Staff Paper

STATE HUMAN SERVICES
REORGANIZATION: COMPARING
THE MINNESOTA EXPERIENCE

PROGRAM EVALUATION DIVISION

Office of the Legislative Auditor

State of Minnesota

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March 31, 1980

PREFACE

On June 28, 1979, the Legislative Audit Commission directed the Program Evaluation Division to conduct an evaluation of the results of the reorganization that established the Minnesota Department of Economic Security. This report, based on an analysis of similar reorganizations in other states, is one product of that study. Related documents from the evaluation study, including the final report, are available from the Program Evaluation Division.

The evaluation was conducted by Roger Brooks and Marie Scheer. This report was written by Ms. Scheer.

James Nobles
Deputy Legislative Auditor
    for Program Evaluation

March 31, 1980

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The Program Evaluation Division was established in 1975 and does studies at the direction of the Legislative Audit Commission (LAC). The division's general responsibility, as set forth in statute, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently. A list of the division's studies is at the end of this report.

Since 1979, the findings, conclusions, and recommendations in Program Evaluation Division final reports and staff papers are solely the product of the division's staff and not necessarily the position of the LAC. On completion reports and staff papers are sent to the LAC for review and are distributed to other interested legislators and legislative staff.

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This paper presents a discussion of governmental reorganization of human service programs. Our specific objective was to examine the creation of the Department of Economic Security which resulted from the 1977 merger of the Governor's Manpower Office, the Department of Employment Services, and the Department of Vocational Rehabilitation. In an attempt to improve their delivery of human service programs, over half the states implemented some form of administrative restructuring during the 1960s and early 1970s. In Minnesota, the formal impetus for reorganization came from the Office of Human Services (OHS), which had been established to study the issues and present a report to the 1977 Legislature.

A review of the work of the OHS leads us to conclude that this report could have:

- included a wider range of options for reorganization,

- explored more fully the complications as well as the advantages of reorganization,

- addressed problems in the present delivery system and how they would be solved, and

- emphasized the fact that cost savings were unlikely, especially as an immediate expectation.

The OHS proposal resulted in legislation creating the Department of Economic Security. On December 1, 1977, the department became fully operational, with the formal transfer of state agency authority and federal program administration.

We conducted an analysis of five state reorganizations which were similar to Minnesota's. [1] We found that:

- Centralization of administrative support functions was successfully implemented in two states, and was attempted with limited success in the remaining three.

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[1] Arizona, Delaware, Maryland, New Jersey, and Oregon.
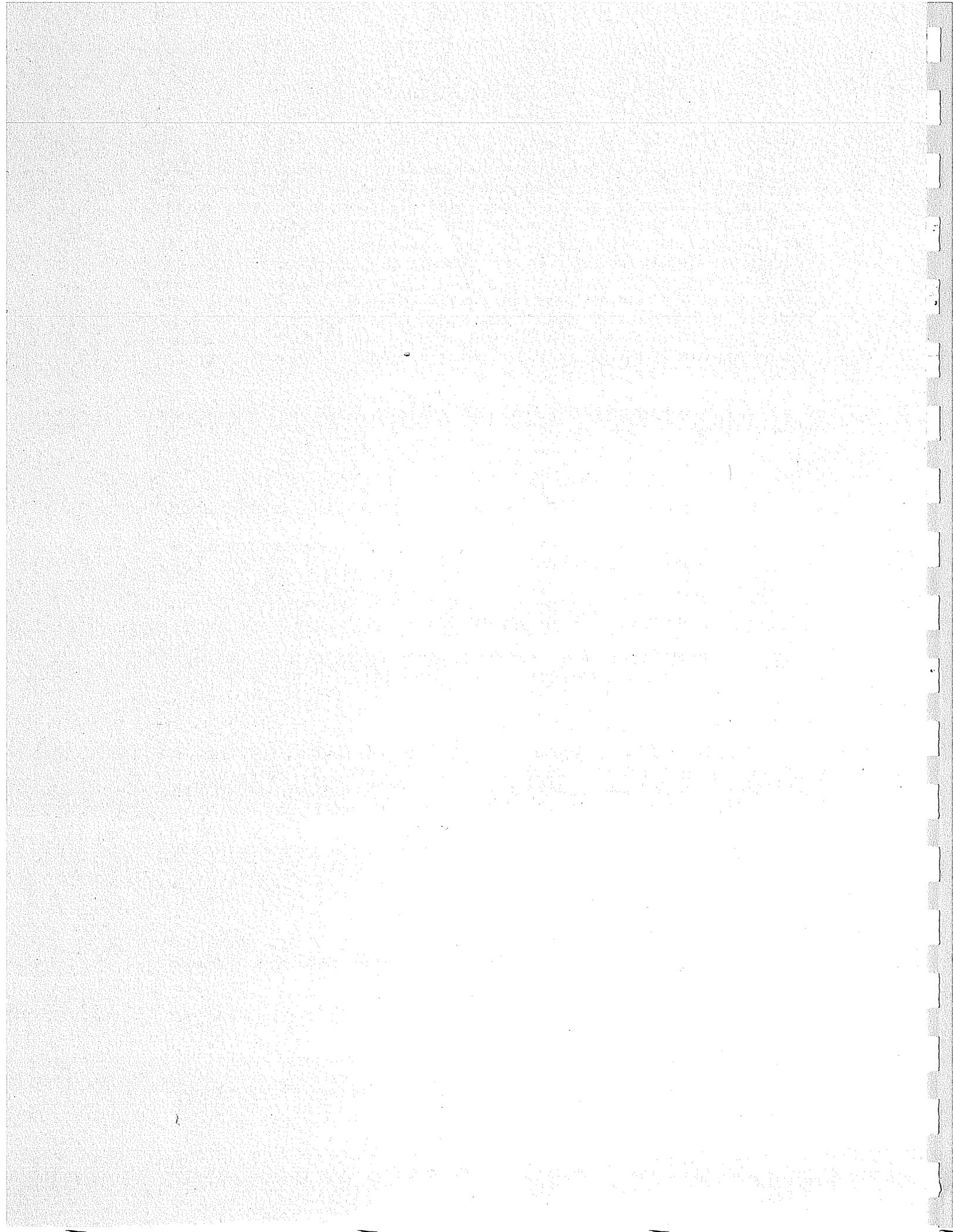
- Integration of program services was attempted in two states and abandoned within 2 years, and not attempted in the remaining three states, although increased coordination was reported.

- Colocation of field offices was attempted in two states, abandoned because of its unpopularity, and then partially reinstated. Of the remaining states, one provides manpower to a centralized office; one encourages colocation as leases expire; and one reports a statewide trend toward single-service centers.

- Resistance to change was directly related to the degree that employees in areas of change felt threatened. Also the rate of change was a factor in how much resistance occurred.

- Cost of the reorganization was not a major concern in most of the states. Where savings were noticeable, they can be attributed to economies of scale and reduction of overlapping functions.

In comparing the Minnesota reorganization experience with that of other states, we found that:

- Minnesota has used a cautious approach in centralizing support functions, integrating program services, and colocating field offices.

- Minnesota has experienced some resistance to change, but this is not unusual. Considering that Vocational Rehabilitation was strongly opposed to the merger, the opposition has been relatively minor.

- Minnesota has not demonstrated any real effort to control costs resulting from the reorganization. While this was the only state with a statutory mandate for overhead reduction, there has been little effort to develop a strategy for reducing administrative costs and administrative staff.

Overall, lessons which can be learned from a comparative study of state human service reorganization include the following:

- Implementing several reorganization changes at the same time may increase the chances that resistance will emerge.
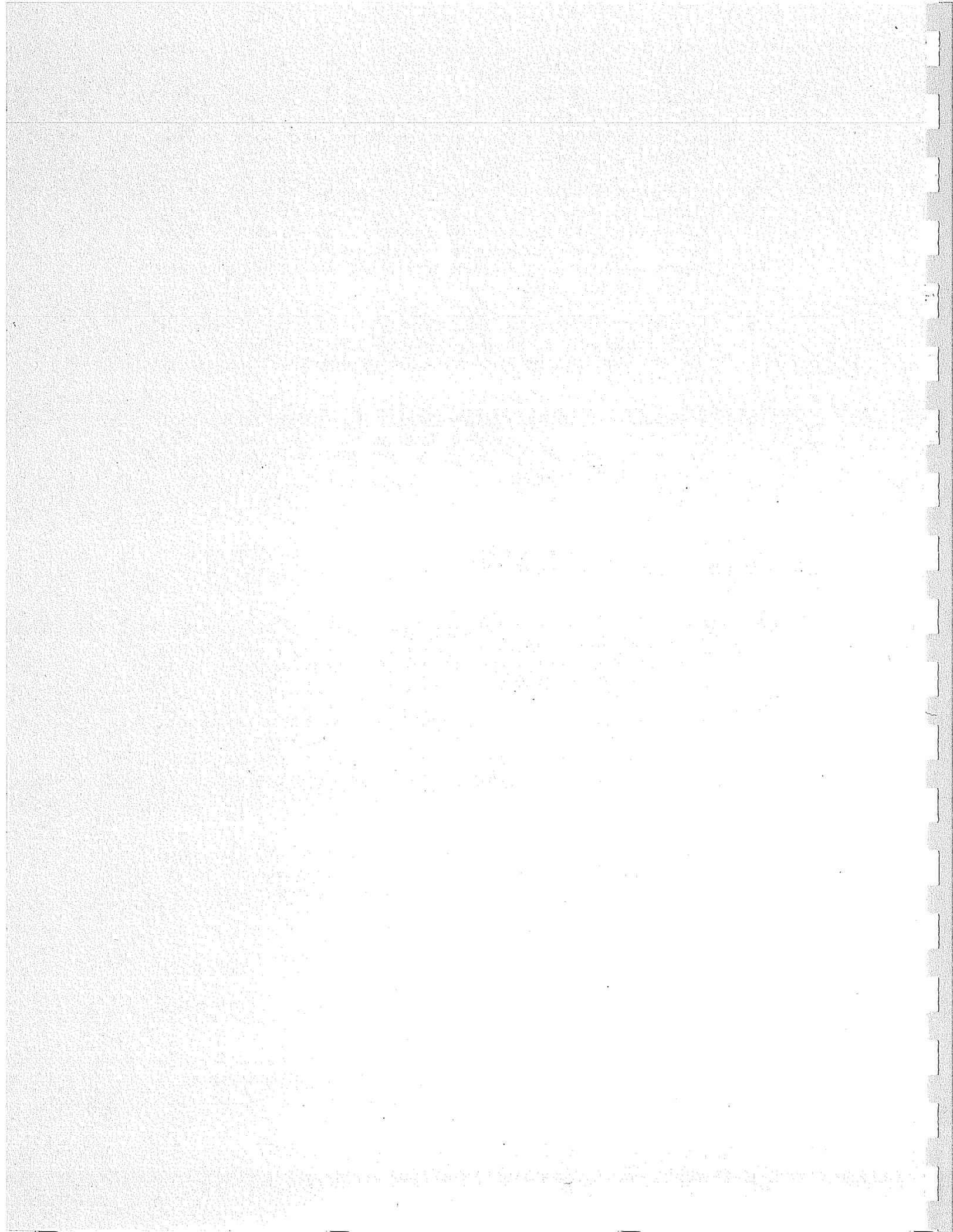
- Determining which reorganization goal is most important and focusing efforts and resources on that one may increase the likelihood of success.

