses
*-A split issue, some want cuts while others want additional funding.*

F. DHS 18 Responses
*-It seemed many wanted to see DHS downsized, too big and complicated as it exist now.*

G. Motor Vehicle 11 Responses
*-This category dealt specifically with state owned cars, some favor the current system with a fleet, while others think people should use their own cars and be compensated.*

H. Printing 18 Responses
*-A majority complained about the state printing process. Many feel the state should have printing done privately.*

I. Worker's Comp 10 Responses
*-Most responses called for a reform on worker's comp.*

J. Eliminate Specific Jobs 14 Responses
*-These respondents called for the elimination of specific jobs, even sometimes mentioning a specific name.*

K. Real Estate 4 Responses
*-Broad responses, one said we should sell off most of the state land and use the money to balance the budget.*

L. Transportation 12 Responses
*-This dealt with actual transportation, i.e. one felt the state should require any state owned vehicle get 30 mpg.*

M. Travel 31 Responses
*-This encompasses anything from state employees taking a plane to Duluth, to state*

*employees being required to turn in meal receipts while on the road.*

N. Fleet 16 Responses
*-This should be combined with motor vehicles.*

O. Taxes 19 Responses
*-Quite broad in nature, some want revision and others just want cuts.*

P. Mail 27 Responses
*-A lot of input, many suggestions i.e., mailing out W2 forms with paychecks.*

Q. Labor Sharing 27 Responses
*-Some suggested having a clerical pool to service the various offices, or some suggested that state employees should have 4 day weeks at 10 hours a day.*

R. Regional Treatment Centers 16 Responses
*-It was almost all negative, one called the RTC a dinosaur.*

S. Procurement 51 Responses
*-Filled with criticism, many want a complete overhaul of the current system. Some suggested the state start taking credit cards to eliminate the bad check problem.*

T. Reduce Legislature 41 Responses
*-Some talked about a unicameral legislature, but most just wanted fewer districts.*

U. Welfare 19 Responses
*-This again was filled with criticism. Many feel too many people are eligible and that the system needs to be reformed.*

V. Private Sector 51 Responses
*-Many felt the state could save a lot of revenue if it would use outside sources.*

W. Environment 5 Responses
*-Most just wanted more revenue to be available for environmental purposes.*

X. Health Care/ H&HS 24 Responses
*-Many talked about health access for all. Others talked about the escalating health cost.*

Y. DNR 16 Responses
*-Most responses came from DNR employees, there suggestions are wide and varied. For example, the state should not buy uniforms for DNR officials every year. The DNR should slow down some of its current operations i.e., fisheries, land acquisition, many feel they are too understaffed.*

Z. In-House Expertise 40 Responses

*-Many felt the state should use its own staff and resources rather than outside consultants.*

AA. Telephone 12 Responses

*-Some suggested the state purchase cellular phones, or the state should better regulate long distance calls made be employees.*

BB. DOER 5 Responses

*-Most felt the DOER should be reorganized.*

# I. A. Elimination Suggestions

**ABBREVIATIONS KEY**

| | |
|---|---|
| **BWSR** | Board on Water and Soil Resources |
| **DOA** | Department of Administration |
| **DHS** | Department of Human Services |
| **DNR** | Department of Natural Resources |
| **DOE** | Department of Education |
| **DOER** | Department of Employee Relations |
| **DOF** | Department of Finance |
| **DOH** | Department of Health |
| **DOT** | Department of Transportation |
| **DPS** | Department of Public Service |
| **DOR** | Department of Revenue |
| **DRS** | Division of Rehabilitation Services |
| **DTED** | Department of Trade and Economic Development |
| **IPO** | Information Policy Office |
| **IRRRB** | Iron Range Resources and Rehabilitation Board |
| **MA** | Medical Assistance |
| **MNPCA** | Minnesota Pollution Control Agency |
| **OWM** | Office of Waste Management |
| **PERA** | Public Employee Retirement Association |
| **SWA** | State-Wide Accounting System |

The following three qualitative data sets are recommendations for structural reorganization, taken from the comprehensive set of responses gathered during CORE Project 1 activities.

## ELIMINATION SUGGESTIONS

| Elimination of various state boards | | 18 |
|---|---|---|
| Eliminate | BWSR | 1 |
| " " | MnPCA Citizen Board | 4 |
| " " | Veterans Board | 3 |
| " " | Capitol Area Architectural & Planning Board | 1 |
| " " | Regional Transit Board | 1 |
| " " | Liquor Control Board | 3 |
| " " | Transportation Regulation Board | 1 |
| " " | Iron Range Resources and Rehabilitation Board | 2 |
| " " | State Compensation Board | 1 |
| " " | All Boards and Commissions | 1 |

| Elimination of various state agencies | | 13 |
|---|---|---|
| Eliminate | Staff in Data Management | 1 |
| " " | Greater MN Corporation | 1 |
| " " | Fiscal Services | 1 |
| " " | State Printers Office | 3 |
| " " | Metro Mosquito Control | 1 |
| " " | MN Trade Center | 1 |
| " " | Information Policy Office | 4 |
| " " | Intertech | 1 |

| Elimination of various departments | | 4 |
|---|---|---|
| Eliminate | Department of Safety, Emergency Services | 1 |
| " " | Department of Trade and Economic Development | 1 |
| " " | Department of Employee Relations | 2 |

| **Elimination of various state services** | | **18** |
|---|---|---|
| Eliminate | Snow Plow Rodeo | 1 |
| " " | Emergency Preparedness | 1 |
| " " | State Fire Marshall | 2 |
| " " | Media Consultants within Departments | 1 |
| " " | Legislative Advisory Commission Process | 1 |
| " " | Voyagers National Park Citizens Committee | 1 |
| " " | All District Offices | 1 |
| " " | All Boards and Commissions | 1 |
| " " | Farm America Subsidies | 1 |
| " " | Treasurers Office | 1 |
| " " | DNR Regional Offices | 2 |
| " " | Services for the Blind | 1 |
| " " | Rule 10 Employees and Temps | 1 |
| " " | Active Guard and Reserve | 1 |
| " " | Phone Office | 1 |
| " " | Veterans Scholarships | 1 |

| **Elimination of Constitutional Offices** | | **3** |
|---|---|---|
| Eliminate | House or Senate | 1 |
| " " | Lieutenant Governors Office | 1 |
| " " | Secretary of State | 1 |

| **Restructuring various State Agencies and Departments** | | **22** |
|---|---|---|
| Restructure | DRS and DHS | 1 |
| " " | Licensing | 1 |
| " " | Pay Roll | 1 |
| " " | Environmental Agency | 1 |
| " " | Executive Branch | 13 |
| " " | Education | 5 |
| " " | Personnel | 1 |
| " " | State Troopers | 1 |
| " " | University of Minnesota | 1 |

**Miscellaneous** **14**

| | | |
|---|---|---|
| Eliminate | Dead Weight | 5 |
| " " | The Current Number of School Districts | 2 |
| " " | The Current Number of Counties | 3 |
| " " | Back Files at the Department of Finance | 1 |
| " " | Specific People | 3 |

# I. B. Duplication Suggestions

**Duplication in Various State Services** **14**

| | | |
|---|---|---|
| Duplication in | Children Services | 3 |
| " " | Intertech | 1 |
| " " | Motor Pool | 1 |
| " " | Plant Management | 1 |
| " " | Printing | 1 |
| " " | Services for the Blind | 1 |
| " " | Computer Efforts | 1 |
| " " | Law Enforcement | 1 |
| " " | Nursing Homes | 1 |
| " " | Job Placement | 1 |
| " " | Services for the disabled | 1 |
| " " | Head Start | 1 |

**Duplication in Various State Functions** **35**

| | | |
|---|---|---|
| Duplication in | Fiscal Procedures | 4 |
| " " | The Number of Reports and Paper Work | 7 |
| " " | Collection of Taxes | 1 |
| " " | Various Publications | 2 |
| " " | Handling of Environmental Waste | 1 |
| " " | Rural Treatment Centers | 1 |
| " " | Checks ($) | 1 |

| | | | |
|---|---|---|---|
| " | " | Too Much Stored Data | 2 |
| " | " | Mailing Lists | 1 |
| " | " | State Building Code Division | 1 |
| " | " | Accounting Procedures | 2 |
| " | " | DOER | 4 |
| " | " | DHS | 4 |
| " | " | Department of Education | 4 |

**Duplication in Various Departments** **8**

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| | | | |
|---|---|---|---|
| Duplication in | | DNR | 1 |
| " | " | DTED | 1 |
| " | " | DPS | 1 |
| " | " | MA | 1 |
| " | " | DOT-Office of Traffic Safety | 1 |
| " | " | Ag. and Health Department | 1 |
| " | " | Ag.-Tree Diseases Department | 1 |
| " | " | Veterans Affairs Department | 1 |

**Duplication/Examination of Miscellaneous Government Services.** **37**

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| | | | |
|---|---|---|---|
| Examine | | Combining the House and the Senate | 2 |
| " | " | Eliminating Old Laws Still in the Books | 1 |
| " | " | Budget | 1 |
| " | " | Accounting System | 1 |
| " | " | Simplifying Existing State Government | 3 |
| " | " | Pay Roll Procedures | 5 |
| " | " | SWA | 1 |
| " | " | Gambling | 2 |
| " | " | Restaurant Inspections | 1 |
| " | " | Inter Governmental Law Enforcement System | 1 |
| " | " | Entering Phone Directories in State Computer System | 1 |
| " | " | Too many employees doing the same thing | 1 |
| " | " | Use Better Technology | 3 |
| " | " | State Oversight and Control | 11 |
| " | " | The Fact that Little or no Duplication Exist | 3 |

# I. C. Consolidation Suggestions

| **Consolidation of Various State Agencies and Boards** | | **13** |
|---|---|---|
| Consolidate | Veterans Affairs with Military Affairs | 1 |
| " " | IPO into Intertech | 1 |
| " " | Petro Fund Agency with PCA | 1 |
| " " | Plant Industry Division with Agronomy Services | 1 |
| " " | All Boards of Health | 1 |
| " " | Building Codes Division with Enforcement Agency | 1 |
| " " | All Aspects of Gambling | 2 |
| " " | BWSR with Waste Management | 1 |
| " " | Higher Education | 1 |
| " " | Department Libraries with Legislative Library | 1 |
| " " | PERA, TRA and DOER | 1 |
| " " | Print Communication with Intertech | 1 |
| " " | All State Laboratory Agencies | 1 |

| **Consolidation of Various Departments** | | **29** |
|---|---|---|
| Consolidate | DOF, DOR and DOER | 1 |
| " " | Department Personnel with DOER | 1 |
| " " | Information Centers from DNR and MnDOT | 1 |
| " " | Departments into one Administrative Agency | 1 |
| " " | MnDOT, as much as possible | 1 |
| " " | Department of Revenue and Jobs\Training | 1 |
| " " | Office of Waste Management and PCA | 1 |
| " " | DOF and DOR | 1 |
| " " | DHS and DRS | 1 |
| " " | MnPCA and DNR | 1 |
| " " | Within DNR | 2 |
| " " | Department of Jobs/Training and Rehab Commission | 2 |
| " " | DOA and DOF | 1 |
| " " | DOH and DHS | 2 |
| " " | Treasurers Office with DOF | 1 |
| " " | DOF and Planning | 2 |
| " " | MnDOT and DNR Fieldhouses | 1 |
| " " | BWSR and Department of Ag | 1 |
| " " | All Environmental Agencies | 6 |

**Combine Various State Services** **13**

| | | |
|---|---|---|
| Combine | Handling of Hazardous Waste | 2 |
| " " | Purchasing Process | 1 |
| " " | Legislative Support Staff | 1 |
| " " | State Specialist Positions | 1 |
| " " | Veterans Homes with DHS Facilities | 1 |
| " " | All Licensing Processes | 1 |
| " " | Technical Resources Under One Department | 1 |
| " " | Inventory and Repair shop | 1 |
| " " | Put Departments in One Office | 1 |
| " " | Children Services | 1 |
| " " | Record Keeping Function for MN Residents | 1 |

**Miscellaneous Consolidations** **6**

| | | |
|---|---|---|
| Consolidate | The Number of Counties | 2 |
| " " | The Number of School Districts | 1 |
| " " | Government as a Whole | 2 |
| " " | DO NOT CONSOLIDATE ANYTHING | 1 |

# II. State Management Conference

## INTRODUCTION

In February 1992 the eighth annual State of Minnesota Management Conference was held with the theme "Creative Leadership: Vision, Opportunities and Action." Co-sponsored by the Council of Managers, its membership is primarily drawn from the cabinet level agencies with some participation by smaller agencies and boards. The Council's mission is to identify and propose solutions to issues that concern state managers, to recommend improvements in the overall management of state government, especially in areas that cross agency boundaries, and to assist in providing professional development opportunities to managers. A small group workshop was held with 31 participants discussing their perceptions of what CORE priorities should be established and the future impact of CORE projects. Following is some of the collective response.

### *GENERAL REACTIONS TO PRESENTATIONS:*

**Need for Cooperation**

- Getting cooperation between agencies is tough
- We need to treat each other with more respect
- Need to abolish inter-agency rivalry
- Glad to see the Department of Administration also took cuts

**General Call for Risk Taking and Breaking New Ground**

- Nothing ventured, nothing gained
- Private sector doesn't have all the answers - nice to hear

**Call for better Communication**

- There has been a lack of information to greater Minnesota - a lot of this is new to outstate offices
- Be honest about reorganizations - whether they will happen or not

**Need for Comprehensiveness and Objectivity**

- Make sure we don't take narrow views on projects

*GENERAL SUGGESTIONS FOR CORE'S SUCCESS:*

**Empower and Reward State Employees**

- More training for managers
- Need to empower managers to act
- A broader scope is necessary - budget incentives should reward managers
- Need a system that rewards motivation and risk-taking

**Involve State Employees**

- Respect the competence of state managers
- Provide more opportunities to participate
- Middle managers need to be involved

**Improve Communication**

- Make information on CORE regular and readily available
- Problems with communication to greater Minnesota
- Public needs to know more about the services it pays for

**Create a Positive Environment for Change**

- Need good environment for the management of initiatives

**Implementation and Post-CORE**

- Momentum needs to carry on after CORE is "done"

*ADVICE FOR PROJECT MANAGEMENT:*

**Sustain a Positive Change Environment**

- Recognize well-run areas - don't bash government
- Promote change as being positive
- Emphasize that times have changed so methods must change

**Elicit Stakeholder Cooperation**

- Convince the House and Senate to join in process
- CORE needs managers' backing

**Encourage New Ideas**

- Reward risk-taking
- Like 3M, incorporate research and development time into staff schedules - at 3M its 15% of their time

**Implementation**

- Work on implementation time lines

*ADMINISTRATIVE SYSTEMS IDEAS:*

**Contracting and Purchasing Concerns (18 responses)**

- Delegate contract approval in state line agencies
- Develop state construction purchasing programs
- Save money in bulk purchasing of PC systems
- Purchasing - delegate more authority to agencies
- Procurement process - offices should be able to develop single source suppliers
- Contract administration - bidding requirements do not always make sense
- Single control over purchasing - no outstate activity
- Purchasing laws - purchasing has become a social and political function rather than a business function
- Examine why Materials Management should be the enforcer of social programs - human rights certificates, targeted vendors
- Interstate compensation on contracting
- Purchasing - put small purchases on credit card system
- Contract process - multiple approvals discouraging
- Purchasing via statewide contracts - many prices are higher than locally available options
- Enforce state statute requiring state agencies to purchase products from correctional facilities
- Establish a system that makes Corrections aware of needs/uses - where the entire manufacturing program could be performed by correction industries - license plates for example
- Purchasing
- Contracts and purchasing
- State contracting process - sometimes lose contracts due to slow processing

**Statewide Personnel System (12 responses)**

- Analyze flex-time options
- Analyze personnel systems - in the agencies and DOER

- Civil service reform
- Duplication of efforts in the personnel and payroll systems
- Civil service system - doesn't serve managers or people seeking employment
- Personnel services
- Agency liaisons to DOER - for insurance, workers' compensation, health promotion, safety - are underpaid and overworked
- Single control over personnel - no outstate activity
- Hiring - it should be easier to hire the best qualified people
- Duplication of personnel functions in DOER and DHS
- Legislative and executive branch personnel systems differ
- Analyze employee health care costs - reduce employers' contributions

**Budget Issues (7 responses)**

- Constraints to a marketplace approach - showing "profits"
- Budget process - discourages risk-taking that might have high payoffs
- Budgeting process
- Budgeting - implement zero-based budgeting - get rid of "use it or lose it"
- Budget development/management - aid is too restrictive and buy or lose is absurd - lack of depreciation accounts and recapitalizing/technology costs
- Budgets - carry over funds from year to year if not used
- Give state managers more control of the budget

**Statewide Information Systems (7 responses)**

- Analyze the switch from a bi-weekly to a weekly payroll system
- Create easy, compatible MIS systems for agencies - must have compatibility between agencies
- Analyze information management systems
- Examine SWA
- Look at overall data systems - SWA
- Technical implementation of electronic systems - use of PCs to eliminate duplication and encourage optimum use
- More electronic exchange of data

**State Building and Leasing (5 responses)**

- Issues of leasing or building office space
- Bonding - a closer watch on future mortgages
- Leasing of space
- Examine alternative methods for controlling prison populations - other than building new prisons for non-violent crimes
- Prisons - use double bunking rather than building new facilities

**Electronic Information Technology (4 responses)**

- Examine what the state stores in hardcopy - move towards a paperless environment
- Reduce paperwork with digital technology
- Excessive use of paper and reports - use electronic systems
- Too much data being kept - examine the value of data collected by departments

**Workers' Compensation (4 responses)**

- Lots of problems and frustrations with the current workers' compensation system
- Workers' compensation reform - especially health care costs
- Examine the state's management of workers' compensation claims - we need to pay our claims timely
- Workers' compensation costs - have generally failed in managing costs

**Other internal state services (3 responses)**

- Administrative services - examine state fleets
- Legal services to agencies - beneficial to have on-sight lawyers rather than services purchased from the AG's office
- Examine out-sourcing of critical or highly specialized areas where staffing may be difficult

**Energy Concerns (2 responses)**

- Energy efficiency - state should be a leader
- Energy - look at California's program for alternative fuels for cars

***ORGANIZATION AND MANAGEMENT IDEAS:***

**Service Duplication and Restructuring (14 responses)**

- Examine service duplication between state agencies
- Consolidate/clarify agencies' roles involved in state building
- Merging of departments or sections of departments
- Consolidate/coordinate planning efforts - function seems to exist in multiple agencies (Met Council, State Planning, DNR, etc)
- Look at all departments' organizational structures and determine which is "ideal"
- Duplication of efforts
- Combine areas by function
- Restructure DRS and DHS - departments are too large and have lost customer focus
- Set up one gambling department - consolidation

- Legislative support staff - legislature should rely more on agencies to produce reports
- DHS and DRS should be combined
- Duplications in staffing - safety personnel, business officers
- Combine areas regarding chemical addiction
- Health care purchasing - many agencies involved with limited coordination - see report: Minnesota Care Access Commission

**Long-term State Government Strategic Planning (7 responses)**

- Develop critical path schedules for every state project
- Laws come with mandates that cost money - the public should be aware of the costs so they can make informed decisions
- Look at future needs so we don't throw out something and then have to recreate it - examine DHS and Corrections
- Suggestion box - involve as many people as possible in CORE
- Bridges need to be built between appointed workers and career professionals - different agendas and loyalties
- Need for a state government mission statement
- Ask taxpayers what it is they would like to pay for - create a simple, easy to understand system

**State Employee Performance and Development (5 responses)**

- Analyze current professional development systems
- Empowerment - flexibility in front-line employees
- Expand training for new technological methods - state should be a leader in improving services to the public
- A better process for employee recognition - reward excellence
- Develop new work incentive provisions

**Centralize Service Delivery in Greater Minnesota (3 responses)**

- Regionalize administrative activities - now have a maze of different agencies in greater Minnesota cities
- Outstate offices/campuses - pick one major department in outstate locations to serve as the main office for services (for example, Mankato State, in Mankato)
- Establish a local services agency - cities now have to go through a number of different agencies

**State Agency Cooperation, Coordination and Resource Sharing (3 responses)**

- Examine ways to share services between agencies/departments
- More state/federal partnerships - Revenue, IRS, Jobs and Training
- More cooperative efforts between state agencies - don't have to reinvent the wheel

**Customer/Client Satisfaction (2 responses)**

- Create mechanisms to sample services rendered and analyze for feedback
- Survey customers to see if services are being provided efficiently and effectively

**Judicial Concerns (2 responses)**

- Judicial reforms
- Judicial representation on CORE

*PROGRAM GROWTH IDEAS:*

**MA Costs and Health Care (7 responses)**

- Reimbursement through Medical Assistance for Human Services - cost analysis should be done of actual administrative services needed and adjust costs
- Establish per diems - MA vendor numbers in state operated community based day program sites and residential services (RTCs) - make services provided by RTC staff in community day program sites available to DO/MI persons not living in RTCs
- Health plan regulatory reforms necessary
- Improve state operated community based services - need to de-emphasize reliance on facilities (RTCs) and focus on meeting service needs with state employees in integrated environments for those persons who can't get services elsewhere
- MA health care - control must be placed upon use in the form of deductibles
- Chemical dependency - money should "follow" a patient - look at state hospital's program
- DHS rules - rules have been made to appease advocates and lawyers

**Aid to Local Governments (4 responses)**

- Health care purchasing assistance to private sector and local governments - state should provide help in this area
- Aid to local governments - state should not be a collection agency for the local governments, they should be accountable for spending and taxing
- Aid to local governments - city aids are declining while education and health care are increasing - need to clarify reality and correct misperceptions
- Aid to local governments - they should be weaned off state dollars

**Education Issues (3 responses)**

- Education - if it's so important, why isn't everybody educated?
- School aids - oversight needed for school expenditures, standards of accountability necessary

- Medical costs - money spent on newborns but none for pre-school

**Environmental Issues (3 responses)**

- Explore new storage resources (waste)
- Environment - examine PCA fines and rules
- Hazardous waste - find a way for departments to work together

**AFDC Costs (1 response)**

- State mandates should be examined and the entitlement concept abolished

# III. Project 2 Interviews

## INTRODUCTION

While CORE was conducting Project 1 activities, a series of interviews were conducted with CORE commision members and state legislators to help determine goals and expectations for Project 2. Their responses were diverse and sometimes vague, but one theme kept emerging: if CORE is to examine executive reorganization and assessment, it is very important not to get bogged down looking at small details. Rather, given the project's scope and size, CORE should concentrate its energies on the broader picture. By doing this, it will be possible to recommend more sweeping changes to both improve state government and to further extend the quality of life that Minnesotans already enjoy.

One strong recommendation is that CORE not take on issues or subjects that appear trivial. Another respondent suggested that CORE make recommendations that are politically feasible. A common priority is that CORE's final report should not be an analysis that never leads to action. And an interviewee suggested that if CORE decides to focus exclusively on projects and models, then CORE will have missed a major opportunity to affect state government at the macro level. CORE has the potential to assist other leaders by raising difficult organizational issues.

## PROJECT 2 INTERVIEWS: RESPONSES

**Number of Respondents: 78**

### 1. What areas should be considered for examination by CORE?

- Make departments bigger, this will equal bigger savings.
- Offer early retirement.
- Investigate rules further, we don't know how much we can do within the current rule making process.

- We are paranoid of trying to stretch to meet customer needs.
- A need for more communication from the management levels.
- We should do more cross training and more interaction, this would allow us to cross more boundaries.

- Create partnerships with industry and manufactures. This would allow us exposure to and training on new equipment.

- The state needs to take a leadership role in outstate and local counties.
- Centralize all services in one place. It is very inefficient to have all this decentralization and duplication.

- We spend so much time on paperwork that we neglect our clients.
- There should be fewer rules than there currently are. They also need to be clearer, more concise and enforced.
- There needs to be greater customer orientation and the streamlining of processess and structures will lead to fewer state employees.

- Eliminate duplication, needless regulation and non-mandatory services.
- The state system is over regulated and the citizens of the state feel oppressed by the over regulation which also adds to the cost of doing business.
- Too many local units and there is no incentives for them to look at coordination, cooperation or merger.

- Regional Treatment Centers (RTCs), this issue has already been studied many times. This should be avoided by CORE.
- Policy on RTCs has been determined more by politics than by economic accountability.
- Increase productivity through the use of technology.

- Procurement-The procedures and policies are complex and time consuming.
- Local Government Aid- There should be a bonus or reward to keep spending below the inflation level. Some formula looking at population and needs is necessary. Levy limits are a stick; use an incentive approach. Using a needs and ability to pay model will result in a formula in which those who have been frugal in the past won't be punished.

**2. What about areas involving accountability?**

- Set quality standards, and have standards to let employees know what is expected of them.
- Legislators many times have no idea what they have passed.
- Need more accountability of decision making.

- Not enough resources are allocated to the control and detection of fraud.
- Managers are not currently removed for poor performance.
- Political appointees have little or no control over their own employees.

- What is the accountability of the Judicial system.
- An improved budget process that would provide full disclosure of what the state is really spending money on.
- Agencies usually inflate their budgets and then do not justify the increase in expenditures. How can we build integrity and trust into the system.

- The bias against state employees as being too lazy and too secure in their employment is detrimental to any attempt at developing a work ethic. We need to empower those people, give them responsibility and make them accountable.

**3. What should CORE do to enhance participation and support from state managers and employees?**

- We need to match process people with process managers, and outcome managers with outcome people.
- We tried combining two divisions here because of operation overlaps, but it was too complicated and failed mostly because of separate funding and legislative constraints.
- Core should look at quality and cost of services/processes which hinder relations with various users.

**4. In past projects similar to CORE, what mistakes were made? How can CORE avoid them?**

- Don't run state like a big business.
- Get back to basics.
- Should emphasize and look more at laws that are outdated. We are doing a lot of detail work because of laws made 30-40 years ago.

- CORE should be careful not to take on issues or subjects that are trivial. If this happens, the Legislature and State agencies will not take CORE seriously.
- Important for CORE to look at policy makers (i.e., the Legislature as well as the Executive Branch) in order to make an impact.
- CORE can have an impact if the Commission doesn't get so blinded by the details that it is prevented from seeing the whole.

- CORE should identify major problems. You are not going to find 200-300 million in waste and inefficiency.
- CORE should make recommendations that are politically feasible. Don't make it a

- "Citizens League" type of report that just sits on the shelf and gathers dust.
- If CORE attempts to change policy allocations to programs without concentrating on the system which make state government function, then the state will be delivering less services with the same inefficient systems.

**5. What about areas involving Quality?**

- Emphasize on Total Quality Management (TQM). All this cost cutting is focused n negative objectives. TQM focuses on the process, not the people.
- CORE needs to build a culture of quality and cost consciousness.
- We need pride on our state. Programs should be driven by quality with a customer-service orientation.

- State governments major problem is the publics perception of government services. You can improve the actual quality of services but you must work on the perception of the poor quality.
- We are too focused on improving quality of life regardless of the costs. Lets get more information about the costs and ask people if they are willing to pay for these services.

**6. What changes in the executive branch's organizational structure would allow public services to be more effectively and efficiently delivered?**

- Reorganize departments doing more with less. Right now there is a lot of overlays and unnecessary paperwork, most could be eliminated.
- Don't keep adding programs with new ways to serve the public, in the process the public has been lost.
- More training with our current technology

**7. What would help managers and their staffs improve the quality of services they offer?**

- An overall need for more employee recognition. A lot of room for improvement.
- Some form of recognition would be helpful, but there is nothing.
- Staff needs to be involved initially in projects or decisions.
- Training for managers seems to be working well.

**8. What would allow state employees or managers to do their jobs more productively?**

- Employees want to be treated like adults.
- It is hard to plan grand changes when the Commissioner can be removed at any time.
- We need to know what the Commissioners style is, to be able to predict behaviors and reactions.

- The State needs to improve the knowledge of its customers, especially the publics expectation of services.
- More leadership and clearer direction. We need less competition with other agencies.
- Simplify the laws.

- Cut the legislature in half, make them full time so they can preview their own laws.

**9. What should CORE do in accordance with Executive Reorganization?**

- It should not result in critically weakening an agency so that it is no longer able to carry out its mission.
- Streamline, eliminate duplication especially in the delivery of services.
- Direct services to citizens thereby maximizing service delivery at the lowest cost.

**10. What then should the goal of CORE be in Project 2?**

- CORE should come up with recommendations that you would not discover from within the system
- CORE could provide a vehicle for government to police itself.
- CORE must show things to the legislature that look creative, that are true reform and efficiency.

- There are major legislative expectations that CORE will at least produce proposals for organizational changes.
- CORE should force people to think and look at problems in a new way.
- CORE should have a dollar amount target, say 400-500 million. To achieve savings large enough that can't be ignored by the legislature. We would like to see a sense of urgency about the work to be done.

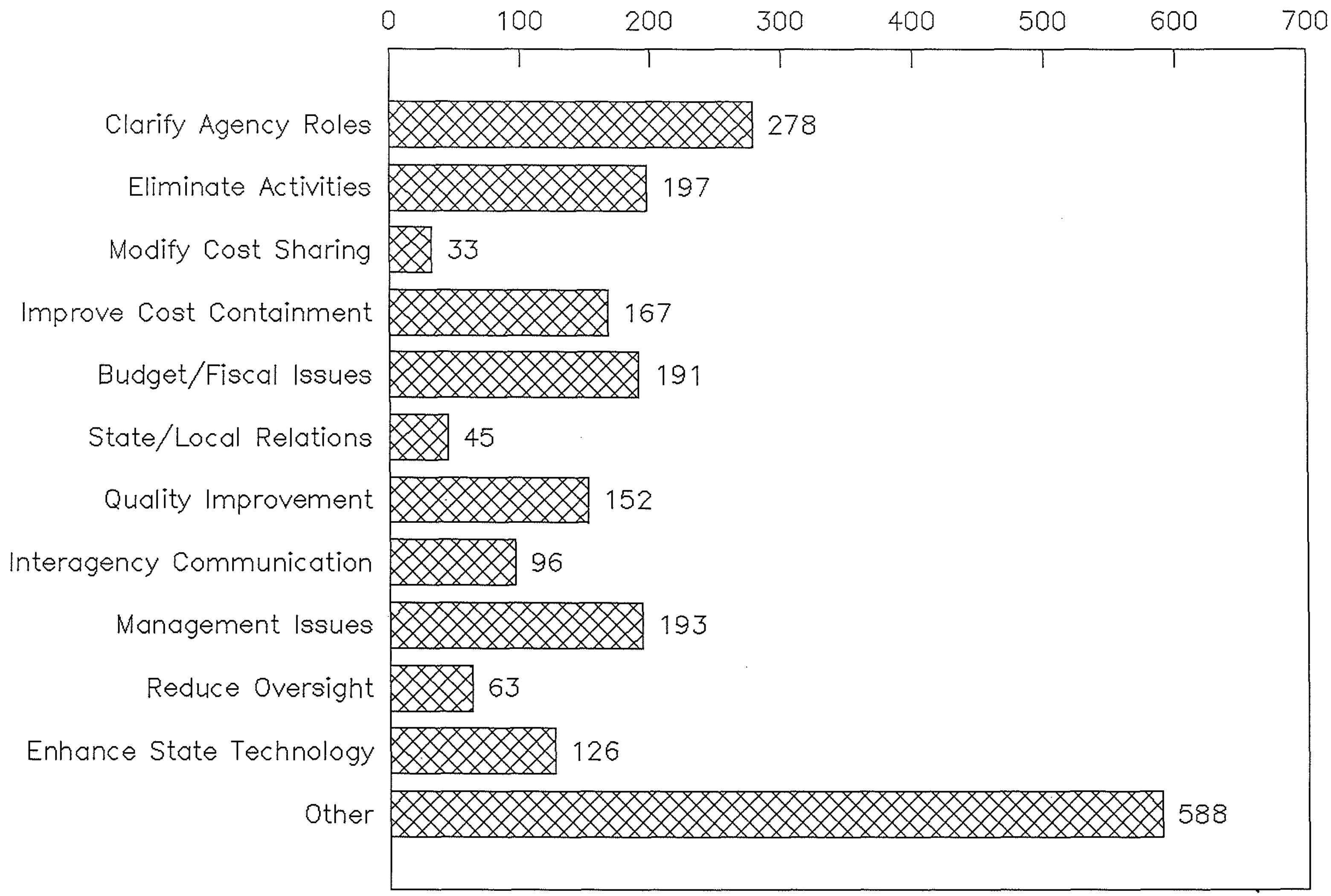
- CORE should maintain a strong oneness of what's best for the state. This needs to be the goal, not partisanship.

- CORE should reduce redundancies and duplication, increase cost effectiveness, make it easier to find services and make it easier to get services.
- Project 2 should address more politically difficult issues, issues with interest group backers that will make them try and slap CORE's hand.

- If CORE decides to focus exclusively on projects and models, then CORE will have missed a major opportunity to affect state government at the macro level. These kinds of tough organizational decisions might not be easily proposed by elected officials. CORE can make such bold recommendations.

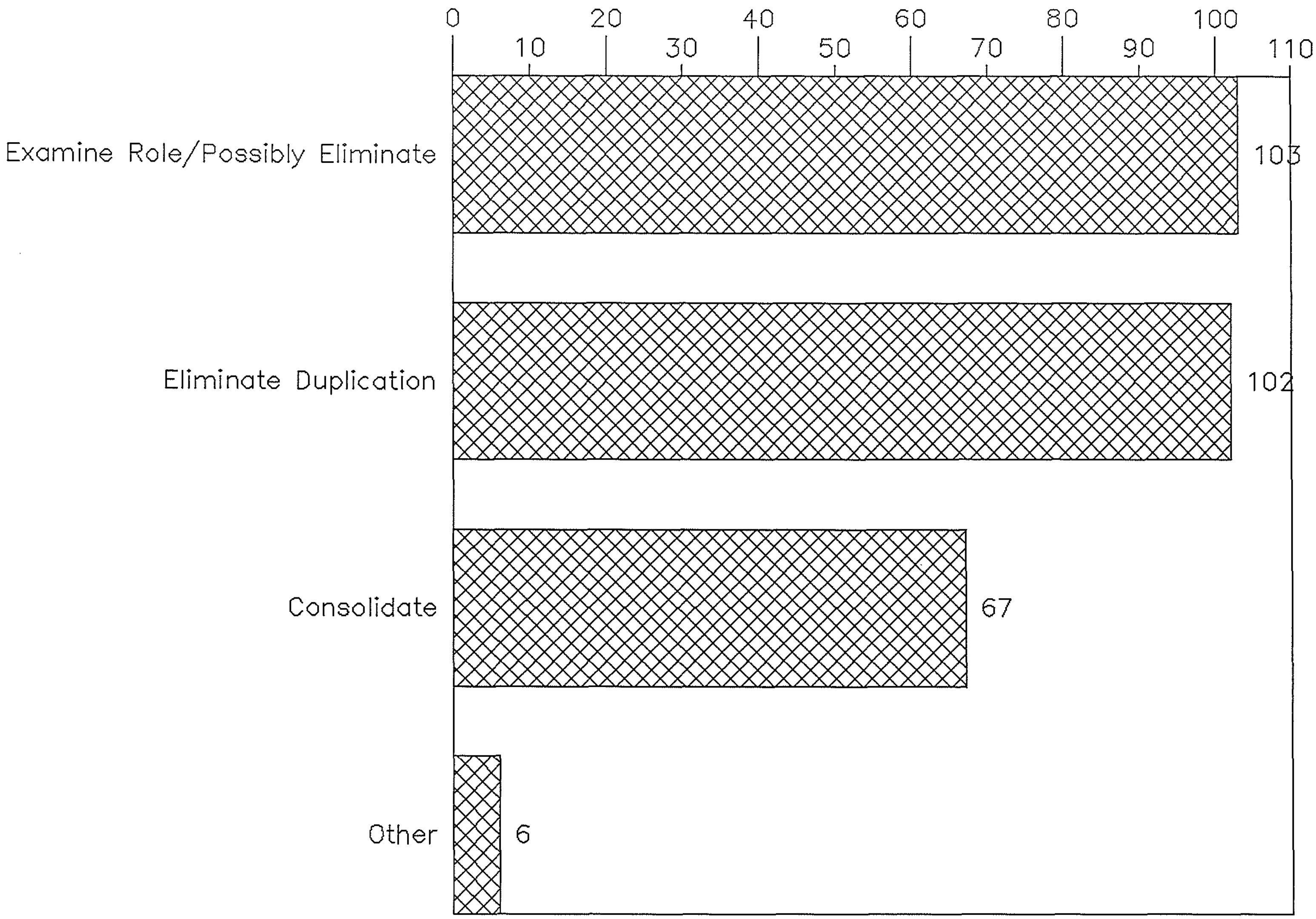
# Responses

The numbers represent actual responses.



