Reorganization Study of the Department of Commerce

DEPARTMENT OF ADMINISTRATION

SEAL OF THE STATE OF MINNESOTA
L'ETOILE DU NORD

MANAGEMENT ANALYSIS DIVISION

Pursuant to 1982 Laws, ch 641,
ART I, sec 2, sd 2(c)

Reorganization Study of the Department of Commerce

Management Analysis Division

Department of Administration

September, 1982

STATE OF MINNESOTA
DEPARTMENT OF ADMINISTRATION
SAINT PAUL 55155

OFFICE OF THE
COMMISSIONER

TEL. NO. 296-3862

September 27, 1982

The Honorable Albert H. Quie
Governor
130 State Capitol Building

Mr. Patrick E. Flahaven
Secretary of the Senate
231 State Capitol Building

Mr. Edward A. Burdick
Chief Clerk
House of Representatives
211 State Capitol Building

Gentlemen:

The enclosed report contains the Department of Administration's recommendation on the reorganization of the Department of Commerce. This report was completed pursuant to 1982 Laws of Minnesota, Chapter 641, Section 2, Subdivision 2.

Three alternative reorganization options were considered. Under the Strong Commissioner Option, the current commission structure is replaced with a single, strong administrator. The Commerce Commission is abolished. All statutory authorities and duties of the Commission, the Commissioner of Securities and Real Estate, the Commissioner of Insurance, the Commissioner of Banks, and the Director of Consumer Services are transferred to a Commissioner of Commerce.

Under the Weak Commissioner Option, administrative authority is given to a Commissioner of Commerce. Statutory program responsibilities are retained by the heads of the three regulatory divisions and the Director of Consumer Services. This alternative is found in several states.

Under the Commission Option, the current organizational structure is maintained but eight management and clerical positions are eliminated.

We recommend that the Legislature adopt the Strong Commissioner Alternative. A strong, single administrator can better coordinate activities and staff across divisions and better implement and enforce common administrative practices in the Commerce Department. The number of agency heads reporting to the Governor is reduced. The alternative results in a reduction of ten positions and annual savings, when fully implemented, of approximately $269,000. Finally, by placing the regulation of banking, securities, real estate, and insurance under a single commissioner, the state can more quickly and more effectively adapt to the increasing integration of these industries.

The Department of Commerce has reviewed our recommendation. Their responses are included in the report.

Any questions or comments regarding the report may be directed to Kathryn Roberts, Director of the Management Analysis Division, at 296-8034.

Respectfully submitted,

James J. Hiniker, Jr.
Commissioner

JJH:lo

enclosure

cc: Senate Finance Committee
Senate Governmental Operations Committee
Senate Commerce Committee
House Appropriations Committee
House Governmental Operations Committee
House Commerce and Economic Development Committee
House Finacial Institutions and Insurance Committee
Legislative Reference Library

INTRODUCTION

Chapter 641 of the 1982 Laws of Minnesota directs the Commissioner of Administration to develop and submit to the Legislature a plan for the reorganization of the Department of Commerce. The plan is to provide for the net reduction of at least six positions from upper level management and their attendant clerical support staff. See Appendix A for a copy of Chapter 641, Section 2, Subdivision 2, which mandates the reorganization plan.

METHODOLOGY

The Department of Administration's Management Analysis Division conducted the reorganization study. The study consisted of:

- An analysis of the department's statutes, rules, budgets, spending plans, annual reports, work plans, staffing rosters, and employee position descriptions.
- Interviews with forty-one managers, supervisors and clerical employees. The interviews focused on job responsibilities and working relationships in the department.
- Interviews with staff from the Department of Finance and Department of Employee Relations.
- A review of organizational structures in other states.

The study was conducted from July to September, 1982.

BACKGROUND

Structure: The Department of Commerce is administered by the Commerce Commission which is composed of the Commissioner of Banks, the Commissioner of Insurance, and the Commissioner of Securities and Real Estate. See Exhibit 1, which is a chart of the department's current organization. The commissioners each head one of the three regulatory divisions of the department. The Office of Consumer Services is administered by a director. The Commissioners and Director of Consumer Services are appointed by and serve at the pleasure of the Governor. One of the commissioners is appointed by the Governor to serve as chairman of the commission. Currently the Commission Chairman is the Commissioner of Banks. The Administrative Services Division is headed by an executive secretary who is appointed by the commission and directly responsible to the chairman.

The Department of Commerce also provides housing and administrative services for seven non-health occupational licensing boards: the Board of Abstracters, the Board of Accountancy, the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture, the Board of Barber Examiners, the Board of Boxing, the Board of Examiners in Watchmaking, and the Minnesota Board of Peace Officer Standards and Training.

Commerce Commission: The Commerce Commission is responsible for the overall administration of the department. It is empowered to review and rule on all quasi-judicial acts of a single commissioner upon the written request of an aggrieved party. The commission is also responsible for approving new charters for commercial banks, savings banks, savings and loan associations, credit unions, and industrial loan and thrift companies.

The Department of Commerce's F.Y. 1983 budget is $7,378,300. Its staff complement is 242.

Banking: The Banking Division supervises and regulates state-chartered financial institutions. Institutions supervised include commercial banks, savings banks, trust companies, certificate investment companies, savings and loan associations, credit unions, industrial loan and thrift companies, regulated lenders, motor vehicle sales finance companies, insurance premium finance companies, debt prorate companies, and safe deposit companies. Other mortgage lenders, not supervised by the division, are subject to registration and annual reporting requirements. The division's operations are entirely supported by revenues generated from fees paid by the supervised institutions and licensees. The division operates with a staff complement of eighty-one. Its F.Y. 1983 budget is $2,462,200.

Securities and Real Estate: The Securities and Real Estate Division administers laws on securities, corporate takeovers, franchises, real estate, subdivided lands, social and charitable organizations, and collection agencies. The division's activities include registration, licensing, and enforcement. The division's enforcement actions vary from administrative cease and desist orders and disciplinary proceedings to legal actions in state or federal district court. The division has a staff complement of thirty-four and a F.Y. 1983 budget of $1,094,100. $926,600 is appropriated from the State General Fund and $167,500 is dedicated money, collected from real estate licensees. The dedicated monies fund three staff positions in the real estate unit.

Insurance: The Insurance Division grants licenses to insurance companies, approves insurance forms, sets workers compensation insurance rates, regulates the financial condition of insurance companies, and enforces state consumer protection laws relating to insurance. The division also collects insurance premium taxes and apportions state aid to fire and police associations. The division operates with a staff complement of 71.5. Its F.Y. 1983 budget is $2,071,000, appropriated entirely from the General Fund.

Consumer Services: The Office of Consumer Services provides an information and referral service for consumers who have questions about consumer laws and a no-charge mediation service for people with consumer problems they are unable to resolve on their own. The office represents the interests of residential utility consumers in hearings before the Public Utilities Commission and licenses and regulates the cosmetology industry. The office has a staff complement of thirty-five. Its 1983 budget is $1,061,600, appropriated entirely from the General Fund.

Administrative Services: The division provides financial, personnel, and administrative services to the three regulatory divisions, the Office of Consumer Services, and the seven non-health occupational licensing boards. The division operates with a staff complement of 20.5. Its F.Y. 1983 budget is $689,400.

ALTERNATIVES

Three alternative reorganization options were considered: a Strong Commissioner Option, a Weak Commissioner Option, and a Commission Option. The alternatives are detailed below.

Two caveats should be stated in advance. First, our recommendations to eliminate staff positions are not meant to reflect on the performance of incumbents. Second, the alternatives include changes in the compensation and classification of several positions. These suggestions were developed after consulting with staff from the Department of Employee Relations. The Department of Administration is not authorized, however, to make final determinations on classification and compensation issues. Department of Employee Relations staff should thus be called upon during the implementation of a reorganization plan to audit affected positions and make final determinations on proper classification and compensation.

Alternative 1: Strong Commissioner Option. Alternative 1 replaces the current commission structure with a single, strong administrator. See Exhibit 2. Under this alternative:

- The Commerce Commission is abolished. All statutory authorities and duties of the Commission, the Commissioner of Securities and Real Estate, the Commissioner of Insurance, the Commissioner of Banks, and the Director of Consumer Services are transferred to a Commissioner of Commerce. The Commissioner is appointed by and serves at the pleasure of the Governor.