- Selecting a goal which is non-controversial for early implementation may reduce the threatening aspects of reorganization.

- Planning ahead and assessing the potential problems associated with the various reorganization changes may be helpful in managing resistance.

- Establishing an accurate profile of the department's resources and needs at the time of reorganization and requiring reports to monitor progress can help in later evaluations of the reorganization.
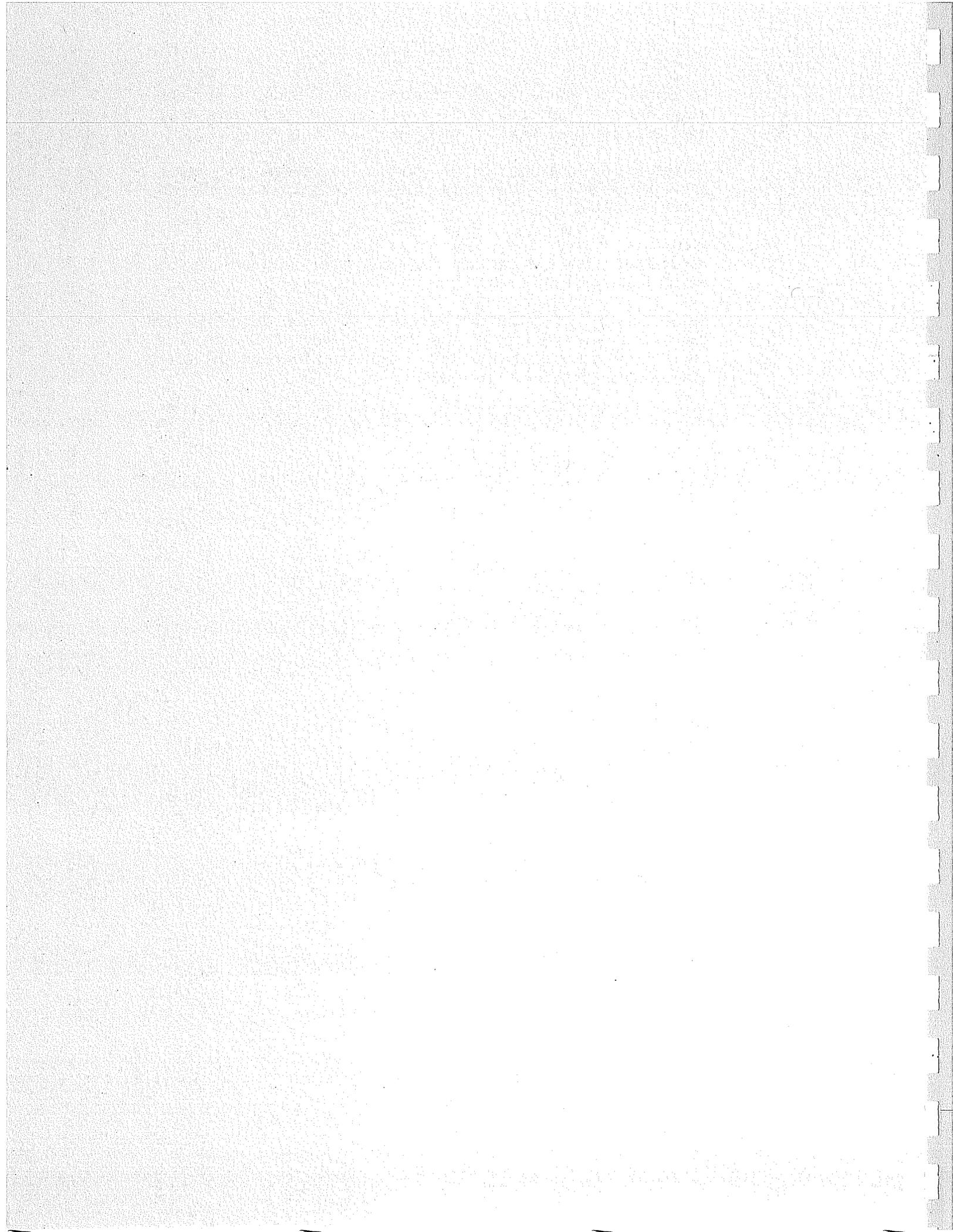
I. OVERVIEW

A. HUMAN SERVICES PROGRAMS
THE PROBLEM FOR THE STATES

A recurrent issue in the management of state government is how to organize agencies and programs that provide human services. State governments have been burdened in recent years by an increase in the kind and level of services they provide, in part due to an expansion of federal programs. This increase has raised concerns about fragmentation of services, lack of coordination among programs, and confusion in accountability and reporting requirements. The specific problem for state government is how to gain control of the vast array of programs, and how to develop mechanisms for their coordination and accountability.

The common method of funding human service programs--directing money to specific categorical needs--has contributed to a fragmented pattern of development. The result has been an expansion of programs which are designed to help special populations, accompanied by duplication of services, and gaps in service delivery.

Many studies have suggested that the absence of a comprehensive approach to human service programs has led to confusion. Consumers often experience difficulty in sorting through the profusion of programs. Legislators, too, are sometimes uncertain about what programs exist, what they are supposed to accomplish, and which level of government is responsible for funding and oversight. Even program managers are sometimes isolated from programs whose missions are consistent with those of their own agency. In short, a variety of programs administered separately can often lead to confusion and mismanagement. Moreover, this confusion tends to make state agencies less accountable to elected officials and the general public as well.

B. REORGANIZATION AS A SOLUTION

For many states, the response to this situation has been to reorganize human service programs into a structure that would promote coordinated planning, budgeting, service delivery, and reporting. The common assumption has been that consolidation and improved management practices will result in more efficient service delivery and less bureaucracy.

Strong political forces have operated within the states to promote reorganization. Interest groups representing special consti-

tuencies have urged action that would increase program funds or improve client services. Legislators have faced mounting citizen demands to reduce the cost of government bureaucracy and eliminate waste.

Two approaches to human service reorganization have taken place in the states recently: comprehensive reorganization and human service reorganization. Comprehensive state reorganization involves all of a state's agencies, streamlining executive departments, eliminating duplication, and making the executive branch more accountable and responsive to the governor. Since the mid-1960s, 22 states have embarked on comprehensive reorganization. Other states have limited their reorganization efforts to one or more clusters of agencies with similar missions. In the human service area, this has involved the consolidation or coordination of welfare, health, criminal justice, employment, and/or training programs. Approximately 28 states have created consolidated human service agencies which merge or administratively link two or more human service programs. These actions have been taken to impose order on the broad array of programs, simplify eligibility requirements, and coordinate delivery systems.

The federal government, mindful of the problems caused by the expansion of human service programs, has converted categorical funding programs, in some instances, into special block grants with fewer restrictions than before. This has allowed state and local governments greater funding flexibility and more control over program operation and priority setting. Other activities, such as HEW's advocacy of the "Allied Services" bill,[1] signaled the states that an effort was being made at the national level to help them sort out their management and administrative problems.[2]

Reorganization goals may be as simple as reducing the number of agencies reporting to the governor, or they may be more complex and include centralization of support services, integration of programs, and colocation[3] of field offices. Whether these goals

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[1]This bill, which would have supported block grants to the state and local governments for the development of allied services plans, failed to pass the Congress. See The Allied Services Act of 1975; Fact Sheet, U.S. Department of Health, Education, and Welfare (1975) and "New Federalism v. Coordinating Services," National Journal, (March 3, 1973), pp. 305-311.

[2]Robert Agranoff and Alex Pattakos, Dimensions of Services Integration: Service Delivery, Program Linkages, Policy Management, Organizational Structure, Human Services Monograph No. 13, Project Share, (April 1979), p. 130.

[3]"Colocation" is a term which will be used frequently in this paper. It refers to putting offices of different agencies in the same facility, for a variety of reasons which are explained later. Our staff paper on colocation examines the Department of Economic Security's colocation policy in terms of its impact on space use and costs.

have been accomplished through reorganization, or whether more complex, less manageable bureaucracies have been created by reorganization has not yet been determined.

C. THE LITERATURE

We found that literature containing analyses of state reorganizations or human service reorganizations was very scarce.[1] Specifically, we tried to obtain literature which analyzed past reorganization efforts and contained recommendations for future restructuring approaches. There was very little literature available that fit into this category. It may be that reorganization is just one approach to improving government performance and that national attention has shifted to other strategies such as evaluation, zero-based budgeting, and "sunset" laws. It may also be that some of these accountability measures produce the same results without the political upheaval caused by reorganization, and thus may be safer for legislatures to implement.

Studies of state reorganization which we did find seemed to share many common themes. Most states face the same general issues, and Minnesota is no exception. They include the motives behind the reorganization, the basic goals of the reorganization, and the procedures for implementing the goals.

In any reorganization attempt, there are individuals who view restructuring as mere "shuffling of the boxes" and believe that nothing can really be changed by it. This charge is refuted in the literature which describes reorganization as an "opportunity." In the words of one report, "structural change is designed to create new opportunities for change; it does not change people but it affects the way they may relate to each other, which in turn should engender change."[2] This clearly expresses a basic assumption of reorganization that analysts should not lose sight of-- reorganization can "shake government up a bit" and allow different decision makers and different approaches to emerge. Old organizations can take on new vitality and direction under different leadership.

Expectations of what reorganizations can achieve must be tempered by the long-range recognition that they cannot be measured in terms of how they have automatically changed the entire system or "achieved services integration," but in terms of the inte-

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[1] We conducted a computer search for literature relating to reorganization and were able to locate none that were applicable to this study.

[2] Agranoff and Pattakos, <u>Dimensions of Services Integration</u>, p. 130.

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grative steps they have taken.[1] In all probability, there are short- and long- term costs and benefits with any reorganization, and focusing on only one narrow aspect could be misleading.

Support for reorganization was also singled out as an important factor leading to such plans. While we found that there was no consistency in the initiation of organizational change,[2] the literature recommended that organizational change should involve "collaborative efforts" of the governor, legislators, and a variety of interest groups.[3] Broad based support for reorganization clearly affects whether there will be resistance to changes.