# CLARIFY AGENCY ROLES

The numbers represent actual responses.



# IMPROVE COST CONTAINMENT

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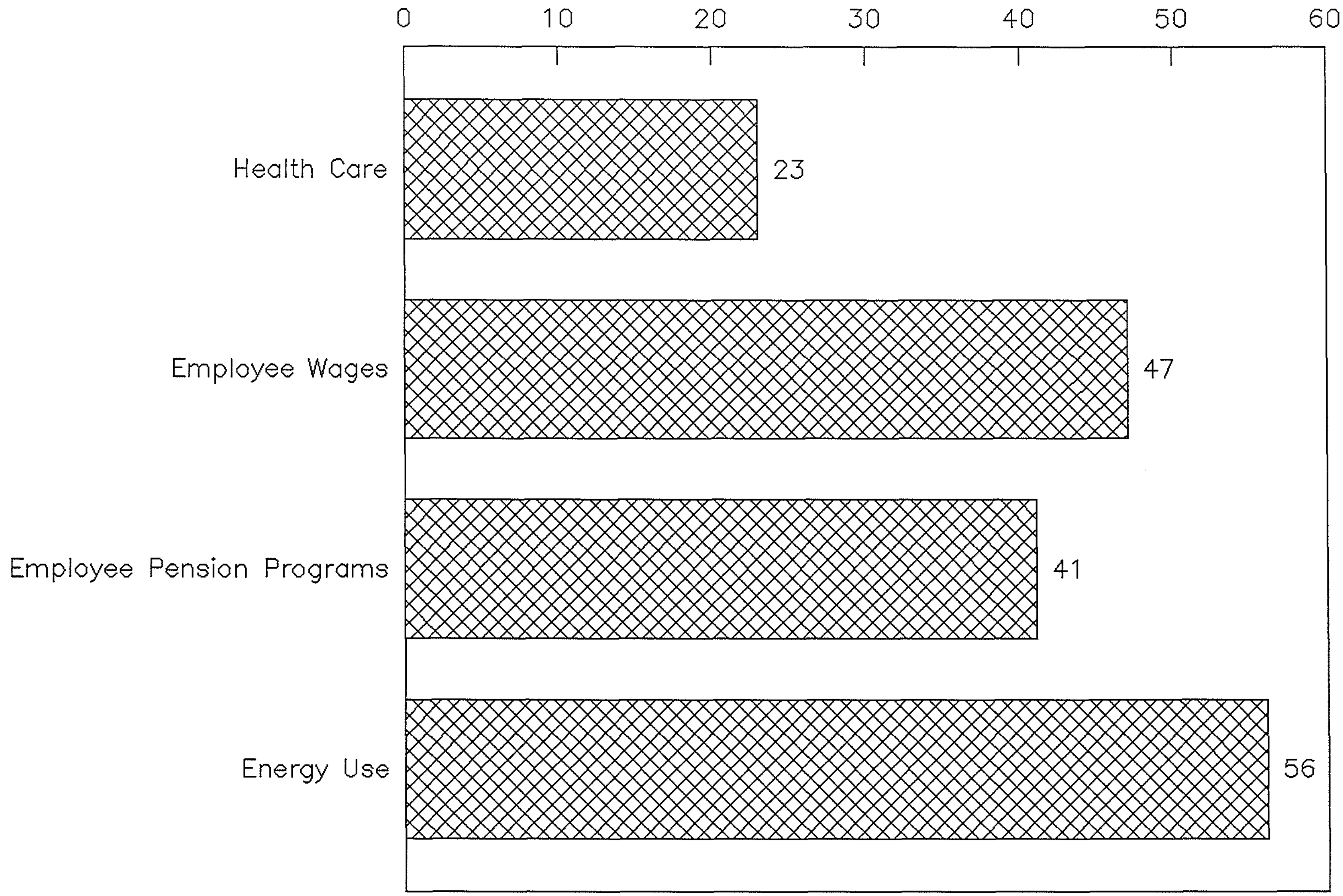

# BUDGET/FISCAL ISSUES

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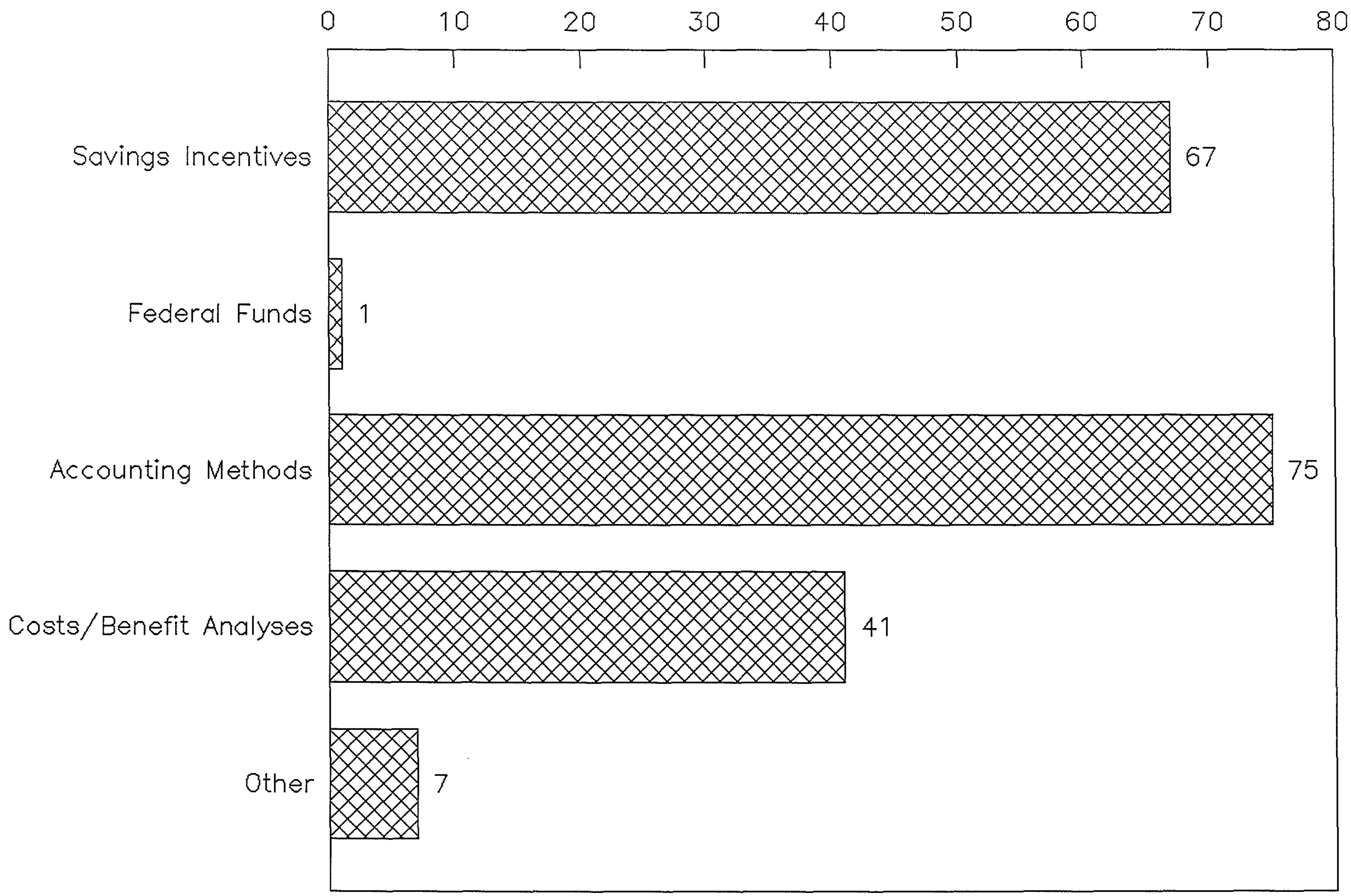

# STATE/LOCAL RELATIONS

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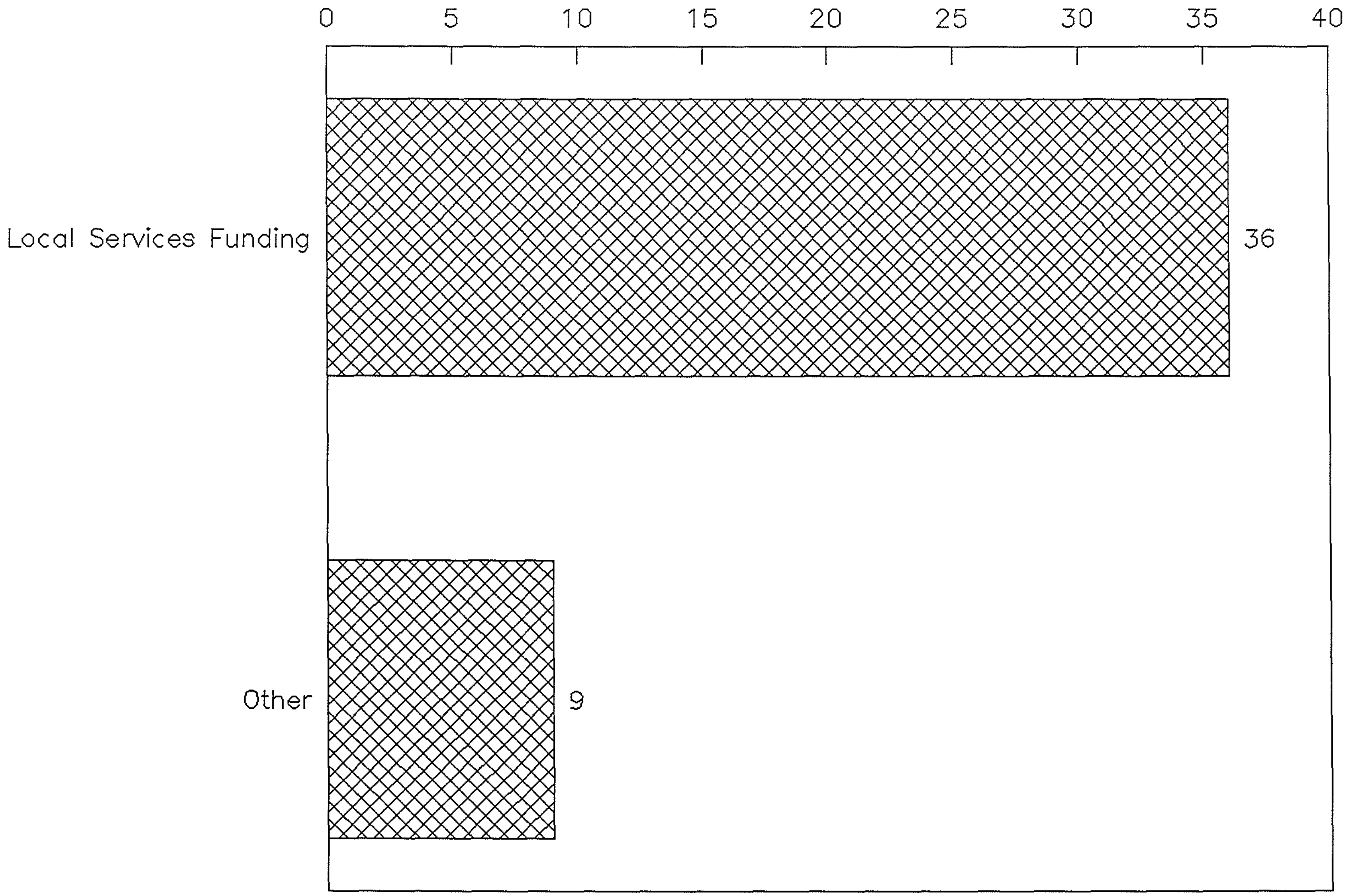

# QUALITY IMPROVEMENT

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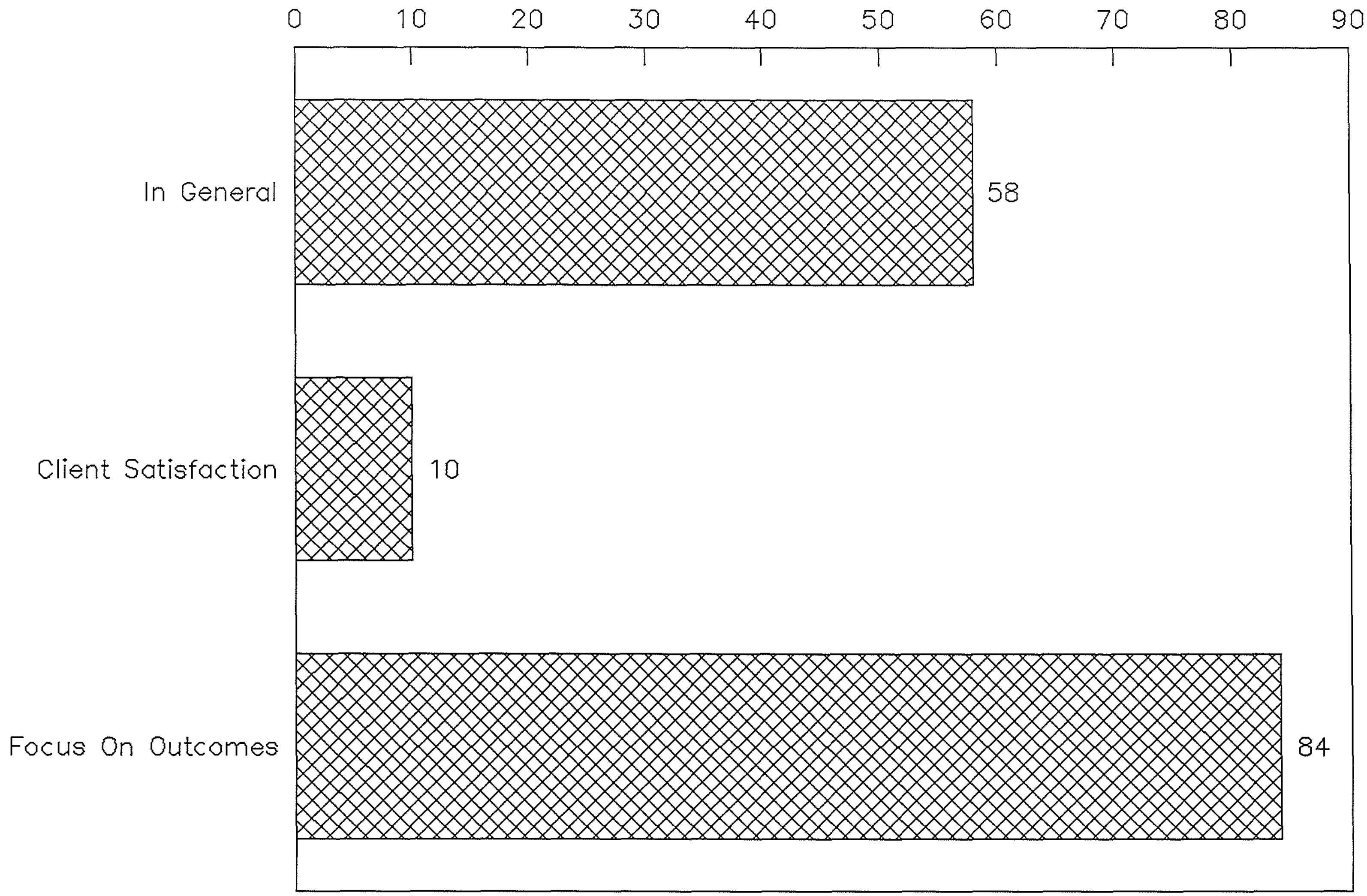

# MANAGEMENT ISSUES

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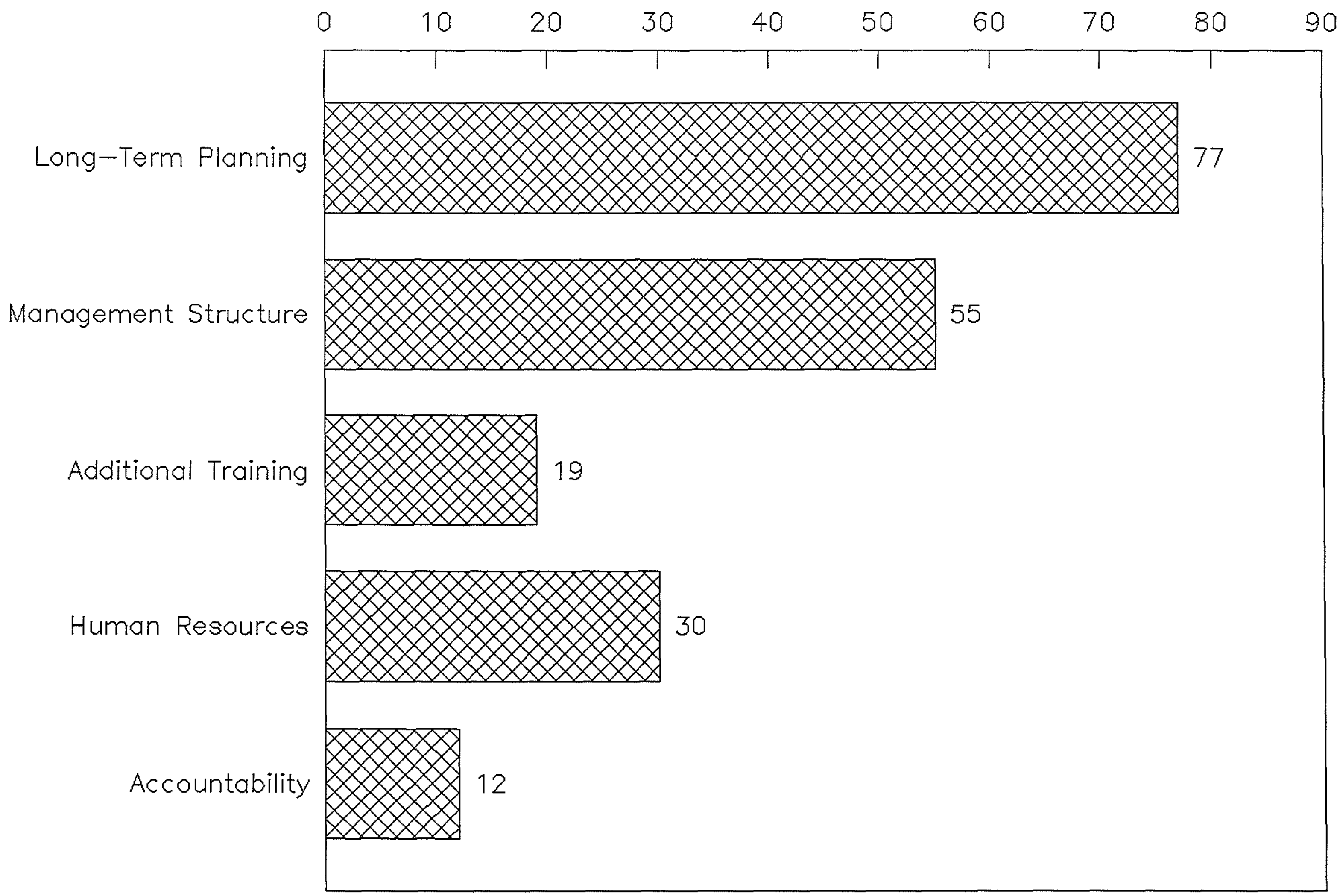

# REDUCE OVERSIGHT

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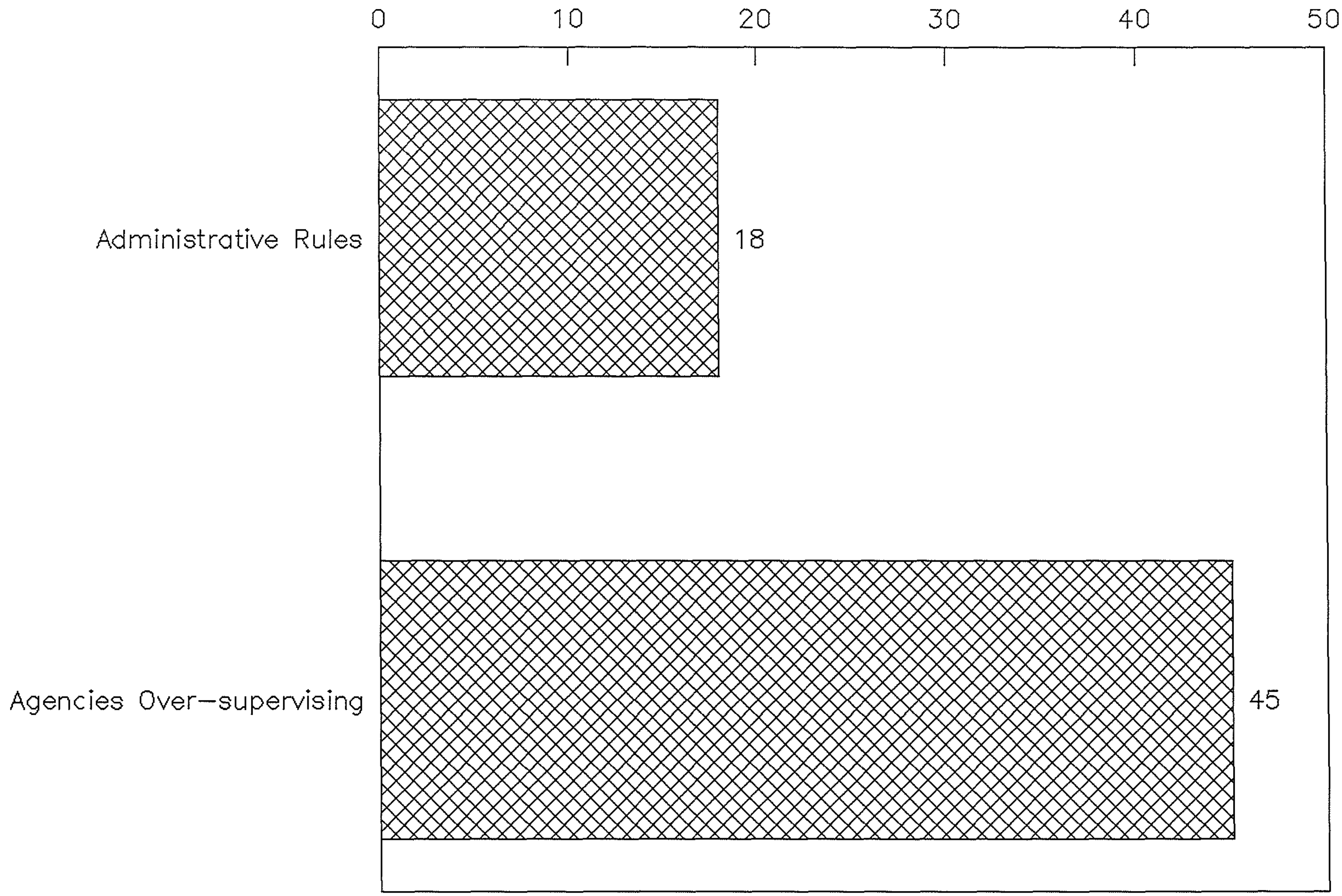

# ENHANCE STATE TECHNOLOGY

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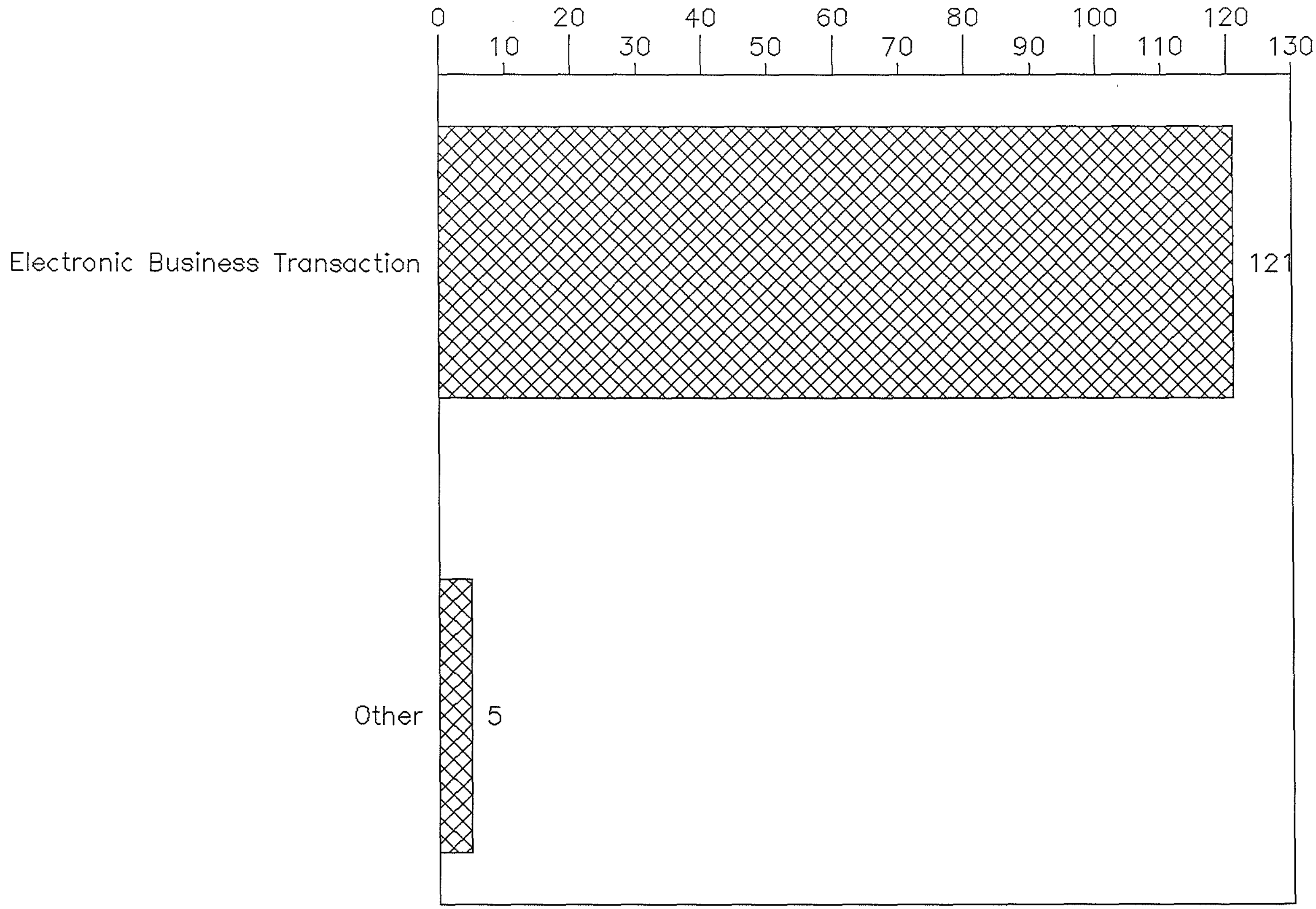

July

# The Secretary Model

## EXECUTIVE REORGANIZATION & ASSESSMENT WORKING GROUP

Working Paper Draft

July 14, 1992

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The executive branch of state government in Minnesota consists of 23 cabinet level departments and more than 100 smaller agencies, boards, and commissions. Many of the smaller agencies are independent, with policy and quasi-administrative powers. Departments range from those that are quite complex and large both in staff complement and responsibilities (e.g., Human Services and Transportation) to others that by comparison are quite small (such as Veterans Affairs and Human Rights). Several department, such as Administration, Finance, and Revenue, are products of earlier governmental reform efforts.

This organizational arrangement poses several problems for state government. One is that the Governor's span of control is both large (23 cabinet agencies) and limited (there are over a hundred independent agencies). The large number of cabinet agencies and independent agencies can hamper the Governor's ability to communicate and effectively implement policies. Another problem is that the current structure fragments service delivery. Fragmentation of services can make it difficult for citizens to access the services they need. It can also lead to overlap and duplication between agencies, as several agencies independently serve similar "customers" in different ways. The large cabinet and number of independent agencies can also confuse the electorate and others about who is responsible for policy and administrative decisions.

One alternative to Minnesota's current system is the Secretarial system. Several states have implemented a Secretarial System to address some of the problems noted above. In a Secretarial System, a relatively small number of Secretaries (eight or fewer) oversee the operations of several agencies. Secretaries may have budget and other authorities which are intended to enable them to coordinate the activities and programs under their purview.

While Secretary systems have been implemented to correct problems, the systems also have potential disadvantages. The purpose of this paper is to describe the Secretary model, Minnesota's current system, and the potential advantages and disadvantages in moving to a secretary system.

## A Description of Basic Model Types

One of the most common ways of understanding, evaluating and planning executive reorganizations involves comparing the secretarial model with the "traditional", and "agency head cabinet" models. These models represent three basic ways of structuring state government.

Definitions of traditional models, secretary systems, and agency head cabinet models vary. Basically, however, the following applies:

1. In the **traditional model**, there is a relatively large number of agencies (17 or more) and at least 25% of the agencies are headed by "plural executives". "Plural executives" refers to the fact that the agency has a group of executives who provide

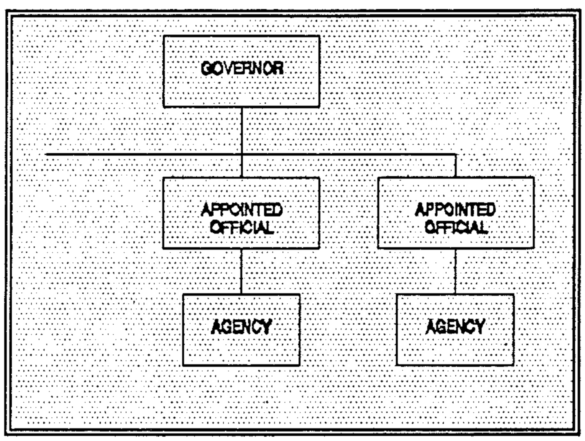
leadership, such as board and commission members, rather than a commissioner or secretary. In the traditional model, less than half of the agency heads are appointed by the Governor.

When a reorganization results in a traditional structure, over half of the consolidation is into single-function, narrowly defined agencies. Transplanted agencies retain a high level of authority after the reorganization.

2. In the **agency head cabinet model**, there is a moderate (9 to 16) number of agencies, with less than 25% headed by plural executives. Half to two thirds of the department heads are appointed by the Governor.

   When a reorganization results in an agency head cabinet structure, over half of the consolidation is into single-function, broadly defined agencies. A majority of transplanted agencies relinquish statutory authority, structural identity, and control over management support services.

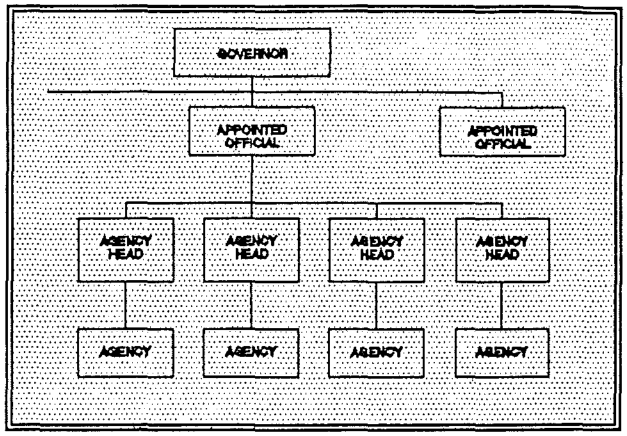
   The basic structure of the agency head cabinet model is:




3. In the **secretary cabinet model**, there is a relatively small number of agencies (less than nine), and less than 10% of the agencies are headed by plural executives. More than two-thirds of the department heads are appointed by the Governor.

   When a reorganization results in a secretary cabinet structure model, over half of all consolidation is into very large, multiple function or broad single-function agencies. More than half of the reorganization transplants involve the transplant of agencies into super-agencies (umbrella organizations), with the transplanted agencies primarily retaining their structural identity and much of their statutory authority while relinquishing some control over management support services (e.g., submitting to budget review by the super-agency).

The basic structure of the secretary model is:




This description of traditional agency head and secretarial models has been adapted from the "Modified Bell Typology of Executive Reorganization" developed by James Garnett in 1982. Table One presents the highlights of the models. An expanded version of this table may be found in Appendix A.

**Table One:** Characteristics of Traditional, Agency Head Cabinet, and Secretary Models

| | Traditional | Agency Head Cabinet | Secretary Cabinet |
|---|---|---|---|
| Number of agencies after reorganization | >17 | 9 to 16 | 1 to 8 |
| Degree of functional consolidation | low | moderate | high |
| Proportion of post-reorg. dept. head appointed by Governor | low | moderate | high |
| Proportion of post-reorg. agencies with plural executives | ≥25% | 10% to 24% | ≤9% |
| Degree of management authority retained by transplanted agencies | high | low | moderately high |

Source: Adapted from "Modified Bell Typology of State Executive Reorganization, Garnett, 1982.

An Overview of Minnesota's Current Organizational Structure

The composition of cabinets and subcabinets is made at the discretion of the Governor, and therefore varies by Governor's term, or even within a Governor's term. The current Governor has assembled a cabinet that is composed of 23 major agencies and three additional agencies (Table Two; see also organization chart in Appendix B). There are approximately 150 other state agencies, such as boards and commissions. Many of these other state agencies, while not official members of the Governor's cabinet, have substantial powers. Boards, for example, can have rulemaking, license-granting, adjudicatory and other administrative powers. Authorities, such as the Minnesota Public Facilities Authority, issue bonds for financing, ownership and development.

**TABLE TWO: MAJOR CABINET-LEVEL AGENCIES, 1992**

| | |
|---|---|
| Administration | Labor and Industry |
| Agriculture | Military Affairs |
| Commerce | Natural Resources |
| Corrections | Pollution Control |
| Education | Public Safety |
| Employee Relations | Public Service |
| Finance | Revenue |
| Health | Trade & Economic Development |
| Housing Finance | Transportation |
| Human Rights | Veterans Affairs |
| Human Services | Minnesota Planning |
| Jobs and Training | |

The cabinet-level agencies have been grouped into subcabinets called "clusters" in this Administration. The three primary cluster groups relate to government operations (e.g., Finance, Revenue and Administration Departments); human services (e.g., Departments of Education, Health and Human Services); and jobs and commerce (e.g., Agriculture and Transportation Departments). In addition, there are subclusters formed around other topic areas (e.g., energy, environment and natural resources), and special issues (e.g., childrens' welfare). Cluster leaders, representing the Governor, develop agendas for regularly scheduled cluster meetings. The clusters were created to improve communication between the Governor and agencies, reduce the Governor's span of control, and examine policy issues (Grimm, 1992).

Like many states, Minnesota's current system is a hybrid between the traditional, head cabinet, and secretary models. Twenty-six agency heads form an agency head cabinet. Minnesota also has a large number of independent boards and commissions, characteristic of a traditional system. Concurrently the cluster groups might be seen as an informal secretary system.