The Commission on Employee Relations is currently examining the salaries of the state's top managers. Until their report is finished and new guidelines have been established, we have budgeted the salary of the Commissioner of Commerce at $47,000.

- The Commerce Department is organized into four major divisions, each headed by a director: Securities and Real Estate, Banking, Insurance, and Consumer Services. The directors are appointed as unclassified managers by the Commissioner. We recommend appointments in the 19M to 21M pay ranges.

- An Assistant to the Commissioner position is created to coordinate the department's legislative and rule-making activities and to act as the Commissioner's administrative assistant.

- The Executive Secretary position is eliminated. The Personnel Director and Finance Director report directly to the Commissioner. The secretary to the Executive Secretary is transferred to the Commerce Commissioner.

- In the Securities and Real Estate Division

  - The position of Assistant to the Commissioner of Securities and Real Estate is eliminated. Legislative and rule-making responsibilities are shifted to the Assistant to the Commerce Commissioner. Franchise registration activities are shifted to the registration unit. One of the unit's current vacancies should be filled.

  - The deputy commissioner positions should be changed to classified managers or supervisors.

- In the Banking Division

  - The two positions of Assistant Commissioner of Banks are eliminated. The Chief Bank Examiner position should be upgraded to reflect increased responsibility for supervision of problem banks.

  - The Supervisor of Credit Unions, Supervisor of Consumer Credit, Office Manager, Compliance Analyst, and Chief Bank Examiner report directly to the Director of Banking.

- The Special Projects Analyst reports to the Chief Bank Examiner.

- All clerical employees report to the Office Manager.

- In the Insurance Division

  - The position of Associate Commissioner of Insurance is eliminated. Legislative and rule-making responsibilities are shifted to the Assistant to the Commerce Commissioner.

  - The three positions of Assistant Commissioner of Insurance are eliminated.

  - Three vacant clerical positions are eliminated.

  - The division is organized into five units: Forms Review; Policy and Workers Compensation; Financial Examinations, Revenues, and Aids; Consumer Assistance; and Office Management and Agent Licensing.

- In the Consumer Services Division

  - The position of Deputy Director of Consumer Services is eliminated. The vacant Research Director position should be filled. Its responsibilities should be redefined to include research, education, supervision of the cosmetology unit, and supervision of the entire division in the absence of the director.

Alternative 2: Weak Commissioner Option. Alternative 2 replaces the Commerce Commission with a single administrator. The heads of the regulatory divisions and Director of Consumer Services, however, retain their current statutory program responsibilities. This model is used in Oregon, Michigan, and California. See Exhibit 3. In Alternative 2:

- The Commerce Commission is abolished. Administrative authority is given to a Commissioner of Commerce who is appointed by the Governor and confirmed by the Senate. The Commission's authority to grant charters to financial institutions is transferred to the Director of Banking. We have budgeted the salary of the Commissioner of Commerce at $40,000.

- The Commerce Department is organized into four major divisions, each headed by a director:

Securities and Real Estate, Banking, Insurance, and Consumer Services. The directors are appointed as unclassified managers by the Commissioner. The directors retain the current statutory program authorities of the three present commissioners and consumer services director. However, the Commissioner is authorized to review the quasi-judicial acts of the directors upon the written request of an aggrieved party. The Commissioner is also responsible for the department's relations with the Governor, Legislature, and other executive branch agencies. Over time, statutory program responsibilities could be shifted to the Commerce Commissioner.

- An Assistant to the Commissioner position is created to coordinate the department's legislative and rule-making activities and to act as the Commissioner's administrative assistant.

- The Executive Secretary position is eliminated. The Personnel Director and Finance Director report directly to the Commissioner. The secretary to the Executive Secretary is transferred to the Commerce Commissioner.

- In the Securities and Real Estate Division

  - The position of Assistant to the Commissioner of Securities and Real Estate is eliminated. Legislative and rule-making responsibilities are shifted to the Assistant to the Commerce Commissioner. Franchise registration activities are shifted to the registration unit. One of the unit's current vacancies should be filled.

  - The deputy commissioner positions should be changed to classified managers or supervisors.

- In the Banking Division

  - All clerical employees report to the Office Manager.

  - The assistant commissioner positions should be changed to classified managers or supervisors.

- In the Insurance Division

  - The position of Associate Commissioner of Insurance is eliminated. Legislative and rule-making responsibilities are shifted to the Assistant to the Commerce Commissioner.

- The position of the Assistant Commissioner of Insurance in charge of policy analysis and workers compensation is eliminated. Responsibilities are transferred to the Insurance Regulatory Analyst Manager. The manager will supervise the actuaries, research analysts, regulatory analyst, and two insurance analysts.

- The other two assistant commissioner positions should be changed to classified managers or supervisors.

- Three vacant clerical positions are eliminated.

- In the Consumer Services Division

  - The position of Deputy Director of Consumer Services is eliminated. The vacant Research Director position should be filled. Its responsibilities should be redefined to include research, education, supervision of the cosmetology unit, and supervision of the entire division in the absence of the director.

<u>Alternative 3: Commission Option</u>. Alternative 3 basically maintains the current organizational structure. Eight positions are eliminated. See Exhibit 4. In Alternative 3:

- The title "Director of Consumer Services" is changed to "Commissioner of Consumer Services". The Commissioner is added to the Commerce Commission.

- The position of Executive Secretary to the Commerce Commission is eliminated. The Personnel Director and Finance Director report directly to the Chairman of the Commission. The secretary to the Executive Secretary is assigned to the Chairman to handle Commission and department-wide administrative matters.

- The position of Assistant to the Commissioner of Securities and Real Estate is eliminated. Line responsibilities are shifted to one of the currently vacant securities examiner positions.

- The position of the Assistant Commissioner of Insurance in charge of policy analysis and workers compensation is eliminated. Responsibilities are shifted to the Insurance Regulatory Analyst Manager.

- The position of Associate Commissioner of Insurance is eliminated. Responsibilities are shifted to the division's policy unit.

- Three vacant clerical positions in the Insurance Division are eliminated.

- The position of Deputy Director of Consumer Services is eliminated. Responsibilities are shifted to the currently vacant Research Director position.

RECOMMENDATIONS

We recommend that the Legislature adopt Alternative 1: the Strong Commissioner Option. Our reasons are:

- A strong, single administrator can better coordinate activities and staff across divisions and better implement and enforce common administrative practices in the department. Division of responsibilities and lines of authority are much clearer under the Strong Commissioner Option.

- The number of agency heads reporting to the Governor is reduced.

- The Strong Commissioner Option provides for a net reduction of ten positions and annual savings, when fully implemented, of approximately $269,000: $86,000 in reduced assessments and fees for financial institutions and $183,000 in direct General Fund savings. In comparison, the Weak Commissioner Option provides for a net reduction of six positions and annual savings of approximately $106,000. The Commission Option eliminates eight positions resulting in annual General Fund savings of approximately $186,000. The later two alternatives do not affect the assessments and fees paid by financial institutions. See Exhibit 5.