It is also generally true that the governor is the single most important advocate during any reorganization process. The governor's office, because of its power and authority, often plays the decisive role in legislating and implementing change.[4]

Legislative support for reorganization may stem from political pressure, constituency requests, or from a general commitment to strengthen government management.[5] Organization of state government is largely a political decision, and therefore, legislative understanding and support is important.[6]

Cost savings from reorganization seem to be a frequent hope of legislators. "The desire to seek economies in government was a parallel stimulus for the reorganization. Although experience now suggests that it rarely came to pass, there were expectations that various consolidations and improved management practices would lead to economies as well as efficiencies."[7] This comment is partially directed at the concern for state fiscal responsibility in the face of categorical program growth and the restrictions that accompany them.[8] This may suggest that assessments should focus on how funds are spent rather than whether they were reduced.

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[1]Laurence E. Lynn, Jr. with the assistance of Timothy C. Mack,   The State and Human Services: Organizational Change in a Political Context, (Cambridge: The M.I.T. Press, 1980), p. 173.

[2]Ibid., p. 173.

[3]National Council of the American Society for Public Administration, Position Statement, "Organizing the Executive Branch of State Government for More Effective Management," April 4, 1979.

[4]Lynn, The State and Human Services, p. 174.

[5]Council of State Governments, Reorganization in the States, January 1972, p. 2.

[6]Lynn, The State and Human Services, p. 174.

[7]Agranoff and Pattakos, Dimensions of. Services Integration, p. 129.

[8]Lynn, The State and Human Services, p. 177.

Wise management of available funds may be a more realistic goal than budget decreases.

Some reorganizations included all agencies, boards, and commissions under the purview of the governor, while others included only those programs identified as "human resources"[1] or "human service" programs. Despite all the recent activity in human service reorganization, there is very little definitive information on what is and what is not a "human service" and how the term should be defined.

There are, however, a few classification systems for human services which have been developed using different assumptions. The United Way of America Service Integration System (UWASIS) bases its classification system on eight societal goals wherein activities are defined by human needs.[2] The Functional Analysis of Minnesota bases its classification system on functions performed by each agency, and therefore, activities are defined by the services that are delivered.[3] Finally, another system, less formally defined, categorizes programs based on funding sources, personnel practices, and client service needs--many state reorganizations have been conducted based on this loosely defined concept. The lack of uniform terminology should be kept in mind when comparing reorganization approaches.

In summary, a review of the literature only seems to emphasize the chameleon-like nature of reorganization. Depending on the purpose, reorganization can be portrayed to cost or save money, increase or decrease bureaucracy, and improve or reduce accessibility. This is not very helpful, for it suggests that the success of reorganization depends on whether or not it is managed skillfully, more than anything else. Therefore, the problem for the states seems to be both structural and managerial. Chapter II examines Minnesota's response to this dual problem.

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[1]"Human resources" encompasses a wide variety of important state activities, the most prominent being public assistance and social services, public health, mental health, mental retardation, corrections, youth institutions, vocational rehabilitation, and employment security. From Book of States, 1976-1977, Volume 21, p. 107.

[2]United Way of America, UWASIS II: A Taxonomy of Social Programs and Human Services Goals, (Alexandria, Va. 1978) pp. 7-8, 15-16.

[3]Functional Analysis of State Activities Performed by the Executive Branch of the State of Minnesota, (Third Edition, Department of Administration, 1975).

II. HUMAN SERVICE REORGANIZATION IN MINNESOTA

A. HISTORY AND BACKGROUND

Efficient management of state government has always been a basic concern in Minnesota politics. The usual approach has not been to advocate far-reaching changes, but rather to be sure that agencies are managed efficiently, enabling consumers to obtain the services they require.

Minnesota has also been concerned about the diversity of need within the state, and the management of state resources to provide services to all who need them. Many of the 87 counties are located far from central offices and it takes real effort to get services to these rural areas. County governments have been strong advocates of these needs, and the state legislature has traditionally been responsive to their requests.

There is evidence of early legislative interest in the state's human service delivery system. A 1968 report assessing the organization of government in Minnesota reported that confusion in the overall structure of state agencies caused problems for the consumer in locating needed services.[1] Even when services were available, they were not organized so that they were readily accessible.

In 1969, concern over the administration of welfare programs prompted legislative interest in changing their management. The main concern was a lack of available information about the provision of services. It was difficult to obtain information on program planning, lines of authority, and organization of the system. This interest prompted establishment of a legislative subcommittee on the Organization and Administration of Welfare. After a series of hearings, this subcommittee concluded that there was a striking lack of integration of services in the services delivery system. As a result, the legislature became increasingly interested in making the management of human service programs more orderly.

Similar interest came from the governor's office. In 1972, the governor established the Office of Program Development to study the delivery of human services and their eventual integration.[2] In addition, he set up the Human Services Council, which was comprised of the administrative heads of human service agen-

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[1]Modernizing State Executive Organization Government of Minnesota, Chicago: Public Administration Service, 1968), p. 51.

[2]Office of the Governor of Minnesota, A Proposal for an Office of Program Development, by Duane C. Scribner (April 25, 1972), p. 7.

cies. The council was to advise the governor on policy issues concerning human services.[1]

The Office of Program Development and the Human Service Council were active from 1972 to 1975, when funding for both groups was terminated. While in operation, they had two main responsibilities. On a state agency level they were to help coordinate agencies and set the stage for long-term integration. On the local level, they were to provide technical assistance and serve as liaisons between local government and state agencies. This early effort to establish a cooperative working relationship between levels of government was important and has continued in various forms to the present.

Reports issued by these units were consistent in their call for service integration. Both drew attention to the existence of fragmented planning procedures, unevenness in the allocation of administrative responsibility across governmental boundaries, and the absence of central direction for policy and management.[2]

The recommendations of these groups led to a new development--the philosophy that the role of county government should be strengthened in decision-making and policy determination. This resulted in the Human Services Act of 1973, which allows county boards to establish joint Human Service Boards.[3]

The Human Service Boards have the authority to set policy and allocate resources for health, welfare, and corrections programs for counties within the boards' jurisdictions. State funds are distributed to the boards based on a comprehensive plan for services. This law clearly places the emphasis on local determination.

But action to integrate services at the county level only highlighted the larger problems at the state level. Accordingly, the Office of Human Services (OHS) was established in 1975 to study the problems at both levels. The office was assigned specific responsibility for assisting county Human Service Boards, and for integrating and standardizing budgets, policies, and program activities. The office was also required to present reports to the 1976

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[1]Office of the Governor of Minnesota, Executive Order No. 45, "Providing for the Establishment of the Human Services Council," October 6, 1972.

[2]Office of the Governor of Minnesota, Human Services Reform: A Model for Chief Executive Intervention (Final Report of the Office of Program Development), August 1975; and Office of the Governor of Minnesota, Governor's Human Service Council Task Force Report on the Need for Integration of Human Services, 1974.

[3]Minnesota Statutes, Human Services Act, Chapter 402.

and 1977 Legislatures for the "reorganization of the delivery of state and local human services."[1]

B. THE REORGANIZATION STUDY

Figure 1 shows the organization of human service programs in Minnesota prior to the 1977 reorganization. The 1975 law clearly indicated that the task of the Office of Human Services was to bring before the legislature a plan for restructuring human service agencies in the state.

In September 1975, the OHS produced a mission statement which outlined its major goals. These were: (1) making human service delivery more effective and more responsive to people's needs; (2) recommending organizational structures which would lead to more effective services; and (3) creating a meaningful state and local partnership in the process.

Late in 1976, after 18 months of study, the OHS report was submitted to the Legislature.[2] The report presented a proposal for a major restructuring of human service programs in Minnesota. In addition to an analysis of current organizational structures, it included (1) a study of different methods of improving human service delivery, and (2) a discussion of the OHS' favored approach--the functional model.

1. STUDY OF ORGANIZATIONAL MODELS

As illustrated in Figure 2, the Office of Human Services considered a full range of organization models in determining the general direction of the reorganizational structure. The models offer different combinations of coordination, consolidation, and integration. One plan the OHS considered was the umbrella approach, which offers coordination by a board or council with specific authority over the agencies under its jurisdiction. Under this approach, the separate agencies continue to operate autonomously and are accountable to the board only for those areas over which they have authority. This model was rejected by the study because it has limited usefulness for coordinating programs, and almost no ability to integrate them.

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[1]Minnesota Laws (1975), Chapter 434, Section 2, Subdivision 24; and Office of the Governor of Minnesota, Executive Order No. 114, July 9, 1975.

[2]Office of Human Services, Human Services in Minnesota: Economic Security and Health and Social Services, A Strategy for Change in State Government, December 1976.

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FIGURE 1

ORGANIZATION OF HUMAN SERVICES PROGRAMS
IN MINNESOTA PRIOR TO 1977 REORGANIZATION*
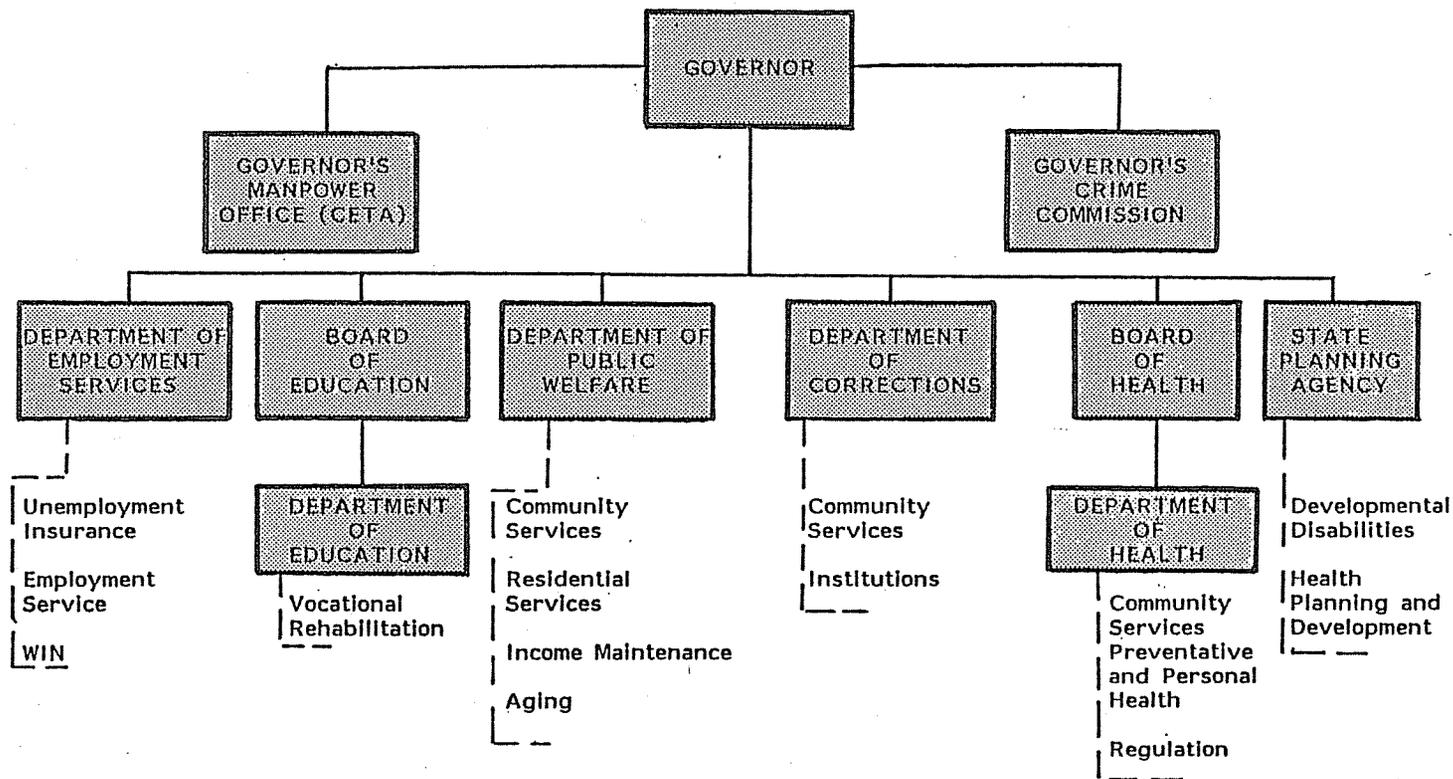
FIGURE 2
OPTIONS FOR RESTRUCTURING HUMAN SERVICE PROGRAMS FROM
OFFICE OF HUMAN SERVICES STUDY