Minnesota's hybrid structure has existed for decades, with the cabinet and subcabinet's compositions changing over the years. In 1969, Minnesota reported six subcabinets in the areas of Administration, Economic Resources, Education, Health and Welfare, Natural Resources, and Safety and Regulation (Council of State Governments, 1969).

In the recent Perpich Administration, there were five subcabinets: Executive Management Services, Jobs and Economic Development, Energy/Environmental Resources, Human Resources/Services, and Education/Cultural Affairs (see chart in Appendix C). One Commissioner was appointed to be the chair of the subcabinet, and this could change over time. The subcabinets were expected to review legislative initiatives, make recommendations to the Governor, funnel communications up and down between the Governor's Office and the cabinet, and develop interagency policy and management. Subcabinets had few, part-time staff and met infrequently.

Some of the apparent problems with the subcabinet noted were that the subcommittee chair had no authority over other members, and each member had his or her own power base. The Governor continued to communicate directly with some agency heads. Also, the chair did not have the staff to deal with operational and management issues.

Subcabinets were also used in the Quie and Anderson administrations. At that time, junior level staff at the Governor's office served as a conduit between the Governor and the subcabinet. This reportedly alienated some of the cabinet members and decreased the effectiveness of the cabinets.

## Prevalence & Experience of Cabinet and Secretary Models

### Generally

The word "cabinet" may be generally defined as an "advisory council of a Governor of a state" (in NGA, 1988). According to The National Governor's Association, a cabinet is "a group of department or agency heads who are convened regularly at the direction of the Governor to conduct state business". This definition includes three critical factors -

- While a Governor may have many advisers, the cabinet is composed of top level government officials with responsibility for the operation of state departments or agencies;

- While the members of a cabinet have independent responsibilities and authorities, the cabinet itself works collectively, usually in relatively formal meetings; and o A cabinet works at the direction of the Governor, either through the Governor's personal participation or through the participation of a senior staff member designated by the Governor (NGA, 1988)"

A 1988 survey of the NGA found that main functions of cabinets include disseminating information, communicating, teaching, developing policy, solving problems, assisting with interagency coordination, assuring accountability, and serving in ceremonial capacities.

NGA's 1988 survey of 45 states also indicates that all but nine states have some sort of cabinet. Seven or eight of these cabinets appear to be secretary systems (NGA, 1988). Other highlights from the survey describe the variation between states in how different cabinets are formed:

> State cabinets are authorized in a number of different ways. Five states indicated that the state constitution established or referred to an executive cabinet. In one of these states, the constitutional reference has been explained or enhanced by statue. In seven states, statutes are the sole basis for the creation of a cabinet. In four states, the cabinet has been established by executive order, and in nineteen states, a cabinet exists merely as tradition, with nonspecific legal authority.
>
> Cabinet size and membership also vary. In at least one state, the cabinet consists solely of department heads who are statewide elected officials. In other states, the cabinet is comprised of both elected and appointed agency heads. In the majority of the states, the cabinet is comprised solely of appointed executive department and agency heads appointed by the Governor. Many states also include one or more of a Governor's senior staff in the cabinet, as well as the head of central staff offices such as budget and planning. Cabinet size varies from 7 to 75 agencies.

Also in 1988, Conant used the modified Bell typology to examine the results of 22 state government comprehensive executive reorganizations. He found that the [agency head] cabinet model of executive branch organization was the legal/structural objective pursued in seven states; the traditional model was the objective in nine states; and the secretary/coordinator model was pursued in four states (Conant, 1988). For the four states opting to use the secretary/coordinator model, governors were able to appoint 80 percent or more of the department heads; and for those nine states moving to the cabinet model, the governors were able to appoint 60 percent or more (Beyle, 1990).

In an earlier survey, James Garnett found that in reorganizations taking place between 1947 and 1975, slightly more than half followed the traditional model, one-third choose a [agency head] cabinet form and 15.4% adopted a secretary-coordinator arrangement (in Advisory Commission on Intergovernmental Relation, 1985).

In addition to cabinets, many states have, like Minnesota, formed subcabinets. Generally, subcabinets exist when agency and department heads are assigned to broad issue groups, such as natural resources, human resources or executive management, to provide advice to the governors on management and policy issues. (Bodman and Garry, 1982). In 1982, 25 of the 50 states had established subcabinets systems. In a 1988 survey of 35 states, the National Governors' Association found that 22 states had subcabinets.

Bodman and Garry note that the major strengths of the subgroup system appear to be their ability to zero in on major issues -- the "big ticket" items - with the key state government actors, improve coordination, and add new members as needed depending on current issues on the docket. An area of weakness noted by Bodman and Garry is that the large membership of subcabinets can be counterproductive.

State Examples

The functions of secretaries may vary by state and within states. In Kentucky, which implemented a secretarial system in 1973 with the establishment of six Program Cabinets,:

> Each Secretary is a member of the Governor's Cabinet and serves as a liaison in carrying out the overall responsibilities for overall direction and coordination of the departments, boards, and commissions included in the related cabinet. The Secretary recommends Cabinet reorganization to the Governor, evaluates and passes upon all budget requests originated by administrative bodies in the cabinet, and advises the Governor on appointments of heads of units and commissioners. Each Secretary is empowered to create positions and employ necessary personnel (Freedman, 1990).

Kentucky statute specifically lists the authority, power and duties of cabinet secretaries by stating that the secretary of each cabinet shall:

> (a) Be a member of the governor's cabinet and shall serve as the governor's liaison in carrying out the responsibilities for overall direction and coordination of the departments, boards and commissions included in the related cabinet;
>
> (b) Recommend to the governor desired reorganization affecting the related cabinet;
>
> (c) Advise the governor on executive actions, legislative matters and other steps that may be desirable for better program service;
>
> (d) Evaluate and pass upon all budget requests originated by the departments, boards and commissions within such related cabinet;
>
> (e) Advise the governor on the appointment of commissioners and heads of units included in the related cabinet, except for those whose election or selection is otherwise provided for by law.

> In addition, each secretary is authorized to accept and expend funds from any source, whether public or private, in support of the duties and responsibilities of the related cabinet; and
>
> each secretary shall have any and all necessary power and authority, subject to appropriate provisions of the statutes, to create such positions and to employ the necessary personnel in such positions to enable the secretary to perform the functions of his office (Freedman, 1990).

Virginia has had a secretarial system for well over a decade. At present there are eight Secretaries in the areas of Administration, Economic Development, Finance, Transportation, Public Safety, Education, Natural Resources, and Health and Human Services (Fox, 1992). According to a 1984 report, the most recent major study of the secretary system coming out of Virginia, the powers and duties of the Secretaries are derived from four principal sources: the Code of Virginia, Executive Orders; the Appropriation Act; and Administrative procedures (Commonwealth of Virginia, 1984).

The role of Secretaries in Virginia is generally described as follows:

> The Secretaries interpret their primary responsibility to be one of assisting the Governor in directing the development, coordination and implementation of policy for their respective areas of state government. The methods they employ in policy formulation and execution vary significantly, both in terms of use and emphasis. However, there appear to be three common points which are presented below.
>
> First, each Secretary deals with representatives from assigned agencies and collegial bodies. This is done through meetings, correspondence and discussions with interested parties and state officials. Budget submissions, executive agreements, studies/reports, board appointments and position papers are seen as primary vehicles for fostering policy.
>
> Second, each Secretary deals with individuals and groups external to the executive branch, e.g., legislators, constituencies, national officials and citizens. This is done through speeches, meetings, conversations and correspondence. Testimony, speeches and personal contacts are seen as the primary vehicles for articulating policy.
>
> Third, each Secretary deals with the day-to-day operation of his/her respective office., e.g., personnel matters, general administration and special projects. This is done through supervision and briefing of staff, reviewing correspondence and reports, and developing initiatives and/or policy papers... (Commonwealth of Virginia, 1984).

Potential Benefits and Disadvantages to the Secretary System

**Overview**

Historically, traditional models have been replaced by cabinet forms, with Secretary and subcabinet formations being the most recent, albeit scattered, development. Traditional models were established as a way to inject greater democracy into state and federal systems: the boards and commissions gave voice and power to general and specific groups of citizens. The cabinet model was created to address some of the problems inherent in the traditional model. Most notably, the traditional model was difficult to govern because the agencies were numerous, independent and headed by plural executives.

The cabinet structure allowed for clearer lines of communication and responsibility between the Governor and state agencies. As government grew more complex, and the number of departments rose, some states found that the agency head cabinet system had become too large to effectively govern. Thus, some states developed a secretary system to limit the Governor's span of control and otherwise improve the government structure.

However, the historical path of traditional, agency head cabinet and secretary cabinet models has not necessarily been one leading from the least desirable to the most desirable form of government. Critics of each system remain, demonstrating that each model has its own advantages and disadvantages.

One of the most common arguments against the Secretary system is that it simply creates another layer of government, adding costs and expanding upon an already too thick bureaucracy. In some schools of thought, the cabinet system is retained as the idea model of executive reorganization (Garnett, 1982). The cabinet system, as well as the secretary system, are faulted by some as having the potential to weaken the voice of constituents who need to be heard.

Potential Benefits

A brief review of the literature and discussion with individuals from other states indicates that there are several potential advantages to implementing a secretary system. Secretary systems **may**:

o Reduce the governor's span of control and generally improve management and communication

> "[broad consolidation] provides the Governor with an organizational structure which is an adequate and effective tool for the administration of the complex affairs of government (Council of State Governments, 1969)".

> "The Governor can better articulate his policy with Secretaries in place. After

being at a cabinet level, I can't see how you can have that many agencies reporting to the Governor" (Fox, 1992).

The governor's span of control may be too large, even if the number of cabinet level agencies is limited to less than 25. If a small number of secretaries meet frequently with the Governor, the Governor may be better able to see that policies are effectively implemented, and the Secretaries may be in an excellent position to proactively promote the programs they feel are most beneficial. Secretaries may also assist the Governor and Commissioners in building broad support for programs, and serve as "lightening rods" for criticism against the Governor or programs (Harris, 1992).

If all the smaller agencies are grouped under Secretaries, these agencies may lose some of their power and authority. This may increase the Governor's ability to manage state agencies (see this point also under "disadvantages").

"... the [agency head] cabinet structure itself may be too unwieldy for the detailed discussions needed to prepare an issue for consideration (NGA,1988)." "... the need for interagency coordination or joint problem solving may be less in a state with a small number of secretaries or superagencies" (NGA, 1988; also, Council of State Governments, 1969).

- Improve efficiency, cost-effectiveness and service integration

  "[broad consolidation] brings essential groups of programs and services into clear, coordinated relationship to each other; highlights overlapping and obsolete functions for necessary restructuring; and consolidates numerous independent, fragmented but related activities into single structures (in Council of State Governments, 1969);

  If secretaries have the responsibility for spending within a designated budget, this may assure budget control and create incentives for the Secretary to eliminate and/or coordinate activities as appropriate. By having the "big picture" view of several departments, the Secretary may also look horizontally across departments, setting overriding goals and prioritizing among competing programs (Harris, 1992).

- Improve effectiveness

  "[broad consolidation] insures a more continuous and uniform review of program performance;"

- Improve management across administrations

> With Secretaries in place, agency heads have more staying power, they are not quite as subject to political winds. When a Governor comes in, he usually doesn't want to replace all the agency heads. With a secretarial system, he can just replace the Secretaries and some agency heads. This way there can be a mix of old and new ideas. This stimulates a cross-fertilization of ideas and flow of information (Fox, 1992).

Potential Disadvantages

A preliminary look at some of the possible disadvantages of a secretary system finds several potential problems.

First, the agency head cabinet system, not the secretary system, is seen by some as the reform ideal. As Garnett wrote in 1982, "the Secretary-Coordinator type ranks as the most reform oriented, with the Cabinet model ranking in between. However, because the Cabinet type adheres most closely to the orthodox reform ideal regarding centralization - decentralization of managerial authority, it is judged by the Council of State Governments and others to represent the highest degree of reform (Garnett, 1982).

Second, by implementing a secretary system, one adds "another layer of government" and may increase costs: "some would say that by having a secretary system, you're not in touch with agencies, you're just another layer, there's too much fat" (Fox, 1992). Salaries and staff support to Secretaries could incur substantial cost.

A third potential problem with a Secretary system is that if all the smaller agencies are grouped under Secretaries, these agencies may lose some of their power and authority. The "voice of the people", especially those with special needs, may be harder to hear if boards, commissions, and similar agencies are brought under a Secretary's jurisdiction.

Another potential drawback of the Secretarial system is that "activities most appropriately handled by agencies are being directed from the Secretaries' offices". This was found to be the case in a report assessing Virginia's secretarial system (Commonwealth of Virginia, 1984).

Making a Secretary System Work

Secretary systems may be configured in a wide variety of ways. The literature and information being obtained from CORE staff and commissioners provide some preliminary ideas for successfully implementing a secretary system.

The Council of State Government emphasizes the need to conduct reform in the light of Gubernatorial support and strong staffing, planning, and budget systems:

> "Accomplishing the organization forms of reorganization, however, is not enough to

> bring about coordination. History is replete with cases in which agencies brought together under one umbrella continue about their business as independently as in the past. A large bureaucracy does not change its habits quickly. Reorganization can only indicate intended lines of authority and patterns of coordination; it cannot create them. Only the people involved can do that.
>
> It is significant, then, that accompanying reorganization movements are other equally important efforts to improve administration: the staffing of cabinet-level secretaries, the strengthening of the Governor's Office through increased professional staffing; and improving decisionmaking through improvement of planning and budgeting systems and state information systems.
>
> Most critical in accomplishing all of these is a capable and imaginative professional staff serving the Governor and his major agency heads. One more ingredient must be added: the vigorous leadership and support of the Governor himself. . ."(Council of State Governments, 1969)

Anne Kelly, in her work on the CORE human services project, has identified a similar problem occurring in states which attempt to put all human services under one umbrella.

Based on her research with other states, she notes that:

> If the secretary system is just umbrella, it won't make a difference - agencies will behave the way they always have. The secretaries need to have some clout and be given some tools for doing their job effectively. Possible ways of doing this could include:
>
> - coordinated systems planning (shared, similarly collected data across agencies);
> - budget planning (i.e., the Secretary has the final say and needs to balance the competing needs of agencies under her/his direction); and
> - common job classifications (job classifications now are so narrow that a Secretary may have difficulty integrating programs and addressing priorities, because it is difficult to move people from one position to another as needs arise. If there were common job classifications, Secretary would be better able to relocate people as needed (Kelly, 1992).

Another tool for increasing the Secretary's ability to effectively perform his or her job is direct and consistent support from the Governor. Jean Harris, CORE Commissioner and former Secretary of Human Services in Virginia, describes that when she was a Secretary, the Governor held meetings between himself, each Secretary, and all the Commissioners under the Secretary's authority. In these meetings, the Governor emphasized that all communications to the Governor and the Legislature should be done through, or at least with the knowledge of, the Secretary. The Governor then stood by this principle, thereby strengthening the Secretaries' real authority.

On a final note about planning a successful model, the NGA offers the following caution about cabinet "missions" in general:

> "A cabinet with a well-defined and relevant mission can make a substantial contribution to both the policy development process and the effective administration of state government. In addition, it can help unite a group of disparate individuals into a strong team with clear goals. On the other hand, a cabinet with an unclear or trivial mission can waste the Governor's time and cabinet members' time... "

## Possible configurations

Secretary systems may be configured in an almost endless variety of ways. For example, all or some agencies could report to the Secretaries; Secretary power and authority could range from weak to strong, and be established in different ways; and the number of secretaries could range from one to 8 (Garnett's model), representing any topic area or any number of agencies.

Whether a Secretary model actually results in advantages or disadvantages for a state depends upon the specific configuration chosen and the strength of other systems in the state. Unfortunately, there is apparently no "hard" data to support any specific Secretarial design as being better than other designs.

For information on how other states have proposed grouping or actually grouped their departments, see Appendix C.

## Conclusion

One of the major conclusions that may be drawn from a preliminary examination of the possible implementation of a secretary model in Minnesota is that there is a wide variation in cabinet and secretary structures, and there is apparently no hard data to support any individual model. The impact of a secretary system would depend in large part upon the specific configuration of the system and the powers and duties given to secretaries.

Potential advantages to an appropriately designed secretary system include decreased span of control, improved communication, and greater efficiency in the delivery of services. Potential disadvantages include increased costs due to Secretary and staff salaries, "another layer of government", and a lessening in the power of boards and commissions.

If a secretary system is implemented, the model will need to be structured to maximize potential advantages and address potential weaknesses. As the model adds another layer of government, for instance, the model may need to address how to thin the bureaucracy as a whole. It is also important to keep in mind that the Secretary model is often only one way to address a noted problem. Attempts to decrease the span of control, for instance, could include implementing a Secretary system, reducing the number of cabinet level agencies, or placing all boards and commissions under other agencies.

## APPENDIX A
## TABLE 1: MODIFIED BELL TYPOLOGY OF STATE EXECUTIVE REORGANIZATION

**DIMENSION 1:** Number of agencies after reorganization.

Traditional: (High) $\geq$ 17

Cabinet: (Medium) 9-16

Secretary-Coordinator: (Low) 1-8

**DIMENSION 2:** Degree of functional consolidation.

Traditional: (Low consolidation) Over 50 percent of all consolidation is into single-function agencies, narrowly defined (e.g., Water Supply, Highways)

Cabinet: (Moderate consolidation) Over 50 percent of all consolidation is into single-function agencies, broadly defined (e.g., Environmental Protection, Transportation)

Secretary-Coordinator: (High consolidation) Over 50 percent of all consolidation is into very large multiple-function or broad single-function agencies (e.g., Human Resources, Natural Resources)

**DIMENSION 3:** Proportion of post-reorganization department heads appointed by governor.

Traditional: (Low) $<$ 50 percent

Cabinet: (Moderate) $\geq$ 50 percent $\leq$ 66 percent

Secretary-Coordinator: (High) $\geq$ 67 percent

**DIMENSION 4:** Proportion of post-reorganization agencies with plural executives (e.g., boards or commissions).

Traditional: (High) $\geq$ 25 percent

Cabinet: (Moderate) $\geq$ 10 percent $\leq$ 24 percent

Secretary-Coordinator: (Low) $\leq$ 9 percent

**DIMENSION 5:** Degree of management authority retained by transplanted agencies.

Traditional: (High) Most ($>$ 50 percent) of the reorganization transplants involve transplant of agencies into other units, with the transplanted agencies primarily retaining their statutory authority, structural identity, and control over management support services (e.g., budgeting, purchasing).

Cabinet: (Low) Most ($>$ 50 percent) of the reorganization transplants involve transplants into other units, with the transplanted agencies primarily relinquishing statutory authority, structural identity, and control over management support services.

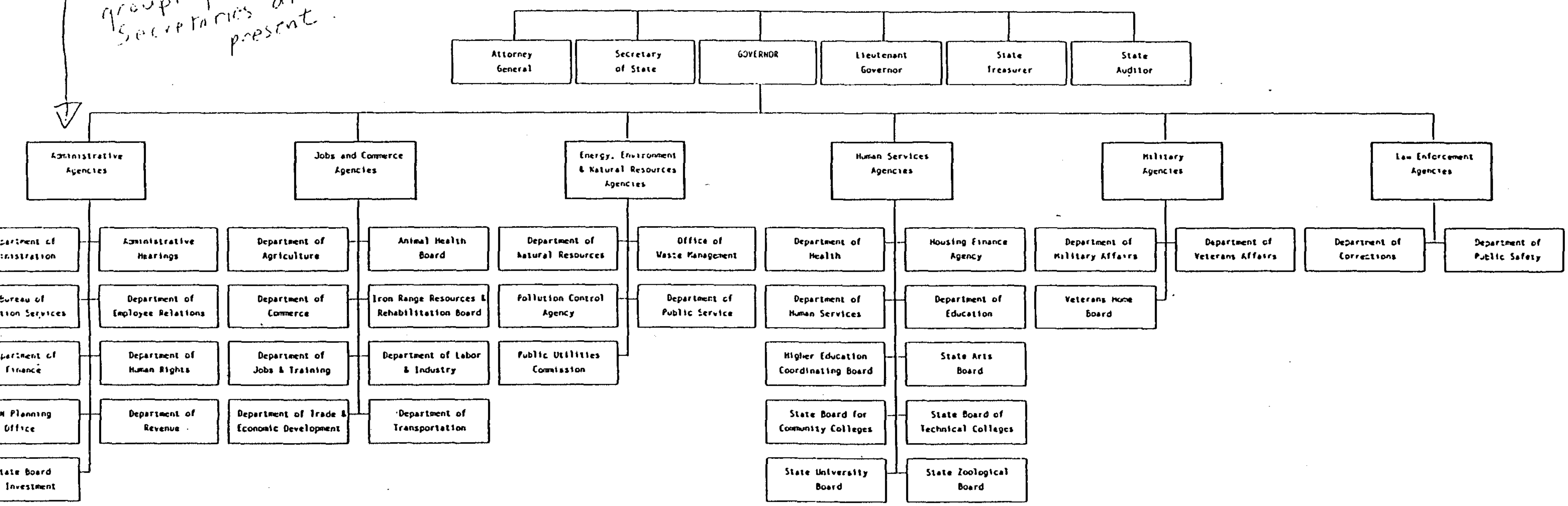
Secretary-Coordinator: (Moderately high) Most ($>$ 50 percent) of reorganization transplants involve the transplant of agencies into super-agencies, with the transplanted agencies primarily retaining their structural identity and much of their statutory authority while relinquishing some control over management support services (e.g., submitting to budget review by the super-agency).

*FROM: Garnett, 1982*

Appendix B

# STATE ORGANIZATION CHART

his row of
xes to show
bject groups only,
no official
groupings of
Secretaries at
present.




Also,
± 150 other
small agencies
(e.g., boards +
commissions)

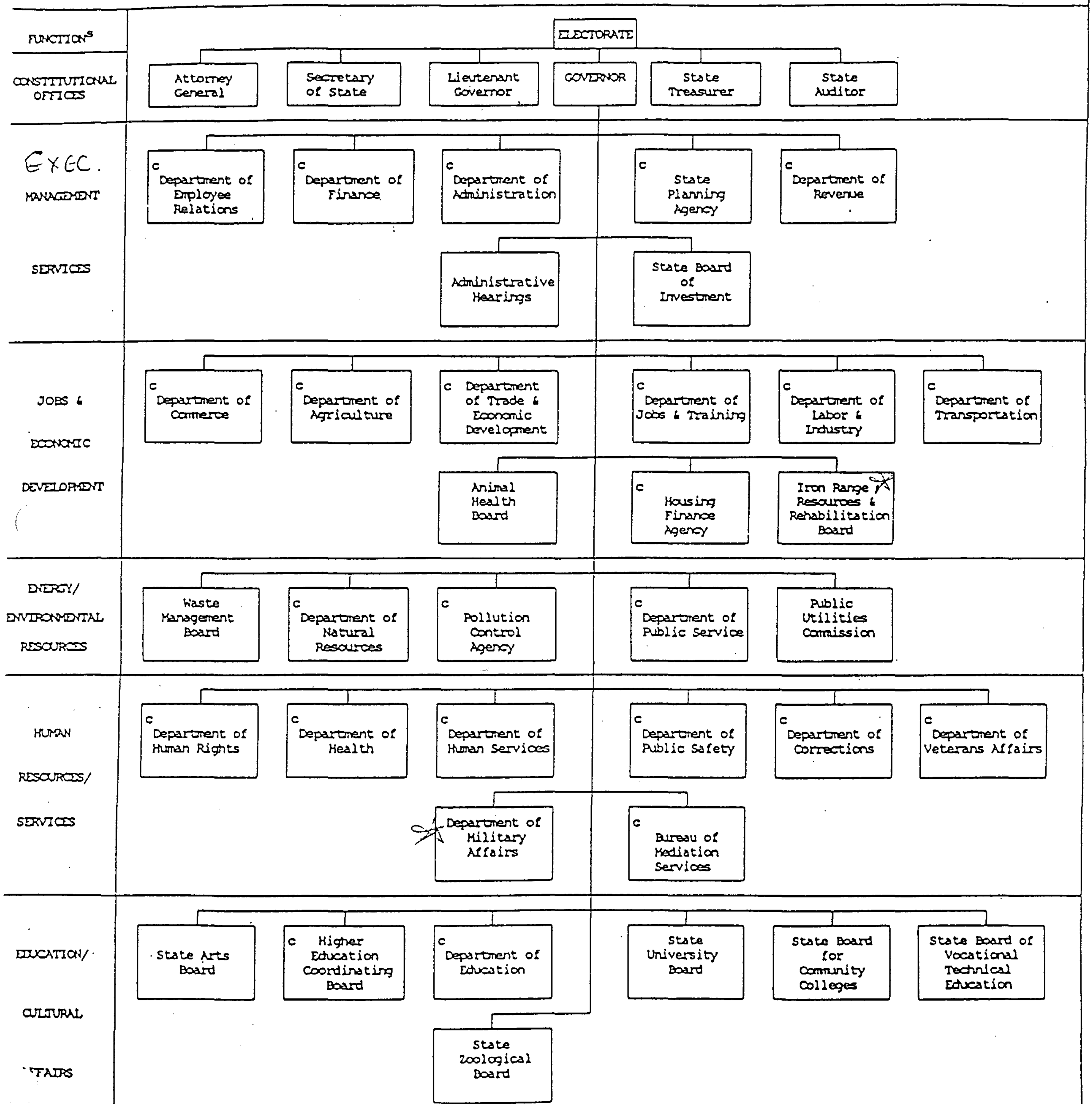
Chester Subcabinets in Perpich Administration (1988)

Perpich's

ORGANIZATION CHART of the EXECUTIVE BRANCH

STATE OF MINNESOTA

Department of Administration
June, 1988




S Grouped by sub-cabinet areas.

c Cabinet department and agencies.

c's + X's = subcabinet

## APPENDIX D: SAMPLE GROUPING OF DEPARTMENTS UNDER SECRETARY MODEL

Kentucky

Today, all agencies, boards, and commissions of the Executive Branch are placed in 13 program cabinets: Finance and Administration, Revenue, Education and Humanities, Human Resources, Workplace Development, Labor, Economic Development, Tourism, Transportation, Natural Resources and Environmental Protection, Justice cabinet, Corrections, and Public Protection and Regulation.

California

A 1969 publication of the Council of State Governments (CSG) describes the establishment of Secretarial systems in California and Massachusetts. Of California, the CSG writes:

> This was not a reorganization of existing departments. Rather it was accomplished by establishing "super agencies" as umbrella organizations covering existing departments having broadly related functions. The organization and method of selecting the heads of existing agencies were not changed, but the secretaries heading the "super agencies" created a new administrative and policy-making layer. The four secretaries plus a few other officials formed a small cabinet of advisors close to the Governor.
>
> The four new agencies are: The Human Relations Agency, which includes all health, welfare, and rehabilitation functions; the Resources Agency, which includes all departments, boards, and commissions dealing with air, water, and natural resources; the Agriculture and Services Agency, which consolidates functions dealing with agriculture, commerce, and general citizens services; and the Business and Transportation Agency, which includes all existing governmental agencies dealing with business and transportation (Council of State Governments, 1969).

Virginia

In its 1984 study, the state of Virginia developed eleven different configurations. In presenting these configurations, it was first noted that:

> Several conclusions are evident in the Hopkins Commission reports and the Executive Orders and statutes dealing with the Secretarial System and Budgeting System. First, the "span of control" for the Governor has been a consideration in determining the number of secretaries. (Since their creation in 1972, proposals for and actual creations of Secretaries have been limited to seven.) Second, there has been a strong correlation between the basic purposes of Government (as depicted in the Budgetary functions) and the secretarial alignments. Third, alterations to the initial secretarial alignment have involved merger (Administration and Finance) or separation (Public Safety and Transportation.)

The eleven configurations are shown below:

**Secretary Configurations in Virginia**

FIVE SECRETARIES:

1. Administration and Finance
   Commerce and Resource
   Education
   Human Resources
   Public Safety and Transportation

2. Administration and Finance
   Commerce, Resources and Transportation
   Education
   Human Resources
   Public Safety

SIX SECRETARIES

3. Administration
   Commerce, Resources and Transportation
   Education
   Finance
   Human Resources
   Public Safety

4. Administration
   Commerce and Resources
   Education
   Finance
   Human Resources
   Public Safety and Transportation

5. Administration and Finance
   Economic Development and Transportation
   Education
   Human Resources
   Public Safety
   Resource Management

6. Administration and Finance
   Economic Development
   Education
   Human Resources
   Public Safety and Transportation
   Resource Management

7. Administration and Finance
   Commerce and Resources
   Education
   Human Resource
   Public Safety
   Transportation

SEVEN SECRETARIES:

8. Administration and Finance
   Economic Development
   Education
   Human Resources
   Public Safety
   Resource Management
   Transportation

9. Administration
   Commerce and Resources
   Education
   Finance
   Human Resources
   Public Safety
   Transportation

10. Administration
    Commerce and Transportation
    Education
    Finance
    Human Resources
    Public Safety
    Resource Management

EIGHT SECRETARIES:

11. Administration
    Economic Development
    Education
    Finance
    Human Resources
    Public Safety
    Resource Management
    Transportation

APPENDIX E

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# MINNESOTA'S CURRENT SYSTEM

- 26 cabinet-level agencies

  (23 major, 3 other)

- Over 200 other agencies

  (e.g., boards and commissions)

- ~~3~~ 4 primary clusters

  - human services
  - environment [illegible]
  - government operations
  - jobs and commerce

- Other clusters by area and issue

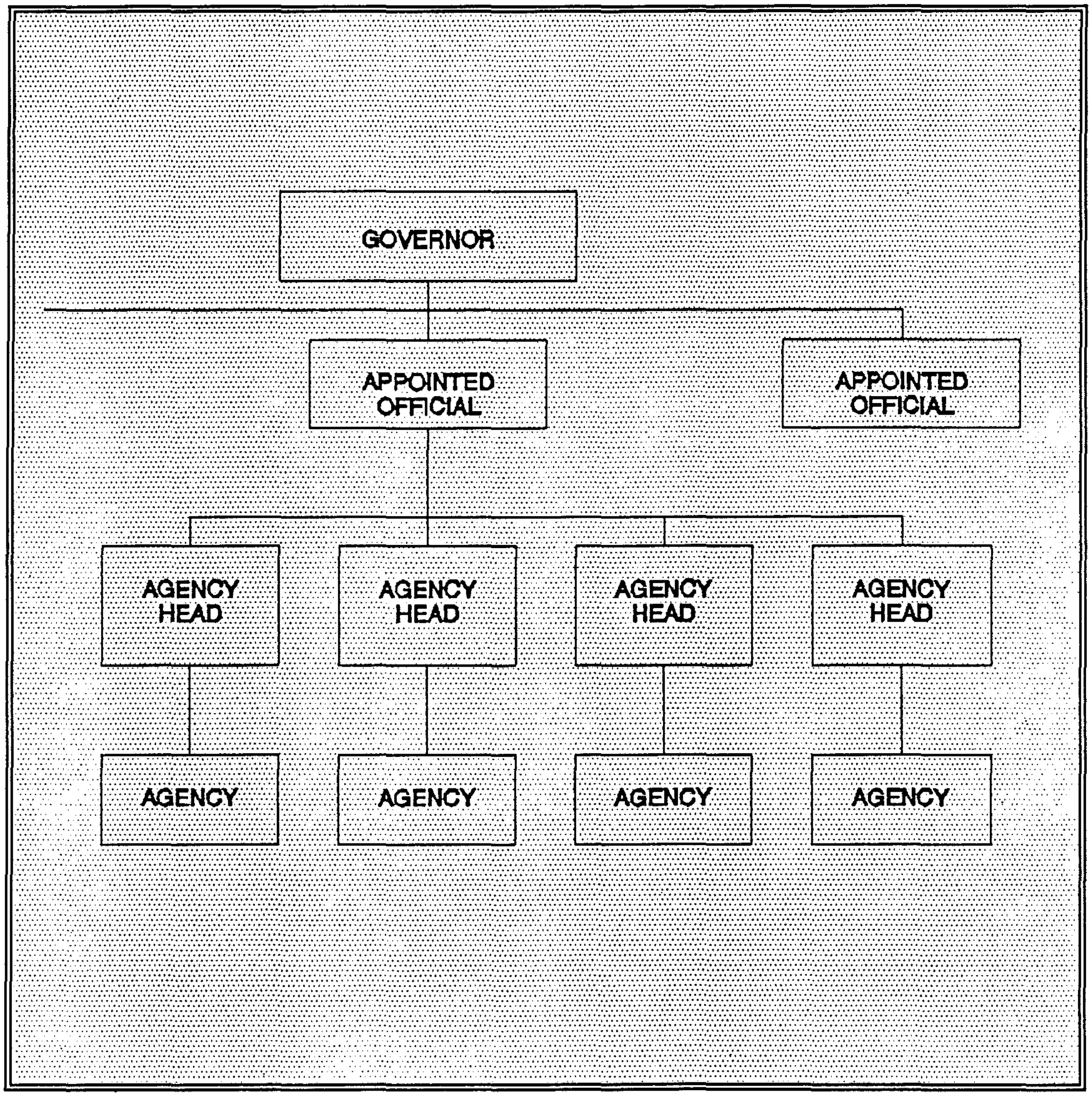
OVERHEAD.LI

**Characteristics of Traditional, Agency Head Cabinet, and Secretary Models**

| | Traditional | Agency Head Cabinet | Secretary Cabinet |
|---|---|---|---|
| Number of agencies after reorganization | >17 | 9 to 16 | 1 to 8 |
| Degree of functional consolidation | low | moderate | high |
| Proportion of post-reorg. dept. head appointed by Governor | low | moderate | high |
| Proportion of post-reorg. agencies with plural executives | ≥25% | 10% to 24% | ≤9% |
| Degree of management authority retained by transplanted agencies | high | low | moderately high |

Source: Adapted from "Modified Bell Typology of State Executive Reorganization, Garnett, 1982.

# THE SECRETARY MODEL



# SECRETARY DUTIES

- Approximately eight states with Secretary systems

- Duties can vary substantially among and within state governments

- Examples of duties:

  - Assist Governor in carrying out policy

  - Make recommendations to the Governor

  - Evaluate/manage budget

  - Advise Governor re: commissioner appointments

  - Serve as liaison to external individuals and groups

  - Assist with interagency communication

# SOME POTENTIAL ADVANTAGES AND DISADVANTAGES OF SECRETARY SYSTEM

## POSSIBLE ADVANTAGES:

- Reduces span of control
- Improves horizontal and vertical service integration
- Improves management across administrations

## POSSIBLE DISADVANTAGES:

- "Another layer of government"
- Costs
- May inappropriately take over agency responsibilities

# SOME QUESTIONS TO CONSIDER IN FURTHER DEVELOPING A MODEL

- Should Secretaries be given budget control? If so, how?

- Should all agencies report to a Secretary?

- How can the Governor promote success of this type of model?

- How does the implementation of a Secretarial system impact the Legislature?

# PRELIMINARY CONCLUSIONS:

- Secretary models can vary greatly
- There is no "right" model
- A change to the Secretarial structure in and of itself will not necessarily lead to the desired results.
  - Important factors in the model include role clarity, mission, and how much authority Secretaries are given
  - Concomitant changes in culture, values, processes, and rules are necessary

# DISCUSSION OF SECRETARY MODEL

- What are the advantages and disadvantages?

  Keep these goals in mind . . .

  - mission-driven
  - accountability
  - customer focus
  - effective management
  - agency coordination
  - innovation

- What further work in this area?

# REINVENTING GOVERNMENT
## A MODEL FOR REORGANIZATION

EXECUTIVE REORGANIZATION &
ASSESSMENT WORKING COMMITTEE

Draft Working Paper

July 17, 1992

# Reinventing Government

## I. Rationale as a Model

This working paper is presented as part of an examination of the overall organization of Minnesota state government, being conducted by the Executive Reorganization and Assessment Working Committee of the Commission on Reform and Efficiency (CORE). The Working Committee is examining models of organizational structures and systems to determine how elements of those models can be used to help achieve the goals contained within CORE's vision for state government.