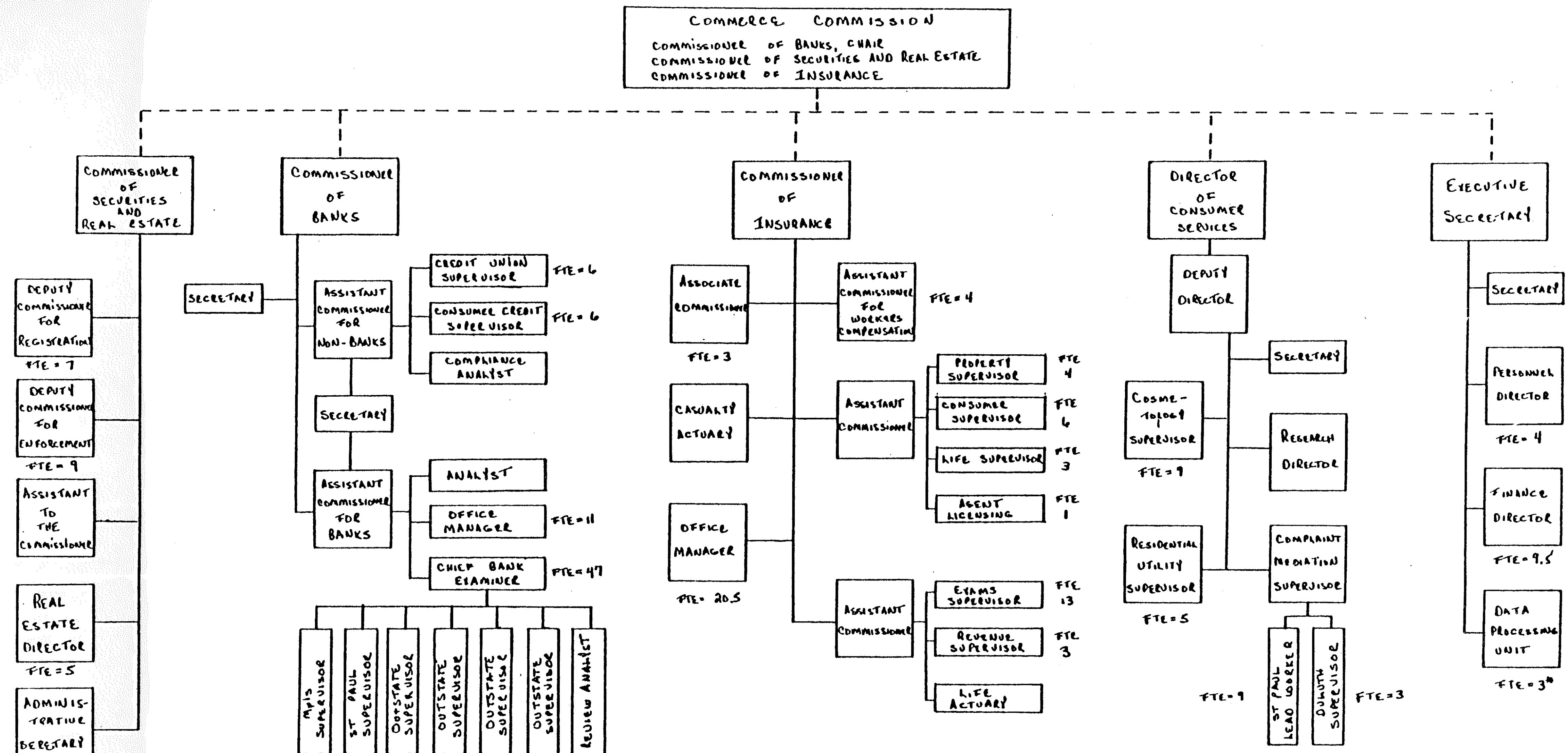
  To calculate first year savings, employee severance costs must be subtracted from the above figures. In the first year, the Strong Commissioner Option provides General Fund savings of $108,000 and reduced assessments and fees of $60,000. The Weak

Commissioner Option results in first year General Fund savings of $62,000. The Commission Option results in first year savings to the General Fund of $141,000.

- By placing the regulation of banking, securities, real estate, and insurance under a single commissioner, the state can more quickly and more effectively adapt to the increasing integration of these industries.

EXHIBITS

Current Structure
Department of Commerce



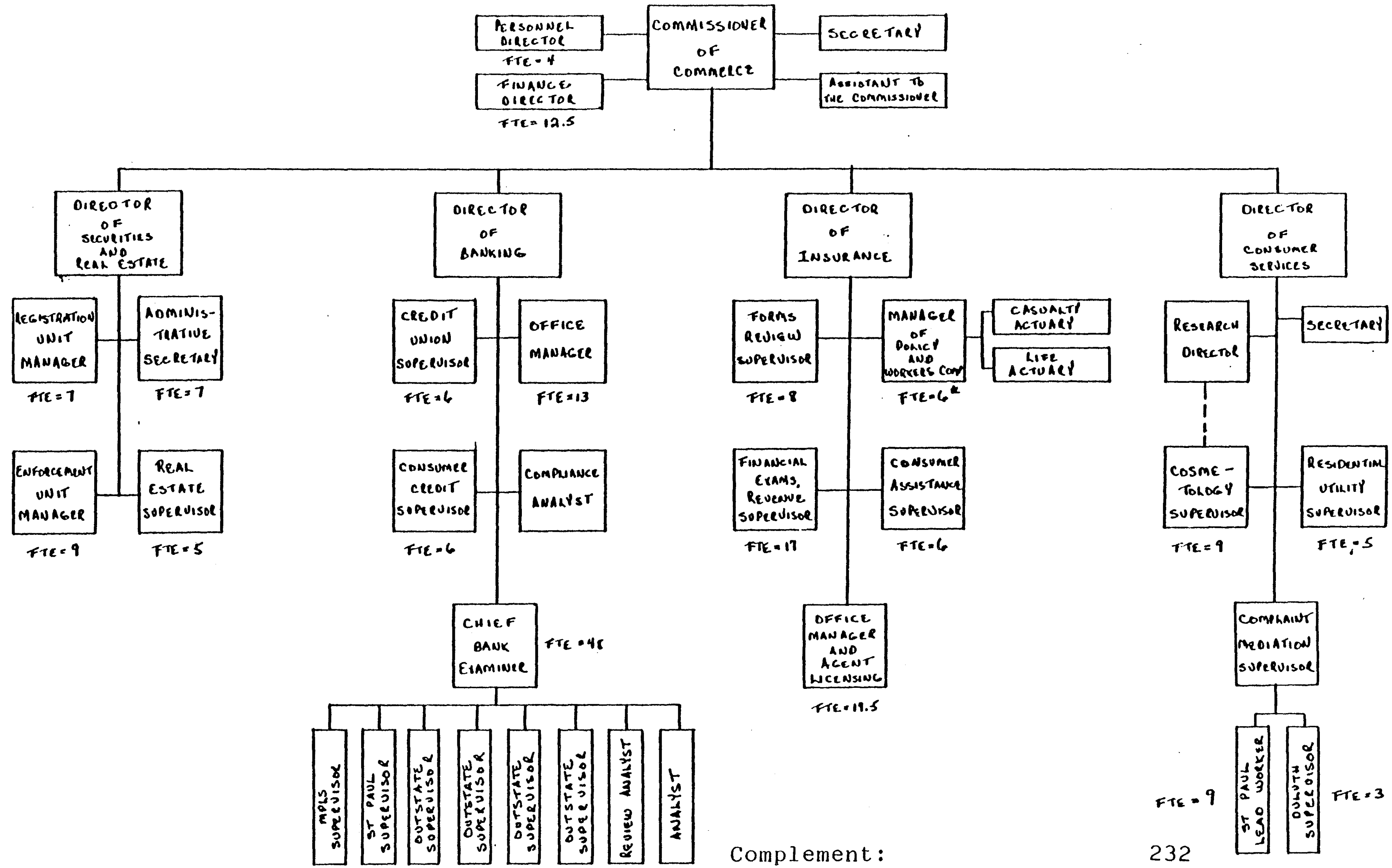
Notes:

FTE = The number of full time equivalent employees supervised by the manager or supervisor.

* The Data Processing Unit has a total of 3 staff. There is no line supervisor.