RESTRUCTURING OPTIONS

1. UMBRELLA COORDINATION

HUMAN SERVICES
COUNCIL/SECRETARIAT

EXISTING
AGENCIES

2. CONSOLIDATE AROUND TARGET GROUPS

CHILDREN   AGING   HANDICAPPED   UNEMPLOYED   POOR

3. CONSOLIDATE PROFESSIONALS AND PROGRAMS

HEALTH   WELFARE   CORRECTIONS   EMPLOYMENT

4. CONSOLIDATE FUNCTIONS

INCOME   JOB TRAINING   HEALTH   SOCIAL SERVICES

5. MIXED CONSOLIDATION

ECONOMIC SECURITY   HEALTH AND SOCIAL SERIVCES

- Benefit Payments   - Regulation
- Job Training   - Institutions
  and Placement   - Community Programs

6. SUPER AGENCY

HUMAN SERVICES

The super agency approach would place all agencies under a human services director. This model features total centralization of support services and functional integration of programs. This model was rejected because it seemed preferable to maintain program visibility as much as possible. In addition, a Human Service Department for Minnesota would be large and complex and might create an unwieldy management situation.

The target group consolidation model focuses on specific populations as determined by criteria such as age, economic status, or special health problems. It was believed that this model would increase the fragmentation of programs and make it difficult for consumers to obtain needed services. This arrangement would be difficult to administer, the study concluded, because federal funds are usually allocated on a program basis.

Another option was to recommend continuation of the present organizational structure. Using this approach, categorical agencies would be merged into larger departments for more effective coordination of programs. This option, however, would not have resulted in the broad changes envisioned by the Office of Human Services and so it, too, was rejected.

This leaves the model which the study ultimately endorsed: the functional model. As mentioned earlier, the functional model integrates those programs which have common purposes, work activities, and personnel systems. This model was preferred because the OHS believed it would decrease fragmentation, but still maintain program integrity. Further, the OHS study concluded, it would provide a higher degree of consolidation than with typical human service designations such as income, employment, health, and social services.

2. FUNCTIONAL ANALYSIS

The OHS analysis of the functional model was limited to those departments specified in the Governor's Message as being under the Office of Human Services review. They included:

Department of Corrections
Department of Health
Department of Public Welfare
Department of Employment Services
Governor's Citizens Council on Aging
Governor's Planning Council on Developmental Disabilities
Division of Vocational Rehabilitation
Governor's Commission on Crime Prevention & Control
Governor's Manpower Office

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Three criteria were used by the OHS to determine which program clusters made most sense:

- What programs shared a common purpose or mission?

- What programs shared common work activities?

- What programs had common personnel systems or shared employees?

The results were compared to functional clusters determined in a separate effort by the Department of Administration. Finally, the OHS examined whether these clusters made sense given the experiences of other states and given the various program and funding ties to different agencies in the federal government. Ultimately, two large functional clusters emerged from this analysis. As shown in Figure 3, the OHS recommended, "the consolidation of the human services agencies and their programs into the management structure of two new state departments--Economic Security and Health and Social Services."

The chief goal of this reorganization was to improve overall services to clients and to eliminate administrative duplication. The OHS argued that agencies created according to the functional dynamics among human service programs could better achieve that goal than the old agencies. In its report, the OHS recommended the adoption of specific objectives by the new agencies in order to ensure that the reorganization achieved its purposes. The following objectives were relevant to the proposed Economic Security agency:

Changes for Improved Client Services:

- Facilitate client access by moving toward a unified local delivery system--common client intake and colocation of program staff in a "one-stop service" setting for state-administered programs.

- Improve the provision of services to persons with multiple problems.

- Strengthen the provision of training to clients who are not ready for employment before they move into the job placement component of the system.

- Improve opportunities for job referrals for persons in income maintenance programs.

FIGURE 3

RESTRUCTURING METHODOLOGY--FUNCTIONAL CLUSTERING OF HUMAN SERVICE
PROGRAMS BY OFFICE OF HUMAN SERVICES
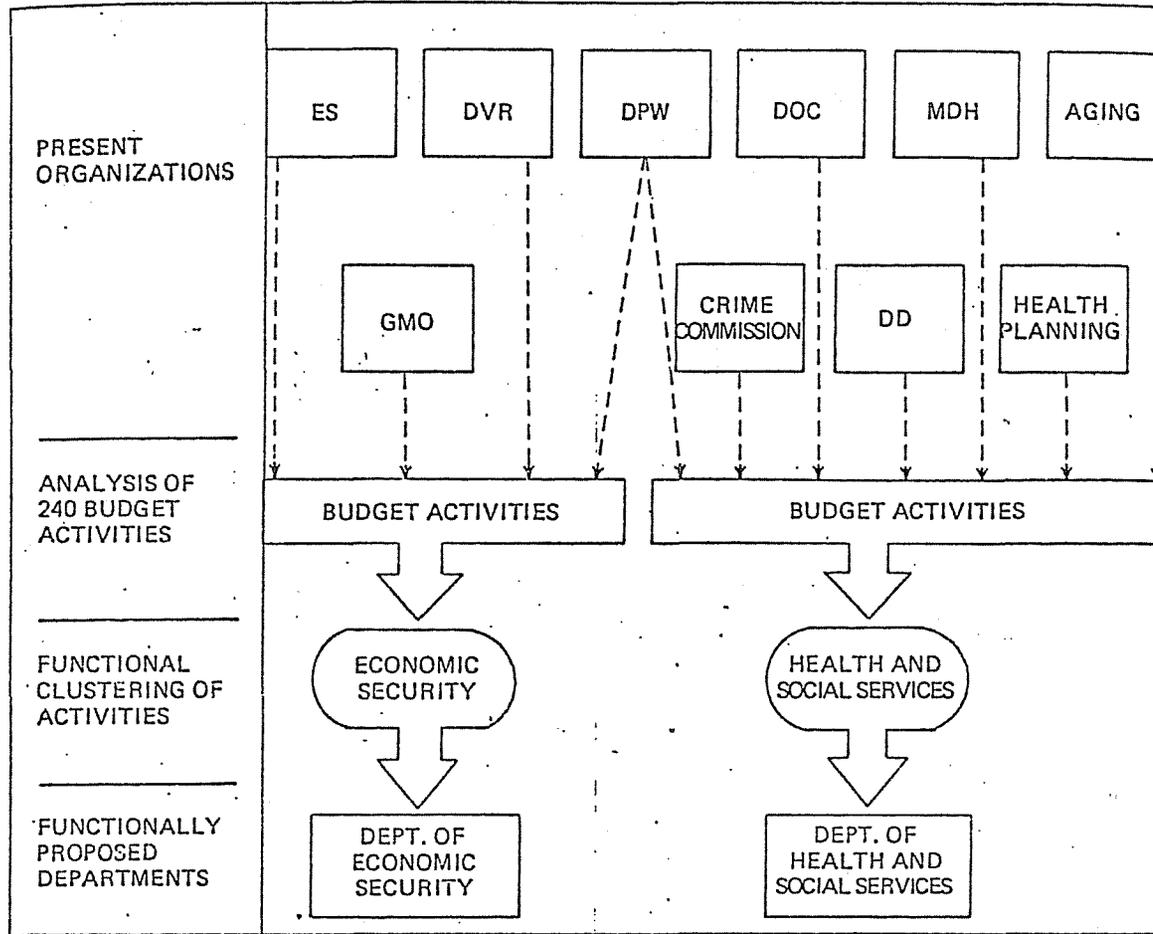
* From Office of Human Services Report, Economic Security and Health and Social Services,
  A Strategy for Change in Statement Government. (Department of Administration, 1976).

- Improve the service referrals to Health and Social Services programs.

Management and Structural Changes

- Create a project management office to guide the reorganization process and to involve staff by obtaining their advice and assistance for continued change; this office should also monitor the effect of change in order to ensure that the quality of service is not degraded during the reorganization process.

- Develop a single organizational focus for identifying and addressing policy issues; staff activities should include long-range planning and analysis, research and evaluation, operational analysis, and inter-governmental liaison.

- Development of consumer support staff function that focuses on target groups and facilitates input into policy decisions by advisory and interest groups; staff activities should include support to advisory councils, public information, and advocacy planning.

- Integrate the administrative support functions of each program unit into a common administrative support unit.

Operational Changes

- Consolidate and streamline procedures, rules, forms, and information requirements of the separate categorical programs.

- Standardize administrative and planning boundaries as appropriate.

- Coordinate planning procedures and funding schedules at both state and local levels.

- Integrate separate federally funded planning responsibilities into overall management structure.

- Integrate computer systems.

- Facilitate joint use of specialized staff through colocation.

- Integrate job development and placement services.

- Integrate and simplify the client intake and eligibility process. [1]

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[1] Office of Human Services, A Strategy for Change, pp. 14-15.

Achievement of these objectives would produce more than simple structural change, according to the OHS report. It would also foster a "redirection of resources toward those areas which deserve priority," improve "client application and eligibility intake," strengthen "the state-county human services partnership," and facilitate the "participation of advisory and consumer groups in broad state policy-making." [1]

C. LIMITATIONS OF THE OHS STUDY

A basic characteristic of the OHS reorganization study appears to be that once a choice was made, all actions that followed seemed to support that choice as the best decision. The result is that some questions were not answered, and still others were never raised. For example:

- One of the Office of Human Services concerns was, "Provision of services to persons with multiple as well as single problems." Does this mean that many people require more than one service? How many? Is that portion of the planning only for a small percentage of consumers? This should have been substantiated for later comparison and measurement.