A logical first model for consideration is the Secretary model, which is presented in a separate working paper. It is, for Minnesota, a potential "next step" on the Bell Typology of state government organization. A model constructed from the book *Reinventing Government* by David Osborne and Ted Gaebler (Addison-Wesley, 1992) is presented here as a companion model. The Bell Typology's validity stems from its general acceptance in state organization research literature; it represents an essential baseline for comparison. The Reinventing Government model's validity stems from this year's best seller lists; its widespread popularity among government reform advocates, along with its heavy emphasis on Minnesota-based innovation, makes it an inevitable baseline for comparison.

As models, the two approach organization from opposite poles. The Bell Typology begins with reordering structure, and views the development of process as a rational consequence. Reinventing Government begins with reordering processes, and views the development of structure as a rational consequence. The Bell Typology presents a "film" of organization goals, showing how they have changed over time. Reinventing Government presents a "snapshot" of current goals from the authors' perspective. The Bell Typology is a deductive model; Reinventing Government appears as an inductive construction.

## II. Book Analysis

### A. Basic Principles

Authors David Osborne and Ted Gaebler contend that governments typically respond to budget crises by either raising taxes or cutting services. Their premise is that a third alternative exists, which is to recreate, or reinvent, government as entrepreneurial public organizations. The authors describe entrepreneurship as the use of resources in new ways to maximize productivity and effectiveness. If it is possible to change how government thinks, then it is possible to change how government acts.

The key to reinventing government is changing the incentives that drive public institutions; that is, changing the institutions' internal markets. The book does not address **what** government does, but **how** government does it.

The book has been likened to a public sector version of *In Pursuit of Excellence* (Tom Peters and Robert Waterman; Harper & Row, 1982), a popular book that examines private sector corporations recognized as being well-managed and analyzes the elements contributing to that recognition. Osborne and Gaebler examined local, state and federal government organizations and developed a list of ten principles or characteristics found in entrepreneurial government. They provide examples of how each has been applied in public sector settings. Ideally, entrepreneurial governments are ones that:

1. Steer more than they row.
2. Empower communities rather than simply deliver services.
3. Encourage competition rather than monopoly.
4. Are driven by their missions, not their rules.
5. Fund outcomes rather than inputs.
6. Meet the needs of the customer, not the bureaucracy.
7. Concentrate on earning, not just spending.
8. Invest in prevention rather than cure.
9. Decentralize authority.
10. Solve problems by leveraging the marketplace, rather than simply creating public programs.

In section IV of this working paper, each principle is briefly explained and illustrated by existing and potential Minnesota examples. These principles are not independent, free-standing concepts, but are interrelated. Examples used to describe one principle can apply to the others as well.

In essence, the message might be condensed to two directives on how government should operate:

1. Government should create innovative market incentives and controls that guide individual and organizational activity toward goals set by the community.
2. Government should always act from a customer-first perspective.

## B. The Minnesota Experience

*Reinventing Government* could have been sub-titled "Made in Minnesota." Although the authors try to find examples of innovation all across the nation, invariably they return to Visalia and Sunnyvale (two smaller California communities), the city of St. Paul, and the state of Minnesota which they extol as "the land of rational government." The example of government action that best embodies all of their principles is Minnesota's policy of open enrollment for elementary and secondary school students. The book names many familiar names. The origin of the open enrollment policy, for example, is credited to a legislative proposal championed by Ted Kolderie, Curt Johnson, Joe Nathan, Al Quie and John Brandl.

This recognition of the state carries some implications. One is that, by the authors' standards, Minnesota state government already is innovative and effective, with policies that enable its local governments to be innovative and effective as well. Another is that if CORE seeks to improve the effectiveness of state government, it may have to look beyond the conventional approaches, because this state may have resolved most of the conventional issues. (This would be in keeping with CORE's Project 1 cost-cutting analysis, where it was observed that most cost-cutting proposals in other states were measures already enacted in Minnesota.)

In relation to other states, the authors clearly demonstrate that Minnesota has been innovative in its approach to government activities. But this clear picture does have some small clouds in it. One is that Minnesotans have been, and continue to be, divided over the value and impact of the some of the measures that the authors applaud. The same book, by different authors, might have been more critical of Minnesota innovation. Another cloud is that a number of the activities detailed in the book have run their course, have been terminated, or have been repealed. They might be, as the authors believe, the wave of the future; but right now they're just part of history.

The death of acclaimed, innovative programs is not a uniquely Minnesota phenomenon. As part of a nationwide state government reorganization effort, the National Commission on State and Local Public Service is currently researching the impact of programs generally recognized as innovative. Their interim study shows that only 15 percent of innovative programs still exist five years after they've begun. Structures that enable people to begin innovative work do not necessarily enable that work to be sustained or transferred. Paul Light, a consultant to the Commission, reported to CORE staff members in an July 13, 1992 interview that causal analysis of the problem is not complete, and that it remains a serious issue in reorganization.

# III. Structural Change Implications

The Reinventing Government model begins with asking government and community leadership to adopt a set of attitudes and perspectives. The authors might quibble over some minor word choices, but quite likely they would applaud the CORE vision of state government document: a mission-driven, client-responsive, outcome-oriented government is precisely what they are preaching.

The authors treat process and structure as an integrated unit. Explicitly and implicitly they argue that if governments create customer-driven processes, and if they do so with the right set of attitudes and perspectives, then governments will create whatever structure is needed to carry out those processes. The authors are careful not to take a prescriptive approach to structure.

But through their examples--and the bulk of the book is examples--a number of structure-related points are raised.

**1. PROCESS COMPATIBILITY.** As noted above, structures must be checked to see if they are synchronized with desired systems and processes; and systems and processes must be checked to see if they are synchronized with desired structures.

> IMPLICATION: The CORE Executive Reorganization and Assessment Working Committee is creating a macro-view, or framework, for understanding government services. This framework must include structure, systems and process.

**2. TRANSPARENT INTEGRATION.** From a customer perspective, jurisdictions mean nothing: services should appear to flow to the customer as an integrated, seamless whole. It doesn't matter what kinds of boundaries or compartments government sets up, just as long as they aren't impediments to customer service.

> IMPLICATION: Regardless of how the state is structured, linkages--not advisory linkages, but ones with power--need to be established. Since customer problems often transcend traditional departments, customer service issues might be handled best on a higher level, such as a secretary system, or on some other dimension, such as the Attorney General's office.

**3. CLEARLY DEFINED MISSIONS.** In order to be mission driven, organizations need missions that are without any sense of ambiguity or contradiction. The right size of an organization has nothing to do with the volume of people, programs or dollars; the right size is whatever fits within one clear mission. A large organization with a vague mission should be "chunked" into smaller organizations given clarified parts of the old mission.

> IMPLICATION: An examination of mission statements should precede reorganization, to determine if "chunking" is appropriate. An assumption might be that the largest departments--Human Services, Transportation, etc.--are most in need of being broken into smaller units; but the reality is that possibly the smallest departments have the most mission ambiguity. On a theoretical level the authors say actual size is irrelevant; on a practical level they want sizes to be much smaller.

**4. SEPARATION OF REGULATION AND SERVICE.** Government operations can be divided into regulatory activity and service activity. The authors' strongest structural advice is that the two activities should never be included within the same organization. The two roles are extremely different, and when included in the same organization they can cause confusion and can function at cross-purposes. This is one of the few instances when the authors say "never."

IMPLICATION: The authors' strong emphasis suggests it would be worthwhile to examine if Minnesota mixes regulatory and service activity within the same organizational unit. If it does, then this could be a significant starting point for reorganization. But no solution is pre-ordained; a variety of approaches might achieve the desired separation.

**5. CAPACITY FOR QUICK CHANGE.** Structures are established as part of the effort to meet a need. Once established, a sense of turf protection emerges, which inhibits changing the structure to meet new needs. The authors suggest the mission- customer- outcome-driven attitude to prevent a turf mindset. Keeping higher-level budget controls outside of the turf is a recommended antidote.

IMPLICATION: An implicit extension is that program (not line item) budget control should be with administrators primarily charged with setting and accomplishing government priorities, rather than with administrators primarily charged with accomplishing ongoing goals through ongoing operations. The latter are more likely to be heavily invested in their current structures and turf.

**6. FLATTENED STRUCTURE.** Multiple layers of control (i.e., middle management) was a necessary consequence of centralized government, especially before the technological revolution in communication. But if government decentralizes, that is, moves decision-making control closer to the level of people serving customers, then those once-essential control layers become impediments to effective operations.

IMPLICATION: Reducing the layers of government is practically an article of faith among government reform efforts. But these authors offer a caution: flattening the structure needs to be accompanied by the formal decentralization of control. Otherwise, departments are left with centralized mechanisms and no one to operate them.

**7. FORMALIZING CHANGE AGENTS.** The authors acknowledge that in order for innovation to occur, two things are necessary. One is an individual or a group that develops an innovation and is willing to risk experimentation. The other is an individual or group in a position to champion and protect the experimenters. A lack of either means the innovation might not happen; a departure of either means the innovation might not last. An unmet challenge is to use the structure to support and maintain innovation.

IMPLICATION: Minnesota administrators have formally established change champions in the past, but those efforts generally have gone with the administrators. The authors might suggest that this acceptable; that if any administration is successful in creating a mission- customer- outcome-driven environment, then the change champions will emerge.

# IV. Principles Summary and Application

In *Reinventing Government*, Osborne and Gaebler devote separate chapters to each of the ten key principles they have identified as integral to bringing a sense of entrepreneurship to government organizations. Following are those ten principles. Each is accompanied by a brief description of its basic concept; some examples of how the principle is now carried out in Minnesota; and some possibilities for carrying it even further in the state.

Activities happen for a multiplicity of reasons. It is possible to reject one of the following principles, yet endorse the programs or policies listed as its examples. It is possible to subscribe to one of the principles, yet have a solid basis for rejecting one of the corresponding examples. The possibilities listed for extending each principle are not a necessary consequence of extension, but simply illustrate the range of application.

### 1. Catalytic Government: Steering Rather Than Rowing

*CONCEPT:* Institutions steer by determining what goals are to be reached and by setting policies and practices that point toward those goals. Institutions row by directly performing the services and operations needed to reach the goals. Institutions often insist on performing the services as a means of control. The authors argue that the opposite is true: governments that concentrate on steering have more control than those that are involved with rowing as well. The authors advocate fewer direct state services, and more partnerships with other government units and the private sector. Through subcontracting and partnering, the state helps make other institutions healthy.

The model is not concerned with **what** gets done, but with **how** it gets done. However, the model's premise is that it creates a better environment for addressing the question of what gets done. If the state is steering, then it tends to ask why a certain service should be provided. But if the state is rowing, then it tends to ask how it can better provide the service. Institutions preoccupied with rowing tend toward narrow strategies, and become guided by programs rather than problems.

*EXAMPLES:* In Minnesota, a major component of the state budget is spent on a wide range of human services. Most of these services are directed by state government but delivered by county governments. A universal example is income tax collection. Rather than employ a bureaucracy to calculate, collect and record deductions from taxpayers, federal and state governments make tax collection a payroll responsibility of employers.

*POSSIBILITIES:* Public post-secondary schools could be transformed to quasi-public or private schools. State parks could be maintained by adjacent counties or by private organizations. Regional Treatment Centers could be operated by local agencies (public or private) based in the regions that they serve.

## 2. Community-Owned Government: Empowering Rather Than Serving

*CONCEPT:* The authors express a fear that when citizens think of themselves as recipients of services, they fall into "clienthood," a dependency that saps initiative and accepts--even expects--mediocrity. But when citizens think of themselves as the owners of those service systems, then they develop a mindset that displays creativity and demands quality. Community movements that began in the 1970s have been an attempt to regain control from unhearing bureaucracies.

To give citizens a voice, and an arena in which to use it, governments typically create advisory boards, designate advisory board seats for specific constituencies, create boards with power, and use performance measures in contracts.

*EXAMPLES:* Minnesota has helped lead a national trend toward a sense of ownership in elementary and secondary schools. Part of the effort has been to require (at least nominally) schools to have community or parental input into curriculum; another part is legislation authorizing charter schools. In the field of aging, state policies coupled with funding opportunities (through the governor's SAIL program) are encouraging communities to develop home-based alternative forms of long term care.

*POSSIBILITIES:* By using more performance contracts (preferably created with community input) and fewer service grants, the state possibly would create a greater sense of assurance that its funds were being used as intended. Use of Initiative and Referendum could be available on state ballots. State advisory boards could be reexamined to see if they still fulfill their original purpose of ensuring consumer and community involvement in state government.

## 3. Competitive Government: Injecting Competition into Service Delivery

*CONCEPT:* The authors stress that, when used properly in the right context, competition is critical for the effective delivery of public services. The alternative to competition is a monopoly, which is much more likely to result in service mediocrity. Competition can be between any two service providers, regardless if they are for-profit, non-profit, or public agencies. Competition allows government to use market forces as a source of accountability. Competition can result in privatization, but it doesn't need to. If a competitive process leads to more effective and efficient service delivery, then it is insignificant if the service provider is a public or private organization.

Four caveats are placed on competition. One, competition is appropriate among service providers, but not among policy-setting agencies that need coordination. Regulating agencies also should not be competing. Two, competition should be among teams, not individuals. Merit raises should go to organizational units. Three, competition needs to be maintained. Sometimes a government should maintain a presence in service provision to prevent a new monopoly from forming. Four, carrying through a competitive process requires skills that may not be present in all government agencies; staff training may need to precede a change in process.

*EXAMPLES:* With its open enrollment policy, Minnesota has allowed public school districts to directly compete with each other for students, and for the state aid funding that goes to each student. When one unit of the Jobs & Training Department solicits bids for certain job training grants, the competitors include private for-profit and non-profit groups and other government agencies including other units within the same department. Centralized administrative services, such as printing and the motor pool, scan private sector counterparts when setting rates that are billed to other state agencies.

*POSSIBILITIES:* The formation and strengthening of rural private providers might be encouraged by competitively bidding (on the state or county level) state-funded human service programs now operated by counties. Private providers could be allowed to bid for central administrative services. Private firms and local governments could bid on infrastructure maintenance.

**4. Mission-Driven Government: Transforming Rule-Driven Organizations**

*CONCEPT:* The authors state: "Government rules are aggregated into systems--budget systems, personnel systems, purchasing systems, accounting systems. The real payoff comes when governments deregulate these systems, because they create the basic incentives that drive employees." The authors believe that government rules make sense for simple, patterned, repetitive tasks, but nothing else. They note that in private businesses, personnel is a support function while in government it is a control function. They advocate government agencies being driven by their missions rather than by rules.

The authors contend that both legislative and administrative leadership too often is preoccupied with control systems, including rules, budget line items, and the number of employees. Leadership needs to be free to deal with the big picture. If leadership is aware of an organization's purpose and goals, and knows what outcomes will result at what cost, then it doesn't really need to know about line items or staff complements.

In the past, limited success has come from sunset laws, review commissions, zero-based budgets and prioritized cuts lists, some of the traditional approaches to redefining purpose and goals. The authors' strongest recommendation is the creation of smaller, mission-driven, public or quasi-public organizations. They endorse Tom Peters and Robert Waterman's concept of "chunking and hiving," that is, taking a smaller part of a large organization, and setting it free to pursue a clear mission. Their caution is to avoid smaller groups around turf issues. They suggest a dynamic rather than static view of organizational structure.

*EXAMPLES:* The Finance Department's 1994-95 biennial budget instructions state: "All budget narratives must articulate clear statements of mission, objectives and results." The Administration Department's separating of the Information Policy Office (service) and the Intertechnology Group (regulation) is an example of "chunking." The Governor's Commission on Children is an experiment in mission-driven, rather than program- or turf-driven government.

*POSSIBILITIES:* The state's various health and human service activities could be "chunked" or realigned with mission, rather than program or turf, as a starting point. But the authors would still warn that the state's reliance on rules likely prevents the mission from truly driving a department's operation.

To be developed in Minnesota, this concept would require several transformations. Government support systems would need to be refocused on their role and purpose. Administrative and legislative leadership would need to change their expectations and priorities when involved with planning and controlling. State agencies would need to complete the establishment of clear missions and a strong outcome-based measurement system.

**5. Results-Oriented Government: Funding Outcomes, Not Inputs**

*CONCEPT:* The authors believe that "what gets measured gets done." In the past, most measurement of government work dealt with inputs (numbers of dollars spent, number of workers employed) and some with output (number of meals served; miles of road paved). The authors advocate measuring outcomes, or the results of government activity. Unless results are measured, there is no way to discern success from failure. And unless it is discerned, success can't be rewarded and duplicated, and failure can't be corrected. They observe that demonstrated success can earn public support.

The authors approve of methodologies such as W. Edwards Deming's Total Quality Management, but they assert that the ultimate tool is the budget. In adding measurement to a budget, they recommend budgeting for a defined level of service quantity (output) and quality (outcome). With this approach, legislative and administrative policy makers can have even greater control without being concerned about budget line items or size of staff. Policy makers can know that *X* miles of roads will be maintained at a certain level and that *Y* miles of roads will be upgraded to a certain level, and that it will cost them *Z* number of dollars. The input particulars can be left to their managers.

*EXAMPLES:* The 1994-95 budget directions state "...the 1994-95 budget stresses effectiveness measures. Agencies are expected to identify effectiveness measures that clearly demonstrate the outcomes of services delivered by agency programs. Effectiveness is a measure of outcomes, impact, or quality of the task accomplished or the services provided and customer satisfaction with these services." A CORE staff analysis of 1992-93 state agency performance indicators showed that 15 percent measured outcomes. (Forty percent measured outputs, and the others were explanatory or efficiency measurements.)

*POSSIBILITIES:* The use of a results-oriented budget process is only beginning in Minnesota. Some programs within agencies are likely to need assistance in developing the outcome measurements most appropriate for their work; but when fully operational, a results-oriented budget will in itself be a dramatic change. A possible next step is developing a budgeting process that enables the Legislature to vote on specified service levels rather than on line items. Such a system could enable the legislature and administration to know more precisely what they are "buying" with each allocation. In theory, the state will know that it has fully reached this point when the legislature can set policy direction without having a need to control inputs such as staff size. Other possible changes include paying service providers (both private and public, including state agencies) based upon results; for example, funding vocational training program based upon their placement rates.

### 6. Customer-Driven Government: Meeting the Needs of the Customer, Not the Bureaucracy

*CONCEPT:* The authors suggest that government agencies have always been customer driven; the problem is that agencies have identified their direct funding sources--elected officials--as their primary customers. With elected officials needing to respond to organized constituencies, those constituencies become the real customers, rather than the individuals being served. The authors urge agencies, in their strategic planning processes, to redefine their primary customers as those individuals being directly served. Customer driven agencies should be user-friendly and holistic in their approach. As with private sector customer driven operations, the systems and the processes involved should be transparent to the customer.

Ideally, government should put the customer in the driver's seat. The authors compare the food commodities program to food stamps, which allow users to make their own food selections at a time and place of their own choosing. They contrast veterans education services, in which users select their own colleges, to veterans health services, with choice limited to Veterans Administration hospitals.

Three caveats are given. One is that a customer driven approach only works if there is competition; it assumes that informed customers can choose to be served elsewhere. Two, government must guard against costly inefficiencies in competition, for example, many garbage trucks wearing out the same street. Three, customers need to be defined differently for regulatory agencies. For regulators, the primary customer is the community at large.

*EXAMPLES:* Again, Minnesota's open school policy puts the customers--students and their parents--in the driver's seat by allowing them to choose the elementary or secondary school most appropriate for them. Medical Assistance clients choose their own health care providers, or if restricted, face only the same kinds of restrictions (such as a closed HMO) that other health care consumers face. Metropolitan Transit Commission has "stores" in convenient skyway locations and has after-hours telephone service.

*POSSIBILITIES:* The state's educational choice policy could extend to post-high school education: state funding could go directly to customers (adult citizens) as vouchers for training and education, rather than going to state-operated institutions. A voucher-based program could integrate college grants and loans with training programs associated with the Human Services and Jobs & Training departments. Other customer-driven possibilities include allowing initiative and referendum on state ballots; and allowing taxpayers to designate recipient programs for a discretionary percent of income taxes.

A range of possibilities exists within the concept of "one-stop shopping." The state could operate service stores in malls or other regional centers, providing licensing, sales and information involving multiple departments. State agencies, separately or jointly, could operate customer service (complaint) units or ombudsman services. Options also include a telephone number for potential customers who don't know who to call, with follow-up to ensure they connected with the right place; or customer representatives who would stay with a customer throughout a complex process.

**7. Enterprising Government: Earning Rather Than Spending**

*CONCEPT:* The authors challenge any assumption that government should be responsible for money-losing services but should stay clear of money-making operations. They note examples of governments deriving income from power and cable television utilities, an amusement park, shopping centers, hotel and office complexes and other profit centers. In addition to providing non-tax revenue, operating profit centers opens up governments to different concepts of organization and philosophy so that all public services can operate with a profit center mentality. One change it can lead to is having all operations become responsible for the actual costs of their services, rather than paying a set overhead rate.

Several approaches are suggested for turning managers into entrepreneurs. Departments can be allowed to save all or part of any funds they save. Centralized seed funds can encourage new profit-making initiatives. The authors insist that a true investment perspective is rare in government, and that it ought to be used as a way to save money. They also recommend increasing user fees, not only to raise money but to simultaneously lower demand.

*EXAMPLES:* The state generates money in some innovative ways, including royalties from employee-developed computer software applications and patents. The lottery is an entrepreneurial activity competing with the private sector. Several Administration Department divisions have a modified pay-your-own-way philosophy, including the centralized printing, book store, mail and motor pool operations. User fees are increasing at state-owned educational and recreational institutions.

*POSSIBILITIES:* Recasting the Minnesota Zoo as a private organization could enable it to secure new private-sector revenue sources, relieving its reliance on public funds. More generally, the state could eliminate indirect charge rates and let agencies be aware of, control and pay their own real costs. Saving money could be encouraged by expanding the ability of units to retain part or all of funds not spent. Accounting changes can be made to make it simpler for all government agencies to take in money as well as spend it.

A caution in raising user fees is that government may view some enterprises as legitimate "loss leaders." For example, by keeping state park rental rates relatively low, the state may be encouraging tourists whose additional dollars spent with local businesses indirectly pay back the cost of state park operations.

### 8. Anticipatory Government: Prevention Rather Than Cure

*CONCEPT:* The authors cite numerous examples of using an ounce of prevention: building water sprinkler requirements, restrictions on smoking, pollution regulation, and support of programs like Head Start and nutrition programs for new and expectant low income mothers. They also express fear that government has lost some ability to deal with problems due to the simultaneous demise of traditional large power blocks and the rise of a multitude of specialized interest groups. They endorse Alvin Toffler's solution of "anticipatory democracy." This is often expressed through futures commissions, strategic planning and cross-departmental planning.

Governments typically use cash accounting, in which expenses are not counted until money is actually paid. Private businesses typically use accrual accounting, in which any future obligation incurred is counted as an expense. The authors insist that a future-oriented government needs accrual accounting to maintain awareness of the size of future obligations. This likely would change the habitual elimination of preventative maintenance programs as a quick fix during budget crises.

*EXAMPLES:* Minnesota already supports many prevention programs, and even provides additional state funding for federal prevention programs operating in the state. Prominent prevention strategies include SAIL (seniors) and the Children's Cabinet. Current futures activity includes Minnesota Milestones and CORE. The state already extends its budget projections for four years out. It requires departments to develop fiscal notes that detail implications of proposed policy changes; the notes consider the impact on other state agencies and on other levels of government.

*POSSIBILITIES:* Accrual accounting could be expanded. It is used in the Administration Department's Management Analysis Division, but typically is not found in Minnesota state government.

**9. Decentralized Government: From Hierarchy to Participation and Teamwork**

*CONCEPT:* The authors state that, 50 years ago, centralized government was essential given the state of information technology and the expertise level of its work force. Today, information complexity and overload make centralized government paralyzed. Systems created to save waste now make it. The authors urge moving decision-making and controlling activities to the peripheries of organizations. Studies show that decentralized organizations tend to be more flexible, effective, innovative and productive, and have higher morale and commitment. Managers in decentralized organizations tend to have more, not less, control. In decentralized organizations, the control based on rules and regulations is replaced by control based on shared mission, goals and measured outcomes.

Decentralization requires emphasis on teamwork and participatory management techniques. The authors anticipate that the most serious resistance comes from middle managers whose previous work now constitutes over-control. As agencies try to become more participatory, they need to remove layers of control, flattening their organizational structure. Simultaneously, individuals also need flexibility that transcends traditional positions in government.

*EXAMPLES:* Minnesota's former STEP program was cited as an example of an effort to champion decentralization efforts in state government. CORE may be anticipated to have a similar role.

*POSSIBILITIES:* Following the governor's quality initiative, the introduction and more widespread use of participatory management techniques could lead to a transformation of state agencies as less hierarchial organizations with fewer levels of control, with a higher reliance on technology to carry a growing demand for information. Presumably these organizations could have higher measurable effectiveness and efficiency. State policies and funding mechanisms could extend the transformation to local government units.

**10. Market-Oriented Government: Leveraging Change Through the Market**

*CONCEPT:* When confronted with a problem, a typical government response is an administrative program. But often a better approach is changing the market, such as through tax incentives or zoning changes. Government can steer by creating incentives that move people in the direction that the state wants to go, while letting them make most of the decisions themselves. Using market structuring avoids problems inherent in programs such as turf defense, fragmented delivery systems, inadequate scale, and the use of commands rather than incentives. Market structuring is not new; the authors ask that it be considered when new programs are proposed. They acknowledge that it only works when a market is healthy with adequate supply, demand, accessibility, information, rules and policing.

Less traditional is the use of market structuring instead of regulation. Again, it avoids problems inherent in regulation, such as hollow penalties, very slow processes, discouragement of innovation, expense, focus on symptom rather than causes, and an ignoring of the underlying economic incentives driving firms or individuals. An emerging field is the use of "green taxes," that don't prohibit pollution, but force polluters to pay for the real costs associated with their actions.

Market-orientation can be applied to public systems. The authors state: "We have argued throughout this book that the key to reinventing government is changing the incentives that drive public institutions. This is simply another way of saying that the key is changing the markets that operate within the public sector."

*EXAMPLES:* Minnesota has used traditional market structuring approaches, and has used green taxes: the state has taxed agricultural pesticides and fertilizers, using some of the revenue for groundwater protection. The state's Healthright plan creates a new service program for a niche (families with low-income, employed heads) but has a primary emphasis on restructuring market incentives so the private sector can insure just about everyone else. The state's nursing home rate equalization law eliminates the incentive for consumer fraud and abuse that sometimes permeates other states.

*POSSIBILITIES:* Better application of market structuring could reduce the state's heavy use of rulemaking. By analyzing the state's "systems," eg. education, mental health, etc. as "markets," Minnesota could transform them as customer-driven concerns with an insurance of adequate supply, demand, accessibility, information, rules and policing.

## *ENTREPRENEURIAL GOVERNMENTS:*

1. Steer more than row.
2. Empower communities rather than simply deliver services.

3. Encourage competition, rather than monopoly.
4. Are driven by their missions, not their rules.

5. Fund outcomes rather than inputs.
6. Meet the needs of the customer, not the bureaucracy.

7. Concentrate on earning, not just spending.
8. Invest in prevention rather than cure.

9. Decentralize authority.
10. Solve problems by leveraging the marketplace, rather than simply creating public programs.

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## BASIC CONCEPTS

1. Government:

*should create innovative market incentives and controls*

*that guide individual and organizational activity*

*toward goals set by the community.*

2. Government:

*should always act from a customer-first perspective.*

# STRUCTURAL CHANGE

1. Process Compatibility.
   *Structure and process "in synch."*

2. Transparent Integration.
   *Structures appear as "seamless."* linkages complaints

3. Clear Missions.
   *"chunk" vague organizations into ones with precise, single mission.*

4. Separate Regulation and Service.
   *Keep these in different structures.*

5. Quick-Change Capacity.
   *Protect against "turfism."*

6. Flattened Structure.
   *Reduce mgmt. layers* and *decentralize control.*

7. Formalize Change Agents.
   *An unmet challenge.*

| BELL TYPOLOGY | REINVENT GOVT. |
| --- | --- |
| 1. Academic (essential) | 1. Popular (inevitable) |
| 2. Structure based | 2. Process based |
| 3. Historic progression | 3. Snapshot of activity today |

August

# An Overview of the Minnesota State Government Budget

Executive Reorganization & Assessment Working Group

Working Paper Draft, pending
Finance Department review

NOT REVIEWED BY
WORKING COMMITTEE

August 3, 1992

# TABLE OF CONTENTS

# INTRODUCTION AND HIGHLIGHTS

This working paper is intended to provide the Executive Reorganization/Comprehensive Assessment working group with an overview of Minnesota state budget resources and uses, with an emphasis on the General Fund. Information is primarily taken from the Minnesota Department of Finance and the 1992-93 Biennial Budget. The first part of the paper provides trend information for 1989-1993, regarding the source and use of state monies. The second part focuses on the General Fund. Topics in part two include sources of the General Fund, trends in major funding areas, and trends in state agencies' spending.

Highlights of budget information provided in this paper include the following:

- The state will have approximately $13.9 billion in resources available for fiscal year 1993. Fifty-three percent of these resources are from the General Fund. Federal funds, the next largest source, account for 17 percent of the funds. The General Fund and federal fund show similar proportions when looking at state budget uses.

- General Fund expenditures have risen more than seven-fold between 1970 and 1993, growing from $981 million to an estimate $7.3 billion. Growth in the Fund has slowed in recent years, to ten percent between 1985 and 1990.

- Education expenditures account for 40 percent of General Fund spending. Other components of spending include property tax credits and refunds (10%), MA/GAMC (15%0, state agencies (8%), other major local assistance (5%), state institutions (5%), local government aid (4%), debt service and state borrowing (3%), income maintenance (3%), and legislative, judicial, and constitutional officers (3%). These categories are exclusive ones: the figures for "state agencies" excludes monies spent in one of the other listed areas.

- With these exclusions, all state departments have expenditures representing less than two percent of the General Fund. Cabinet level agencies whose expenditures have experienced growth rates of more than ten percent between 1990 and 1993 (estimated) include the Departments of Human Services, Corrections, Public Safety, Labor and Industry, the Finance Department, Military Affairs, and Housing Finance.

OVERVIEW OF BUDGET RESOURCES AND USES

## RESOURCES:

According to Governor recommendations, the state will have approximately $13.9 billion in resources available from a variety for fiscal year 1993. Of the total resources available, 10% are forwarded from the previous year, 53% are from the general fund, 17% are from federal funds, and 12% are from other special revenue funds. The remaining 2-3% comes from debt service monies, expendable trust funds, and transfers from other funds (See Table 1).

Between 1989 and 1993 (estimated), the greatest growth in the state budget has come in the areas of the adjusted forward balance (up 53%), federal funds (up 40%) and debt service (up 23%). All other sources have grown at rates ranging from 1% to 21%, except for expendable trust funds, which experienced a 4% drop between 1989 and estimated 1993.

**TABLE ONE:** State Budget Resources, by major sources, 1989-1993.
($ in millions)

| | 1989 | 1990 | 1991 | 1992 | 1993 | % of Increase 1989-1993* | % of Total FY 1993* |
|---|---|---|---|---|---|---|---|
| Adjusted Balance | $ 1,578 | $ 1,839 | $ 1,899 | $ 7,174 | $ 7,314 | 53% | 10% |
| General Fund | $ 6,023 | $ 6,582 | $ 6,825 | $ 7,174 | $ 7,314 | 21% | 53% |
| ,deral Funds | $ 1,698 | $ 1,883 | $ 2,093 | $ 2,272 | $ 2,372 | 40% | 17% |
| Other Special Revenue Funds | $ 1,478 | $ 1,499 | $ 1,550 | $ 1,588 | $ 1,632 | 10% | 12% |
| Expendable Trust Funds | $ 57 | $ 61 | $ 53 | $ 54 | $ 55 | ( 4%) | >1% |
| Debt Service | $ 35 | $ 46 | $ 33 | $ 28 | $ 27 | 30% | >1% |
| Receipt Subtotal | $ 9,291 | $10,070 | $10,553 | $11,115 | $11,400 | (23%) | 82% |
| Transfers From Other Funds | $ 1,188 | $ 1,240 | $ 1,123 | $ 1,140 | $ 1,177 | 1% | 8% |
| Total Resources Available | $12,057 | $13,150 | $13,524 | $13,700 | $13,904 | 15% | 100% |

* On all tables in this paper, percentage increases and percentage of totals have been figured by CORE staff.

Table Two provides a closer look at the growth in state receipts between 1989 and estimated 1993. As seen there, the receipts received have grown 3% to 8% annually, from $9 million in 1989 to a recommended $11 million in 1993.

**TABLE TWO:** State Budget Receipts*, 1989-1993.

| YEAR | RECEIPTS (in millions) | PERCENT OF CHANGE (from previous year) |
|---|---|---|
| 1989 | $ 9,291 | |
| 1990 | $10,070 | 8% |
| 1991 | $10,553 | 5% |
| 1992** | $11,115 | 5% |
| 1993** | $11,400 | 3% |

* From all sources, including general fund, special revenue funds (includes federal funds), expendable trust funds, and debt service. These totals do not include transfers to other funds.

** Governor's Recommendation

Source: 1992-93 Proposed Biennial Budget: Fund Statement, Dept. of Finance, 1991, p.1

## USES:

Total uses for state monies can be grouped into two large categories: Expenditures and transfers to other funds. According to the Governor's recommendations for 1993, expenditures comprise about 90% of the total ($11 billion). The most significant category of expenditures is the general fund, accounting for 55% of all use of state monies. This is followed by federal funds (19%), other special revenue funds (9%), expendable trust funds (3%) and debts service (2%) (See Table 3).

**TABLE THREE:** STATE BUDGET USES*, BY MAJOR SOURCES, 1989-1993 (in millions)

| YEAR | 1989 | 1990 | 1991 | 1992** | 1993** | % INCR. 1989-1993 | % OF TOTAL FY 1993 |
|---|---|---|---|---|---|---|---|
| General Fund | $5,678 | $6,318 | $6,925 | $7,096 | $6,819 | 20% | 55% |
| Federal | $1,699 | $1,880 | $2,096 | $2,271 | $2,372 | 40% | 19% |
| Other SRF | $1,276 | $1,286 | $1,396 | $1,299 | $1,344 | 5% | 11% |
| ETFunds | $ 286 | $ 344 | $ 357 | $ 354 | $ 356 | 24% | 3% |
| DS | $ 173 | $ 222 | $ 243 | $ 246 | $ 253 | 46% | 2% |
| **Expenditure Subtotal** | **$9,112** | **$10,050** | **$11,017** | **$11,267** | **$11,144** | **22%** | **90%** |
| **Transfers To Other Funds** | $1,156 | $ 1,243 | $1,152 | $ 1,128 | $ 1,167 | >1% | 9% |
| **TOTAL USES:** | $10,267 | $11,293 | $12,169 | $12,394 | $12,314 | 20% | 20% |

* Total expenditures, from all sources, including General Fund, special revenue funds (includes federal funds), expendable trust funds, and debt service. These totals do not include transfers to other funds.

** Governor's Recommendation

Source: 1992-93 Proposed Biennial Budget: Fund Statements

The most substantial increases between 1989 and estimated 1993 have occurred in debt service expenditures (46%) and federal funds (40%). Overall, expenditures increased 22 percent in that time, while transfers to other funds increased 20 percent.