Complement:	242
Securities & Real Estate	34
Banking	81
Insurance	71.5
Consumer Services	35
Administrative Services	20.5

EXHIBIT 2
Alternative 1
Strong Commissioner Option

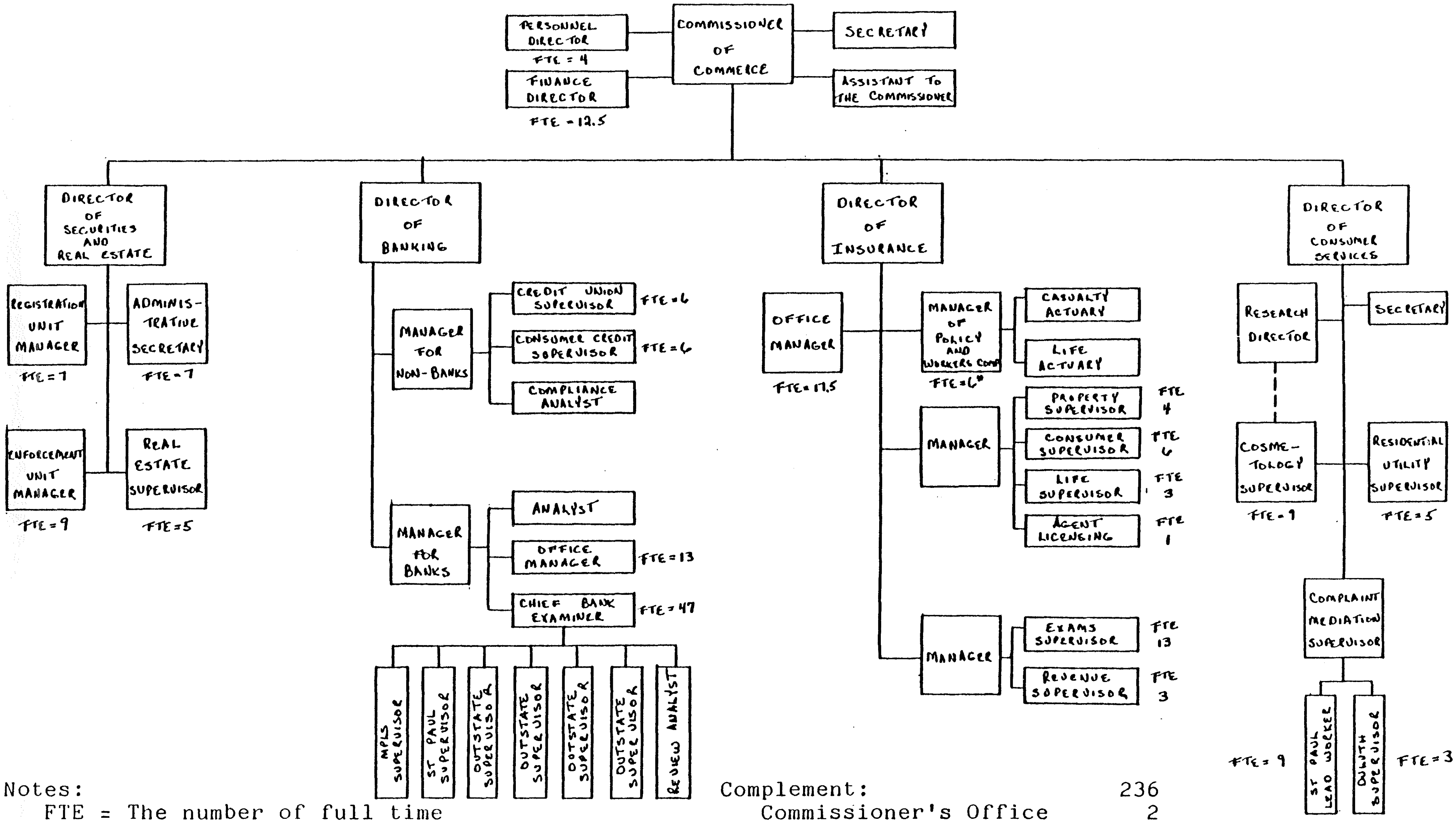


Notes:
FTE = The number of full time equivalent employees supervised by the manager or supervisor.

* Does not include the two actuaries.

Complement:	232
Commissioner's Office	2
Securities & Real Estate	33
Banking	79
Insurance	64.5
Consumer Services	34
Administrative Services	19.5

EXHIBIT 3
Alternative 2
Weak Commissioner Option

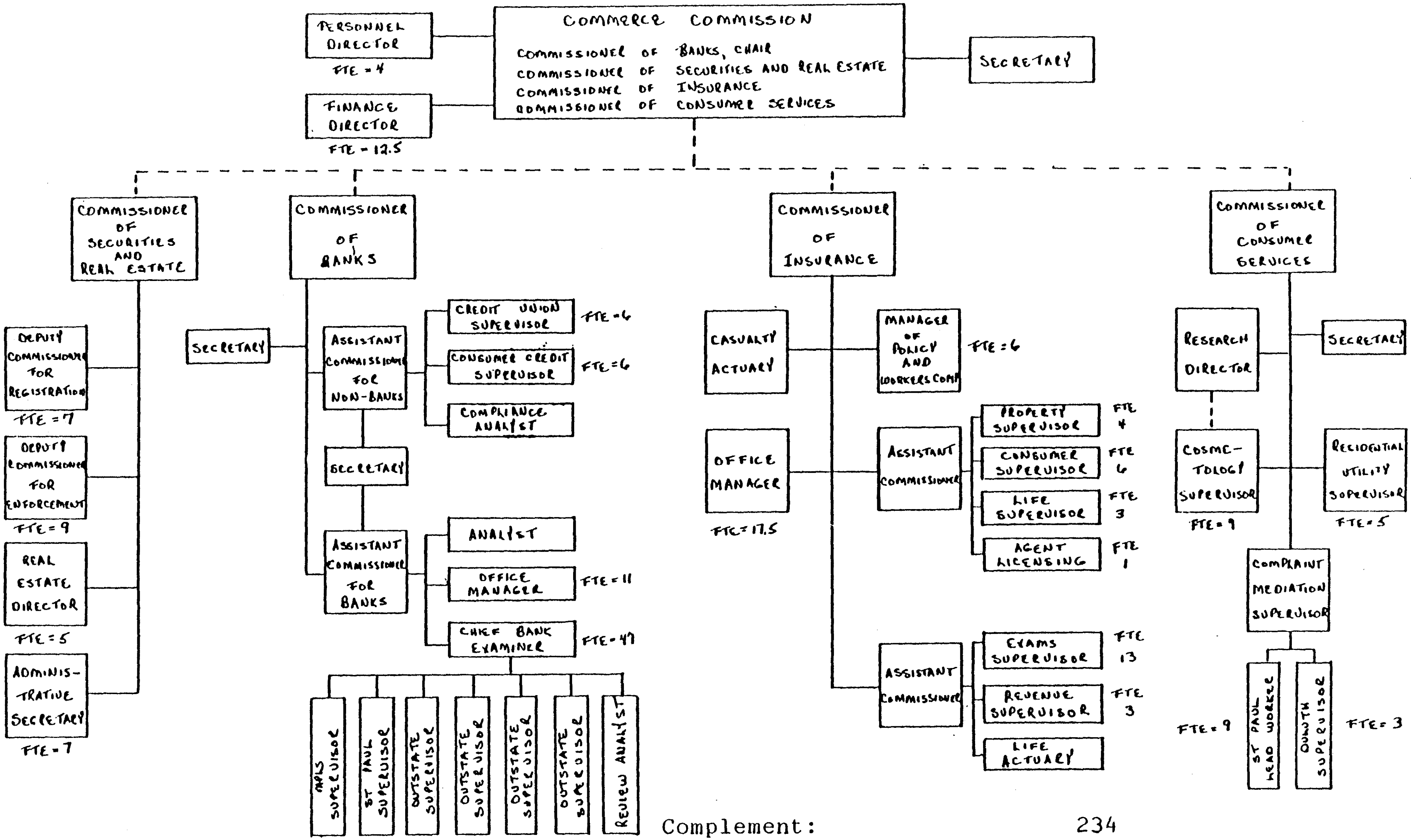


Notes:
FTE = The number of full time equivalent employees supervised by the manager or supervisor.

* Does not include the two actuaries.

Complement:	236
Commissioner's Office	2
Securities & Real Estate	33
Banking	81
Insurance	66.5
Consumer Services	34
Administrative Services	19.5

EXHIBIT 4
Alternative 3
Commission Option



Note:
FTE = The number of full time equivalent employees supervised by the manager or supervisor.

Complement:	234
Securities & Real Estate	33
Banking	81
Insurance	66.5
Consumer Services	34
Administrative Services	19.5

EXHIBIT 5

Exhibit 5 compares the savings resulting from the three reorganization alternatives.

When fully implemented, the alternatives will result in the following annual savings:

	Strong* Commissioner	Weak Commissioner	Commission
Net Number of Positions Reduced	10	6	8
Net Budget Reduction	$268,712	$106,408	$185,908
Net General Fund Savings	$182,938	$106,408	$185,908

Exhibit 5A gives a more detailed breakdown of these savings.