- Another objective was, "Facilitation of client access through common intake and colocation of program staff in a 'one-stop service setting.'" Does this mean it should be easier for the client, or for the staff? If it is easier for the client, how is it easier? Would all available services have to be used at once, and if so, is that practical to assume?

- Similarly, "Integration of administrative support functions" was an objective. Where are the specific suggestions of functions to integrate? What is the best process to use?

The study appears to have followed a single line of thought from beginning to end, without exploring recommendations for possible flaws. A more analytic approach might have identified potential problems, and suggested ways of avoiding or resolving them. For example:

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[1]Office of Human Services, A Strategy for Change, pp. 15-16.

- The effects of reorganization on the staff were not discussed in the study. However, low employee morale has been mentioned frequently as a direct result of the reorganization.

- Colocation was promoted as a way of coordinating services and increasing accessibility. However, there was no discussion of when this is appropriate, how it should be decided, how it should be financed, etc.

Although its recommendations were complete, the study could have gone further in providing alternatives, pointing out complications, assessing problem areas in the present delivery system, explaining how the proposal would solve these problems, and emphasizing the fact that cost savings were unlikely.

D. THE REORGANIZATION AS LEGISLATION

As shown in Figure 4, the proposal of the Office of Human Services would have merged nine state agencies into two new departments: the Department of Health and Social Services and the Department of Economic Security. A bill to create the former department failed to win preliminary legislative support and died in committee. The proposal for a Department of Economic Security was introduced as House File 3. The bill was assigned to the Governmental Operations Committee and reassigned to the Government Structures Subcommittee. Members of the subcommittee were concerned that there were no provisions for monitoring cost of the reorganization, and that baseline data on cost, space, and personnel had not been gathered for later use in determining changes. This concern led to an amendment to House File 3 requiring collection of such data as well as periodic reports to the Legislature regarding changes brought about by the reorganization.

The Senate companion bill, Senate File 202, was heard in the Employment, Government Operations, and Finance Committees. Testimony before the committees and debate among committee members focused primarily on the following issues: (1) how effectively a Department of Economic Security would work as compared to similar agencies in other states; (2) which agencies should be included in a Department of Economic Security; and (3) whether the concept was viable, since the Department of Health and Social Services proposal was apparently not destined to pass. After extensive testimony opposing its inclusion, the Bureau of Income Maintenance was taken out of the proposal and left in the Department of Public Welfare. As amended, the bill creating the Department of Economic Security won final legislative approval on June 2, 1977.

FIGURE 4

RECOMMENDED ORGANIZATION FOR HUMAN SERVICES PROGRAMS[*]
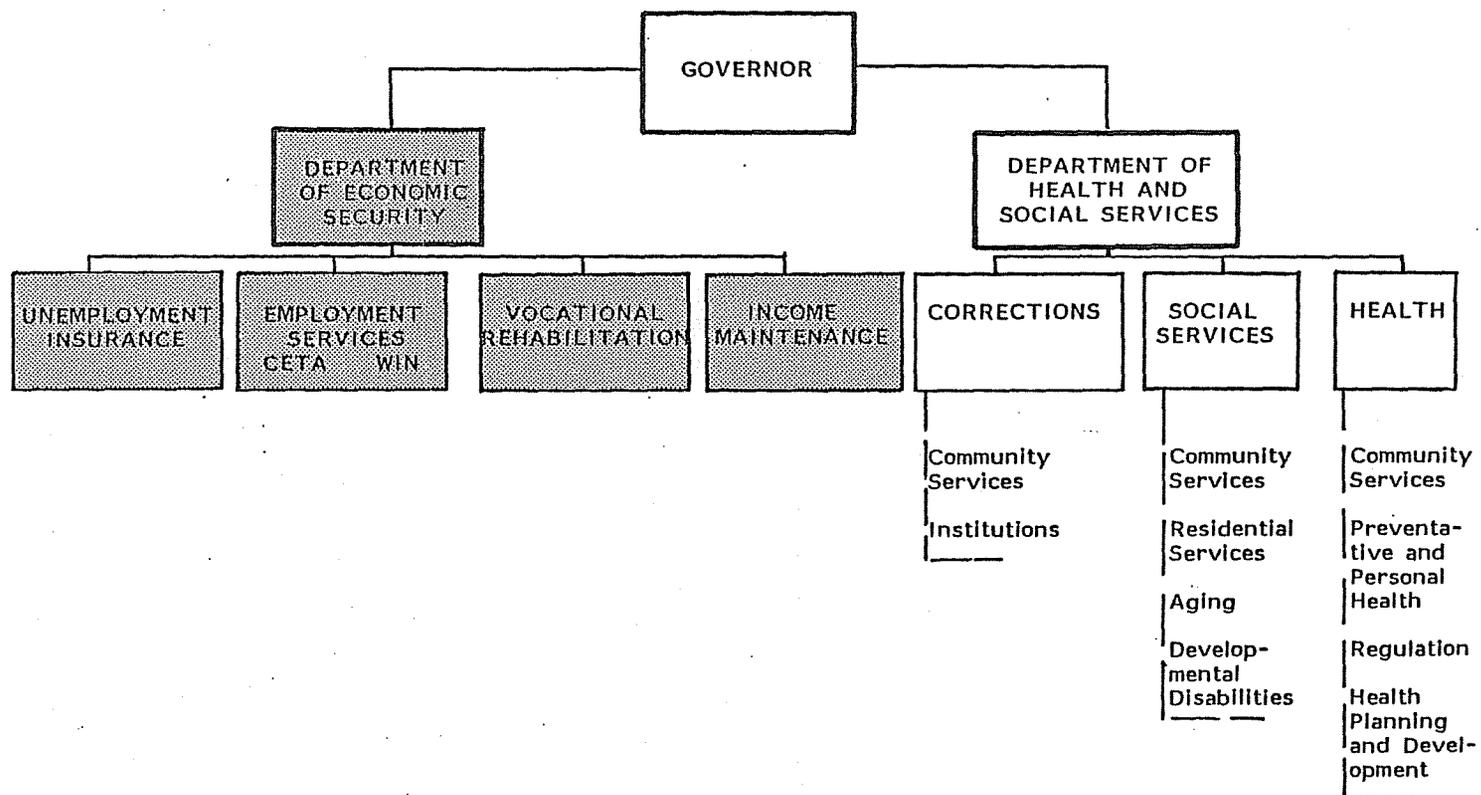
	GOVERNOR	

DEPARTMENT OF ECONOMIC SECURITY

UNEMPLOYMENT INSURANCE	EMPLOYMENT SERVICES CETA WIN	VOCATIONAL REHABILITATION	INCOME MAINTENANCE

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

CORRECTIONS	SOCIAL SERVICES	HEALTH
Community Services	Community Services	Community Services
Institutions	Residential Services	Preventative and Personal Health
	Aging	Regulation
	Developmental Disabilities	Health Planning and Development

[*]From Office of Human Services Report, Economic Security and Health and Social Services, A Strategy for Change in State Government. (Department of Administration, 1976).

The merits of the bill, and the proposal which underlay it, had been closely scrutinized on all sides. Opponents included those who supported a separate Department of Vocational Rehabilitation. Previous legislative action had taken Vocational Rehabilitation programs out of the Department of Education and created a new department, scheduled for full implementation in mid-1977. Now those plans had been superceded and Vocational Rehabilitation was again to be incorporated in a larger administrative structure. Some questioned whether the emphasis on jobs of the Economic Security agency would subsume the rehabilitative focus of the Vocational Rehabilitation programs. Supporters of the bill, however, were attracted by the prospect for greater administrative efficiencies and program coordination.

Some legislators saw cost containment as one of the virtues of the bill they had passed. However, the Office of Human Services never promoted reorganization as a method of saving money. It was envisioned as a means of reallocating resources and improving program planning and service delivery.

The new department merged three separate agencies: the Governor's Manpower Office, which included the state's CETA and OEO programs; the Department of Employment Services, which had administered the Job Service and Unemployment Insurance programs; and the Department of Vocational Rehabilitation. The legislative process had limited the scope of human service reorganization in the state since it left intact all of the existing agencies which administered health and social service programs. But the Department of Economic Security was a reality and it was to present an ample challenge to the skills of government managers.

E.   TRANSITION TO A DEPARTMENT OF ECONOMIC SECURITY

The first step in organizing the new department was the appointment of a commissioner. Preparing for the formal merger entailed a lengthy agenda for the new commissioner. Included on this agenda were: (1) recruiting administrative staff, (2) gaining acceptance by the separate agencies, and (3) planning for the organization and management of the new department. In addition, agreements had to be worked out with the federal funding agencies regarding joint administration of their separate programs.

The funding[1] provided by the legislation enabled the commissioner to hire several of the Office of Human Services staff, giving a sense of continuity to the planning and implementation stages of the reorganization. These people were instrumental in developing an agenda for the transition period and organizing task forces and field visits to build concensus for the reorganization.

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[1]$150,000 was appropriated to set up the new department.

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The recruitment search for the top administrative positions in the department was critical. Two task forces were created to assist in screening candidates and making recommendations to the commissioner for the deputy commissioner and four assistant commissioner positions. The recruitment process required more time and staff attention than had been anticipated.

The commissioner spent much of his time visiting the outstate offices to explain the reorganization and to gain the trust and cooperation of field office staff. He believed that this was a necessary part of the transition activities in view of the acrimony that had been generated by the legislative debates.

From the beginning, the department's management considered it advisable to move through the early stages of reorganization at a slow and deliberate pace. Some staff feared that job status and seniority would be lost, that relocation would mean more cramped quarters, and that individual program missions would be engulfed by general department goals. The strategy chosen for managing these concerns was to establish task forces to concentrate on each transition issue. Six task forces were created: (1) communication, (2) space and facilities, (3) fiscal, (4) personnel, (5) organization and management, and (6) information systems. These task forces were comprised of persons from the affected agencies and from other areas of state government. Participation, however, was limited to a relative handful of department employees.

There were three separate federal funding sources for the new department: the Department of Labor, the Community Services Administration, and the Department of Health, Education, and Welfare. Up to this time there had been little state intervention in program management, so agreements had to be established between state and federal agencies. In addition, federal agencies had to reach agreements among themselves on several fiscal and organizational issues involved in the merger. In many instances these agreements were new ventures and no precedent existed to guide the participants.