Table Four provides information on yearly increases in expenditures. Expenditures have risen at annual rates varying from two percent to 17 percent between 1989 and estimated 1992, with a 17 percent increase expected between the Governor's recommended budget for 1992 and 1993.

**TABLE FOUR:** STATE BUDGET EXPENDITURES*, 1989-1993

| **YEAR** | **EXPENDITURES** (in millions) | **PERCENT CHANGE** (from previous year) |
|---|---|---|
| 1989 | $ 9,112 | |
| 1990 | $10,059 | 10% |
| 1991 | $11,017 | 10% |
| 1992 | $11,267 | 2% |
| 1993 | $11,144 | 17% |

* Total expenditures, in millions, from all sources. Including General Fund, special revenue funds (includes federal funds), expendable trust funds, and debt service. These totals do not include transfers to other funds.

** Governor's recommendation

Source: 1992-1993 Proposed Biennial Budget: Fund Statements, Dept. of Finance, 1991, page 2.

**BUDGET SHORTFALL**

A budget shortfall of $1.2 billion was projected by the Governor for the 1992-1993 biennium (Table Five).

**TABLE FIVE:** 1992-1993 BUDGET SHORTFALL ($ in millions)

| | |
|---|---|
| 1992-93 Shortfall | ($1,986) |
| Baseline Budget Freeze | $577 |
| FY 1991 Adjustments | $197 |
| **1992-93 Shortfall** | **($1,212)** |

Source: 1992-93 Proposed Biennial Budget, Executive Budget Summary, page 13.

## THE GENERAL FUND

The general fund, comprising a majority of total budget uses, is itself composed of four major sources: individual income tax (41%); sales taxes (27%); other taxes (17%) (e.g., motor vehicle excise); and other resources (15%) (e.g. dedicated revenue) (Table Six).

**TABLE SIX:** SOURCE OF THE GENERAL FUND BASED ON THE GOVERNOR'S RECOMMENDATIONS, 1992-1993

| | |
|---|---|
| Individual Income Tax | 41% |
| Sales Taxes | 27% |
| Other Taxes | 17% |
| Other Resources | 15% |

Source: 1992-93 Proposed Biennial Budget, Executive Budget Summary, page 12.

General fund expenditures have risen more than seven-fold between 1970 and 1993, growing from $981 million to $7.3 billion. Rates of increase have slowed in the last decade. Between 1970 and 1975, and between 1975 and 1980, general fund expenditures grew 90 percent. Between 1980 and 1985, it grew 42 percent, and between 1985 and 1990, it grew 10 percent (See Table Seven).

**TABLE SEVEN:** HISTORICAL TRENDS, GENERAL FUNDS, ACTUAL EXPENDITURES AND TRANSFERS, DEDICATED AND NON-DEDICATED ($ IN MILLIONS)

| YEAR | AMOUNT | % INCREASE |
|---|---|---|
| 1970 | $ 981 | |
| 1975 | $1,868 | 90% |
| 1980 | $3,551 | 90% |
| 1985 | $5,045 | 42% |
| 1990 | $6,692 | 33% |
| 1993 | $7,341 | 10% |

Source: Department of Finance, April 2, 1991, "General Fund: Historical Expenditures", printout

Contrary to popular belief, the greatest expenditures in the general fund relate to education. As Table Eight shows, 31 percent of the general fund is used as aids to school districts, while 19 percent goes toward post secondary education. (A more detailed table showing subcategories of Table Eight may be found in Appendix A). The other five categories in the "big seven" components of the general fund include property tax credits and refunds (10 percent of the general fund), medical assistance/general assistance medical care (GAMC) (15 percent), local government aid (4 percent), debt service and borrowing (3 percent), and income maintenance

(3 percent). The remaining monies in the general fund are spent toward other major local assistance (5 percent), state institutions (5 percent), legislative, judicial, and constitutional officers (2 percent), and state agencies (8 percent).

Between 1990 and estimated 1993, the biggest rates of increases in expenditures have related to legislative, judicial, and constitutional officers (up 54 percent), income maintenance (up 47 percent), medical assistance/GAMC (up 44 percent), and aids to school districts (up 36 percent).

## TABLE EIGHT: GENERAL FUND EXPENDITURES BY TYPE, SELECTED YEARS ($ in millions)

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 Budget | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| 1. Aids to School Districts | $1,156 | $1,684 | $1,186 | 31% | 46% | 36% |
| 2. Post Secondary Education | $ 866 | $1,267 | $1,371 | 19% | 46% | 8% |
| 3. Property Tax Credits & Refunds | $ 617 | $ 830 | $ 769 | 10% | 35% | ( 7%) |
| 4. MA/GAMC | $ 543 | $ 874 | $1,128 | 15% | 44% | 44% |
| 5. Local Government Aid | $ 274 | $ 402 | $ 314 | 4% | 47% | (4%) |
| 6. Debt Srv + St Borrowing | $ 147 | $ 189 | $ 244 | 3% | 29% | 29% |
| 7. Income Maintenance | $ 178 | $ 155 | $ 288 | 3% | 15% | 47% |
| 8. Other Major Local Asst | $ 162 | $ 356 | $ 370 | 5% | 36% | 4% |
| 9. State Institutions | $ 250 | $ 329 | $ 362 | 5% | 32% | 10% |

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 Budget | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| 10. Legis, Judicial, Const Officers | $ 79 | $ 114 | $ 176 | 2% | 44% | 54% |
| | | | | | | |
| 11. State Agencies | $ 473 | $ 581 | $ 610 | 8% | 23% | 5% |
| | | | | | | |

Table Nine provides a more detailed picture of spending in state agencies with budgets exceeding $1 million. These figures exclude monies reflected in the first ten budget categories shown in Table Eight (all categories except "state agencies". The Department of Human Services figures, for example, exclude monies previously shown for medical assistance and income maintenance.

With these exclusions, state agencies account for eight percent of state general fund expenditures. All of the departments have expenditures representing less than two percent of the general fund. Those with expenditures exceeding $25 million (1993 estimates) include the Department of Human Services, Department of Jobs and Training, Department of Health, Department of Public Safety, Department of Revenue, the Department of Natural Resources, and the Department of Trade and Economic Development.

Those cabinet-level agencies whose expenditures experienced growth rates of more than 10 percent between 1990 and 1993 (estimated) include the Department of Human Services, Corrections, Public Safety, Labor and Industry, the Finance Department, Military Affairs, and House Finance. Other agencies with expenditure growth rates of over 10 percent include the Water and Soil Board, Waste Management, and Medical Services.

# TABLE 9: GENERAL FUND EXPENDITURES FOR SELECTED STATE AGENCIES, SELECT YEARS ($ in Millions)

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| **State Agencies** | $ 473 | $ 581 | $ 610 | 8% | 23% | 5% |
| Other Human Service, Department of | $ 59 | $ 63 | $ 77 | 1% | 7% | 22% |
| Dept. of Human Services Federal Reimbursement | $ (15) | $ (25) | $ (26) | >1% | 67% | 4% |
| Jobs & Training | $ 69 | $ 41 | $ 34 | >1% | 41% | (17%) |
| Other Corrections | $ 13 | $ 19 | $ 22 | >1% | 46% | 16% |
| Other Health, Department of | $ 16 | $ 29 | $ 31 | >1% | 81% | 7% |
| Public Safety | $ 18 | $ 28 | $ 31 | >1% | 56% | 11% |
| Agriculture | $ 15 | $ 14 | $ 12 | >1% | 6% | (14%) |
| Commerce | $ 9 | $ 10 | $ 11 | >1% | 11% | 10% |
| Administration | $ 30 | $ 24 | $ 23 | >1% | 20% | 4% |
| Revenue | $ 38 | $ 65 | $ 71 | 1% | 71% | 9% |
| Natural Resources | $ 53 | $ 89 | $ 92 | 1% | 68% | 3% |
| Pollution Control Agency | $ 8 | $ 13 | $ 14 | >1% | 63% | 8% |
| Trade & Economic Development | $ 30 | $ 38 | $ 35 | >1% | 27% | 8% |
| Labor & Industry | $ 9 | $ 8 | $ 5 | >1% | 11% | 38% |
| Disabled Veterans, Milt. Order of Purple Heart Vets of Foreign Wars | $ >1 | $ >1 | $ >1 | >1% | 0% | 0% |
| All Other Veterans Affairs | $ 2 | $ 3 | $ 3 | >1% | 50% | 0% |
| Finance Department | $ 7 | $ 8 | $ 9 | >1% | 14% | 13% |
| Employee Relations | $ 4 | $ 10 | $ 9 | >1% | 60% | 10% |

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| State Planning | $ 6 | $ 12 | $ 11 | >1% | 50% | 8% |
| Military Affairs | $ 5 | $ 9 | $ 10 | >1% | 80% | 11% |
| Human Rights | $ 2 | $ 3 | $ 3 | >1% | 50% | 0% |
| Finance, Non-oper. | $ 4 | $ 3 | $ >1 | >1% | 40% | |
| Housing Finance | $ 3 | $ 13 | $ 11 | >1% | 333% | 15% |
| Other Transportation, Department of | $ 2 | $ 1 | $ >1 | >1% | 50% | N/A* |
| Public Service | $ 4 | $ 7 | $ 7 | >1% | 75% | 0% |
| **Other Over $1 Million** | | | | | | |
| Historical Society | $ 8 | $ 12 | $ 13 | >1% | 33% | 8% |
| State Arts Board | $ 2 | $ 4 | $ 4 | >1% | 100% | 0% |
| Animal Health Board | $ 1 | $ 2 | $ 2 | >1% | 100% | 0% |
| Water & Soil Board | $ 0 | $ 6 | $ 8 | >1% | N/A | 33% |
| Peace Officer Trng. Brd. | $ 1 | $ 4 | $ 4 | >1% | 300% | 0% |
| Public Utilities Comm. | $ 1 | $ 2 | $ 2 | >1% | 100% | 0% |
| State Lottery | $ 0 | $ 8 | $ 0 | >1% | N/A | N/A |
| World Trade Center | $ 0 | $ 1 | $ 1 | >1% | N/A | 0% |
| Nat. Res. Accel (LCMR) | $ 9 | sp. rev. | sp. rev. | N/A | N/A | N/A |
| Investment Board | $ 1 | $ 2 | $ 2 | >1% | 100% | 0% |
| Administrative Hearings | $ 2 | $ 0 | $ 0 | >1% | N/A | N/A |
| Zoological Gardens | $ 6 | $ 9 | $ 8 | >1% | 50% | 11% |
| Waste Management | $ 2 | $ 9 | $ 20 | >1% | 350% | 122% |
| Medical Services | $ 1 | $ 1 | $ 2 | >1% | 0% | 100% |
| MR Ombudsman | $ 0 | $ 1 | $ 1 | >1% | N/A | 0% |
| Indirect Cost Receipts | $ (7) | $ (11) | $ (9) | >1% | (57%) | (18%) |
| Total Unallocated/ Balance Fund | $ 3 | $ 5 | $ 0 | >1% | 67% | N/A |

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| Pre 1973 Retirees | $ >1 | $ 1 | $ 1 | >1% | N/A | 0% |
| All Other Ded. Rev. | $ 5 | $ 24 | $ 31 | >1% | 380% | 29% |
| State Agency R & B | $ 5 | $ 0 | $ 0 | >1% | N/A | N/A |
| Capitol Proj. Trans. | $ 0 | $ 4 | $ 0 | >1% | N/A | N/A |
| Camp. Fin. | $ 1 | $ >1 | $ 4 | >1% | N/A | N/A |
| All Other Trans. | $ 27 | inc. | inc. | N/A | N/A | N/A |
| SUBTOTAL | [$ 391] | [$ 569] | [$ 589] | 8% | 46% | 4% |
| | | | | | | |
| All Other* | $ 82 | $ 12 | $ 21 | >1% | 85% | 75% |
| | | | | | | |
| **TOTAL** | $ 473 | $ 581 | $ 610 | 8% | 23% | 5% |

* Approximation due to rounding

** N/A: Percentage not applicable or figured because of zero or less than one categories, or because of non-general revenue funding

# APPENDIX A

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| **1. Aids to School Districts** | $1,156 | $1,684 | $1,186 | 31% | 46% | 36% |
| School Aids (LASTRA, Max effort) | $ 935 | $1,653 | $2,250 | 31% | 77% | 36% |
| TRA (retirement) & Social Security | $ 199 | $ 0 | $ 0 | 0% | 0% | 0% |
| Other | $ 22 | $ 31 | $ 36 | | 41% | 16% |
| | | | | | | |
| **2. Post Secondary Education** | $ 866 | $1,267 | $1,371 | 19% | 46% | 8% |
| Tuition and Fees | $ 215 | $ 330 | $ 342 | 5% | 53% | 4% |
| Higher Education Inst | $ 592 | $ 863 | $ 936 | 13% | 46% | 8% |
| Other | $ 58 | $ 74 | $ 93 | 1% | 28% | 26% |
| | | | | | | |
| **3. Property Tax Credit & Ref** | $ 617 | $ 830 | $ 769 | 10% | 35% | ( 7%) |
| Homestead Credit/Transition Aid | $ 505 | $ 652 | $ 522 | 7% | 29% | (20%) |
| In Man/Reim Aid | $ 0 | $ 0 | $ 140 | 2% | 0% | 0% |
| Agriculture Credit | $ 93 | $ 103 | $ 0 | 0% | 11% | (100%) |
| Other | $ 19 | $ 75 | $ 97 | 1% | 295% | 29% |
| | | | | | | |
| **4. MA/GAMC** | $ 543 | $ 874 | $1,128 | 15% | 44% | 44% |
| MA (appropriates) | $ 294 | $ 468 | $ 734 | 10% | 59% | 57% |
| Hospital Collections | $ 140 | $ 143 | $ 157 | 2% | 2% | 10% |
| GAMC | $ 55 | $ 98 | $ 151 | 2% | 78% | 54% |

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| County Share (MA/GAMC) | $ 53 | $ 76 | $ 85 | 1% | 43% | 12% |
| | | | | | | |
| **5. Local Government Aid** | $ 274 | $ 402 | $ 314 | 4% | 47% | (4%) |
| | | | | | | |
| **6. Debt Srv + St Borrowing** | $ 147 | $ 189 | $ 244 | 3% | 29% | 29% |
| | | | | | | |
| **7. Income Maintenance** | $ 178 | $ 155 | $ 288 | 3% | 15% | 47% |
| AFDC | $ 106 | $ 67 | $ 90 | 1% | (37%) | 34% |
| MSA | $ 14 | $ 35 | $ 63 | >1% | 150% | 80% |
| GA | $ 58 | $ 41 | $ 41 | 1% | 41% | 0% |
| Work Readiness | $ 0 | $ 12 | $ 34 | >1% | 0% | 183% |
| | | | | | | |
| **SUBTOTAL** | **$3,780** | **$5,313** | **$6,341** | **86%** | **41%** | **19%** |
| | | | | | | |
| **8. Other Major Local Asst** | $ 162 | $ 356 | $ 370 | 5% | 36% | 4% |
| Motor Veh Ex Tax Tran | $ 50 | $ 90 | $ 80 | 1% | 84% | 13% |
| Other | $ 211 | $ 203 | $ 221 | 3% | 4% | 9% |
| | | | | | | |
| **9. State Institutions** | $ 250 | $ 329 | $ 362 | 5% | 32% | 10% |
| State Res. Facilities | $ 276 | $ 220 | $ 237 | 3% | 25% | 8% |
| Corrections | $ 60 | $ 90 | $ 100 | 1% | 50% | 11% |
| Other | $ 14 | $ 19 | $ 25 | >1% | 36% | 32% |
| | | | | | | |

| EXPENDITURE | FY 1985 | FY 1990 | 1993 (EST.) | % OF FY 1993 | % CHANGE 1985-90 | % CHANGE 1990-93 |
|---|---|---|---|---|---|---|
| 10. Legis, Judicial, Const Officers | $ 79 | $ 114 | $ 176 | 2% | 44% | 54% |
| Legislature | $ 31 | $ 43 | $ 49 | 1% | 54% | 14% |
| Trial Courts | $ 15 | $ 19 | $ 47 | 1% | 27% | 14% |
| Attorney General | $ 15 | $ 19 | $ 20 | >1% | 27% | 5% |
| Other | $ 18 | $ 33 | $ 60 | 1% | 83% | 82% |
| | | | | | | |
| 11. State Agencies | $ 473 | $ 581 | $ 610 | 8% | 23% | 5% |
| | | | | | | |

# Secretary Model
## The Virginia Experience

**EXECUTIVE REORGANIZATION &**
**ASSESSMENT WORKING COMMITTEE**

**Draft Working Paper**

**August 11, 1992**

# I. Introduction

This working paper is presented as a part of an examination of the overall organization of Minnesota state government, being conducted by the Executive Reorganization and Assessment Working Committee of the Commission on Reform and Efficiency (CORE). At its July 21, 1992, meeting the Working Committee reviewed basic organization models. This paper is staff's response to the Working Committee's request for further information on the secretary model.

An earlier CORE staff working paper, *The Secretary Model* (July 14, 1992), described the Bell Typology of state organizations, which includes three basic systems: the commission (or traditional) model, the agency head cabinet model, the secretary cabinet (or coordinator) model and hybrid variations of the three.

This paper profiles the secretary system developed in Virginia during the past 20 years. It illustrates both the variable and stable aspects of Virginia's secretary model. The paper then describes some of the possible implications if Minnesota adopted the stable, or constant, elements of the Virginia system.

Virginia's experience with a secretary model provides a good case study. Like Minnesota, Virginia once relied on the commission model, then began a shift to agencies that reported directly to the governor. Minnesota continued that approach, consolidating smaller departments into larger ones to achieve an economy of scale. Virginia chose a different approach; it created a secretarial system. In that system it continued consolidation at a pace slower but more continuous than Minnesota's.

Extensive analysis both preceded and followed Virginia's change to a secretarial system. A primary goal was to create a structure that enabled a governor to be truly accountable for the actions of the executive branch. A primary rationale was that any reorganization is necessarily piecemeal and is never complete. Virginia looked for a structure that institutionalized the process of reorganization. It came up with a system that attempts to encourage change by placing budgetary control in the hands of administrators responsible for policy management but not responsible for line or operational management.

# II. The Virginia Experience

Virginia began a secretarial system in 1972. Since then, the state's five governors have shown tremendous diversity in operating styles and reporting relationships. From a Virginia perspective, this diversity is not a contradiction, but a confirmation of their system's practicality. The distinction appears in their terminology. Although Virginia officials refer to the governor's "cabinet," they emphasize that they have a secretary coordinator model, not a secretary cabinet model. They associate the secretary cabinet model with the federal government, where secretaries have specific line authority. The Virginia model has more flexibility, enabling each administration to adapt the top level of government according to the governor's needs and priorities.

Even with each governor's variations, the Virginia executive branch organization has remained essentially the same. Following are some of its constant basic elements.

## 1. Governor's Span of Management

The Secretary model intends for the governor to receive administrative information and advice from no more people than is practical for effective communication, direction and control. For most of the model's duration, Virginia struggled to stay at six secretaries, but in retrospect, it seems inevitable that eight would be created.

Two secretarial offices--(1) **education,** and (2) **health and human resources**--have been relatively stable from the beginning. In theory, (3) **administration** and (4) **finance** were aligned with one secretary, but in practice an assistant secretary for finance was treated as a full secretary. When administration and finance were formally separated, the previously distinct offices of (5) **transportation** and (6) **public safety** were merged. That merger didn't appear to have a workable "fit," so the two were separated again. After several proposals for divisions were rejected, (7) **natural resources** was separated from (8) **commerce.**

The driving reason for maintaining a low number of secretaries was to ensure a workable span of management for the governor. Secretaries are expected to work directly and regularly with the governor; too large a number could inhibit a close working relationship. Each governor's personal style can determine an individual managerial limit for effective communication, direction and control; the state's intent has been to prevent any governor's limit from being exceeded.

Various studies have differed in recommending the number and configuration of secretariats, but they have common selection criteria:

A. Agencies in a functional area should serve reasonably related purposes;

B. Agencies must require the supervision of a secretary;

C. The secretary should have a reasonable workload and span of management;

D. The governor requires independent coordination and advice regarding the functional area; and

E. Structural arrangements ought to be intended to be enduring, not simply convenient, expedient, or based on the abilities of the incumbent.

## 2. Extension of the Governor

As the chief executive officer of the state, a governor has ultimate responsibility and accountability for state operations. In Minnesota, if a problem or issue transcends departmental jurisdictions, there is no one except the governor who can be held responsible. Under Virginia statute, the governor can extend coordinative, budgetary and oversight responsibility to the secretaries. Virginia views secretaries as extensions of the governor for management coordination and cohesive direction. Initially, secretaries were responsible for policy coordination, but as representatives of the governor their roles have evolved toward management and policy-making.

Virginia department commissioners, on the other hand, are viewed as extensions of their agencies, which they are responsible for leading and operating. They do not serve in the governor's cabinet. Agency information and analysis goes directly to their respective secretaries, who are responsible for coordinating and synthesizing the information.

Secretaries and commissioners alike serve at the pleasure of the governor. Upon taking office, governors typically first appoint secretaries, and then appoint commissioners upon the recommendation of the secretaries. Secretaries and commissioners require both political and managerial expertise; they differ only in the area of emphasis. As extensions of the governor, secretaries typically leave office with the governor who appointed them. As extensions of their agencies, commissioners tend to continue in office with succeeding administrations.

## 3. Power and Duties

When the Virginia secretary system began, each secretary had essentially the same role and responsibilities, although articulated uniquely for each office. For example, rather than simply saying that secretaries are responsible for planning in their respective areas, it was stated that the transportation commissioner was responsible for the state's master transportation plan. Through statute revisions, appropriation acts and especially executive orders, each secretary's role became more complex. Several years ago, the legislature stopped the trend by again giving each secretary a common set of responsibilities. With the exception of the secretary of education all secretaries have, in statute, the following powers and duties:

A. Resolve administrative, jurisdictional, operational, program or policy conflicts between agencies or officials assigned to that secretary;

B. Direct the formulation of a comprehensive program budget for the functional area identified in statute encompassing the services of agencies assigned to that secretary;

C. Hold agency heads accountable for their administrative, fiscal and program actions in the conduct of the respective powers and duties of the agencies;

D. Direct the development of goals, objectives, policies and plans that are necessary to the effective and efficient operation of government;

E. Sign documents on behalf of the governor which originate in agencies assigned to the secretary; and

F. Employ personnel and contract for consulting services as may be required to perform the powers and duties conferred upon the Secretary by statute or executive order.

The governor can designate secretaries and other executive branch officers to perform any of the governor's vested powers. Two powers in particular are commonly shared with secretaries:

A. The governor has the authority and responsibility for the formulation and administration of the policies of the executive branch, including resolution of policy and administrative conflicts between and among agencies; and

B. The governor may, by executive order, assign or reassign any state agency to any secretary.

The statute sections dealing with the secretaries also notes responsibilities of agencies assigned to each secretary. The agencies shall:

A. Exercise their respective powers and duties in accordance with the general policy established by the governor or by the secretary acting on behalf of the governor;

B. Provide such assistance to the governor or secretary as may be required; and

C. Forward all reports to the governor through the secretary.

In addition to formal duties, secretaries have responsibilities that are informal but often considered mandatory. These include: directing the preparation of studies required by the legislature or governor; representing the governor at meetings and ceremonies; maintaining liaison with legislators, constituents and officials concerned about the activities under the secretary's jurisdiction; and chairing or serving on boards and other groups as a governor's appointee.

The exception in this system is the secretary of education. The secretary is like all others regarding cultural agencies (state museums, etc.), but has a sharply restricted role with educational agencies. A stated reason for this is a traditional reluctance in the state to centralize power in educational matters for fear of "indoctrination" and other abuses. Higher education institutions are exempt from this jurisdiction; their unique reporting relationships are specified in the state constitution. With other educational agencies, power is shared with traditional commissions, such as a board of education. The position has been described as more promotional than controlling.

Since this position is not precisely like the other secretaries, a legislative committee once recommended abolishing it. The proposal was rejected. At least two reasons for retaining the office were evident. One is that the elevated status and visibility of the office is important for symbolic reasons, to demonstrate the priority that education has for state government. The other is that the secretary does have the coordinative power essential to the model, specifically, the power "to resolve administrative, jurisdictional or policy conflicts between any agencies or officers for which he is responsible and to provide policy direction for programs involving more than a single agency."

## 4. Reporting Relationships

Since the system's inception, Virginia governors have viewed their secretarial cabinet as a primary advisory body for executive-level policy making. How they have actually utilized the cabinet has differed by personal style. One governor met weekly with the cabinet; another met irregularly and on call. Some have considered the cabinet to consist only of the eight secretaries; others have extended cabinet status to the secretary of state, at least for ceremonial purposes.

(The secretary of state, or more precisely, secretary of the commonwealth, is a governor-appointed position. While the secretary as an individual may be consulted on the cabinet level, particularly regarding state-federal relationships, the secretary of state's operational units report to the secretary of administration.)

The secretarial relationship with the governor's chief of staff have varied considerably. Of the past four governors, the first did not have a chief of staff but had a secretary function in that role; the second had a powerful chief of staff generally described as the governor's alter ego; the third appointed a former secretary as chief of staff, who functioned as a "super secretary;" and the fourth has a chief of staff who concentrates on legislative affairs. Because the chief of staff is the central coordinator for the governor's activities, secretaries have always had a need to keep the chief informed about important developments.

Statute specifies that secretaries are subject to direction and supervision by the governor. Generally this has not been delegated to chiefs of staff, but that could change. In the 1980s, legislation was passed formalizing the role and power of the chief of staff as a *de facto* deputy governor, serving at the governor's pleasure, who can act as the governor in his/her absence. Significant background to this change is that the lieutenant governor is elected apart from the governor, and sometimes is a member of an opposition party. Rather than change the constitution to have the two run as a ticket, the legislature institutionalized the chief of staff position to give the governor a personally selected back-up person.

## 5. Office Staffing

Each governor has utilized secretaries to suit the governor's own style and needs. Initially the secretaries emphasized coordinating and policy-making activities and had a total support staff of 17 people. During 1976-78 (the Virginia system's third biennium) the governor involved his secretaries in direct program management and provided them with a total staff of 90 people (primarily by transferring State Planning personnel). This was an aberration; since then, the secretaries have returned to their original role and typically have a total staff of about 25 people. When the state changed from six to eight secretaries, it did not expand the total staffing except for a few clerical positions.

Typically, each secretary has one personal assistant titled "deputy secretary" (some secretaries have had two, some have had none), and one or two clerical staff. At times, other staff have been assigned to a single secretary, but generally other staff have been in a central pool providing bookkeeping, word processing, messenger services, etc.

The real extent of assistance provided to secretaries is much greater than their immediate staff. Secretaries use student interns, staff mobility assignments and internal and external consultants to conduct projects. They also can call upon the staffs of the agencies that report to them. For example, secretaries do not have their own budget analysts, but require their agencies to provide them with budget analysis. They also can "farm out" projects to their agencies. Each secretary sets the structure of his or her office.

## 6. Secretarial Activities

Secretaries interpret their primary responsibility as assisting the governor in directing the development, coordination and implementation of policy for their respective areas of state government. This can mean different things, depending upon the needs of the state and the priorities of the governor: one secretary may be concerned with line authority oversight in one or more departments in his/her office, while another may not. Therefore, the methods and activities they employ in policy formulation and execution vary significantly, both in terms of use and emphasis. There are, however, at least three common points.

A. Each secretary deals with representatives from agencies within the secretary's jurisdiction, through meetings, correspondence and discussions. The primary vehicles for fostering policy are budget submissions, executive agreements, studies, reports, board appointments and position papers.

B. Each secretary deals with individuals and groups external to the executive branch: legislators, constituents, national officials and citizens, through speeches, meetings, conversations and correspondence. The primary vehicles for articulating policy are testimony, speeches and personal contacts.

C. Each secretary deals with the day-to-day operation of his/her office, including personnel matters, general administration and special projects. This is done through supervision and briefing of staff, reviewing correspondence and reports, and developing initiatives and policy papers. Special planning projects are sometimes directed or performed to a large extent within the secretaries' immediate offices.

State studies have noted that management developments that have paralleled the evolution of the secretarial system have considerably enhanced its operation and potential. These developments include computerized budgeting and accounting systems, consolidation of support systems, and performance measurement tools such as management by objectives.

# III. The Minnesota Experience

Commission models were adopted by many states, including Minnesota, during the turn-of-the century Progressive era, as a means to combat real and potential corruption. In preventing corruption, the commission model also prevented any centralized executive control. Over a half century ago many states, including Minnesota, began moving toward the agency-head cabinet model as a means of providing centralized control. Now, in turn, states are grappling with the difficulty of over-centralization. Symptoms of this problem can include excessive layers of middle management, an inflexible structure, a formalized up-down chain of command, and little real need for innovative communication technology.

In recent years states have tried to maintain the advantages of centralized control while avoiding the disadvantages. Most states, including Minnesota, have developed hybrid variations collectively known as sub-cabinet model. Minnesota's most recent governors (Anderson, Quie, Perpich, Carlson) have had executive structures that evolved during the course of their administration, and essentially each one grouped major agencies into related clusters. Each cluster has had a person (either a governor's staff member or a department commissioner) responsible for communication both among the cluster agencies and between the governor and the cluster agencies.

Today, Minnesota's executive organization chart can be drawn in either of two ways. **In theory**, a chart illustrating reporting relationships can show approximately 200 people reporting directly to the governor *(chart 1)*. They represent the chief administrators and appointed chairs of the state's major agencies and most of the state's numerous boards and commissions. **In practice**, a chart illustrating a 20 year composite of reporting relationships can show the chief administrators of the state's major agencies grouped into clusters which report to one of several members of the governor's staff, who in turn report to the chief-of-staff, who in turn reports to the governor *(chart 2)*. On the "practical" chart, the boards and commissions have varied lines.

The only model on the Bell Typology not attempted in Minnesota is the secretary cabinet. About a dozen states have adopted this basic model or a hybrid variation, including Virginia *(chart 3)*, Kentucky, California and Massachusetts.

# IV. Implications for Minnesota

If Minnesota considered adopting a secretary cabinet model, it would have a wide array of options and variables to consider. Virginia's secretary cabinet system has undergone several major changes and innumerable minor adjustments during the past 20 years. But the basic theory, framework and operation of the system in Virginia has remained constant. Within the context of that framework, it is possible to consider the implications of a similar change in this state.

## 1. The Governor

As noted above, although each of the last four Minnesota governors had differences in their administrative structure, some generalities can be made. In theory about 200 people report directly to the Minnesota governor. If only the major agencies are considered, then in theory about 25 people report directly to the governor. In reality, all of those administrators report (if they report at all) to about three or four members of the governor's staff, who in turn report to the governor's chief of staff.

***Formal structure.*** The Secretary model would clarify and formalize this picture. All administrative agency heads would report to about eight secretaries. The secretaries would meet as a group regularly. They meet as a group, or individually, with the governor either regularly or as needed. In this model the governor receives current, direct information and advice from, and gives direction to, eight key, top-level advisors whose fulltime role is ensuring that all administrative agencies are advancing the governor's program and priorities.

***Appointment timing.*** In Minnesota, new governors have a relatively short time to make many key administrative appointments, including about 25 commissioner-level executives. In a Secretary model, the governor can instead be concerned about only the eight secretaries in that initial time period. Later, when the mechanisms of the new administration are more in place, the governor can be concerned about the commissioner appointments. And at that point, the governor would have the secretaries in place to assist with appointment recommendations.

## 2. The Governor's Staff

***Reporting.*** Secretaries are extensions of the governor and are integral members of his/her staff. Unlike other staff members, they often report directly to the governor, rather than reporting through the chief of staff (although the chief is always kept informed). The chief of staff typically acts more in a coordinating role rather than a directing role with the secretaries. This allows the chief to focus more on the operations of the executive office. Again, the governor has the discretion to shape reporting to fit personal management style.

***Staff change.*** With the secretaries taking on some of the traditional functions of the rest of the staff, presumably the change would allow for some reduction in the size of the rest of the staff, without any loss of effectiveness.

***Cabinet status.*** A "cabinet" is generally defined as an advisory council of a governor. In theory, commissioners now serve as a governor's cabinet, meeting regularly as a group with the governor and providing advise on major issues. In reality, commissioners infrequently meet with a governor in a group or a sub-group, and occasions when they are involved in providing direct advice are seldom, if not rare.

As noted in the earlier staff working paper, "The Secretary Model," Minnesota has a hybrid, sub-cabinet model. At various points during the past four administrations, two groups may be viewed as having served as a governor's advisory group. One is sub-groupings (i.e., sub-cabinets) of commissioners who reported either to the governor or one of his staff members. The other is the governor's staff chief and deputy chiefs who, after gathering information from commissioners, served as a *de facto* cabinet.

***Cabinet designation.*** Depending upon personal style and needs, a governor retains discretion on how staff members are utilized, even with a secretary model. But in that model, the secretaries are clearly delineated as the governor's cabinet; in fact, the reason that the total number of secretaries is kept small is so the number is workable as a cabinet.

In the secretary model, commissioners are no longer presumed to be a cabinet. Their reports would go through the secretaries, similar to going through the governor's deputy chiefs of staff today.

## 3. Commissioners

Under the current system, commissioners are required to perform two distinct roles: representing the governor and representing their department. Insofar as major departments report to the governor there is no contradiction. But there is a mixing of roles. To use a corporate analogy, the governor is a chairman of the board. Commissioners are called upon to function as both chief executive officers and as chief operating officers.

***Role clarification.*** In the secretary model, commissioners have a clear chief operating officer role, and are accountable for the day-to-day operation of departments, as well as the continual effort to reach the departmental goals. Commissioners would have full control of their line item budgets. Secretaries, in theory, should have little interest in budgeting below the program level. Secretaries are more concerned about the correlation of program budgets among the departments under their jurisdiction.

***Longer duration.*** In addition to a more focused role, the model has several implications for commissioners. One is longevity. Today, it is generally accepted that commissioners will leave office along with the governor who appointed them. In the secretary model, this may hold true for secretaries, who are extensions of the governor, but should not necessarily hold true for commissioners. There is a presumption in the model that commissioners have been selected because of their exceptional administrative effectiveness. In theory, a new governor and new secretary, with a philosophy quite different from their predecessors, could be able to achieve desired policy changes without changing commissioners.

***Staff change.*** Under the current system, some commissioners have appointed deputies to manage operations, freeing the commissioners for a more external role representing the governor. In the secretary model, the external role is more the domain of the secretaries; commissioners are expected to provide more operational management. This brings into question whether the role of deputy commissioner should be redefined, or eliminated.

***Accountability.*** In the current system, commissioners are aware of many issues, problems and opportunities that involve inter-departmental cooperation or integration. Sometimes these issues are dealt with by forming teams at the commissioner or program level to share information or activity. Cooperation comes out of professionalism and persuasion. Accountability for interaction is vague: commissioners' responsibility and power generally is confined to their departments' programmatic areas, and the governor's staff generally is not in a good position to arbitrate all of the areas where cooperation is needed. In the secretarial model, secretaries have the power and the position to be accountable for inter-departmental cooperation.

## 4. Constitutional Officers

Unless accompanied by election changes, implementing a secretarial model does not have any impact on constitutional officers other than the governor. The secretarial model is concerned with communication and control of executive branch agencies that report to the governor. In Minnesota, constitutional officers are elected independent of the governor; the officers are not responsible to each other.

In the current system, the only potential exception is the office of lieutenant governor. Unlike the other constitutional officers, the lieutenant governor is, in effect, selected by the governor. The state supreme court in recent years has solidified the understanding that the two are a team. The lieutenant governor is able to fill the second-in-command role that is filled by the chief of staff in Virginia. But just as the Virginia chief of staff can play a role in a secretary model, the Minnesota lieutenant governor could play a role as well.