To calculate first year savings, employee severance costs must be subtracted from the above figures.

First Year Savings

	Strong* Commissioner	Weak Commissioner	Commission
Salary Savings	$182,938	$106,408	$185,908
Severance Costs	74,573	44,410	44,410
Net General Fund Savings	$108,365	$61,998	$141,498

Severance costs include: 1) accumulated annual leave, 2) severance pay, 3) six months' continued insurance coverage, and 4) maximum unemployment benefits for 26 weeks.

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* Under the Strong Commissioner Option, two positions are eliminated in the Banking Division. This results in a net budget reduction of $60,281 in the first year of the reorganization and $85,774 thereafter. Severance costs in the first year amount to $25,493. Because the division is supported by assessments and fees based on its cost of operation, reductions in the division's budget result in reduced assessments and fees rather than General Fund savings.

EXHIBIT 5A

Positions Eliminated(a)	Strong Commissioner	Weak Commissioner	Commission
Assistant to the Commissioner of Securities and Real Estate	$ 38,227	$ 38,227	$ 38,227
Assistant Commissioner of Banks	42,201		
Assistant Commissioner of Banks	43,573		
Associate Commissioner of Insurance	38,661	38,661	38,661
Assistant Commissioner of Insurance	42,744	42,744	42,744
Assistant Commissioner of Insurance	42,837		
Assistant Commissioner of Insurance	45,193		
3 Clerical Positions in the Insurance Division	49,500	49,500	49,500
Deputy Director of Consumer Services	34,505	34,505	34,505
Executive Secretary of the Commission	38,271	38,271	38,271
TOTAL	$415,712	$241,908	$241,908
Positions Added(b)			
Commissioner of Commerce(c)	$ 55,000	$ 47,000	
Assistant to the Commissioner(d)	36,000	32,500	
Senior Securities Examiner(e)	26,000	26,000	26,000
Research Director for Consumer Services(f)	30,000	30,000	30,000
TOTAL	$147,000	$135,500	$ 56,000
NET SAVINGS	$268,712	$106,408	$185,908
NET SAVINGS TO THE GENERAL FUND(g)	$182,938	$106,408	$185,908

EXHIBIT 5A

Notes:

(a) Savings figures include salary and fringe benefits. The figures are taken from the agency's F.Y. 1983 budget.

(b) Figures include salary and fringe benefits. Fringe benefits are budgeted at 6.7% of gross salary for FICA taxes, 6% of gross salary for retirement, and $2,121 for insurance.

(c) The Commissioner's salary is budgeted at $47,000 under the Strong Commissioner Option and $40,000 under the Weak Commissioner Option.

(d) The Assistant's salary is budgeted at $30,000 under the Strong Commissioner Option and $27,000 under the Weak Commissioner Option.

(e) The Senior Securities Examiner position is currently an unfunded, vacant position. The salary is budgeted at $21,000.

(f) The Research Director position is currently an unfunded, vacant position. The salary is budgeted at $25,000.

(g) Because of the way the Banking Division's fees are assessed, the salaries of the two assistant commissioners of banks are not included in General Fund savings.

APPENDIX

APPENDIX A

Chapter 641, Section 2, Subdivision 2, of the 1982 Laws of Minnesota reads:

(c) Commerce

A plan for the reorganization of the department shall be developed by the commissioner of administration in coordination and cooperation with all affected state agencies and submitted to the Legislature by September 15, 1982. The plan shall provide for the net reduction of at least six positions from upper level management and their attendant clerical support staff. The plan shall include draft legislation to implement the reorganization. The biennial budget submitted by the agency shall be based on this reorganization plan.

LETTERS

SF-00006-02

STATE OF MINNESOTA

Office Memorandum

DEPARTMENT of Commerce - Banking

TO : James J. Hiniker, Jr.
Commissioner of Administration

DATE: September 23, 1982

FROM : Michael J. Pint, Chairman
Commerce Commission and
Commissioner of Banks

PHONE: 296-2715

SUBJECT: Reorganization Study of the Department of Commerce

The following comments are submitted concerning the reorganization study of the Department of Commerce conducted by the Management Analysis Division of the Department of Administration. The other commissioners and the Director of Consumer Services are submitting separate comments. Please keep in mind when reviewing this study, as well as the comments, the Banking Division operations are entirely supported by revenues generated by the fees and assessments paid by the supervised institutions and licensees. No monies from the general fund are used to support the Banking Division's operations. My comments will be directed at the overall structural changes recommended as well as specific changes recommended in the Administrative Services Division and the Banking Division. I will comment on each of the three alternatives recommended by the Management Analysis Division, as well as the reasons for their recommendation. Furthermore, I am recommending a fourth alternative which I believe is superior and which will result in the greatest savings to the state.

Alternative No. 1: Strong Commissioner Option

Overall Structural Changes:

This is the least acceptable alternative proposed by the Management Analysis Division. The reasons for this are several. Due to the nature of the very diverse and technical regulatory activities in the Commerce Department, I do not believe there is an individual who is technically competent to fill the position of Commissioner of Commerce as recommended, and able to properly exercise the broad range of statutory responsibilities and decisions. If the alternative is adopted as proposed, the position will either be purely an administrator who delegates entirely the responsibilities to the directors resulting in just another level of authority, or one who is at best technically competent in one of the division's responsibilities and who defers to the directors in others. Furthermore, the position itself would be a physical impossibility for anyone to perform effectively given the responsibilities, the demands of the position, and the need to deal with the many diverse industries directly on a personal and authoritative basis. To compound the difficulties, key front line and highly necessary managerial positions (two in Banking, three in Insurance, one in Securities, and one in Consumer Services) who would support the remote feasibility of such a plan are being removed.

The strong commissioner option would transfer the difficult and sensitive nature for rendering decisions on new charters for commercial banks, savings banks, savings and loan associations, and industrial loan and thrift companies to the newly appointed Commissioner of Commerce. No one individual should be allowed the ultimate decision-making authority for these charters due to the sensitivity of the decisions, the susceptibility of outside influences, and the possibility for partisan decisions by one individual. Such authority should not be centralized in one person.

The organizational structure as proposed would have seven separate people reporting to the Commissioner of Commerce. Due to the complex and diverse responsibilities, that reporting relationship would be too heavy. Also, the multiple reporting runs contrary to the argument in the study that the strong commissioner option is needed in order to reduce from three to one the number of commissioners reporting to the Governor.

The Commissioner of Commerce's salary is suggested to be $47,000. This is totally out of line with the responsibilities currently handled by three commissioners and one director.

The proposal recommends one assistant to the commissioner position to handle the entire legislative and rule making activities of the Department. It would be a virtual impossibility to have the technical background to do a competent job and to handle the workload of maintaining the various legislative committee and diverse industry relationships for all four divisions.

<u>Administrative Services</u>

I concur with the recommendation under Alternative No. 1 that the executive secretary position be eliminated.

<u>Banking Division</u>

Under Alternative No. 1, the Management Analysis Division is recommending that both assistant commissioner positions be eliminated in the Banking Division. It is apparent with this recommendation that the Management Analysis Division does not understand the functions of the assistant commissioner positions and their importance to the Division. They apparently did not review these positions in depth nor did they analyze the negative impact of their elimination. Historically, there had been only one assistant commissioner until I was appointed Commissioner of Banks in 1979. The legislature approved a second position to allow us to reorganize and handle the Division much more efficiently and effectively and to deal with the increasing number of problem institutions. The two assistant commissioners exercise day-to-day supervisory responsibilities over all the activities related to 12 different types of depository financial institutions and licensees, including 1) ultimate decisions regarding the final review, recommendations and remedial action necessary for approximately 700 examination reports prepared each year; 2) processing and recommendations for approval or denial of approximately 1,700 applications for various statutory charters, licenses and other authorities from these industries each year; 3) training and supervision for approximately 60 field examiners who conduct on-site examinations; and 4) all administrative responsibilities incumbent in managing the constantly heavy work flow. Moreover, after the assistant commissioners identify any given institution as one requiring further supervisory action, they are responsible for handling such actions through implementation of cease and desist orders, memorandums of understanding, or other enforcement actions. The current number of formal cease and desist actions outstanding total 16. The number of memorandums of understanding in force total 38. It would be absolutely impossible for the proposed director or the supervisor to handle these problems. Elimination of these positions would, in effect, criple the entire operation and render the Division ineffective. Furthermore, it would seriously jeopardize our ability to deal with the safety and soundness of our institutions which, in turn, jeopardizes the depositors' interests. Finally, the elimination of these two positions will result in no savings to the general fund in view of the fact the Banking Division is totally funded by fees and assessments.