One problem was to work within the guidelines established by federal agencies. HEW, for example, has developed specific requirements preventing a total integration of Vocational Rehabilitation programs in a state umbrella agency:

> The law requires that there be an organizational unit devoted solely to Vocational Rehabilitation..., with responsibility and authority for carrying out the vocational rehabilitation program of the state.... Further, all decisions affecting eligibility, the nature and scope of, and the provision of vocational rehabilitation services must be made through the VR unit.[1]

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[1]U.S. Department of Health, Education, and Welfare Instruction Memorandum, #RSA-PI-75-31, June 3, 1975.

However, these requirements do not preclude the "central-
ization at the state agency level of certain routine administrative
functions, often described as staff or support functions. These
include housekeeping, bill paying, data processing, accounting, and
routine personnel processing." Potential conflicts with federal
regulations arise when key policy decisions are made by units other
than the state VR unit.

The Commissioner of Administration was notified that the
Department of Economic Security would become formally operational
on December 1, 1977. The departments of Vocational Rehabilitation
and Employment Services were merged by the legislation; programs
previously administered by the Governor's Manpower Office were
officially transferred into the department by executive order.
Figure 5 shows the new department's structure at this time.

The legislation creating the department directed the new
commissioner to submit a report to a joint legislative conference
committee by January 1, 1978. The report included a plan for
reorganization and presented 45 specific departmental objectives
whose accomplishment would, in effect, bring about the reorganiza-
tion. These objectives drew heavily from the departmental reorgan-
ization objectives recommended by the OHS. It is important to
recognize that, although the department formally materialized in
December 1977, the full transition to a functionally merged entity
would not be complete until these departmental objectives were
achieved. Most of the objectives were scheduled for completion by
mid-1979, but, as we show in our final evaluation report, many
objectives are still unattained![1]

F. KEY FEATURES OF THE REORGANIZATION

A review of the Minnesota reorganization experience
points up several key features of the process which can be iden-
tified as highly significant:

1.   The Governor took the lead in designating a commission to
     develop a plan for reorganization of human services. His
     charge to the Office of Human Services was built on the
     conclusion and recommendations of previous state studies.

2.   The Office of Human Services focused its efforts on
     developing a plan for reorganization of human services
     agencies. The problem had been defined and perameters

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[1]Program Evaluation Division, Evaluation of the Depart-
ment of Economic Security, Chapter II.

FIGURE 5

DEPARTMENT OF ECONOMIC SECURITY, DECEMBER 1, 1977

GOVERNOR — — — Governor's Council on Employment & Training

COMMISSIONER — — — Vocational Rehabilitation Consumer Advisory Council

DEPUTY COMMISSIONER — — Prime Sponsor Manpower Planning Council

State Employment Service Advisory Council

Veteran's Employment Service (Federal)

Legal Services/Assistant Attorney General

CONTROLLER

OFFICE OF THE COMMISSIONER
Policy & Planning
Consumer Advocacy
Public Information & Education
Statewide CETA Coordination
Economic Opportunity

PERSONNEL SERVICES
Labor Relations
Affirmative Action
Personnel Services
Training

MANAGEMENT SUPPORT DIVISION
Assistant Commissioner

Business & Financial
    Services
Data Processing Services
Research & Statistical
    Services
Library Services

EMPLOYMENT & TRAINING DIVISION
Assistant Commissioner

BOS Prime Sponsor (CETA)
Employment Service/WIN
Outstate Unemployment Insurance
Work Equity Program
Program Support

UNEMPLOYMENT INSURANCE DIVISION
Assistant Commissioner

Tax Branch (including
    investigation)
Benefits Branch (including
    Metro Unempl. Insurance)
Appeals Branch
Second Level Appeals Section
Budget & Analysis Section

VOCATIONAL REHABILITATION
Division Assistant
Commissioner

Client Services
Long-Term Sheltered Work-
    shops/Rehabilitation
    Facilities
Disability Determination
    (Social Security)
Program Support

of the study delineated in the Executive Memo. After determining what reorganization plan was most suitable, the OHS proceeded to build support for that idea.

3. <u>Agencies</u> affected by the reorganization were predictably hesitant to surrender authority, funds, or program purpose to any broader mandate. There were varying degrees of cooperation depending on the extent to which the agency believed itself to be threatened by a reorganization. In some instances the agencies were influenced by federal sentiment to separate programs receiving categorical aid.

4. <u>Legislators</u> varied greatly in their views of reorganization as a management tool. Their support or opposition was related to special concerns of their constituents, personal philosophies about government spending, and whether or not they supported the administration's position on this.

5. <u>Special Interest Groups</u> predictably were advocates for maintaining individual program identity. This was especially true in the case of the Vocational Rehabilitation program, which has a very vocal and active constituency. Similarily, employment related programs were resistant to merging with welfare programs because of the stigma attached. These fears are based on the belief that unemployed persons seeking either a job or insurance are fearful of being mistaken for welfare applicants.

6. Several members of the <u>new department's initial staff</u> had also been involved in the Office of Human Services project. This provided a built in continuity between the larger goals of the reorganization and the efforts by the department to implement them.

7. <u>State politics</u> were a controlling factor in the implementation of the reorganization. One governor initiated the reorganization proposal, his successor signed the legislation establishing the Department, and a third has recently been elected. Because the Commissioner of the department is appointed by the governor, transitions in state administration can bring departmental activity to a complete halt. There has been lag time and uncertainty in the department, and this has worked against speedy implementation of the plan.

III. HUMAN SERVICE REORGANIZATION IN OTHER STATES

A comparative analysis of other states' reorganization experiences was conducted to determine if there were any commonalities between the Minnesota experience and those of other states. Figure 6 shows the kinds of human service reorganizations which have been conducted by the states recently. Many states have consolidated all or a majority of the human service programs, including public assistance, social security, health, mental health, and corrections. In some instances vocational rehabilitation was included, and in other instances employment services was included. Often these programs were left to operate autonomously.

A. ESTABLISHING CRITERIA FOR SELECTING SAMPLE STATES

We decided that the analysis would be most useful if it was limited to those states with reorganizations similar to Minnesota's. The first step in our analysis was to establish criteria for selecting the sample states. We looked to the Minnesota experience to determine which characteristics of other state reorganizations would be most useful for comparison. The following criteria were developed:

- The states selected should have a department which includes at least two of the three programs in the Minnesota Department of Economic Security (i.e., Vocational Rehabilitation, the Comprehensive Employment and training Act, and Employment Services--Job Service and Unemployment Insurance). Preferably Vocational Rehabilitation should be included because of the differences in federal funding agencies (Health, Education and Welfare for Vocational Rehabilitation and Department of Labor for the employment-related programs).

- The states selected should represent a variety of reorganizational processes. Those of particular interest were comprehensive state reorganizations, comprehensive human resources agency reorganizations and internal department reorganizations.

- The reorganizations should have occurred during the early 1970's. This would allow enough time for the reorganization to have been fully implemented.

FIGURE 6
STATE HUMAN SERVICE REORGANIZATIONS: PROGRAM CONSOLIDATIONS

State	Agency	Type and Date of Reorganization	Public Assistance & Social Services	Health	Mental Health	Cor-rections	Youth Insti-tutions	Voca-tional Rehabil-itation	Employ-ment Security	Manpower
Alaska	Dept. of Health and Social Services	CHRA[1] (1959)	X	X	X	X	X			
Arizona	Dept. of Economic Security	CHRA (1973)	X					X	X	X
Arkansas	Dept. of Human Services	CHRA and Comp.[2]	X		X		X	X		
California	Health and Welfare Agency	Comp. and CHRA (1969)	X	X	X	X	X	X	X	
Colorado	Dept. of Social Services	Comp. (1968) Comp. (1968)	X					X		
Delaware	Dept. of Labor	Comp. (1969)						X	X	X
Florida	Dept. of Health and Rehabilitative Services	CHRA and Comp. (1969 & by statute 1975)	X	X	X		X	X		
Georgia	Dept. of Human Resources	CHRA and Comp. (1972)	X	X	X		X	X		
Hawaii	Dept. of Social Services and Housing	1959	X			X		X		
Idaho	Dept. of Employment	Comp. (1974)							X	X
Iowa	Dept. of Social Services	CHRA (1967)	X		X	X	X			
Kansas	Dept. of Human Resources	Comp. (1976)							X	X
Kentucky	Dept. of Human Resources	CHRA and Comp. (1972)	X	X	X		X		X	X
Louisiana	Health and Human Resources Administration		X	X	X			X		
Maine	Dept. of Manpower Affairs	Comp. (1971)							X	X
Maryland	Dept. of Human Resources	Comp. (1970)	X						X	X

State	Agency	Type and Date of Reorganization	Public Assistance & Social Services	Health	Mental Health	Corrections	Youth Institutions	Vocational Rehabilitation	Employment Security	Manpower
Massachusetts	Executive Office of Human Services	(1971)	X	X	X	X	X	X	X	
Michigan	Dept. of Social Services	Comp. (1965)	X				X			
Minnesota	Dept. of Economic Security	(1977)						X	X	X
Missouri	Dept. of Social Services	CHRA (1974)	X	X		X	X	.		X
Nevada	Dept. of Human Resources	CHRA (1963)	X	X	X		X	X		
New Hampshire	Dept. of Health and Welfare	CHRA (1961)	X	X	X					
New Jersey	Dept. of Labor	Internal (1970)						X	X	X
New Mexico	Dept. of Employment Security	(1979)							X	X
North Carolina	Dept. of Human Resources	CHRA 1965	X	X	X		X	X		
Oregon	Dept. of Human Resources	CHRA 1971	X	X	X	X	X	X	X	X
Pennsylvania	Dept. of Labor							X	X	X
South Dakota	Dept. of Social Services	CHRA (1969)	X		X	X		X		
Utah	Dept. of Social Services	CHRA (1969)	X	X	X	X	X			
Vermont	Agency of Human Services	CHRA (1970)	X	X	X	X	X	X		X
Virginia	Office of Human Resources	CHRA and Comp. (1972)	X	X	X			X	X	
Washington	Dept. of Social and Health Services	CHRA (1970)	X	X	X	X	X		X	
Wisconsin	Dept. of Health and Social Services	CHRA (1967)	X	X	X	X	X	X		
Wyoming	Dept. of Health and Social Services	CHRA (1969)	X	X	X			X		

1 Comprehensive Human Resources Agency
2 Comprehensive State Reorganization

B. SELECTING THE STATES

Using these criteria, the following five states were selected for further study and analysis.