***Role possibility.*** Minnesota's lieutenant governor's only required role is to take the governor's place, should the governor be incapacitated. Other than that, the lieutenant governor assumes whatever tasks are assigned by the governor. With the secretary model, one possibility (out of many) is to have the lieutenant governor be one of the secretaries. In an earlier reorganization proposal for Minnesota (Minnesota Institute of Governmental Research, Inc.; 1952), the commissioner of administration was identified as the true deputy governor of the state. Perhaps the lieutenant governor could appropriately become the secretary of administration, a first among equals in the governor's cabinet. This may have some impact on elections: voters would know who the gubernatorial candidates would choose to serve as the state's business manager.

## 5. Legislature

***Budgeting.*** As with constitutional officers, a change to a Secretary system does not inherently cause any changes for the legislature, but an impetus for change is created. The administration most likely would provide the legislature with eight (or so) budgets, each representing the group of agencies under the jurisdiction of one secretary. The legislature, in turn, may consider changing its committee structure to complement the secretarial offices.

In a secretary model, given that the administration has a heightened capacity for fiscal oversight, the legislature may consider changing its own role in budget development. In Virginia, the legislature sets a maximum expenditure and staffing level for each department. Expenditure and staffing levels are set for sub-department units, but those levels are advisory only. All expenditure and staffing decisions--other than department-level caps--are left to the administration. In part, this arrangement is attributed to the secretary model; but it is also attributed to Virginia's 375+ years of experience with a parttime legislature.

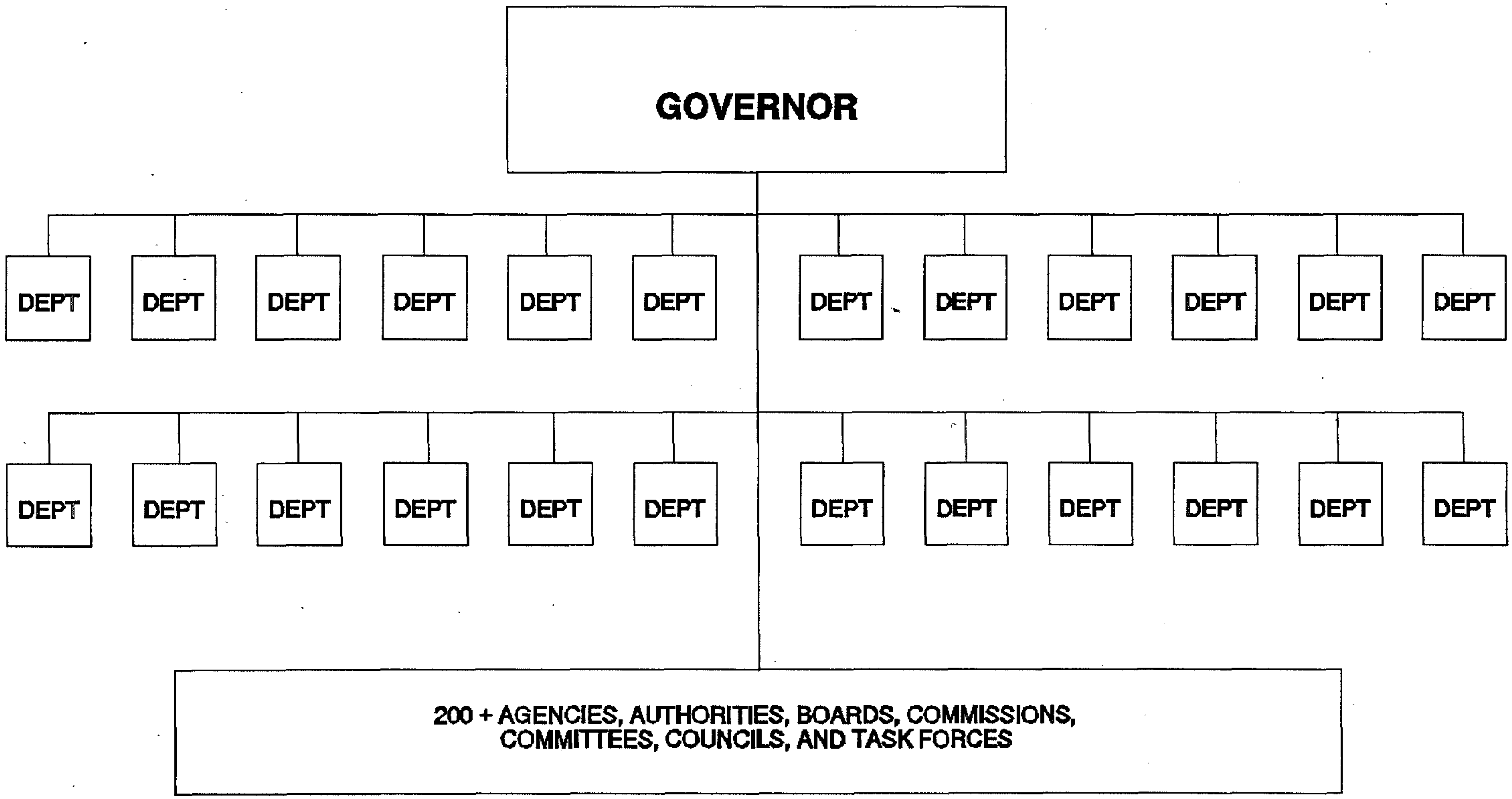


CHART 1
MINNESOTA GOVERNMENT: THEORETICAL PERSPECTIVE

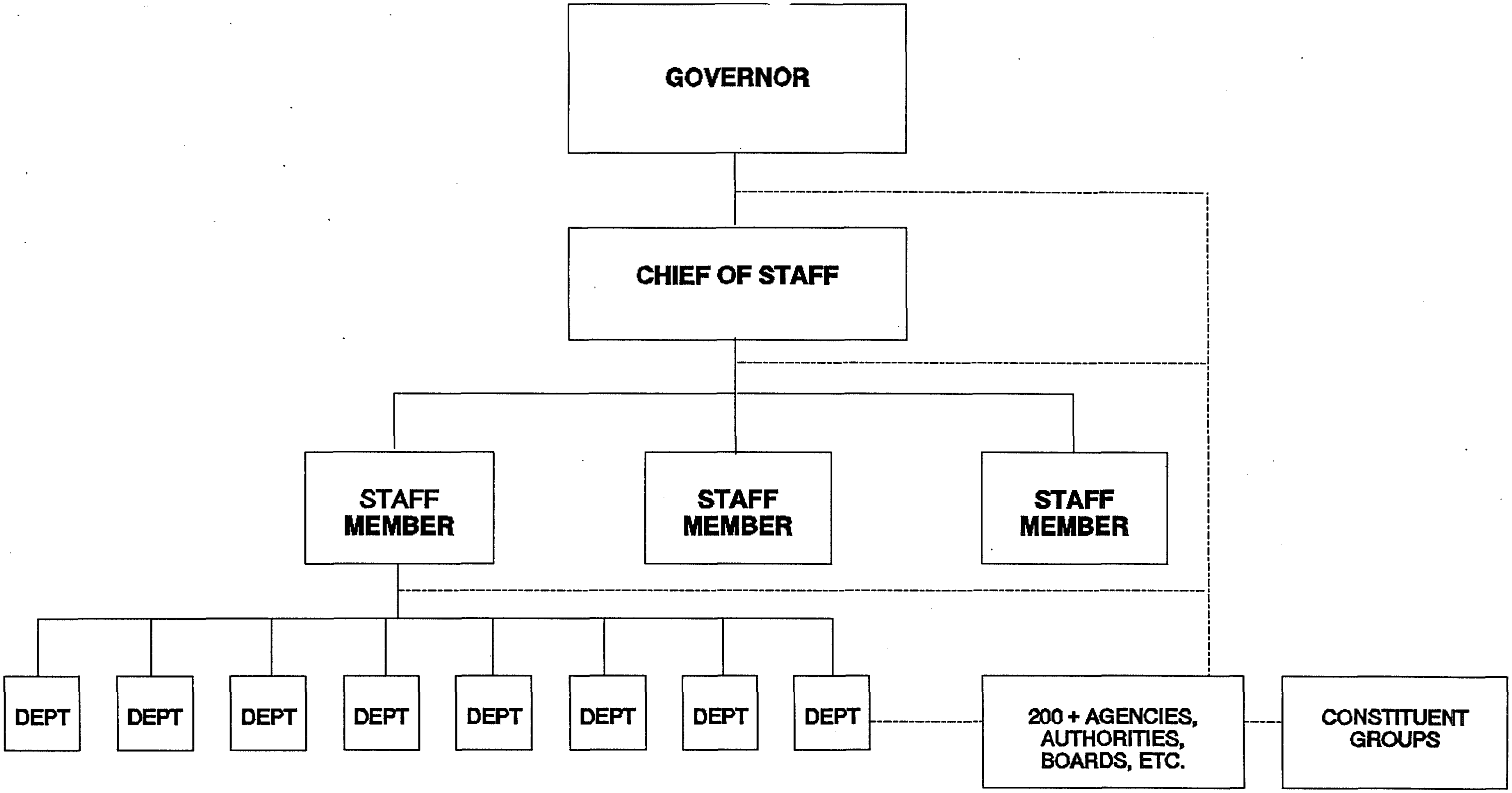


CHART 2
MINNESOTA GOVERNMENT: PRACTICE COMPOSITE

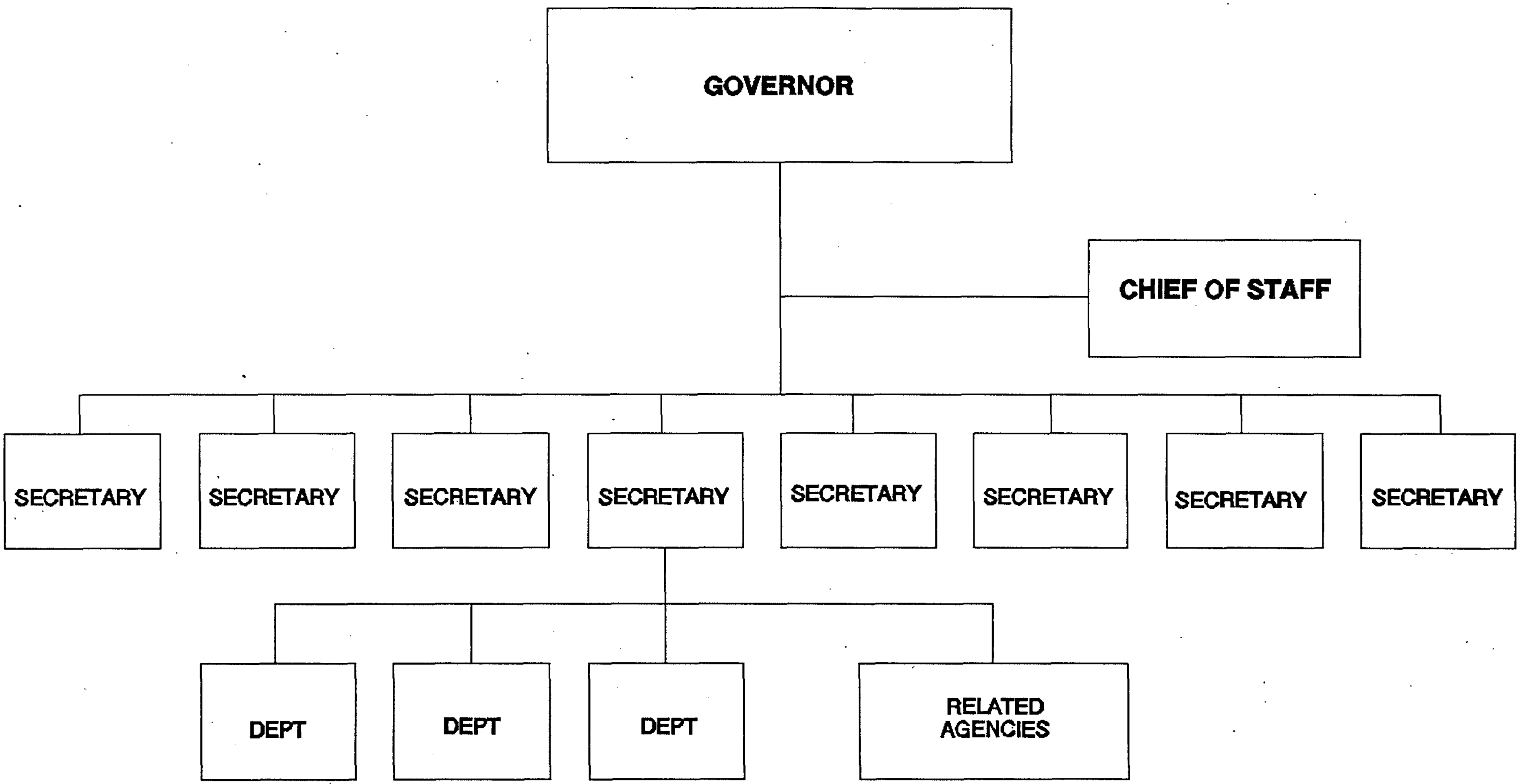


**CHART 3**
**VIRGINIA GOVERNMENT: PRACTICE COMPOSITE**

Superintendent
RB

# Working paper:
# *what's missing*

- Relationship to CORE vision
- Relationship to Committee goals
- Arguments against the model
- Cost impact
- Scan of other states
- Context: systems, etc.

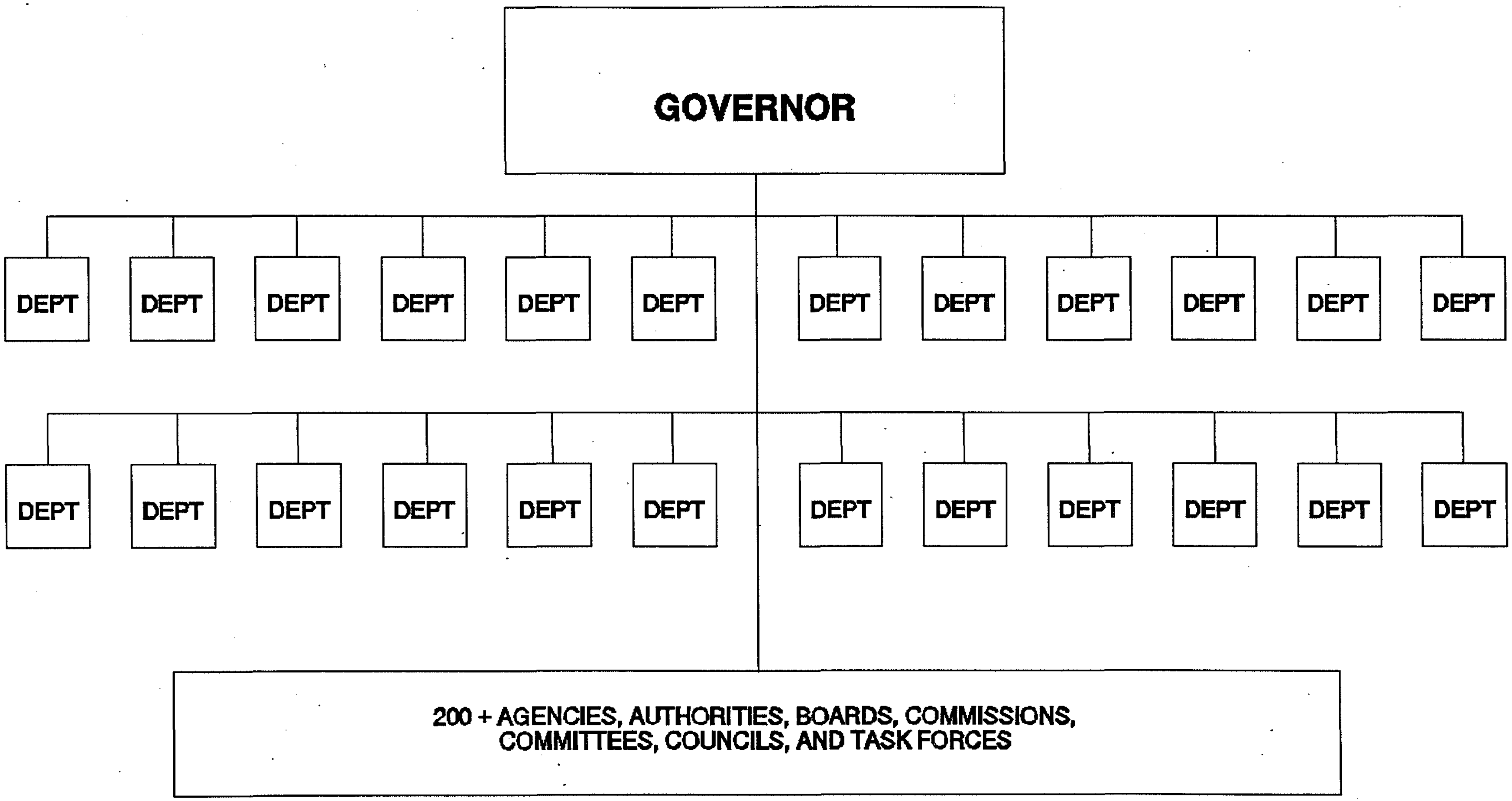


CHART 1
MINNESOTA GOVERNMENT: THEORETICAL PERSPECTIVE

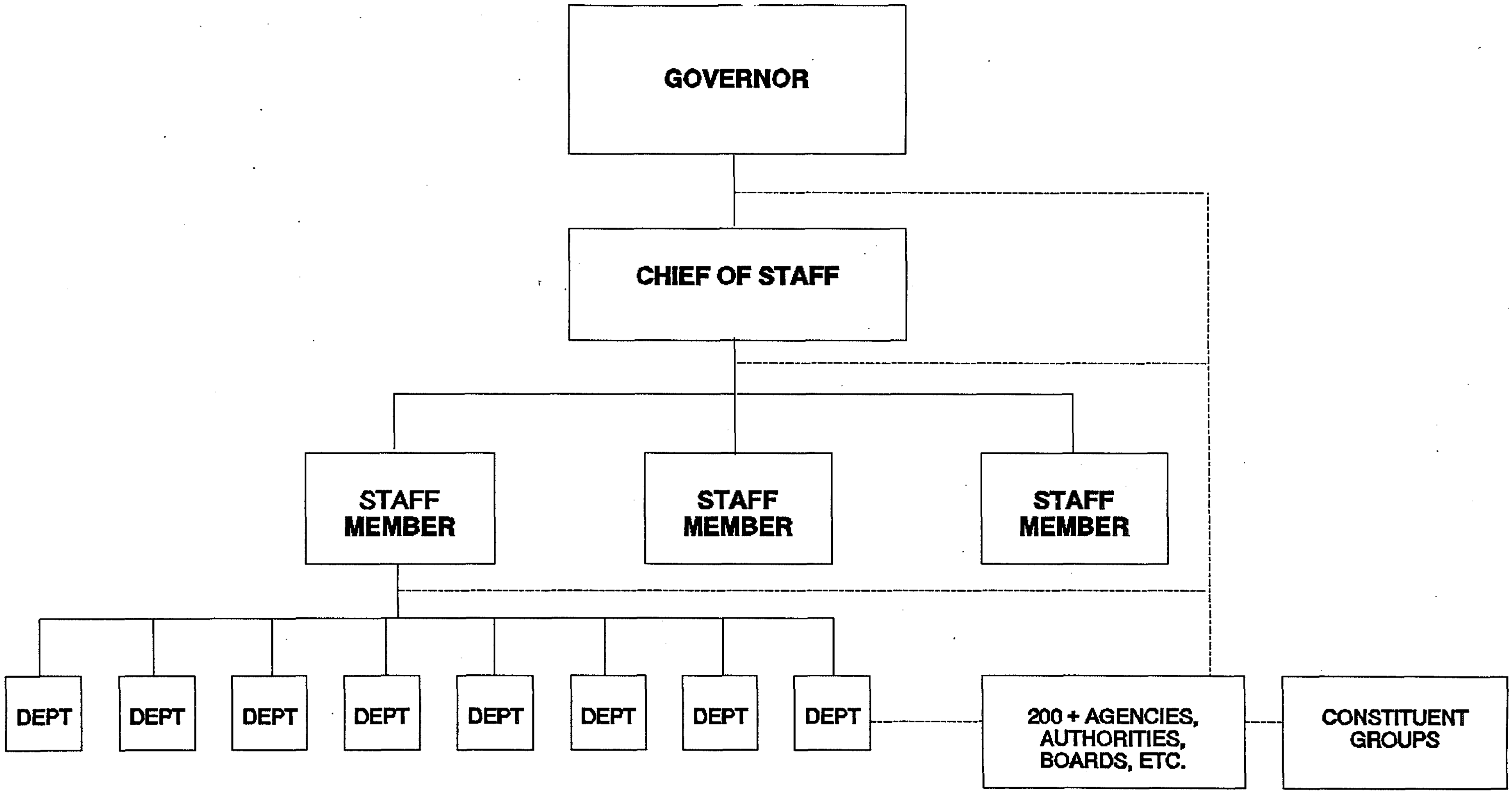


CHART 2
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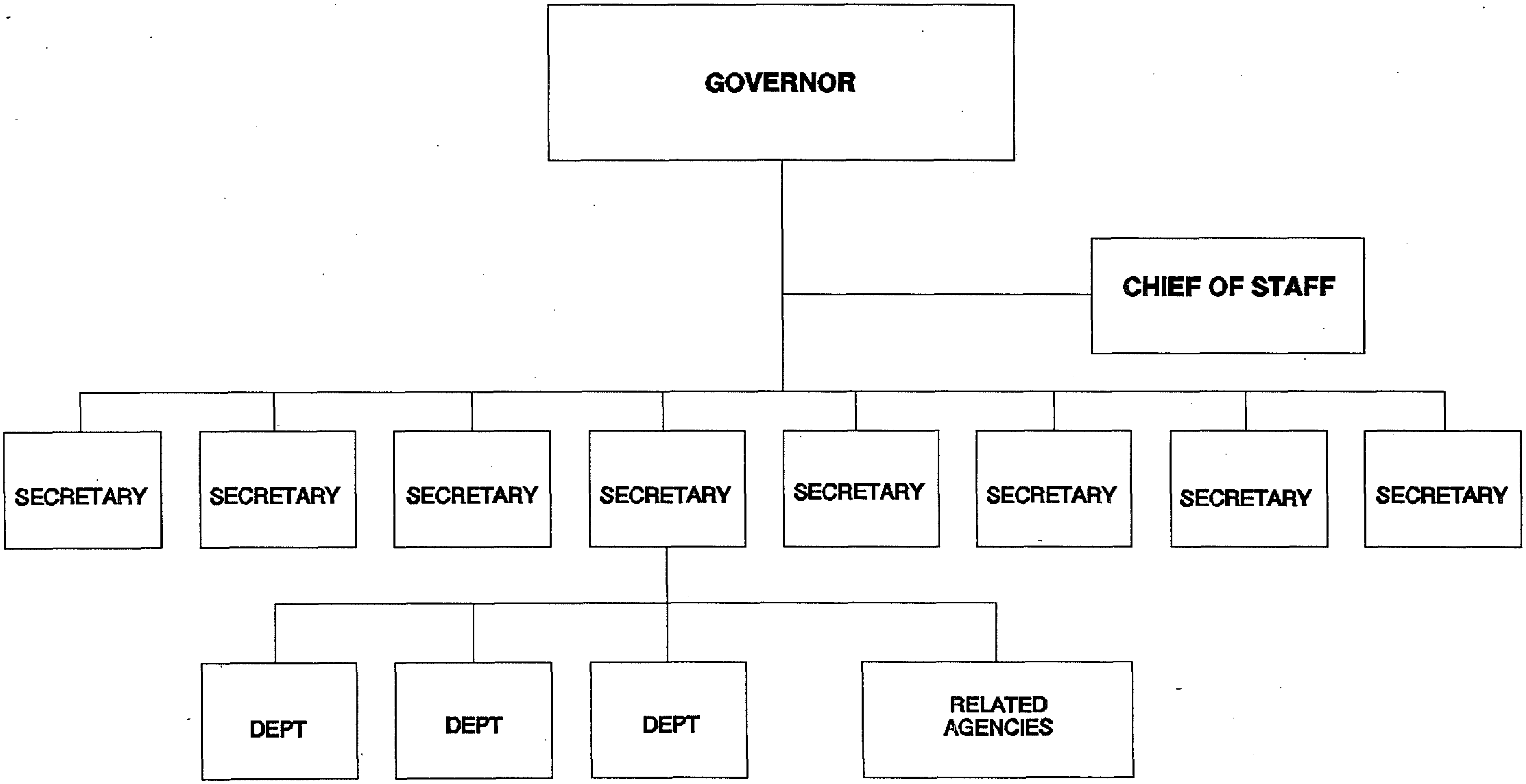



**CHART 3**
**VIRGINIA GOVERNMENT: PRACTICE COMPOSITE**

## *Virginia Goal:*

- A structure that enables the governor to be accountable for executive branch action.

## *Virginia Rationale:*

- Reorganization is never complete; need to institutionalize a change process.

# Distinction among Secretary models:

***SECRETARY-CABINET:***
**(federal government model)**
**Secretaries can exercise complete authority.**

***SECRETARY-COORDINATOR:***
**(Virginia government model)**
**Secretaries don't exercise operational (line) authority; don't examine budget below program level. But Administration can reorganize its structure.**

# Secretary model elements:

- *Short span of management*
  - Diverse, complex, interrelated workload

- *Extension of governor*
  - Real authority in a functional area
  - Commissioners represent departments

- *Reporting relationships*
  - Direct, but flexible

- *Staffing: lean*

# Secretary role:

*Formulate and administer policies in a functional area.*

- Resolve conflicts between agencies or officials.
- Direct budget formulation.

- Hold agency heads accountable for activities.
- Sign documents on behalf of governor.

- Employ and contract for staff as needed.
- With the governor, reorganize agencies.

# Minnesota implications

- *Governor*
    - Formal structure
    - Appointment timing
- *Governor's staff*
    - Reporting
    - Staff change
    - Cabinet designation

# Implications, continued

- *Commissioners*
    - Role clarification
    - Longer duration
    - Staff change
    - Accountability

# Implications, continued

- *Constitutional officers*
    - Lieut. governor role change possible
- *Legislature*
    - Committee realignment possible

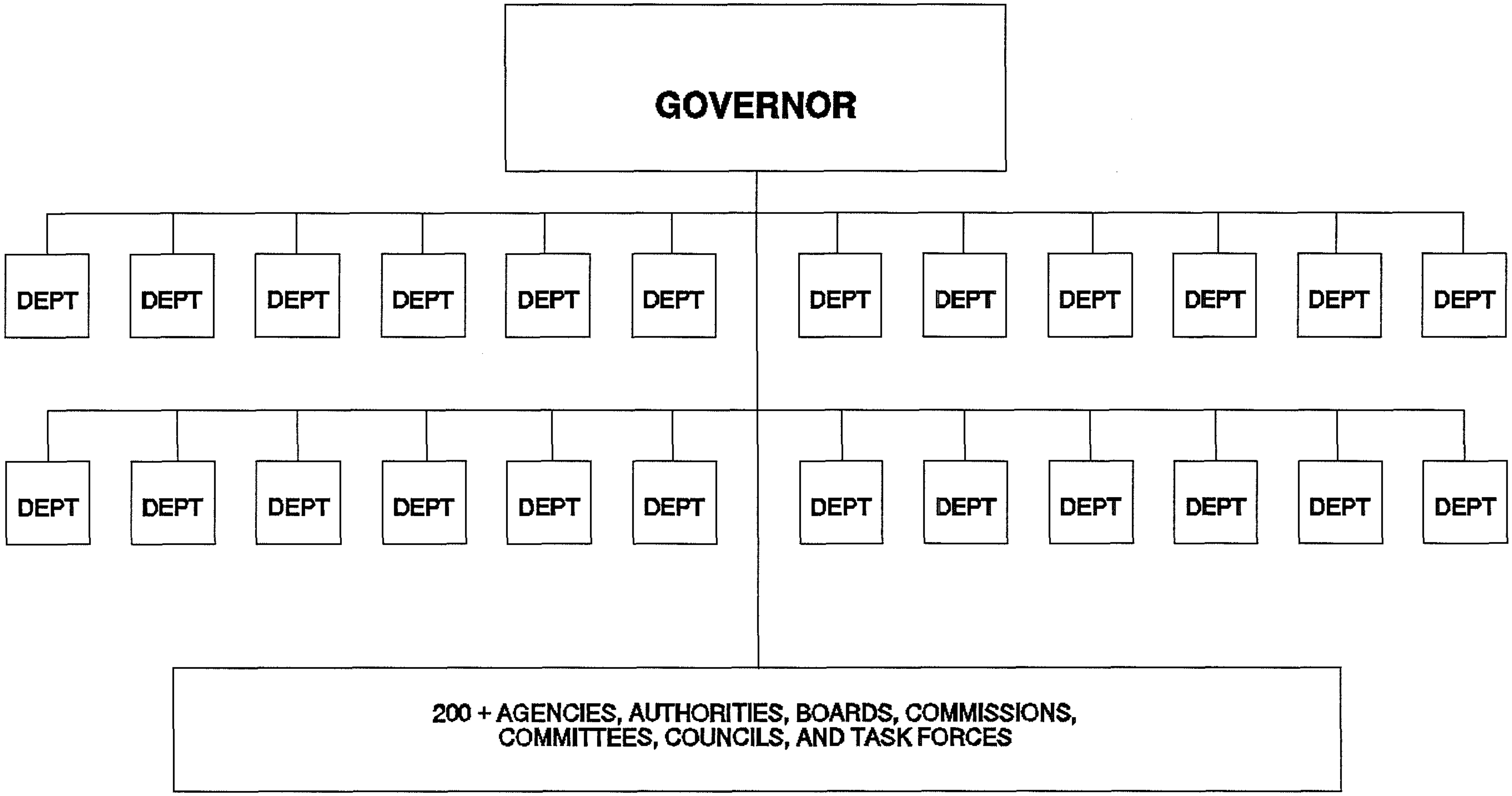
# Arguments *against* the Secretary model

- Just another layer
- Too expensive

- Ok in other environment
- Power is too diffused

- Power is too concentrated
- System context needed

- Commissioners lose status
- Potential role confusion

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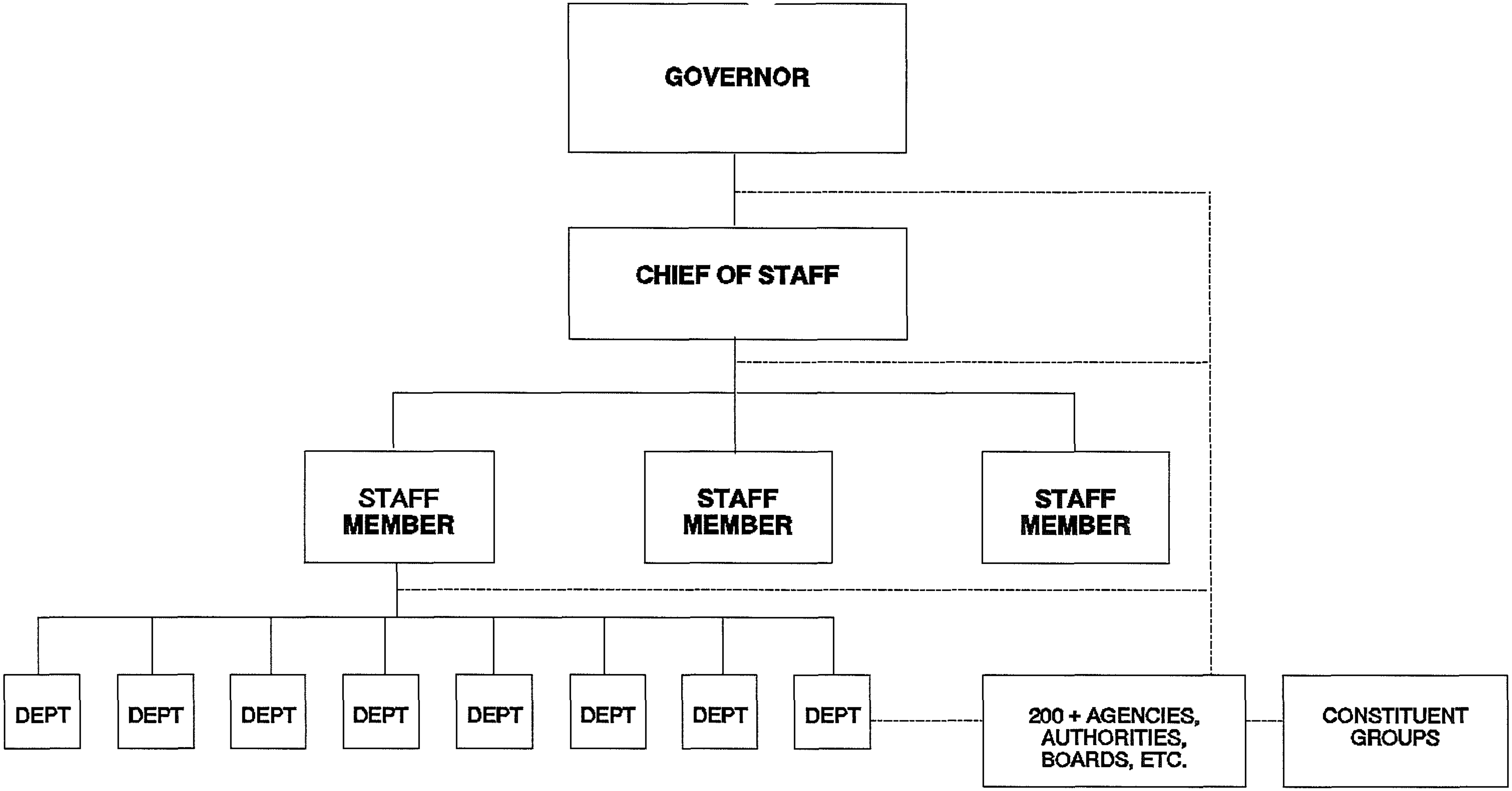
MINNESOTA GOVERNMENT: THEORETICAL PERSPECTIVE

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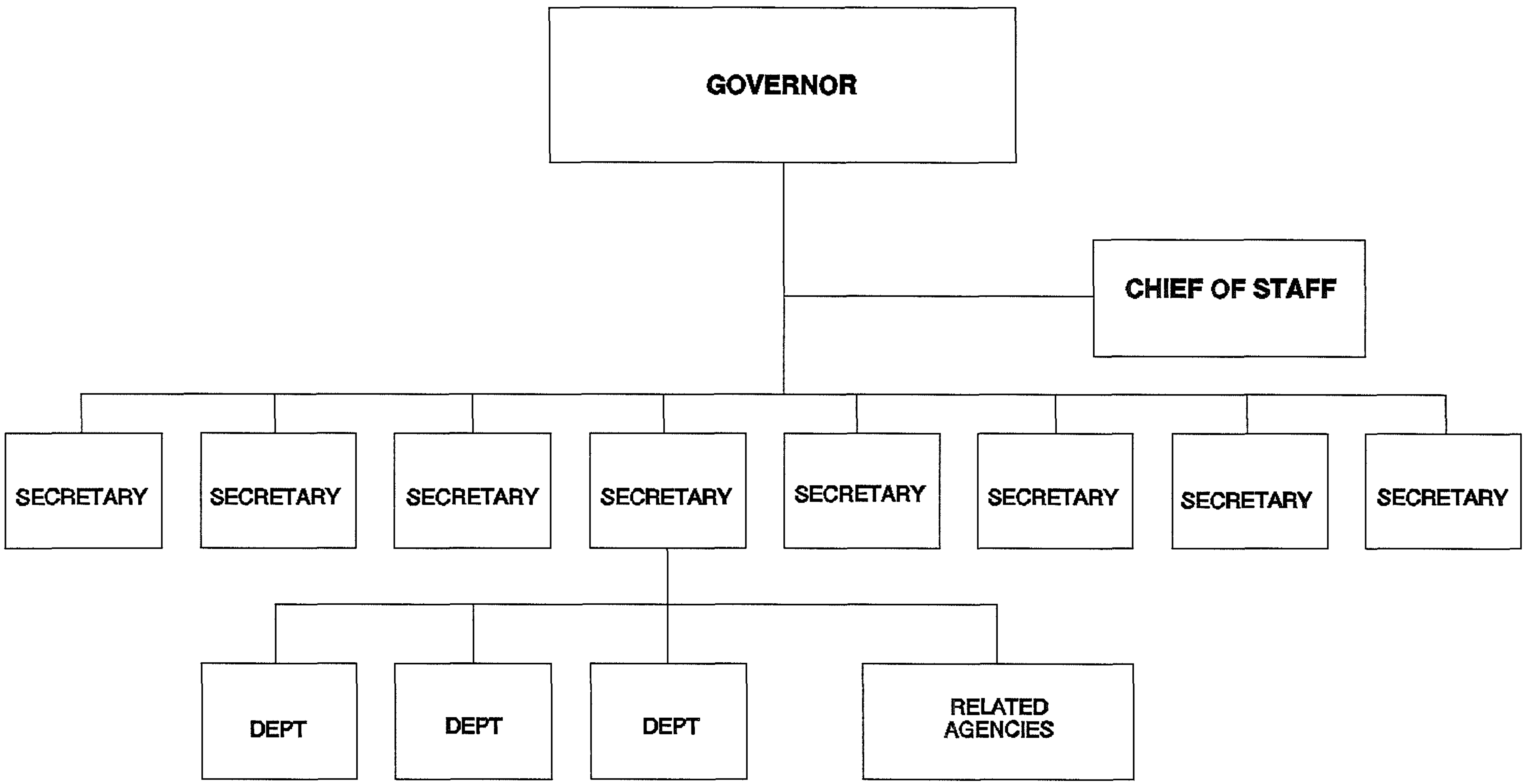


CHART 3
VIRGINIA GOVERNMENT: PRACTICE COMPOSITE

September

**CORE** STATE OF MINNESOTA
COMMISSION ON REFORM AND EFFICIENCY

203 Administration Building, 50 Sherburne Ave., St. Paul MN 55155
(612) 296-7041 Fax (612) 297-1117

DATE: Sept. 8, 1992

TO: CORE Executive Reorganization and Assessment Working Committee

FROM: Ralph Brown, CORE staff

RE: Executive Branch Development

During the August 18, 1992 Working Committee meeting, staff was requested to research how the executive branch organization has changed during the past 20 years. This memorandum is a response to that request. Although it does include some additional information, that information does not get to the heart of the request. The basic message is that staff has found little documentation that accurately describes executive branch development.