Alternative No. 2: Weak Commissioner Option

Overall Structural Changes

This alternative is the second least acceptable recommendation by the Management Analysis Division. I reiterate the concerns set forth under Alternative No. 1 regarding one Commissioner of Commerce. However, the fact that the position is a mere administrator is more acceptable than Alternative No. 1. I disagree that the administrator should have the power to review the quasi-judicial acts of the directors. The individual would not be generally competent to make such decisions and it would only interject an additional unnecessary level of authority and delay. Also, I could see this develop into a very political and partisan appointment which would not be good for the regulated industry nor the protection of consumers.

I disagree with the recommendation that the Commerce Commission's authority to grant charters to financial institutions be transferred to the director of banking for the same reasons stated under Alternative No. 1.

Administrative Services

I support the recommendation in Alternative No. 2 with respect to eliminating the executive secretary position.

Banking Division

In this proposal, the Banking Division complement remains intact and the two assistant commissioner positions are made managers. This should allow the Division to meet statutory responsibilities and safeguard the public interest while at the same time retaining a Divisional structure which has been very effective and efficient during a period of time that has been most difficult for the financial services industry.

Alternative No. 3: Commerce Option

Overall Structural Changes

This is the most acceptable recommendation of the Management Analysis Division. I disagree with the recommendation that the Commerce Commission be increased to four. The Commerce Commission should be an odd number, not an even number, to eliminate ties in the decision-making responsibilities. I see no reason to alter the present Commerce Commission; however, if the Commerce Commission is changed, it should be an odd number.

Administrative Services

I support elimination of the executive secretary position as recommended by the Management Analysis Division.

Banking Division

No comments.

Recommendations

I wholeheartedly disagree with the recommendation of the Management Analysis Division for Alternative No. 1, the strong commissioner option. While considerable time was spent by the analyst, I believe the review concentrated primarily on the organizational structure rather than the operation of the Department itself and how it performs its regulatory responsibilities. Furthermore, I believe no consideration was given to the impact of eliminating certain high level management positions, only the dollars they represent. The Management Analysis Division felt the current structure of the Commerce Department was confusing. Furthermore, they felt the division of responsibilities and lines of authority were unclear and that administrative practices in the Department differ. What they failed to realize is that the Commerce Department is unique in that it has three major regulatory agencies combined in one. Most states have separate departments or agencies for these three regulatory functions. The mere fact that all three are housed under one agency for support services does not render them ineffective or inefficient even though it may from an organizational standpoint not meet the theories of good organizational design.

The Management Analysis Division suggests one of the benefits of the strong commissioner option is that the number of agency heads reporting to the Governor is reduced. The functions and responsibilities of the three commissioners in Commerce necessitate minimal contact with the Governor. Their decision making is a quasi-judicial function wherein contact with persons outside the administrative process is inappropriate and in violation of the statutory process. The responsibilities and decision-making authority for the three Commissioners in Commerce is generally not a political policy making function but instead involves regulatory matters rendering less important the reporting relationship to the Governor. The time the commissioners and director spend consulting with the Governor on those issues which are policy making are minimal.

It should be very clear that Alternative No. 3 will result in the greatest savings to the state. Furthermore, if the salary for the strong commissioner option is based at a more appropriate level, the savings proposed under Alternative No. 1 would be even less. The consolidation of the regulation of Banking, Securities, and Insurance under a single commissioner concept would not be effective and provide for no more efficiency then presently exists in the Commerce Department. Quite frankly, it only interjects another level of ultimate authority which is less effective and which would not be in the public interest.

I do not believe the Management Analysis Division fully understands nor appreciates the difficulties that would arise with a single commissioner, nor do they recognize the technical nature of the Commerce Department. The legislature in its deliberation on the 1982 budget bill, Chapter 641, Section 2, Subd. 2, considered earlier language establishing the strong commissioner alternative but rejected it by amending the bill to its present form. The removal of the single commissioner language in the bill was largely the result of strong opposition by industry representatives. If the legislature is looking at the reorganization study as merely a cost savings measure, then Alternative No. 3 is the best approach. It clearly saves the most dollars, especially if the salary of the Commerce Commissioner under Alternative No. 1 is set at a higher level where it rightfully belongs. A fourth alternative follows which results in the greatest savings and provides for other efficiencies and additional savings in the future.

Alternative No. 4: Separate Agency Option

Proposed by Michael J. Pint, Chairman of the Commerce Commission and Commissioner of Banks

One of the concerns that led to the reorganization study was the fact that, on paper, the Department of Commerce appears "top-heavy," i.e., too many commissioners and assistant commissioners. However, it is missing the essential point to say that as one department, there are too many officials. A thoughtful evaluation of what actually exists leads to the realization that the Department of Commerce is not truly one department but rather is three departments combined into one agency on paper. The three separate divisions, when analyzed individually, function with a core management group and are not, in practice, top-heavy. Therefore, it is more realistic to structure any reorganization along functional lines and to separate the divisions into distinct agencies, rather than to erroneously homogenize the managerial and policy making functions of the top positions of each division. Therefore, I strongly recommend a fourth alternative that would clearly be superior from a cost savings standpoint and that would eliminate some duplication and inefficiencies in the present organizational structure. Equally important, it would preserve the distinct statutory responsibilities of each division and would recognize the essential roles of the officials and essential management of each agency.

Alternative No. 4 would separate the three regulatory functions, Banking, Insurance, and Securities and Real Estate, into three separate agencies similar to most other states. The Administrative Services Division would be dissolved, as well as the non-health occupational licensing boards. The regulatory and licensing responsibilities of the boards and the Consumer Services Division would be consolidated with other agencies. Under this alternative:

- Banking, Insurance, and Securities and Real Estate would become three separate agencies. Each of the existing commissioners would be responsible for their agency and would be appointed by the Governor and confirmed by the Senate. However, due to the quasi-judicial nature of these regulatory agencies, their terms would be six years similar to that of the State Hearings Examiner to remove the potential for partisan appointments, partisan decision making, and provide for better continuity. Prior to 1977, these positions were six-year terms for this reason. The salary of each commissioner would be set at $47,000. There would be no positions eliminated in these three divisions initially under this plan until the subsequent independent operations could be analyzed.

- The Commerce Commission would be abolished and a three member Financial Institutions Chartering Commission established whose responsibilities would be limited to decisions on charters for commercial banks, savings banks, savings and loan associations, and industrial loan and thrift companies. The Chairman of the Financial Institutions Chartering Commission would be the Commissioner of Banks. The Chairman would receive no additional salary for this position. The two other members of the Commission would be from the general public appointed by the Governor to six-year terms.

- The Administrative Services Division would be dissolved. Of the 19.5 positions in the Administrative Services Division, 10.5 would be eliminated. Those not eliminated would be transferred to the three separate agencies of Banking, Insurance, and Securities and Real Estate as set forth in Schedule I.

- The seven non-health occupational licensing boards would be dissolved. The regulatory and licensing responsibilities, as well as their staff, would be transferred as follows:

Non-Health Licensing Activities	Transferred to:
Abstracters	Department of Administration or Department of Energy, Planning & Development (Bureau of Licensing)
Accountancy	Department of Administration or Department of Energy, Planning & Development (Bureau of Licensing)
Architects	Department of Administration or Department of Energy, Planning & Development (Bureau of Licensing)
Barbers	Department of Health
Boxing	Department of Public Safety
Peace Officers	Attorney General's Office or Department of Corrections
Watchmakers	Eliminate

- The Consumer Services Division would be consolidated with three other state agencies. While the Consumer Services Division has performed an important function, especially the last four years, many of its activities are duplicated in one way or another in other agencies. It is recommended their responsibilities be consolidated and transferred as follows:

Responsibilities	Transferred to:
Consumer Complaint Division	Attorney General's Consumer Complaint Division
Public Utility Unit	Public Utilities Commission
Cosmetology	Department of Health

  Some positions would be eliminated in the above consolidation due to duplication. Those positions would be determined after consolidation and the new operations are completely analyzed.