- Arizona Department of Economic Security
  Programs included: Vocational Rehabilitation,
                       Employment Services,
                       CETA and
                       Public Assistance
  Type of Reorganization: Comprehensive
  Year established: 1972

- Delaware Department of Labor
  Programs included: Vocational Rehabilitation,
                       Employment Services,
                       CETA
  Type of Reorganization: Comprehensive
  Year established: 1970

- Maryland Department of Human Resources
  Programs included: Employment Services,
                       CETA and
                       Public Assistance
  Type of Reorganization: Comprehensive State and
                            Human Resources Agency
  Year established: 1970

- New Jersey Department of Labor and Industry
  Programs included: Vocational Rehabilitation,
                       Employment Services,
                       CETA
  Type of Reorganization: Internal reorganization
  Year established: 1972

- Oregon Department of Human Resources
  Programs included: Vocational Rehabilitation,
                       Employment Services,
                       CETA and
                       Public Assistance, Social Services,
                       Health, Mental Health, Corrections
                       and other small programs
  Type of Reorganization: Comprehensive State and
                            Human Resources Agency
  Year established: 1971

C. METHOD OF ANALYSIS

Our analysis related directly to those factors which were of critical interest in the Minnesota reorganization. The specific factors for analysis involved the ability of each state to implement the reorganization. We anticipated finding many of the same efforts toward joint administration and delivery of services, complications in implementing these objectives, and results with regard to cost, service delivery, and administrative changes that were present in Minnesota.

Following is a list of the factors we chose to analyze and the rationale for each:

- Centralization of Administrative Support Functions - Integration of support services was an early departmental objective in Minnesota. Three support functions were singled out for centralization (1) personnel activities, (2) fiscal and business management activities, and (3) public information and publications functions for the department. Four others were specified for further study and restructuring as department-wide functions: (1) policy and planning, (2) consumer advocacy, (3) the information system, and (4) research and statistical reporting. An objective of the analysis was to determine whether other states had attempted centralization of similar functions and what their experiences had been.

- Integration of Programs - A unified service delivery system had been a goal of the Office of Human Services study which preceded the Minnesota reorganization. Neither the legislature nor the department adopted this approach, choosing instead to assure the various factions that program integrity would be maintained. However, there were some efforts by the department to integrate certain phases of the programs, especially in areas where there was obvious duplication of activities in separate programs. An objective of the analysis was to determine how successful this had been when attempted by other states.

- Colocation - The inspiration for colocation of services in Minnesota's field office locations came from other states that had adopted it as a primary goal. The concept of colocation of services carries with it assumptions of what can be achieved by sharing facilities. It was assumed that consumers with multiple needs would find that colocation increased convenience and accessibility. It was also assumed that colocation would cause staff to be more knowledgeable about other services and more likely to refer people to these services. Similarly, it was assumed

that colocation would result in commonly shared areas such as lunch rooms, conference rooms and restrooms. Determining whether colocation was attempted and achieved, attempted and abandoned, or never attempted would be helpful in our comparison.

- Resistance to Change - The resistance to the reorganization in Minnesota was directly related to some of the obstacles in implementing changes in the department. The natural rivalry between programs was emphasized by the hostility to the reorganization, and while this resistance has appeared to dissipate with time, it is still a factor, and has direct relationship to the success of departmental goals. Determining whether there was resistance to proposed departmental restructuring and whether it affected implementation of the goals would help to put Minnesota's experience into perspective.

- Costs of Reorganization - Cost is a concern because some legislators have reasoned that successful implementation of these goals would result in cost savings. Part of our study intent was to determine which, if any, of the department goals can be expected to result in cost savings, or whether decreasing bureaucratic inefficiences and increasing consumer accessibility should be the primary measures of success.

D. ANALYSIS OF THE STATES BY FACTOR

1. ARIZONA

Since its creation, the Department of Economic Security in Arizona has undergone a number of substantive changes in direction and policy. These changes are due in part to changes in the governorship, and a corresponding turnover in Department leadership. Since the inception of the plan in 1972, the department has had six directors.

Efforts to centralize support services have varied under different directors. This has meant that no policy has been in effect for long before it has been abandoned in favor of a new organizational structure. For example, since the department's creation, the responsibility for research activities was assigned first to the individual programs and then pulled into a central administration function, and still later, assigned back to the programs. During the time that support functions were centralized, an evaluation study found that in six instances administrative functions were "ineffective," and that they were "limiting the effectiveness of program bureau management to administer client services." Specifically, the study found apparent "insufficient understanding or

sensitivity to program bureau needs resulting in complex procedures and inattention given to bureau priorities."[1]

The current director has taken steps to centralize data processing, accounting, personnel, staff training, and legal services. More time and continuity in operating procedures are necessary before any conclusive findings will be available.

A central reason for the Arizona reorganization was to integrate related services and provide a "total evaluation" of one-stop multiple service centers. Again, the policy was inconsistent because of frequent changes in leadership. The original plan was to provide services integration by delegating program management and supervision to regional administrators at the local office level. The evaluation study found "the 1973-1977 management attempt to integrate services was unworkable and resulted in an overall decrease in Department of Economic Security's effectiveness." The study concluded that effectiveness decreased because integration of services "resulted in decreased quality of training, supervision, policy interpretation, and diversion of staff from functions critical to the effectiveness of each program." [2]

Frequent changes in the governorship have prohibited the Department of Economic Security from pursuing a single organizational structure for any length of time. Because of these many changes, it is difficult to analyze the present status of the department in terms of service integration. In spite of the past negative experiences with integration, the new director plans to reintroduce coordination among services through many of the same integration activities.

Colocation of multiple services in field offices was seen as an extension of the philosophy toward integration of services. While that effort has been abandoned, nine one-stop centers still remain. The problems they encountered in leasing buildings suitable for a center were that some buildings were poorly suited for delivery of services, and rental cost increased more rapidly than had been anticipated. The department is presently constructing three facilities of its own to resolve these problems.

Colocation is believed by some to have made services more accessible to consumers because prior to that, services for the entire state were available only in Phoenix. The Department of Labor has expressed concern that they are being charged for facility costs in excess of these allowable under grant regulation, and that colocation with public assistance programs would discourage some employment applicants from using the job placement services.

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[1] Arizona Legislative Council: An Assessment of the Department of Economic Security-Final Report, Touche Ross Company (March 1978), p. 24.

[2] Arizona Legislative Council: An Assessment of the Department of Economic Security-Final Report, p. 24-30.

Department staff fought integration of services because of the direct effects on individuals and programs. Many of the department's problems have been attributed to middle management resistance to the reorganization. There were suggestions that moving civil service protection from this group, at least temporarily, might reduce some of the efforts to undermine the changes. Employees in middle management positions do not change jobs frequently, so that old hostilities persist and continue to complicate decision making.

The evaluation study of the Arizona reorganization experience found that restructuring the Department of Economic Security into two or more departments could result in significant increases in the costs of administrative support services. The greater portion of such increases would be caused by the initial division into separate departments--($1.5 million was the estimate). The long term effects of this restructuring were inconclusive.

2. DELAWARE

In the first year of Delaware's reorganization, the department attempted to consolidate accounting functions, but abandoned the effort when differing federal funding sources and internal resistance to change frustrated the effort. At present, each division is responsible for its own accounting, personnel, budgeting, training, and public information functions. One comment was that "There is no upper bureaucratic interference in the work of the divisions."

Similarly, the department has not attempted to integrate separate programs. Each division maintains line authority over its programs and functions as a self-contained unit. Apparently neither centralization of support services nor integration are goals of the department.

The reorganization has made very few actual changes. However, it has fostered increased interaction and cooperation among the divisions. For example, the Vocational Rehabilitation and Employment Securities divisions have sponsored joint programs, and CETA has contributed funds for some projects.

These divisions participate in multi-service centers sponsored by the Department of Health and Social Services. The Vocational Rehabilitation and Employment Services programs do not fund the multi-service centers, but provide manpower for the offices. There are also separate service delivery offices for Vocational Rehabilitation and Employment Services.

Since actual change in the department operations has been minimal, resistance has also been minimal. Similarly, there appears to be little concern for cost impact from the reorganization.

3.   MARYLAND

Since its creation in 1970, the Maryland Department of Human Services has been through three departmental reorganizations.   The original organization of the department was a loosely structured agency with the Office of the Secretary superimposed on the other agencies as an additional layer of bureaucracy between the division and the governor.

When the department's first secretary was appointed, the department was reorganized with the idea of complete integration of services and functions.   Individual department program divisions were abolished and services were integrated by creating one-stop service centers.   Support services for the department were transferred to the division of administration.

This restructuring was strongly opposed by department personnel, program professionals, and legislators.   After two years of the proposed five year reorganization plan, the administrator who was implementing it left the department.   Subsequently, that structure was abolished and in its place is one that gives programs their own budgeting authority and identity, yet retains support services for the programs in the Office of Administration.

Centralization of functions had been a goal in the reorganization proposal to the legislature and the governor.   It was anticipated that there would be cost savings from sharing certain support services which were common to all programs.   Integration of services had not been a goal of the formal reorganization plan; rather, it was the goal of its first administrative head.   Although efforts to integrate programs did not succeed, there has been increased communication between programs which has helped to coordinate services.

The creation of one-stop service centers had been a component of the integration plan and was abandoned when that plan was abolished.   However, the department continued its effort to colocate services in the same building or general area whenever possible.   An evaluation was conducted on a pilot project for multiservice centers which found a potential for cost savings if certain facilities are shared.   This evaluation is reported in more detail in a separate study on colocation.[1]   The plan to integrate programs and create one-stop service centers met with considerable resistance.   Later analysis showed the basis of the resistance was from employment services and welfare programs.   Testimony before a legislative committee included fears that employers were reluctant to place job orders with employment services when welfare recipients were a primary part of the labor pool.   The employers had been disappointed in the past and saw the association between welfare and employment services as a factor in the quality of employee sent to them.   Whether this fear is real, or based on isolated incidents, it is one reason for resistance to combine these programs.

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[1]Maryland Department of State Planning, State of Maryland Multi-Service Center Study-Summary Report (December 1976).

Maryland has worked with the federal government in cost allocation, which has meant considerable savings to the state. The department estimates substantial savings from centralization of support services as well.

4. NEW JERSEY

In 1972 the New Jersey Department of Labor and Industry went through an extensive internal reorganization to grant the commissioner direct influence over department policy and increase control over program management. With this new authority, divisions were reorganized on a functional basis with the assistant commissioners reporting directly to the commissioner.

Centralization was one of the goals of the reorganization and was implemented immediately. A commissioner-level office for administration was established and all administrative functions were assigned to that office.

The divisions are presently functioning as separate entities, but the department is moving toward a consolidation of functions among the divisions. Specifically, the department is in the process of centralizing the job development and job placement functions within Employment Services, Manpower, and Vocational Rehabilitation to eliminate the duplication and overlap that has existed in the past.

The New Jersey department has not attempted to create one-stop multi-service centers. There are isolated instances of consolidated services and efforts toward a team approach to service delivery, but the trend is clearly toward the development of small single service centers which are tailored to specific consumer needs. They reported having been encouraged in this effort by the regional offices.

Implementation of organizational change was rapid, but resistance was kept to a minimum by the leadership style of the commissioner. The department is continuing its efforts to consolidate the divisions so they can work more closely together.