## I. Governor's Office Development

An earlier staff working paper presented a composite view of the governor's office during the past four administrations. That view was created through discussions with several veteran state administrators, then validated by through discussions with other administrators. The composite showed that state agency commissioners typically have reported to two to four members of the governor's staff: sometimes a senior member, sometimes a junior member, sometimes another commissioner. Those staff members in turn reported to the chief of staff. A standing exception has been commissioners who reported directly to the governor, either because of the significance of a current issue, or because of a prior personal relationship to the governor.

The above description is accurate, but certainly incomplete. It does not address the extent to which governors, or chiefs of staff, have had hands-on involvement in policy or operational decisions. It does not address how inter-agency issues have been resolved. Certainly these have changed over time, given the differing styles and environments of the governors. For example, during the Aug. 18 committee meeting discussion it was observed that 20 years ago, the governor's office was competently operated by a chief of staff with an impressively wide breadth of control.

Preparing a developmental analysis is difficult due to the lack of resource material. Documentation tends not to capture how governors' offices have really operated. Probably the only people who can describe the actual management processes are the former and current governors and chiefs of staff themselves. On Sept. 1, Lyall Schwarzkopf met with the working committee staff to describe and explain his experience as Gov. Carlson's chief of staff. The nature of the preceding gubernatorial campaign put a different twist on his circumstances, which gave a stronger emphasis to his basic concern: lack of time.

1. In establishing the governor's office, a lack of any basic, starting structure was an impediment. Although Gov. Perpich's chief of staff was helpful, as was the National Governor's Association (which supplied a thick how-to manual), there wasn't a clear blueprint setting priorities for the governor's activities. A key problem was the need to make so many critical appointments in such a short time. The governor was unable to be as involved as he would have liked in making all key appointments.

2. After the office was established, time inhibited effective management of state operations. Neither the governor or the chief of staff--given the crush of their other obligations--had time to grasp the basic issues emanating from the state agencies. Cabinet meetings (and later, subcabinet meetings) only gave each agency head a few minutes to discuss significant issues. One concern was disputes or difficulties involving two or more agency heads. Only the governor or the chief of staff were in a position to resolve those issues, and neither had the time to do it.

This problem is dealt with at length in organizational literature. It is often referred to as span of control (or management). Essentially, what span of control deals with is how much time that a manager has for managing.

## II. State Agency Development

### Primary Information Source

The state Legislative Library and the state Historical Society maintain files tracking the development of specific state agencies, but neither has a single, comprehensive organizational development file. The primary sources of information on executive branch structure are the Minnesota Legislative Manuals (better known as the "bluebooks"), the biennial reference books produced by the office of the secretary of state. The books might be considered the definitive version of how government operates in theory. As an example of its theoretical approach, the blue books give the impression that the executive branch is administered by a council of six constitutional officers working as a team.

**State Departments**

The bluebooks have differed in their terminology, but most of them categorize state agencies as either "state departments," "independent agencies" (such as the Historical Society), or "boards, commissions and other agencies." The state departments grouping includes agencies that are large and/or deal with prominent issues. The grouping appears to be those agencies that would be considered cabinet status; however, in listing their cabinet members governors typically have varied somewhat from the bluebook list.

The 1971-72 bluebook lists 32 administrative agencies. The 1991-92 bluebook lists 24 agencies. Of the agencies in these two lists:

- 15 have remained the same, at least in name:

  Administration, Agriculture, Commerce, Corrections, Education, Health, Human Rights, Iron Range Resources and Rehabilitation, Labor and Industry, Military Affairs, Natural Resources, Pollution Control, Public Safety, Public Service, and Veterans Affairs.

- 5 underwent name changes (with some organizational and mission changes):

| | | |
|---|---|---|
| Civil Service | to | Employee Relations |
| Economic Development | to | Trade and Economic Development |
| Manpower Services | to | Jobs and Training |
| Public Welfare | to | Human Services, and |
| Taxation | to | Revenue. |

- 2 were merged into 1 agency:

  Aeronautics and Highways to Transportation.

- 3 listings in the 1991-92 bluebook are not listed in the 1971-72 bluebook:

  Finance (created in 1973)
  Gaming (since abolished as a department, but several gambling-related agencies exist), and
  State Planning (since reorganized as the Office of Strategic and Long Range Planning).

- 10 listings in the 1971-72 book do not have state department status in the 1991-92 bluebook:

  Armory Building Commission, Consumer Services, Investment Board, Liquor Control, Livestock Sanitary Board, Public Examiner, Soil and Water Conservation, State College Board, State Junior College Board, and Veterans Home Board.

The status of the 10 agencies listed above varies. In 1971-72, the Consumer Services Office was a unit of the Commerce Department, but the governor gave it special status by having its director report directly to him. Why other agencies, such as the Armory Building Commission and the Livestock Sanitary Board, would be considered major agencies is a matter of speculation. The best answer, perhaps, is that this listing does not necessarily reflect the governor's perception at all, but only reflects the secretary of state's perception. The bluebook may be the state's only official guide to major agency status, but it is not a reliable guide to the actual relationships between governors and state agencies.

**Other State Agencies**

The bluebook listings of other state agencies shows much fluctuation on a biennial basis but, in a sense, relatively little change over 20 years. The 1971-72 bluebook listed a total of 101 state agencies; the 1973-74 bluebook lists 119. These numbers appear to be undercounts: a June 1976 senate counsel report lists 257 state agencies, which is similar to the total today. That much of a leap isn't accounted for by legislative action. The 1977-78 bluebook reported that during the 1976-77 legislative sessions, 31 agencies were abolished, and 21 were created. The higher number in the senate report appears to come from counting the myriad councils and task forces (the bluebook mainly lists boards and commissions), educational institutions, and agencies in the legislative and judicial branches.

**Functional Organization**

The 1973-74 bluebook included a diagram of state agencies along functional lines. After ten years, the bluebooks stopped including diagrams, but they continued to list agencies in the same functional categories. A copy of one of the diagrams is attached. The functional categories are:

| | |
|---|---|
| Fiscal and Administrative Services | Protection of Persons and Property |
| Transportation | Individual Social Development |
| Environmental Management | Health Services |
| Business and Industry | Educational Opportunities |

| | |
|---|---|
| Consumer Protection | Manpower Development and Administration |

In some years, an eleventh category is added: regional government. It includes Metropolitan Council and the related metro agencies, and the regional development commissions.

What is significant is that while the bluebook consistently listed state agencies in functional groupings, there is scant evidence that any governor's office ever used this organization for reporting or controlling purposes. In one regard, the categories were used: each governor did have agencies placed in two to four (or more) clusters, which were the same categories bundled together at a higher level. But these clusters involved only the 20 to 25 agencies that each governor considered cabinet status, and excluded all the other agencies listed in the bluebooks.

Attachment.

# ASSESSMENT:
# INFORMATION AND DISCUSSION

ASAP
try a few
trial balloon
let them defend it.
Privatize - projects
to start with

- DATA COLLECTION: 23 cabinet level agencies plus 3 *

  Administration
  Agriculture
  Commerce
  Corrections
  Education
  Employee Relations
  Finance
  Health
  Housing Finance
  Human Rights
  Human Services
  IRRRB *
  Jobs and Training
  Labor and Industry
  Mediation Services *
  Military Affairs
  Natural Resources
  Pollution Control
  Public Safety
  Public Service
  Revenue
  Trade and Economic Development
  Transportation
  Veterans Affairs
  Waste Management *
  Minnesota Planning

- COMMON CRITERIA FOR OVERLAP, DUPLICATION AND REDUNDANCY

  Customers in common    privatization, elimination
  Programmatic function
  Model organizational chart

- DATA CONFIRMATION, UPDATE AND BASELINE INQUIRY
  - Gather current budgets, mission statements, organizational charts, goals, surveys, and performance indicators
  - Confirm data collected
  - Ask:

    Alternative delivery methods?
    Rationale for current structure?
    Should somebody else be transacting?
    Mechanisms for communication and coordinated activities?
    Impediments to re-organization/transfer of programs?

- BOARDS, COMMISSIONS, TASK FORCES, COMMITTEES

- MODEL ORGANIZATIONAL CHART

flag recomm. next session

ASSESS-I.NFO

# Department of Finance

**MISSION:** To facilitate continuous improvement in the performance of state government for the state. This is done through the provision of information, analysis and financial management services designed to:

- Assure the integrity of the state's finances
- Monitor and report performance of state activities
- Communicate priorities and values
- Coordinate and facilitate policy development and implementation from a "whole state" perspective

**PURPOSE AND SERVICES:** The Department serves the executive branch and, through the Governor, the other branches and governing units of the state.

The Department provides the following services:

- Accounting
- Budgeting
- Cash Management
- Debt Management
- Economic Analysis
- Financial Consulting
- Financial Reporting
- Payments
- Policy Analysis

Credibility is the measure of the Department's success.

**CUSTOMERS:**

- Executive Branch
- Other governing bodies of the state per request of the governor

## Department of Finance

# Administrative Services

- Provides all internal administrative services to the agency.
- These services include; accounting, personnel/payroll, budgeting, training, legislative liaison, procurement, office management, communications, copiers, receptionists, clerical and office equipment.
- This section provides no direct services to the public.

**Customers:**

-Employees and Managers within the Department of Finance

**Why are they customers:**

For internal support.

## Department of Finance

# Accounting Services Division

- Provides accounting and payroll services.
- Establishes appropriate policies and procedures for state agencies.
- Operates the statewide accounting system.
- Operates the central payroll system.
- Operates the financial reporting activity and provides systems support.

**Customers:**

-State Employees and Managers
-Other Personnel Systems throughout the Departments and Agencies

**Why are they customers:**

Anyone that is involved with payroll or accounting is affected. This division also establishes accounting policies/procedures for state agencies and departments.

## Department of Finance

# Financial Systems

- This section provides system development.
- Provides maintenance and support to the statewide accounting system and the central payroll system.
- This section has no direct services to the public.

**Customers:**

-State Agencies and Departments
-Personnel Departments from Agencies

**Why are they customers:**

This section assist state agencies and departments with the statewide accounting system and payroll. This is done through technical maintenance.

## Department of Finance

# Financial Reporting

- This section publishes the state's annual financial report.
- Provides all information for all state funds.
- Presents the state's financial position and the fiscal results of state operations.
- Forecasts and monitors cash flow for the state.
- Coordinates state agencies' activities related to the single audit of federal programs.
- This section provides no direct services to the public.

**Customers:**

-State Agencies and Departments
-Legislature and the Governor

**Why are they customers:**

Because Fiscal Reporting will make budget recommendations and approvals. Agencies would want to know because they are evaluating their current budgets and preparing their future budgets.

## Department of Finance

# Central Payroll

- This section manages the state's payroll system.
- The system processes payroll data and issues payroll checks for all employees in the executive and judicial branches of state government.
- Operates the U.S. Savings Bond program.
- Provides no direct service to the public.

**Customers:**

-Managers and employees in the judicial and executive branches.

**Why are they customers:**

This is where all the paychecks come from for employees and managers in the executive and judicial branches.

# Department of Finance

# Statewide Accounting

- This section manages the state Accounting System, this system is the operating and financial base for the state.
- This section identifies and records all legislative appropriations in the accounting system.
- Issues checks for paying state vendors who provide services and products to state agencies.
- Issues replacements for lost and forged state checks.
- Records revenues and expenditures for all state agencies and provides fiscal information necessary for financial management.

**Customers:**

-State Employees and Managers
-State Departments and Agencies
-Personnel Departments from State Agencies
-Legislature

**Why are they customers:**

Anyone involved in accounting in the agencies. Legislature would be interested because this system records legislative appropriations. State employees and managers would use this office in case a check is lost or forged.

## Department of Finance

# Economic Analysis

- Analyzes economic factors as they affect the state's financial affairs.
- Projects revenues the state can expect to receive.
- Provides information during state bond sales to ensure that state bonds are sold at minimum cost.
- Prepares periodic statements of the state's revenue position.
- Develops financial forecast.
- Provides economic analyst to other units of government.

**Customers:**

-Legislators
-State Agencies and Departments

**Why are they customers:**

The legislators depend on the revenue information during the biennial budget process. State Agencies and Departments are provided economic analysis when developing their own budgets. This section provides no direct services to the public.

## Department of Finance

# Budget Services Division

- Develops the state biennial budget and monitors it through the biennium.
- Specialized teams monitor and analyze financial data in specific activities to ensure implementation of the state's budget.
- Manages a statewide system to control costs and reporting fees.
- Division reviews selected program policies.
- Identifies alternative budget strategies.
- Makes recommendations to the governor on funding priorities.

**Customers:**

-Governor
-State Agencies and Departments
-Local Units of Government

**Why are they customers:**

Governor depends on this division for funding priorities. State Agencies and Local Units on Government use the statewide system to more readily and easily report their current fiscal situation.

## Department of Finance

# Cash and Debt Management

- This division manages the state's long and short term general obligation debt.
- This includes planning and timing of the sale of bonds.
- Preparing the legal documentation of the bonds.
- Provide the information on the sale and conducting the actual sale of the bonds.
- Establishes the state's bank accounts located throughout the state.
- Provides support in capitol budgeting and in the administration of school energy loans.
- This division provides no direct service to the public.

**Customers:**

-State of Minnesota
-State Capitol
-Legislature
-State Agencies and Departments

**Why are they Customers:**

Any educational institution wanting a school energy loan. Policy makers deciding whether or not to sell bonds for a project, this division would also handle all the paper work. Manages and monitors the obligation debt for the state. Establishes bank accounts for the state.

## Department of Finance

# Budget Services Team

- Four budget teams advise on matters relating to fiscal control, program analysis and proposed legislation.
- Teams work closely with the legislature to provide information regarding the governor's budget.
- Teams executive budget officers provide independent evaluations, recommendations and program policy analysis to all levels of state government.

**Customers:**

-State Managers
-Department of Finance Managers
-The Commissioner
-The Legislature
-The Governor

**Why are they customers:**

The budget team advises all these policy makers in regards to matters on fiscal control, program analysis and proposed legislation.

## Department of Finance

# Education and Taxes

- Advises on matters relating to fiscal control, program analysis and proposed legislation.
- Works closely with the legislature to provide information regarding the governor's budget.
- Executive budget officers provide independent evaluations, recommendations and program policy analysis to all levels.
- This team handles matters relating to:

-Higher education Coordinating Board
-Mayo Medical School
-University of Minnesota
-Education Department
-MSRS
-School of Arts
-TRA
-Job Skills
-Education Aids and Tax Policy.
-Higher Education Facilities Authority
-State University System
-Community College System
-Minnesota Ed. Computing Consortium
-PERA
-State Council - Vocational Education
-Vocational Technical Systems
-Partnerships Board

**Customers:**

All of the above

**Why are they customers:**

Their area of interest is education

## Department of Finance

# General Government

- Advises on matters relating to fiscal control, program analysis and proposed legislation.
- Works closely with legislature to provide information regarding the governor's budget.
- Executive budget officers provide independent evaluations, recommendations and program policy analysis to all levels.
- This team handles the following departments and offices:

| | |
|---|---|
| -Administration | -Administrative Hearings |
| -Capitol Area Architecture and Planning Board | -Corrections |
| -Employee Relations | -Executive Council |
| -Finance | -Governor |
| -Lt. Governor | -Investment Board |
| -State Planning | -Attorney General |
| -Public Defender | -Public Defense Board |
| -Revenue | -Secretary of State |
| -Tax Court | -Handicapped Council |
| -Judicial Branch | -Military Affairs |
| -Revisor of Statutes | -Asian Pacific Minnesotans |
| -Blacks Council | -Indian Council |
| -Spanish Council | -Ombudsman for Corrections |
| -Sentencing Guidelines Commission | 14-Legislature |
| -Mediation Services | -Public Employee Relations |
| -IRRRB | -Labor and Industry |
| -State Auditor | -State Treasurer |
| -Supreme Court | -Transportation |
| -Workers Compensation Court | -World Trade Center |

**Customers:** All of the above, legislators and governor.

**Why are they customers:**
All are involved in General Government Affairs.

## Department of Finance

# Human Resources

- Advises on matters relating to fiscal control, program analysis and proposed legislation.
- Works closely with the legislature to provide information regarding the governor's budget.
- Executive budget officers provide independent evaluations, recommendations and program policy analysis to all levels.
- This team handles matters relating to the following:

  -Policy Analysis
  -Health Care Policy Analysis
  -Human Rights
  -Hazardous Substance Injury Compensation Board
  -Health Boards
  -Office of Full Productivity and Opportunity
  -Nursing Homes
  -Health Department
  -Housing Finance Agency
  -Jobs and Training
  -Veterans Home Board
  -Human Services

**Customers:**

-All of the above
-Legislators
-Governor's Office

**Why are they customers:**

These areas involve Human Resource issues.

## Department of Finance

# Transportation, Development and Environment

- Advises on matters relating to fiscal control, program analysis and proposed legislation.
- Works closely with the legislature to provide information regarding the governor's budget.
- Executive Budget officers provide independent evaluations, recommendations and program policy analysis to all levels.
- This team handles matters relating to the following:

-Commerce Department
-Historical Society
-Public Service Department
-Science Museum
-Academy of Science
-Disabled American Veterans
-Humane Society
-Minnesota Safety Council
-Minnesota Wisconsin Boundary Area Commission
-Racing Commission
-Voyagers National Park Council
-Water Resource Board
-All Non-Health Boards
-Natural Resources
-Public Utilities Commission
-Uniform Laws Commission
-Agricultural Department
-Horticultural Society
-LCMR
-Veterans of Foreign Wars
-Pollution Control Board
-Waste Management Board
-Minnesota Zoo

**Customers:** -All of the above, governor and the legislature

**Why are they customers:**

To receive information from the Finance Team in regards to fiscal control, program analysis and proposed legislation.

## Department of Finance

# Budget Planning and Operations

- Manages the budget process and compiles information relating to historic, current and, expenditures used to prepare and monitor the state budget.

- **Budget Support Unit** plans the biennial budget process, performs position control functions, develops and control the statewide indirect cost plan, and reviews and approves fees.

- **Financial Analysis Unit** operates the biennial budget system, develops financial planning information, including long range projections and identification of budget issues and alternatives. The Unit also produces materials that summarize the state budget.

**Customers:**

-Executive and Legislative Branches
-Financial Community
-General Public

**Why are they customers:**

A section staff from this division responds to information inquiries from the above mentioned groups. It is this divisions job to pass the materials on to any interested parties.

## Nomenclature of State Boards and Commissions

**Advisory Task Forces** - are created to study a single topic and have maximum two year life or less.

**Advisory Councils and Committees** - (15.014 or 15.059) will expire according to the "sunset" law on June 30th, 1993 unless they are extended by specific laws.

**Authorities** - are agencies whose primary purpose is to issue bonds for financing, ownership and development.

**Boards** - have rule making, license-granting, adjudicatory, or other administrative powers.

**Commissions** - are generally agencies composed of legislators, except for certain agencies such as those created by interstate compact.

**Committees** - are advisory agencies.

**Councils** - are advisory agencies with at least one-half of their members from specified occupations, political subdivisions, or other affected persons.

**Governor's Agencies** - are created by executive order to advise or assist on matters relating to state laws and they take on the prefix "Governor's Task Force on", "Governor's Council on", or "Governor's Committee on..."

**Others variants without definition**

- Advisory Boards, Compensation Boards, Review Boards, Dev. Boards, Coordinating Boards, Planning Boards, Standards/Practices Boards, Control Boards, Minnesota Statute 15.012

A. An agency in the executive branch, other than a department, whose primary purpose is to perform prescribed official or representative functions shall be designated a "**BOARD.**" To be classified as a board, an agency must have at least one of the following powers:

- The power to perform administrative acts, which may include the expenditure of state money,
- The power to issue and revoke licenses or certifications,
- The power to make rules
- The power to adjudicate contested cases

B. An agency in the executive branch whose primary purpose is to advise state officers, departments, boards, or other agencies shall be designated a "**COMMITTEE.**" To be classified as a committee, an agency must have none of the powers available to boards other than the power to compensate its members.

C. A committee of which at least one-half of the members are required to be certain officers or representatives of specified businesses, occupations, industries, political subdivisions, organizations, or other groupings of persons other than geographical regions shall be designated a "**COUNCIL.**"

D. An agency in the legislative branch composed exclusively of members of the legislature shall be designated a "**LEGISLATIVE COMMISSION.**"

E. An agency ion the executive branch other than a department whose primary purpose is to issue bonds for the financing, ownership, and development of facilities within the state shall be designated an "**AUTHORITY.**"

F. A committee or council scheduled upon its creation to expire two years after the effective date of the act creating it or the date of appointment of its members, whichever is later, unless a shorter term is specified in statute, shall be designated an "**ADVISORY TASK FORCE.**"

**Summary of Boards, Commissions, Councils, etc....**

| | Subordinate | Full Authority | |
|---|---|---|---|
| **Examining and Licensing Boards** | | | |
| -Health Related | | 13 | |
| -Non-Health Related | | 10 | |
| -Councils and Task Forces | 3 | | |
| **Policy Boards** | | 43 | |
| -Advisories | 14 | | |
| **Commissions** | | 12 | |
| **Committees** | | 2 | |
| **Advisory Committees** | | 6 | |
| **Councils** | | 27 | |
| -Task Force | 1 | | |
| **Advisory Councils** | | 31 | |
| -Sub-committee | 1 | | |
| **Advisory Task Forces** | | 18 | |
| **Authorities** | | 5 | |
| **Other** | | 15 | |
| TOTALS | 19 | 182 | = 201 |

## EXAMINING AND LICENSING BOARDS

**Mission:**

- Formulate the policies and standards governing the occupation
- Procedural fairness in the disciplining of persons regulated by the boards
- Establish and separate the investigative and prosecutorial functions from the board's judicial responsibility.

Departments of state government provide administrative support services for the efficient and economical administration of the regulation activities.

Included: office space, purchasing service, accounting service, advisory personnel, data processing, duplicating, mailing services, legal and investigative services (AG's office)

**Criteria for Regulation:**

- To promote safety and well being of the citizens of the state
- To determine if the occupation requires a specialized skill or training
- To ensure overall cost effectiveness and a positive economic impact for the state

**Implementation of Regulation:**

- Common law or statutory causes for civil action, and criminal prohibitions
- Inspection requirements and enforcement of violations though the court system
- System of registration, use of a designated title, predetermined qualifications
- Persons not having met the qualifications are prohibited from practicing
- Use of "standardized tests"
- Investigate complaints, hold hearings, and issue discovery motions and subpoenas

**Funding**

All examining and licensing boards impose and adjust fees in a sufficient amount so that the total fees collected by each board will closely as possible equal anticipated expenditures during the fiscal biennium.

**Reporting Requirements**

Boards prepare reports providing information relating to the two-year period ending June 30th, and are due in even numbered years on October 1st. The reports are sent to the legislature and the governor. The commissioner of Health is required to submit a summary report of the Health-related boards activities by December 15th in even numbered years. The commissioner of Health has not issued a summary report since 1984, because this requirement is an unfunded mandate that is not enforced.

Contained in the reports:

general statement of board activities, number of meetings, receipts and disbursements of funds, names and job classifications of board employees, summary of proposed and adopted rules, number of persons licensed, number of persons successfully and unsuccessfully taking the examinations, number of licenses revoked or suspended, list of complaints received by the board, nature of complaints, etc.....

Note: Minnesota Statute 214.13 Subd. 5

"The commissioner of Health shall exerçise care to prevent the proliferation of unessential registered human services occupations."

## EXAMINING AND LICENSING BOARDS

### -Health Related Licensing Boards

| | |
|---|---|
| Board of Examiners of Nursing Home Administrators | 144A.19 |
| Board of Medical Examiners | 147.01 |
| Board of Nursing | 148.02 |
| Board of Chiropractic Examiners | 148.02 |
| Board of Optometry | 148.52 |
| Board of Psychology | 148.09 |
| Board of Social Work | 148B.19 |
| Board of Marriage and Family Therapy | 148B.30 |
| Board of Unlicensed Mental Health Service Providers | 148B.41 |
| Board of Dentistry | 150A.02 |
| Board of Pharmacy | 151.02 |
| Board of Podiatric Medicine | 153.02 |
| Board of Veterinary Medicine | 156.01 |

### -Non-Health Related Licensing Boards

| | |
|---|---|
| Board of Teaching | 125.183 |
| Board of Barber Examiners | 154.22 |
| Board of Assessors | 270.41 |
| Board of Arch., Eng., Land Surveying, & Landscape Arch. | 326.04 |
| Board of Accountancy | 326.17 |
| Board of Electricity | 326.241 |
| Board of Private Detectives & Protective Service Agents | 326.33 |
| Board of Boxing | 341.01 |
| Board of Abstractors | 386.63 |
| Board of Peace Officers Standards and Training | 626.81 |

## BOARDS AND COMMISSIONS ASSESSMENT LIST

1. Health Related Boards and Commissions

Board of Dentistry
Board of Medical Examiners/Practice
    -Physical Therapy Council
    -Physician Assistant Advisory Council
Board of Optometry
Board of Pharmacy
Board of Podiatric Medicine
Board of Psychology
Board of Examiners for Nursing Home Administrators
Board of Unlicensed Mental Health Service Providers (Status Pending)
Board of Chiropractic Examiners
    -Chiropractic Examiners Peer Review Committee
Board of Veterinary Medicine
Board of Nursing
Board of Marriage and Family Therapy
Board of Social Work Licensing
Board on Aging
    -Indian Elder Services Advisory Task Force
Alcohol and other Drug Abuse Advisory Council*
Comprehensive Health Association Board of Directors*
Council on Disability
Council for the Blind*
Council for the Hearing Impaired*
Early Childhood Care and Education Council
Ombudsman for Mental Health and Mental Retardation
Rehabilitation Review Panel*
Telecommunication Access For Communication-Impaired Persons Board*
Advisory Task Force on Mental Retardation and Related Conditions*
Abused Children Advisory Task Force
Council on Health Promotion and Wellness (Inactive?)

(Those marked with an asterisk either are appointed by Commissioners, advise Commissioners, or reside in a Department of a State Agency)

1. Health ----continued

Hearing Instrument Dispenser Advisory Council*
Health Care Access Commission (Inactive?)
Maternal and Child Health Advisory Task Force*
Mortuary Science Advisory Council*
Medical Services Review Board
Library for the Blind and Physically Handicapped Advisory Committee*
Speech-Language Pathologist and Audiologist Advisory Council*
State Advisory Council on Mental Health
    -Subcommittee on Children's Mental Health
State Health Advisory Task Force (Undetermined Status)
Cosmetology Advisory Council*
Emergency Medical Services Advisory Council*
Governor's Advisory Council on Technology and Persons with Disabilities*
Medical Services Review Board*

2. Agriculture

Agricultural Chemical Response Compensation Board*
Area One Potato Research and Promotion Council
Board of Animal Health
Advisory Seed Potato Certification Task Force
Family Farm Advisory Council*
Education in Agriculture Leadership Council
Natural Wild Rice Promotion Advisory Council*
Rural Finance Authority

3. Environment

Board of Water and Soil Resources
Emergency Response Commission
Environmental Education Advisory Board
Harmful Substance Compensation Board
Environmental Quality Board
    -Advisory Committee on Genetically Engineered Organisms
    -Power Plant Siting Advisory Committee

3. Environment ----continued

Water Supply and Wastewater Treatment Operations Certification Council*
Minnesota Public Facilities Authority*
Petroleum Tank Release Compensation Board
Power Plant Siting Advisory Committee (Inactive?)
Advisory Council on Wells and Borings*
Citizen's Advisory Committee - Environment and Natural Resources
Environmental Education Advisory Board*
Environmental Health Specialist/Sanitarian Advisory Task Force*
Hazardous Materials Incident Response Advisory Task Force*
Hazardous Waste Management Planning Council*
MN PCA Citizens Board
Market Development Coordinating Council*
Pipeline Safety Advisory Task Force*
Pollution Prevention Task Force*
Solid Waste Management Advisory Council*
Waste Education Coalition*

4. Natural Resources

Citizens Council on Voyageurs National Park
Great Lakes Commission
Minnesota-Wisconsin Boundary Area Commission
Mississippi River Coordinating Commission
Mississippi River Parkway Commission
Wetlands Heritage Advisory Committee

5. Race Related Boards and Commissions

American Indian Advisory Council on Chemical Dependency*
American Indian Advisory task Force on Indian Child Welfare*
Council on Affairs of Spanish-Speaking People
Council on Asian/Pacific Minnesotans
Council on Black Minnesotans
Governor's Council on the Martin Luther King JR. Holiday
Hispanic Quincentennial Commission
Indian Affairs Inter-Tribal Board
Indian Affairs Council

## 6. Criminal, Judicial, Legal Boards and Commissions

Abused Children Advisory Task Force*
Advisory Task Force on the Woman Offender in Corrections*
Battered Women Advisory Council*
Board of Peace Officer Standards and Training
Board of Private Detective and Protective Agent Services
Board on Judicial Standards
Chemical Abuse Prevention Resource Council*
D.A.R.E. Advisory Council
General Crime Advisory Council*
Juvenile Justice Advisory Committee*
MN Crime Victims Reparations Board
Crime Victim and Witness Advisory Council*
Sentencing Guidelines Commission
Sexual Assault Advisory Council*
State Board of Public Defense
Continuing Legal Education Board
Client Security Board
Lawyers Responsibility Board
Pardons Board

## 7. Business and Labor

Advisory Task Force on Uniform Conveyancing Forms*
Advisory Council on Uniform Financial Accounting and Reporting Standards
Apprenticeship Advisory Council*
Board of Accountancy
Board of Architecture, Engineering Land Surveying & Landscape Architecture
Board of Barber Examiners
Board of Electricity
Builders State Advisory Council*
Advisory Council on Plumbing Code and Examinations*
Code Enforcement Advisory Council*
Consumer Advisory Council on Vocational Rehabilitation*
Export Finance Authority
Market Assistance Program Committee
Minnesota Jobs Skills Partnership Board
Occupational Safety and Health Advisory Council*
Occupational Safety and Health Review Board*
Real Estate Advisory Task Force*
Real Estate Appraiser Advisory Board*
Rural Development Board*
Small Business Procurement Advisory Council*
World Trade Center

## 8. Educational Boards and Commissions

Board of Teaching
Board of the Minnesota Center for Arts Education
- -Resource Programs Advisory Task Force

Childrens Trust Fund Advisory Council
Environmental Education Advisory Board
Governor's Interagency Coordinating Council on Early Childhood Intervention
Higher Education Coordinating Board
Higher Education Facilities Authority
Minnesota Academic Excellence Foundation
Minnesota Early Childhood Care & Education Council*
Minnesota Education In Agriculture Leadership Council
Minnesota State University Board
Nonpublic Education Council*
State Board for Community Colleges
State Board of Education
- -Advisory Council on the Minnesota Academy for the Deaf and the Blind
- -American Indian Education Committee
- -Asian/Pacific Learner Task Force
- -Hispanic Learner Task Force
- -Indian Scholarship Committee
- -Elementary-Secondary-Vocational (ESV) Computer Council
- -Special Education Advisory Council
- -Career Teacher Task Force

State Board of Technical College (Technical College System)
State Curriculum Advisory Council*
State Council on Vocational Technical Education
- -Task Force on Education and Employment Transitions

Teachers Retirement Association

## 9. Government Operations

Board of Abstractors
Board of Assessors*
Capitol Area Architectural and Planning Board
Compensation Council (Inactive?) Constitutional Officers Salary
Emergency Response Commission
Executive Council
Ethical Practices Board
Gambling Control Board
Governor's Council on Geographic Information
Governor's Residence Council
Housing Finance Agency
- -Housing Trust Fund Advisory Committee*

Information Policy Advisory Task Force*
Intergovernmental Information Systems Advisory Council
State Board of Investment
-Investment Advisory Council
-Advisory Task Force on Divestment in South Africa
Merit Systems Council
Minnesota Commission on Bicentennial of the U.S. Constitution
Minnesota Office on Volunteer Services Advisory Committee
Minnesota State Armory Building Commission
Minnesota Municipal Board
Office of Administrative Hearings
STARS Advisory Council*
State Designers Selection Board
State Lottery Board
Voting Systems Advisory Task Force
Veterans Home Board of Directors

10. Workers Compensation

Advisory Council on Workers' Compensation*
Workers Compensation Assigned Risk Plan Review Board
Workers Compensation Insurers' Association (Rating Assoc.)

11. Insurance

Automobile Assigned Claims Bureau
Automobile Insurance Plan Governing Committee
Insurance Guaranty Association*
Joint Underwriting Association - Liability Insurance
Medical Malpractice Joint Underwriting Association*
Property Insurance Placement Facility*
State Fund Mutual Insurance Company

12. Arts and Sports

Board of Boxing
Minnesota Amateur Sports Commission
Racing Commission
State Arts Board
State High School League
Zoological Board
Resource Programs Advisory Task Force

13. Pensions and Retirement

State Retirement System/Board
Public Employees Retirement Board

14. Transportation

Bicycle Advisory Task Force (in MNDOT?)
Transportation Regulation Board
Transportation Study Board (Inactive?)

15. Other

Seaway Port Authority of Duluth

......... Below are Boards and Commissions that will not be included in the Executive Reorganization and Assessment Project.