The benefits of Alternative No. 4, the separate agency option, clearly outweigh the other three alternatives. Its benefits include:

- A net reduction of a minimum of ten positions and other related costs in the Administrative Services Division with an annual savings when fully implemented of approximately $240,456 (See Schedule II). In comparison, Alternative No. 1, the strong commissioner option, has an annual net reduction of ten positions and a net general fund savings of $182,938.

Alternative No. 2, the weak commissioner option, has an annual net reduction of six positions and a net general fund savings of $106,408. Alternative No. 3 has an annual net reduction of eight positions and a net general fund savings of $185,908.

- To calculate first year savings under Alternative No. 4, employee severence costs (Schedule III) must be subtracted from the above figures. In the first year, Alternative No. 4, separate agency option, provides net general fund savings of $155,550, compared to $108,000 in the first year for Alternative No. 1, strong commissioner option, $62,000 for Alternative No. 2, weak commissioner option, and $141,000 for Alternative No. 3, the commission option.

- In addition to the stated cost savings, other reductions could be realized in the consolidation of the Consumer Services Division into the three other state agencies and some possible reductions in positions of the three separate agencies of Banking, Insurance, and Securities and Real Estate once the independent operations of the separate agencies are fully operational and analyzed.

- Alternative No. 4 separates further the possibility of partisan appointments and partisan decision making by requiring six-year appointments of the commissioners by the Governor and confirmed by the Senate similar to that of the State Hearing Examiner.

- Alternative No. 4 allows the Banking Division to remain intact and to perform its statutory responsibilities in the most effective and efficient manner during a period of time when strong and effective supervision is of ultimate importance.

- Alternative No. 4 corrects a problem with the licensing and regulatory responsibilities of the non-health boards. Presently no one is responsible for supervising these boards, their operations and management practices. Some of the practices have been contrary to policies and procedures of other state agencies. Furthermore, it is believed the responsibilities could be performed with fewer managers and staff resulting in additional savings to the state.

POSITIONS TRANSFERRED FROM ADMINISTRATIVE SERVICES TO THREE SEPARATE AGENCIES UNDER ALTERNATIVE NO. 4

Agency/Position	Estimated Salary/FICA/Fringes	
Securities & Real Estate		
Cashier	$18,482	
Clerk Typist 2	14,580	
Executive 1	21,441	
		$ 54,503

The Clerk Typist 2 position will assist with Cashier overflow. The Executive 1 position would provide accounting, purchasing, payroll, and personnel assistance.

Banking		
Cashier	18,482	
Administrative Secretary	20,483	
Clerk Typist 4	18,593	
		57,558

The Administrative Secretary position will perform administrative duties for the Financial Institutions Chartering Commission, as well as accounting, purchasing, payroll, and personnel assistance. The Clerk Typist 4 position will assist the Administrative Secretary in these responsibilities.

Insurance		
Cashier	18,482	
Executive 1	21,441	
Data Processing Clerk Typist 3	18,173	
		58,096

The Executive 1 position would provide accounting, purchasing, payroll, and personnel assistance. The Data Processing Clerk Typist 3 would operate the computer and maintain existing computer programs.

Total Estimated Salaries and Fringes	$170,157

The Cashier positions above are based on the mean salaries, fringes and FICA taxes of the three existing Cashiers. All other positions are based upon existing Administrative Services' salaries.

ADMINISTRATIVE SERVICES' ESTIMATED ANNUAL SAVINGS UNDER ALTERNATIVE NO. 4

Item	Calculation	Savings
Salary Savings	See Detail Below	$204,368
Rent	Based on number of positions eliminated and resulting space savings $\left(\frac{10.5}{19.5} \times \$49{,}928 \text{ annual rent}\right)$	26,884
Supplies	Non-Data Processing Supplies Based on number of positions eliminated $\left(\frac{9.5}{18.5} \times \$12{,}082 \text{ supplies}\right)$	6,204
Communications	Estimated savings based on telephone installation and usage for positions eliminated	3,000
Equipment	No Change	0
Leases	No Change	0
Repairs and Services	No Change	0
Printing	No Change	0
Professional & Technical Services	No Change	0
Data Processing	No Change	0
Purchased Services	No Change	0
Estimated Total Annual Savings		$240,456

CALCULATION OF SALARY SAVINGS

Positions Eliminated	Annual Salary/ Fringes/FICA
Executive Secretary	$ 33,790
Personnel Director	27,004
Clerk Typist 4	18,488
Personnel Aid Sr.	21,101
Finance Director	22,641
Cashier Coordinator	19,958
Accounting Technician	20,436
Account Clerk Senior	18,843
1/2 Time Clerk Typist 2	9,926
Clerk 2	17,234
Clerk 2	16,388
	225,809
Positions Added	
Executive 1 (Insurance, See Schedule I)	-21,441
Net Salary Savings	$204,368

ESTIMATED SEVERANCE COSTS OF POSITIONS ELIMINATED IN ADMINISTRATIVE SERVICES UNDER ALTERNATIVE NO. 4

Item	Calculation	Cost
Unemployment	\$6,600 (maximum unemployment) x 10.5 (total number of people laid off under Alternative No. 4)	\$69,300
Vacation Payback	100 hours/employee (estimated) x 8.67/hr. (average wage for positions eliminated) x 10 positions	8,670
Sick Leave Payback	200 hours/employee (estimated) x 8.67/hr. (average wage for positions eliminated) x 10 positions x .40 (sick leave payback percentage)	6,936
Total Estimated Implementation Costs		\$84,906

SF-00006-02

DEPARTMENT of COMMERCE

STATE OF MINNESOTA

Office Memorandum

TO : James J. Hiniker, Jr.
Commissioner of Administration

DATE: September 24, 1982

FROM : Mary Alice Brophy Mary Alice Brophy
Commissioner of Securities and Real Estate

PHONE: 612/296-6848

SUBJECT: Reorganization Study of the Department of Commerce

The purpose of this memorandum is to offer limited comments on the above referenced study.

It is my belief that Alternatives 1 and 2, the "Strong Commissioner" and "Weak Commissioner" options respectively have three major weaknesses.

1) Both alternatives would add an unnecessary and counter-productive level of bureaucracy to the decision making processes. The Securities and Real Estate Division is a regulatory agency with jurisdiction over six separate industries. Decisions on licensure, registration and enforcement matters must be made swiftly and knowledgeably in order not to interrupt legitimate business activities or impede the capital formation process. To add a Commissioner of Commerce who had either ultimate decision making authority on substantive issues or administrative authority, would likely result in delays due to the additional step in the process, would undermine the authority of the Directors, and would separate industry expertise from the quasi-judicial decision making authority. These circumstances would create a most inefficient and undesirable atmosphere for a regulatory agency.

2) Many of the industries regulated by the Department of Commerce are, by law, restricted from conducting certain types of business. Perhaps the clearest example is found in the Glass-Steagall Act which separates the activities of banks and securities firms. To have one Commissioner govern both industries on the state level, regardless of whether a bias existed towards one of the industries, is not compatible with the federal regulatory scheme. Federal law is presently under close scrutiny. Some experts predict that within the next decade federal law will undergo significant revision resulting in "financial supermarkets" if the barriers of industry separation are removed. If such is the case, in some form, a one Commissioner plan for Commerce may become

desirable because the now separate industries may develop into a new and unique industry requiring a different type of regulation and supervision. However, such drastic change may not occur, or an entirely different federal regulatory scheme could evolve, and the responsible regulation, growth and independence of Minnesota's financial community would be threatened under a one Commissioner organizational structure.

3) Although Alternatives 1 and 2 appear structurally feasible on an organizational chart, there are some fundamental difficulties in the work flow and levels of responsibility. Under both options the Commissioner's position will necessarily be reduced to that of a figurehead. It is not possible for one individual to properly fulfill the statutory responsibilities of the position. An improvement, albeit not a satisfactory solution, would be the addition of a Deputy Commissioner. Further, the Assistant to the Commissioner, regardless of his or her talents, will not be able to perform any substantive responsibilities in the areas of rulemaking and legislation due to the heavy volume of projects and diversity and complexity of the regulated industries. The Commerce Department would receive a "paper shuffler" in exchange for the positions within each of the existing Divisions which have the expertise necessary to accomplish any legislative or regulatory change. Such a plan would severely hamper the Department's collective ability to protect the consumers of this state and to be responsive to changes occurring in the rapidly evolving regulated industries.