Although we could not obtain specific figures, New Jersey has apparently experienced cost savings due primarily to centralization of support services.

5. OREGON

The Oregon Department of Human Resources was created in 1971 and includes all the major human service programs offered in the state. The reorganization was designed to give the governor more control over these and other human service programs and decrease the amount of day-to-day reporting. The legislature was

opposed to the department and refused to grant the director of the department any authority or resources.

There were early efforts to centralize some central staff functions such as accounting, personnel, and evaluation. These efforts were not successful, partially because of the massive size of the department. At present, the divisions are responsible for most of their own administrative functions. Oregon has recently established a central data processing function which is approved and monitored by the legislature. Budgeting is done through the director's office and may allow for some centralized program planning. In addition, a training program for managers has been introduced to increase communication about and understanding of department operations.

There has been no attempt to integrate services, and each division (i.e., Health, Mental Health, Employment, etc.) maintains control over programs under their jurisdiction. Coordination among divisions has increased, and problems can be resolved at the department level rather than requiring action by the governor or the legislature.

At the direction of the legislature, the department colocates services in the same facility whenever possible, usually when leases expire. The department is in the process of building centers for colocation of all government services. However, they do not intend to integrate services--each division will operate autonomously, and the center will be run by a management team of one representative from each division.

The centralized data process system has prompted some resistance from the Division of Employment Services and others who are concerned about its effects. They fear that performance will decline and are also concerned about the uses of combined data and possible threats to privacy. Savings from centralizing this system are estimated at $750,000 for the Employment Services Division.

IV. COMPARING THE MINNESOTA EXPERIENCE

As a whole, Minnesota is unlike the five other states we examined; however, there are similarities in some aspects of its reorganization. Further, there appears to be a common pattern among states depending on whether their reorganization occurred gradually or rapidly. This chapter puts the Minnesota experience into a broader interstate perspective.

A. CENTRALIZATION OF SUPPORT SERVICES

An early goal of the Minnesota Department of Economic Security was to centralize those support services that were common to each of its divisions. Three functions were identified for immediate action: personnel activities, fiscal and business management, and public information and publications. Four others were specified for study and later integration: policy and planning, consumer advocacy, information systems and research, and statistical reporting. This is similar to Maryland and New Jersey, where centralization of administrative support services was an early goal, and implementation was successful and remains in effect. Arizona, Delaware, and Oregon have attempted centralization but with limited success. Arizona has experienced several administrative changes, and centralization has been attempted, but only for short periods of time. Delaware made only one attempt to centralize the accounting function. Oregon intended to centralize administrative support services but was hampered due to a large management structure.

B. INTEGRATION OF SERVICES

Integration of program service is evident in Minnesota's long-range goals to establish a statewide cohesive delivery system, develop a procedure for effective coordination of job training and placement activities, and increase coordination between specified state and federal programs. This reflects a relatively cautious approach to integration which does not disturb the integrity of the individual programs. Coordination between programs may develop in many instances if allowed to "happen," but a forceful approach may cause a backlash where separation of programs becomes the theme.

Arizona and Delaware made early and forceful attempts to integrate program services, and the result was failure in both instances--limited integration is now being tried again. Delaware, New Jersey, and Oregon did not attempt to formally integrate serv-

ices, but they are now finding instances of coordination and program cooperation.

C. COLOCATION OF FIELD OFFICES

Colocation of field offices was an early department objective in Minnesota, although it was not mandated by the Legislature. At the time the department was established, there was some colocation of those field offices under the department's jurisdiction, as well as in other kinds of field offices throughout the state. This became a popular way to combine administrative activities and increase accessibility for consumers.

Programs involved in colocation face some critical considerations that differ with each program. The most important ones involved how relocation costs are allocated, how the move affects a programs target group, and whether there is any historic basis for merger with another program.

Arizona was the most adventuresome in developing colocation on a regional basis, even to the extent of using generalist staff rather than specialist staff at colocated service centers. This proved to be unpopular, was abandoned, and has been reinstated in a limited, less threatening way. Maryland's experience was similar to Arizona's. Delaware and Oregon are not opposed to colocation, but encourage it only as feasible. New Jersey reports a trend toward single-service centers in that state.

D. RESISTANCE TO CHANGE

Resistance to change in Minnesota has come primarily from within the department. As we have noted, change creates opportunities for some and threats for others. This is probably a factor in the resistance, and it is real. Positions and people were reevaluated, and this posed a threat for many employees. This is particularly true of program staff who were initially hostile to the reorganization.[1]

Most of the states experienced some kind of resistance and it was usually related to a specific aspect of the reorganization. Arizona reported middle management hostilities which persist to this day. This can be attributed to the frequent changes in administration, while middle management remained stable and became increasing

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[1]See our staff paper on Staff Morale and Attitudes Toward Reorganization: A Survey of Employees of the Department of Economic Security, Chapter III.

cynical.   Resistance in Maryland came primarily from Employment Services personnel who were reluctant to being associated with welfare because they feared this would hurt their program.   Oregon established a central data processing system and there was some question about the legitimacy of it and the possibility that more time would be required to obtain specific data.

E.   COST OF REORGANIZATION

Cost of reorganization is an issue in Minnesota because of a clause in the amendment to the legislation that calls for:

Identification of the estimated cost of the reorganization and any projected savings achieved by the reorganization in excess of a required five percent reduction in administrative cost and administrative staff by January 1980.

An immediate problem is determining "administrative costs" when each of the three programs differ in their definition.   Since a large portion of administrative costs include salaries, the various factors that affect these must be considered.

The other five states have not addressed this question fully.   Three of them--Maryland, New Jersey, and Oregon--realized cost savings from centralizing support services.   Maryland was able to reallocate some funds through agreement with the federal government, and this may be a future possibility for other states.   One study of colocation found that where certain support services and facilities were shared, there was a potential for cost containment.

F.   CONCLUSION

Two distinct patterns emerge from this comparative analysis of the sample states and Minnesota.   They involve the speed with which the reorganization goals are implemented:

- Where states rapidly tried to centralize functions, integrate services, and colocate offices, there was some resistance, some change in management, and temporary abandonment of or delay in meeting reorganization objectives.

● Where centralization of services was implemented grad-
ually, and where colocation was tried only when feasible,
a different pattern emerges: there was less resistance,
centralization was successful, coordination of services was
developing, and colocation was slowly becoming a reality.

Most of the states fall somewhere between these two
extremes, but perhaps some principles can be extracted from these
patterns:

● Implementing several reorganization changes at the same
time may increase the chances that resistance will emerge.

● Determining which reorganization goal is most important,
and focusing efforts and resources on that one, may
increase the likelihood that it will succeed.

● Selecting a goal which is non-controversial for early
implementation may reduce the threatening aspects of
reorganization.

● Planning ahead and assessing the potential problems
associated with the various reorganization changes may be
helpful in coping with them.

● Establishing an accurate profile of a department's re-
sources and needs at the time of reorganization and
requiring reports to monitor progress can help in later
evaluations of the reorganization.

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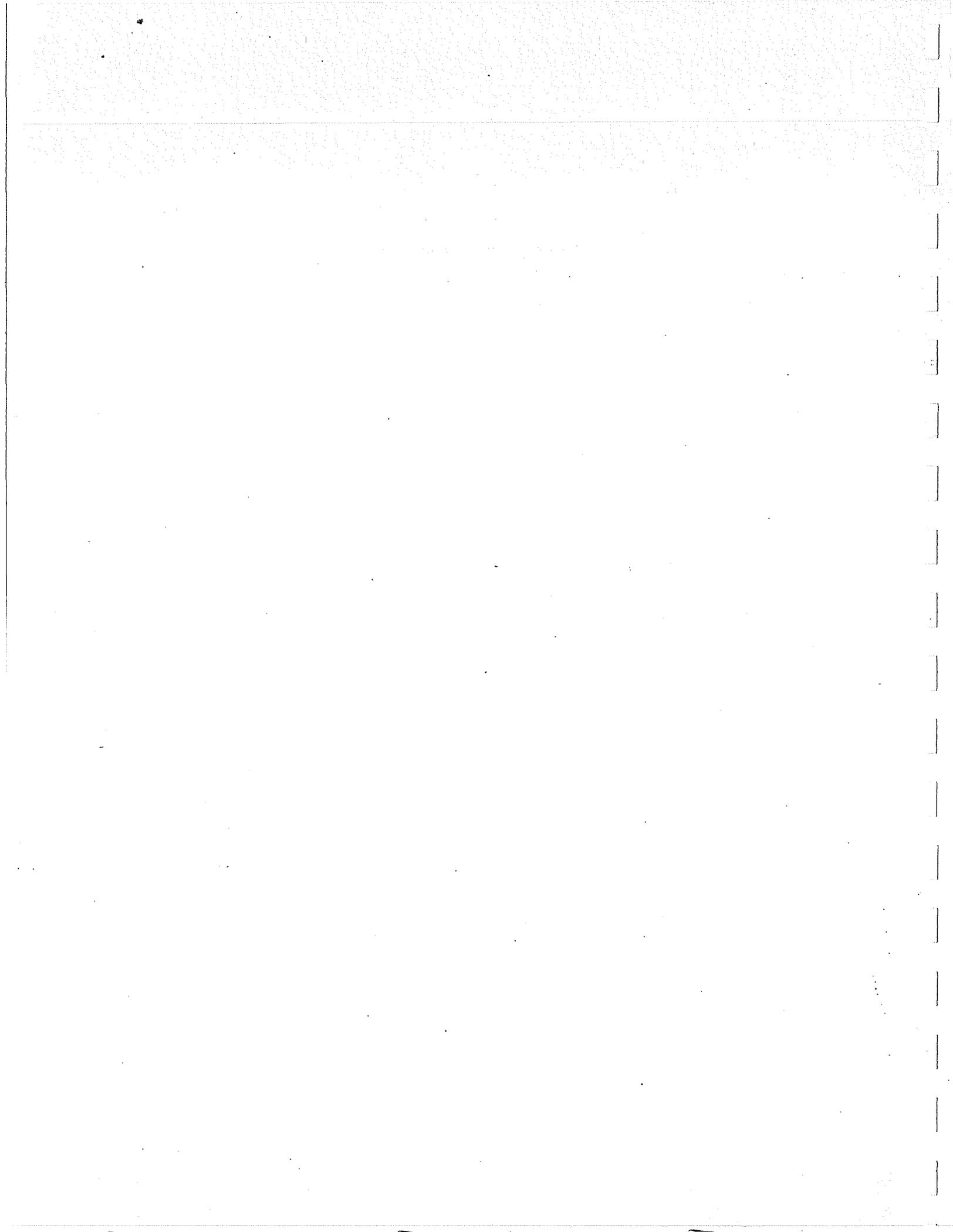
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