Metropolitan Council
- Airports Commission
- Parks and Open Space Commission
- Sports Facilities Commission
- Transit Commission
- Waste Control Commission
- Regional Transit Board

Legislative Commissions
- Advisory Commission
- Audit Commission/Office of the Legislative Auditor
- Economic Status of Women
- Commission on Employee Relations
- Long Term Health Care
- Pensions and Retirement
- Planning and Fiscal Policy
- Public Education
- Review Administrative Rules
- Waste Management
- Coordinating Commission
- Minnesota Resources
- Water Commission

# ANALYSIS OF STATE AGENCY USES OF MISSION STATEMENTS

## PURPOSE

To attempt to determine whether state agencies are focused on their overall mission as a basis for their day-to-day activities.

## METHODOLOGY

Using the 1992-1993 biennial budget, mission statements of departments and purpose statements of programs in those departments were examined to show which programs do and do not reflect the agency's overall mission, and to show overall to what extent state agencies are "mission driven."

This analysis does not provide detail for two agencies whose entire agency budget was on a single page. Clearly, under those circumstances, the agency's mission is consistent with those of individual programs.

## BREAK-DOWN BY DEPARTMENT

Administration - Provide services for partners in state government.
**Quality of statement:** OK, but no real specifics about efficiency, etc.

> Intertech - Results from information customers value. (Y, but poor statement)
> Property Management - Quality property-related services for a safe and healthy working environment. (Y)
> Admin. Mgmt. - Internal management for admin units (N)
> IPO - Assure leg. and gov. that information activity is well coordinated and managed (N)
> MAD - Increase productivity, quality, cost efficiency in state gov't. (Y)

**Analysis:** Fuzzy agency mission, mostly fuzzier still in individual programs.

Agriculture - Promote, encourage, facilitate growth and development of stable and viable agricultural industry in MN.
**Quality:** Good, clear goals stated.

> Protection Services - Regs. support and protect producers, processors, consumers. (Y)
> Promotion/Marketing - Improve, expand or develop markets. (Y)
> Family Farm Services - Strengthen family farm system. (Y)
> Administrative - Policies designed so that obligations are met within budget. (Y)

**Analysis:** Good clear mission in agency, linked well to majority of programs.

Commerce - Instill consumer, investor, business confidence in financial transactions and protect customers from abuses.
**Quality:** Good, but too many customers?

Financial Exams - Safe and accessible deposits. (Y)
Registration/Analysis - Investments, insurance sold in MN fair and understandable. (Y)
Petroleum Tank - Provides reimbursement to owners for cleanup. (N - no mission here)
Administrative - Well-administered dept. (N)

**Analysis:** Mission not consistently reflected at the program level.

Community Colleges - Provide access to meaningful, affordable, quality post-secondary educational opportunities for the citizens of MN.
**Quality:** Good.

Instruction - Quality, accessible instruction available which is responsive to the needs of students, and maintaining employment opportunities and further higher education. (Y)

**Analysis:** Good vision for system reflected in goals for instruction.

Corrections - Public protection by reducing criminal behavior through incarceration of offenders and development of programs designed to increase the likelihood that offenders will become law-abiding citizens.
**Quality:** Good.

Institutions - Provide safe, secure, humane environment while offering programs to inmates. (N)
Community Services - Protect the public, control criminal behavior, assist offenders in learning skills to function. (Y)
Victims' Services - Programs towards reducing violence in society and providing resources to crime victims. (Y)
Management Services - Management support throughout the dept. (N)

**Analysis:** Mission reflected clearly in most of programs, but need to be clear whether society or offender (or both) is the customer.

Education - No agency-wide mission statement.

Transportation - Provide school districts with funds for transporting students to and from school.
Special Education Aids - Provide all children with disablilities a free and appropriat education to meet individual needs.
Integration Aids - Provide funds to implement desegregation plan.

**Analysis:** Without an agency mission, the programs seem fairly separate. Needs to be a thread to tie them together. Not ambitious goal statements anyway.

Employee Relations - Unity and consistency in management of state government by directing and coordinating human resources management.

**Quality:** No discussion of quality, customer. Not clear mission.

Administration - Manages activities. (N)
Employee Health - Address insurance needs through cost-effective benefit programs. (N)
Labor Relations - Constructive and effective labor-management relations within PERA. (Y)
Staffing - Quality, stable workforce. (Y)
Safety/WC - Safe and healthy work environment. (N)

**Analysis:** Because the dept. mission statement is poor, the others are poorly linked to it and each other.

Finance - Facilitate continuous improvement of performance in state government through information, analysis, and financial management services.
**Quality:** How are improvement and these services connected? No discussion of quality in services or specific customers.

SWAS - Provides SWA access to agencies. (Y)
Budget - Coordinate budget development, monitor agency compliance. (N)
Cash/Debt Management - List of activities. (N - no mission here)
Economic Analysis - Provide information to Commissioner. (N)

**Analysis:** Agency mission statement is poor. Program purpose statements are mostly unconnected to agency mission.

Health - To protect, maintain and improve the health of the citizens of Minnesota.
**Quality:** Good.

Protective Services - Prevent and control disease, promote positive behavior, protect public from health hazards. (Y)
Health Support - Policy direction and leadership on public health issues and an info system for MDH. (Y)
Health Delivery - Ensure citizens have access to quality care without financial, geographic or cultural barriers. (Y)

**Analysis:** Good mission, with good linkages to programs.

Human Services - Assists people whose resources are not able to meet basic human needs. Promotes self-sufficiency, while protecting individual rights.
**Quality:** Not really a goal or vision so much as it is a list of activities.

Administration - Overall direction and leadership for dept. (N)
Legal/Intergov'tal - Assure department-wide policy and program coordination and integration through regulatory, etc. activities. (N)

Economic Support and Transition - Promote self-sufficiency while meeting basic needs. (Y)
Services to Elderly - Opportunities to live independent, meaningful, dignifiedlives to reduce isolation, prevent premature institutionalization. (Y)
Special Needs Adults - Array of community-based services to vulnerable adults to keep them at highest functioning ability. (Y)
Special Needs Children - Ensure access to helaht, CD and family support programs. (N - no mission here)
Health Care - Low income persons have acces to health care of all types. (Y)
RTCs - Active treatment consistent with modern standards for MI,DD,CD and elderly. (N)

**Analysis:** Poor mission statement is reflected in the lack of overall goals for most of the programs.

Jobs and Training - To bring people and jobs together by helping employers meet labor force needs and to eliminate barriers faced by un and underemployed.
**Quality:** Good.

Rehabilitation Services - Further integrate disabled in society, with emphasis on those with greatest barriers to employment. (Y)
Economic Opportunity - Help low income MNs obtain skills, knowledge and motivation necessary for independence and self-sufficiency. (Y)
Services for Blind - Achievement of vocational and personal independence for visually handicapped. (Y)

**Analysis:** Good mission leads to good integration with the purposes of individual programs within the department.

Labor and Industry - To prevent workplace injuries, ensure prompt delivery of services, promote and maintain fair wages and conditions.
**Quality:** Good.

WC Regulation - Administer WC act effectively, ensure prompt delivery of benefits. Info to prevent injuries and diseases.
Special Comp - Provide revenue to support administration of WC (N)
Workplace Reg - Prevent workplace injuries and disease and promote fair wages. (Y)
General Support - Agencywide leadership and direction.

**Analysis:** One program purpose is simply a restatement of agency mission (or visa versa). Need to look at how these were derived.

Military Affairs - To provide trained, equipped, supported personnel for state, federal missions.
**Quality:** Good.

Enlist Incentives - 98-100% of authorized strength. (Y)
Maintenance - Repair, replace control facilities. (Y)
General Support - Supervisory, technical support. (Y)

**Analysis:** Fairly good mission statement, applied consistently by programs.

Minnesota, U of - To serve the people of the state through teaching, research, and public service.
**Quality:** Poor, not clear (serve how?), no real goal here.
Instruction - Raise quality of instruction and support. (Y)

**Analysis:** Lack of mission, direction shows both agencywide and on the program level.

Natural Resources - To serve present and future generations by professionally managing our rich heritage.
**Quality:** Unclear (serve how?). Know the customer, but not the goal.

Mineral Resources - Administer mineral rights and research so that environmentally sound development will generate an equitable return. (Y)
Water Resources - Maintain surface and ground water supplies that meet needs. (Y)
Forest - promote conservation, projection and enjoyment of forest resources. (Y)
Parks - State park system that perpetuates MN's scenic beauty, while being responsive to public needs for recreational and educational opportunities. (Y)
Trails - Provide access to resources, safe, enjoyable opportunities. (Y)
Enforcement - Ensure perpetuation of MN's natural resources and provide recreational opportunity and public safety through educ, regulatory activities. (Y)
Field Op - Professional, managerial services. (N)
Special Services - Infrastructure flexible enough to meet needs of customers and employees. (N)
Admin Mgmt - Overal dept management and admin service functions for effectiveness, efficiency. (N)

**Analysis:** Unclear mission at agency and program level. Consistent, but not clear or usable.

Pollution Control Agency - To serve the public in the protection and improvement of MN's air, water and land.
**Quality:** Good.

Water - Protect and improve state's water. (Y)
Air - Maintain air quality protect public and environment. (Y)
Ground Water/Solid Waste - Protect, improve groundwater through... (Y)
Hazardous Waste - Prevent hazardous wastes and petroleum products from polluting the state's air, water, land.

**Analysis:** Good vision, followed through in programs.

Public Safety - Enhancement and maintenance of safety for all persons within the state.
**Quality:** Good.

Administration - Centralized cost effective administration. (N)
Criminal Apprehension - Investigative support services to law enforcement agencies. (N)
Driver/vehicle services - Administers laws pertaining to ownership and registration. (N)
Drug Policy - Coordinate all entities working in the area to reduce supply and demand for illegal drugs. (Y)
State Patrol - police and traffic services on highways. (N)

**Analysis:** Good agency mission, poor purpose statements in program with little linkage to agency vision.

Public Service - Develop, advocate, and implement equitable policies regarding energy, telecommunications and standards for weight and measurement devices used in commerce.
**Quality:** Good.

Telecommunications - Administer and advocate policies that provide reliable telephone services at reasonable and fair prices. (Y)
Weights/Measures - Accurate and uniform measures in commerce. (Y)
Info/Op Mgmt. - Efficient operation of dept. (N)
Energy Regulation - Ensure reliable, affordable, environmentally sound energy supplies. (Y)

**Analysis:** Good mission with follow through at program level.

Revenue - To serve citizens by making our local and state revenue system work well, in structure and operation.
**Quality:** Good.

Administration - Properly trained, equipped, capable employees to do duties well and with adequate support and facilitate interaction with clients. (Y)
Tax Policy - Sound revenue system through fair and effective tax laws. (Y)
Local Gov't Services - None. (N)
Customer Service - Direct serve to customers, process information on filings, provide secure and timely information. (Y)
Tax compliance - Audit and collection activities necessary for quality control. (Y)

**Analysis:** Good mission, good program purposes. See a strong direction.

Trade and Economic Development - Lead agency for state government's committment to be a catalyst for a balanced and competitive state-wide economy.

Community Development - Assist communities in building conducive environment for business attraction and retention. (Y)
Trade Office - Advocate and lead provider of services that promote and assist businesses in developing exports and foreign investment with positive impact on the economy. (Y)
Tourism - Generate travel and tourism in the state, support services for state's communities and tourism industry. (Y)
Business Development/Analysis - Promote economic growth and self-sustaining communities. (Y)
Admin - Centralized support to all divisions. (N)

**Analysis:** Good mission, with good follow-through at the program level.

Transportation - To provide a balanced transportation system which includes...Also, development and implementation of transportation programs.
**Quality:** Poor, no real goals, just lists of activities and functions.

Aeronautics - Promote aviation so that it fosters economic development. (Y)
Public Transit Assistance - Manage a transportation system to serve the people of MN. (Y)
Railroads - Expertise within MNDOT to enhance safe, effective and economical interaction between the public and rail and water transit systems. (Y)
Local Roads - Provide technical assistance and leadership in the development and maintenace of County and Municipal state aid roads. (Y)
State Road Constr. - Preserve and improve state roads. (Y)
Design Engineering - Technical support services to rest of MNDOT and locals. (Y)
Construction eng. - Effective administration of all transportation construction contracts administered by MNDOT. (Y)
Equipment - Selection and distribution of appropriate tools and equipment. (N)
General Admin - Serve and support to dept. (N)
Road Operations - Safe travel on state roads. (N)

**Analysis:** Poor goal statements in many areas. Lack of direction.

November

**CORE** STATE OF MINNESOTA
COMMISSION ON REFORM AND EFFICIENCY

203 Administration Building, 50 Sherburne Ave., St. Paul MN 55155
(612) 297-1090 Fax (612) 297-1117

# WHY MINNESOTA MUST REORGANIZE STATE GOVERNMENT

Reorganization provides the opportunity to reexamine the systems and structures that have developed haphazardly over several decades.

**Services are fragmented and overlapping.** The executive branch is large and complex with 26 cabinet agencies and roughly 275 boards, commissions and advisory groups. Services are scattered throughout state agencies. Citizens wanting services often do not know what services are available or where to get them.

> There are 250 separate children's programs spread among 38 state agencies and commissions.

**Agencies and program managers are not accountable for results.** Few state agencies identify or measure program outcomes. State government must be held accountable for identifying the value received for the public tax dollar.

> Using the performance measures from the 1992-93 biennial budget only 21% measured results or efficiency, while 79% measured activity and process.

**Agencies lack customer focus.** Each has multiple customers with competing demands. Without a clear understanding of who the customers are and their needs, agencies focus on rules and process.

> Only 16% if the 1992-93 agency performance measures made reference to customer satisfaction.

**Consistent leadership is the exception in state government.** Every four or eight years a new administration takes office resulting in inconsistent policies and a short term focus.

> One agency has had nine commissioners in ten years.

**Systems lack flexibility.** Administrative systems are outdated and slow to deal with change. Government systems can stifle innovation; there are few incentives for saving money or improving efficiency and service delivery.

> Funds not spent at the end of the biennium are returned to the general fund sending a "spend it, or lose it" message to agency management.

**CORE** STATE OF MINNESOTA
COMMISSION ON REFORM AND EFFICIENCY

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## WHY REORGANIZE STATE GOVERNMENT?

Reorganization provides the opportunity to re-examine the systems and structures that affect service delivery and identify ways to make immediate and long term improvements.

**Lack of Accountability.** State government units should be held accountable for the process and outcomes associated with their programs. No clear management structure currently exists to address accountability.

- Executive Branch is large and complex: 26 Cabinet Agencies and 250 Boards, Commissions and Advisory Groups.
- Outcome measures are ineffective. Using the performance measures from the last budget document: 6% measured efficiency, 15% measured outcome or results, and 79% measured output and process.
- Lack of incentives for performance improvement.
- Lack of customer focus.

**Lack of Strong Consistent Leadership.** Executive leadership can potentially be replaced every four years resulting in inconsistent and fragmented policies, strategies, goals and service delivery. State government should have clearly defined purposes.

- Lack of commitment to policies and programs results with frequent turnover.
- Inadequate cooperation and coordination among agencies and programs.
- Difficult for customers to know what services are available and where to get them.

**Lack of flexible systems.** Systems are unresponsive and slow to deal with crisis or change. Government should encourage innovation and ideas for improving service delivery.

- Focus is on rules and process rather than results.
- Contributes to citizen lack of confidence in government efficiency and effectiveness.

# SECRETARY OFFICES
## Determining a Minnesota Model

About eight states nominally have secretary systems, but only four have systems similar to the secretary-coordinator model under consideration in Minnesota. Following are the general categories, or offices, in those four states. The terminology is that used by the states, and does not necessarily mean the same in each state.

**KENTUCKY**

1. Justice
2. Education & Humanities
3. Natural Resources & Environmental Protection
4. Transportation
5. Economic Development
6. Public Protection & Regulation
7. Human Resources
8. Finance and Administration
9. Corrections
10. Labor
11. Revenue
12. Tourism
13. Workforce Development

**MASSACHUSETTS**

1. Elder Affairs
2. Transportation & Construction
3. Communities & Development
4. Public Safety
5. Administration & Finance
6. Economic Affairs
7. Consumer Affairs & Business Regulation
8. Education
9. Environmental Affairs
10. Human Services
11. Labor

**VIRGINIA**

1. Administration
2. Economic Development
3. Education
4. Human Resources
5. Finance
6. Transportation
7. Public Safety
8. Natural Resources

**CALIFORNIA**

1. Business, Transportation & Housing
2. State & Consumer Services
3. Youth & Adult Correctional Agencies
4. Environmental Affairs
5. Resources Agency
6. Industrial Relations
7. Food & Agriculture
8. Finance
9. Health & Welfare

Having a larger number of secretary offices, as in Kentucky and Massachusetts, has the advantage of allowing greater precision in defining areas of common interest. Having a smaller number of offices, as in Virginia and California, has the advantage of allowing a broader definition of areas of common interest (as well as saving the relatively nominal cost of additional secretaries).

No state has less than eight secretaries. The experience in Virginia is illustrative. During the 20 years of its system, Virginia has changed several times. The state struggled to stay with its original six secretaries, but ultimately created eight. Two secretarial offices--(1) **Education** and (2) **Human Resources**--have been relatively constant. In theory, (3) **Administration** and (4) **Finance** were aligned with one secretary, but in practice an assistant secretary for finance was treated as a full secretary. When Administration and Finance were formally separated, the previously distinct offices of (5) **Transportation** and (6) **Public Safety** were merged. The merger didn't appear to have a workable "fit" so the two were separated again. After rejecting the proposal several times, the state finally separated (7) **Natural Resources** from (8) **Commerce**.

## CREATING MINNESOTA MODEL OPTIONS

Two "ground rules" were followed in creating the attached model options. The first is that the only agencies used in showing potential placements in each office are those agencies currently considered to be formally part of the governor's cabinet. The second is that agencies are left intact, even when it was apparent that part of an agency might fit best in one office, while another part should be in another office. Both of these activities--the alignment of other agencies, and possible agency restructuring--can take place after a basic model is agreed upon.

Following is the rationale behind the creation of the attached models.

Option 1: The starting point is the current cluster arrangement in use in the governor's office.

Option 2: This adds an Education Office to option 1. Other states consider this important as a visible sign of education's importance to the state.

Option 3: This takes option 2's agency placements and rearranges them in a different, but not necessarily better, alignment. This is based upon comments gathered during the CORE staff interviews with agency management.

Option 4: This is the same as option 3, but places transportation agencies with the Safety Office rather than the Commerce Office. Other states have considered the "Highway Patrol" connection.

Option 5: This is the same as options 3 & 4, but separates Transportation out as its own office.

Option 6: This is the Virginia model. It is like option 5 but it separates all Finance activities from the rest of Administration

Option 7: A variation on option 6. It applies the theory that state government should have one entity (in this case, office) in charge of all or most revenue collection.

Option 8: This adds to option 7 a concept from Massachusetts that creates an office for community-focused programs. It could have a role with local government issues.

Option 9: This adds to option 7 a concept from both Massachusetts and Kentucky that separates development and regulation into two offices. It creates a "fit" for Human Rights.

Option 10: This takes the novel approaches in options 8 and 9 and combines them in one model.

Option 11: A variation on option 10. It reverts from the revenue-collection approach of option 7 back to the Finance office in option 6.

Option 12: This adds to option 11 a Labor office. This is used in both Kentucky and Massachusetts.

## OPTION 1
## FIVE OFFICES

**1. Environment**
Agriculture
Natural Resources
Pollution Control
Public Service
Waste Management
Metro Waste Control

**2. Human Resources**
Corrections
Education
Higher Education
Health
Housing Finance
Human Services
MH/MR Ombudsman

**3. Jobs & Commerce**
Commerce
IRRRB
Jobs & Training
Labor & Industry
Trade & Economic Development
Transportation

**4. State Security**
Military Affairs
Public Safety
Veterans Affairs

**5. Administration**
Administration
Employee Relations
Finance
Human Rights
Mediation Services
Revenue
State Planning
Airports Commission
Metro Council
Gambling Control

**NOTES**
This is the current cluster structure in the Carlson administration.

## OPTION 2
## SIX OFFICES

**1. Environment**
Agriculture
Natural Resources
Pollution Control
Public Service
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Corrections
Health
Housing Finance
Human Services
MH/MR Ombudsman

**4. Jobs & Commerce**
Commerce
IRRRB
Jobs & Training
Labor & Industry
Trade & Economic Development
Transportation

**5. State Security**
Military Affairs
Public Safety
Veterans Affairs

**6. Administration**
Administration
Employee Relations
Finance
Human Rights
Mediation Services
Revenue
State Planning
Airports Commission
Metro Council
Gambling Control

**NOTES**
Although weaker than other secretaries (due to school charters and education boards), other states consider an education office important for symbolic reasons.

## OPTION 3
## SIX OFFICES

**1. Environment**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Jobs & Training
Veterans Affairs
Human Rights

**4. Commerce**
Agriculture
Public Service
Housing Finance
Commerce
IRRRB
Labor & Industry
Trade & Economic Development
Transportation
Airports Commission

**5. Safety**
Corrections
Military Affairs
Public Safety
Gambling Control

**6. Administration**
Administration
Employee Relations
Finance
Mediation Services
Revenue
State Planning
Metro Council

**NOTES**
Same offices as option 2, with agency realignments suggested or implied in CORE agency interviews.

## OPTION 4
## SIX OFFICES

**1. Environment**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Jobs & Training
Veterans Affairs
Human Rights

**4. Commerce**
Agriculture
Public Service
Housing Finance
Commerce
IRRRB
Labor & Industry
Trade & Economic Development

**5. Transportation & Safety**
Transportation
Airports Commission
Corrections
Military Affairs
Public Safety
Gambling Control

**6. Administration**
Administration
Employee Relations
Finance
Mediation Services
Revenue
State Planning
Metro Council

**NOTES**
"Highway Patrol" option: aligns transportation-related agencies with safety office rather than commerce office.

## OPTION 5
## SEVEN OFFICES

**1. Environment**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Jobs & Training
Veterans Affairs
Human Rights

**4. Commerce**
Agriculture
Public Service
Housing Finance
Commerce
IRRRB
Labor & Industry
Trade & Economic Development

**5. Transportation**
Transportation
Airports Commission

**6. Safety**
Corrections
Military Affairs
Public Safety
Gambling Control

**7. Administration**
Administration
Employee Relations
Finance
Mediation Services
Revenue
State Planning
Metro Council

**NOTES**
Transportation office is "stand-alone" rather than aligned with safety or commerce offices.

## OPTION 6
## EIGHT OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Jobs & Training
Veterans Affairs
Human Rights

**4. Economic Development**
Agriculture
Public Service
Housing Finance
Commerce
IRRRB
Labor & Industry
Trade & Economic Development

**5. Transportation**
Transportation
Airports Commission

**6. Public Safety**
Corrections
Military Affairs
Public Safety
Gambling Control

**7. Finance**
Finance
Revenue
State Planning

**8. Administration**
Administration
Employee Relations
Mediation Services
Metro Council

**NOTES**
Virginia model: After years with 6- and 7-office systems, Virginia adopted these 8 offices.

## OPTION 7
## EIGHT OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Jobs & Training
Veterans Affairs
Human Rights

**4. Economic Development**
Agriculture
Public Service
Housing Finance
Commerce
IRRRB
Labor & Industry
Trade & Economic Development

**5. Transportation**
Transportation
Airports Commission

**6. Public Safety**
Corrections
Military Affairs
Public Safety

**7. Revenue**
Revenue
Gambling Control

**8. Administration**
Administration
Employee Relations
Mediation Services
Metro Council
Finance
State Planning

**NOTES**
Variation on the Virginia model, creating an office to centralize income-collecting agencies.

## OPTION 8
## NINE OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Communities & Development**
Jobs & Training
Housing Finance
Metro Council

**4. Human Resources**
Human Rights
Health
Human Services
MH/MR Ombudsman
Veterans Affairs

**5. Economic Development**
Agriculture
Public Service
Commerce
IRRRB
Labor & Industry
Trade & Economic Development

**6. Transportation**
Transportation
Airports Commission

**7. Public Safety**
Corrections
Military Affairs
Public Safety

**8. Revenue**
Revenue
Gambling Control

**9. Administration**
Administration
Employee Relations
Mediation Services
Finance
State Planning

**NOTES**
Massachusetts concept: office for community-focused programs.

## OPTION 9
## NINE OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Veterans Affairs
Jobs & Training

**4. Economic Development**
Agriculture
Housing Finance
IRRRB
Labor & Industry
Trade & Economic Development

**5. Public Affairs & Regulation**
Human Rights
Public Service
Commerce

**6. Transportation**
Transportation
Airports Commission

**7. Public Safety**
Corrections
Military Affairs
Public Safety

**8. Revenue**
Revenue
Gambling Control

**9. Administration**
Administration
Employee Relations
Finance
Mediation Services
Metro Council
State Planning

**NOTES**
Both Massachusetts and Kentucky separate development and regulation into separate offices.

## OPTION 10
## TEN OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Veterans Affairs

**4. Communities & Development**
Jobs & Training
Housing Finance
Metro Council

**5. Public Affairs & Regulation**
Human Rights
Public Service
Commerce

**6. Economic Development**
Agriculture
IRRRB
Labor & Industry
Trade & Economic Development

**7. Transportation**
Transportation
Airports Commission

**8. Public Safety**
Corrections
Military Affairs
Public Safety

**9. Revenue**
Revenue
Gambling Control

**10. Administration**
Administration
Employee Relations
Finance
Mediation Services
State Planning.

**NOTES**
Combines all of the above options.

## OPTION 11
## TEN OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Veterans Affairs

**4. Communities & Development**
Jobs & Training
Housing Finance
Metro Council

**5. Public Affairs & Regulation**
Human Rights
Public Service
Commerce
Gambling Control

**6. Economic Development**
Agriculture
IRRRB
Labor & Industry
Trade & Economic Development

**7. Transportation**
Transportation
Airports Commission

**8. Public Safety**
Corrections
Military Affairs
Public Safety

**9. Finance**
Revenue
Finance
State Planning

**10. Administration**
Administration
Employee Relations
Mediation Services

**NOTES**
Changes Finance/Revenue office.

## OPTION 12
## ELEVEN OFFICES

**1. Natural Resources**
Natural Resources
Pollution Control
Waste Management
Metro Waste Control

**2. Education**
Education
Higher Education

**3. Human Resources**
Health
Human Services
MH/MR Ombudsman
Veterans Affairs

**4. Communities & Development**
Housing Finance
Metro Council

**5. Public Affairs and Regulation**
Human Rights
Public Service
Commerce
Gambling Control

**6. Economic Development**
Agriculture
IRRRB
Trade & Economic Development

**7. Labor**
Labor & Industry
Jobs & Training

**8. Transportation**
Transportation
Airports Commission

**9. Public Safety**
Corrections
Military Affairs
Public Safety

**10. Finance**
Revenue
Finance
State Planning

**11. Administration**
Administration
Employee Relations
Mediation Services
**NOTE** Adds Labor Office.

COMMISSION ON REFORM AND EFFICIENCY
EXECUTIVE REORGANIZATION AND ASSESSMENT WORKING COMMITTEE
NOVEMBER 24, 1992

# Discussion Outline
## for executive reorganization

### I. Introduction.

The purpose of this outline is to describe the Executive Reorganization Committee's direction as it begins consideration of recommendations. The intent of the presentation is to encourage commission input before the committee's final recommendations are developed.

The Executive Reorganization Committee understands that its reorganization strategy must accommodate the reform recommendations of all three committees. All suggested changes in systems, processes, culture and policy should be able to be implemented under the proposed restructuring of the executive branch of state government. Recommendations from all committees should be integrated into the final report.

### II. Reorganization Objectives.

The overarching concern is to propose changes that result in more accountability, coupled with administrative flexibility.

A. Specific objectives to be met in executive-level structural changes include:
   1. Establish a reasonable management span on control.
   2. Identify the positions accountable for inter-agency cooperation.
   3. Improve the transition period for new administrations.
   4. Create a process for ongoing reorganization.
   5. Strengthen coordination with the legislature and constitutional officers.

B. Additional objectives that are more systems-oriented include:
   1. Transform inflexible control systems into flexible support systems.
   2. Create a customer-oriented culture within agencies.
   3. Other objectives to come from other CORE reports.

## III. Structural Models.

CAUTION: There is little precision or standardization in model terminology. Almost any two authors will use the same term to mean somewhat different things. This committee's report will define and describe any terminology it uses.

The committee has reviewed typology models used in organization research; various models either used or proposed in Minnesota; and examples of different models either used or proposed in other states.

A. Typology

While each state has unique structural elements, all can be characterized as generally being one of three models, or a hybrid of the three.

1. **Commission Model.**

*Concept:* A large number of agencies, many headed by "plural executives" (boards, etc.) not serving at the will of the governor. Agencies have high degree of autonomy. Low level of functional coordination.

*Background:* Promoted in Progressive era as means to combat corruption by spreading authority and accountability over many different leaders; a set of checks and balances.

*In Minnesota:* Some vestiges remain, including Board of Education, Public Utilities Commission, Regional Transit Board, Board of Water and Soil Resources.

2. **Agency Head Cabinet Model.**

*Concept:* Fewer, consolidated agencies, most headed by single executives appointed by the governor. Management authority stems from governor. Moderate level of functional coordination.

*Background:* Reaction to the diffused authority and power of commissions; attempt to centralize control and accountability.

*In Minnesota:* The state's basic model. Minnesota uses a "subcabinet cluster" variation (see below) in which agencies are grouped by common interest area.

3. **Secretary Model.**

*Concept:* Any number of agencies, but functionally grouped and reporting to one of six to 10 secretaries. Agencies have moderate policy authority; high operational authority. High level of functional coordination.

*Background:* Reaction to overly centralized control and accountability in agency cabinet model.

*In Minnesota:* Subcabinet clusters emulates secretary model's reporting, but without formal authority or accountability.

## IV. Secretary Model.

The Executive Reorganization Committee is focusing on the Secretary model, and its variations, as the one most likely to meet the Committee's reorganization objectives.

A. Terminology distinction.

A distinction can be made between *Secretary-Cabinet* and *Secretary-Coordinator* models. The Committee is examining a Secretary-Coordinator model.

1. In a Secretary-Cabinet model, secretarial authority extends all the way down to budget line items. This model is used by the federal government.

2. In a Secretary-Coordinator model, secretarial authority extends to the program level. Variations of this model are used by about eight states.

B. Model relationships.

1. *Governor*: Assigns all agencies and related boards, commissions and advisory groups under six to ten secretaries who are appointed by, and report to, the governor. Secretaries represent, and are considered extensions of, the governor in their respective jurisdictions.

2. *Secretaries*: With minimal staffing, secretaries are responsible for policy development and coordination. They maintain coordinative, budgetary and oversight responsibilities on behalf of the governor.

3. *Commissioners*: Commissioners and other agency heads are appointed by the governor on the advice of secretaries. Considered professional extensions of their agencies, they have primary responsibility for operational management and policy implementation.

## V. Secretary Powers.

The following are a set of general powers and duties that could be delegated by statute to secretaries. Variations could be made for specific secretaries.

A. Resolve administrative, jurisdictional, operational, program or policy conflicts between agencies or officials assigned to that secretary.

B. Direct the formulation of a comprehensive program budget for the functional area encompassing the agencies assigned to that secretary.

C. Hold agency heads accountable for their administrative, fiscal and program actions in the conduct of their own respective powers and duties.

D. Direct the development of goals, objectives, policies and plans that are necessary for effective and efficient government operations.

E. Reorganize and reassign programs and program budgets to improve operations among the agencies assigned to that secretary.

## VI. Secretary Model: Advantages

1. Continual reorganization. The model considers reorganization as an ongoing process, rather than a one-time activity. Secretaries have the authority and the responsibility to reorganize as needs emerge.

2. Span of Management. Today, in theory, 25+ cabinet-level agencies and 200+ smaller agencies report directly to the governor. In practice, reporting often is filtered through several governor's staff people who deal with agencies on a parttime basis. The Secretary model sets a reasonable span of control: six to 10 fulltime secretaries.

3. Inter-agency accountability. The model identifies the secretaries as the individuals accountable for inter-agency cooperation and coordination.

4. Distinction between policy and operations. Secretaries replace commissioners as architects and representatives of the governor's priorities and policies. Commissioners' role is policy implementation and operations; as professional administrators, commissioners should not necessarily change with each administration.

5. Transition ease. Instead of immediately selecting 25+ Commissioners and other agency heads, a new governor can concentrate on selecting six to 10 key people as secretaries. Those secretaries can then later guide the governor on possible

commissioner changes.

6. Flexibility. Within each secretarial jurisdiction, different structures and processes can be adapted to suit specific issues and circumstances. Accountability for those changes rest with the secretaries and the governor.

## VII. Secretary Model: Disadvantages

1. Additional layer. The model appears to create a new layer of bureaucracy, which can inhibit communication.

   Response: The model does not add a new level of reporting. It formalizes and reconfigures existing reporting requirements. In most cases, it could actually reduce the layers of reporting needed to reach a person with the authority to take action.

2. Excessive cost. Six to 10 secretaries, plus support staff, will be a new administrative expense.

   Response: The Executive Reorganization Committee has not yet conducted a fiscal analysis. Existing secretary models typically use minimal support staffing. Some expenses might be offset by changes in the staffs of the governor and the commissioners.

3. Agency micro-management. Secretaries may attempt to usurp the role of commissioners and become involved with administrative detail.

   Response: Every model, including the existing structure, assumes managers understand their roles. Secretarial budget control would extend to the program level, not to line item control. At times secretaries may need to be involved with administration, if commissioners are not adhering to the governor's priorities and policies.

## VIII. Initial Secretarial Activities

Continual reorganization is a hallmark of the Secretary model. The Executive Reorganization Committee is considering several activities that could be initiated after a Secretary model is implemented.

A. Boards and Commissions: Secretaries can conduct an assessment of boards, commissions, councils, authorities and task forces under their jurisdiction. Possible consequences could include:

   1. Eliminating all administrative duties from boards and commissions, and

placing the duties with administrators accountable to agency heads. Seek economies of scale through centralized administrative support for small free-standing agencies.

2. Remove civil service protection for executive directors of boards and commissions with policy-making power, allowing the chief managers to change with administrations.

3. Where appropriate, combine small agencies with similar subject areas or with similar functions. Also consider consolidating licensing and examining boards with similar operations, or transfer regulation to private professional associations.

4. Extend sunset provisions to all small agencies.

2. Management Development: Secretaries can initiate policies to enable managers to gain a broader experiential understanding of state government by allowing them to transfer to other agencies under the secretary's jurisdiction without risking the loss of seniority or civil service.

3. Strategic Planning: Secretaries would have the power and duty of maintaining inter- and intra-agency planning. Initiation of a strategic planning process in their area of jurisdiction should be an inaugural activity of the first secretaries.

## IX. Executive Transition.

In addition to a Secretary model, the Executive Reorganization Committee is considering changes to ease the transition between administrations.

1. Budget Cycle: change the sequencing of fiscal years to give the governor more time to preapre a biennial budget.

   Immediately upon taking office a governor must establish an executive office, make innumerable appointments, and prepare a budget in less than two months. Reversing the sequence of fiscal years would provide an administration enough time to prepare a budget that reflects its own priorities and policies, rather than those of its predecessor.

2. Appointments: adjust classified and unclassified positions to balance gubernatorial control and agency stability.

   The governor needs to control positions involved with policy development; for example, the executive directors of policy-making boards. On the other hand, agency assistant commissioners in charge of support functions could be appropriate civil service positions.

3. Six-year gubernatorial term.

The development and implementation of major state policy initiatives often requires more than four years. A six-year gubernatorial term could enable administrations to complete policy initiatives regardless of short term considerations.