In the abstract, the one Commissioner concept may appear to be organizationally sound, but experience demonstrates that, from a practical perspective, it would be entirely unworkable. There is no overlap or duplication in the responsibilities or functions of the existing Banking, Securities and Real Estate or Insurance Divisions and therefore, no logical reason to combine them under a newly created hierarchy.

A revised version of Alternative 3 of the reorganization study would appear to have the greatest merit and result in the largest dollar savings to the State.

The three regulatory agencies (Banking, Insurance and Securities and Real Estate) should operate autonomously, each under a Commissioner appointed by the Governor. There would not be any need for a Department of Commerce, per se. The three Divisions could be redesignated as Departments. The joint responsibilities of the three Commissioners should remain limited to decisions on financial institution charters. An even number of members of the Commission, as suggested in Alternative 3 is unacceptable, as it creates the possibility of indecision due to evenly split votes. It is of critical importance under any structural configuration, that each Division maintain a position for legislative and rulemaking activities. Without doubt, the Securities and Real Estate Division would be irreparably damaged without the Assistant to the Commissioner position. That position performs responsibilities that are vital to the Division's operation and level of efficiency and has proven to be a cost-effective aid to solving comprehensive and complex regulatory problems.

The Administrative Services section could be eliminated in its entirety if each of the three Divisions could obtain three positions to conduct the necessary personnel, payroll, finance, purchasing and cashiering functions. Under such a structure, the Commerce Commission would not have any joint administrative responsibilities and the existing Administrative Services section complement would be reduced by approximately 50%.

Although a more thorough study may be advisable in order to make more specific recommendations, the following suggestions appear to be quite feasible and conducive to improvement of the existing Commerce Department structure.

a) Remove the Consumer Services Division from the Department of Commerce. Activities which duplicate those of the Attorney General's Consumer Division might be eliminated altogether. The Cosmetology Unit would more appropriately be housed in the Department of Health due to the similarity and/or duplicity in its functions of routine facility inspection. The activities of the Utility Unit might be transferred to or merged with those of the Public Utilities Commission or the Department of Public Service.

b) The seven non-health occupational licensing boards presently housed in the Commerce Department should be carefully studied. They now operate independently and virtually without supervision. Undoubtedly some could be dissolved and others could be restructured and merged into appropriate existing state agencies in order to ensure accountability and maximize efficiency.

Unfortunately, the limited scope of the legislative mandate to reorganize the Department of Commerce and the very brief time available for such a study have made it difficult to address this more comprehensive approach in sufficient detail.

In closing, I offer the following personal observations. From my direct experience, I believe very strongly that the three regulatory agencies of Commerce must operate autonomously. Their functions and budgets should remain separate and distinct. The quasi-judicial nature of their responsibilities necessitates that each Division be directed by a non-partisan, technically proficient appointee of the Governor. Two unclassified Deputy or Assistant Commissioners, possessing similar strengths and political independence, are equally vital to the operation of each Division.

Finally, although my conclusions differ from those presented in the study prepared by the Management Analysis Division, I would be remiss not to compliment you on the professionalism of and courtesies extended by Ms. Kathryn Roberts and Mr. Terry Bock throughout the course of their reorganization study of the Department of Commerce.

MAB:ms

SP-00006-02

DEPARTMENT

STATE OF MINNESOTA

Office Memorandum

TO : James J. Hiniker, Jr.
Commissioner of Administration

DATE: 9/23/82

FROM : Tom O'Malley
Commissioner of Insurance
Commerce Department

T O'Malley

PHONE: 296-6907

SUBJECT: Commerce Department Reorganization Study

In this memo I will comment on each alternative then make some general comments on the study itself.

Alternative I. The major objections here are the creation of a Commissioner of Commerce, the downgrading of the present Commissioners' status, and the elimination of the Assistant Commissioners.

It is my view that the creation of a strong Commissioner will have the early effect of opening up a potential for weak Directors. However, as structured, it will evolve into a very weak Commissioner. The reason being that I do not believe that anyone would have the technical knowledge that would be needed in all areas. This would force the Commissioner to rely on the Directors and when he did this, the erosion of the Commissioner's status will have begun. Proper functioning of each unit will become more dependent on the compatibility of the Directors than on the required technical expertise.

It would be extremely unfortunate to downgrade the position of the Commissioner of Insurance. The decisions made in this job affect every person and every business in the State - this broad affect should be recognized in any proposed structure. It should be noted that insurance regulation is a function of the states. The State Insurance Regulatory officer does not have the benefit of or the guidance of any federal bodies. If the status of the Insurance Commissioner is to be changed it should be enhanced and it should be given the staff (quality and quantity) needed to do the job.

The elimination of the Assistant Commissioner job is equally ill-advised. Each of these present officeholders holds degrees or professional designations appropriate to the work area he manages. To give up these people in the face of a crying need would be without precedence. It also fails to recognize that these are the people who manage specific problem areas. They manage rulemaking and litigation (we have a great deal of both) and they do most all the work in bringing recalcitrant insurers and agents into compliance with the rules and regulations (fines, etc). A Commissioner or Director attempting to function without these people would be unable to handle the volume of these situations.

When you eliminate the enforcers you have eliminated enforcement.

Alternative II. Where applicable I would repeat everything said under Alternative I. This alternative has been labled as the Weak Commissioner. However, when a Commissioner has appointing authority over the Director - he is anything but weak. In fact, he has the ultimate authority in that he can dismiss. This again becomes a serious downgrading of the status and function of this office. There does not appear to be any good reasons for subjecting the Insurance Commissioner to the authority of some in-between person.

Alternative III. This is the most desirable of the three - but only because it is less damageing, it is less drastic and it better recognizes the complexities of the problems faced by each Division on a daily basis.

This plan would call for four Commissioners. This has the effect of requiring a 3/4's vote on any proposed action by the Commission. Such a requirement would halt progress - not facilitate it.

General Comments

The law that mandated this study has been misread and the study has been done on the basis of that misreading. The law requires the Department of Administration to submit a plan of reorganization. This was not done, they have submitted three plans. In addition, the statutory charge has been read with the emphasis on the elimination of six management positions. I believe the emphasis ought to have been on the reorganization aspect. This would have had the effect of requiring a study of all operations and it would have called for a determination of the needs of the Department and of the Division and the desires of the State. The difference is that the plans are keyed to eliminate positions, the study ought to have been directed to determine what is needed to do the job desired. This is not the time to curtail regulation in these fields.

The plans are too much and too early. Changes taking place in the world of finance (both products procedures) will very likely necessitate a reorganization of the Commerce Department in the next five to ten years. But even that would be inappropriate at this time and if done now will probably need to be done again.

A third Assistant Commissioner was added to the Insurance Division just a short time ago. It is significant that this study made no mention of reviewing the rationale that went into that decision. I am certain that the Department of Employee Relations would still have the work papers which authorized that third position.

Time did not permit verification of staff reduction or cost saving. Our Division has people in jobs who come into these jobs by way of civil service and career development. These people hold status by which they will be able to reclaim jobs previously held.

SF-00006-02

STATE OF MINNESOTA

Office Memorandum

DEPARTMENT

TO : James J. Hiniker, Jr.
Commissioner of Administration

DATE: 9/23/82

FROM : Tom O'Malley
Commissioner of Insurance
Commerce Department

T. O'Malley

PHONE: 296-6907

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When you eliminate the enforcers you have eliminated enforcement.

I am very concerned that the legislative and rule-making powers of the various divisions should stay with the divisions and not be given to the administrative assistant to the Commerce Commissioner. It is a full-time job, when the legislature is in session, for our small agency to keep track of the dozens of pieces of legislation affecting consumer/ utility, cosmetology and product liability legislation interests. This agency receives dozens of requests from sponsoring and opposition legislators to testify and document Minnesotan's complaints and history with a particular area of legislative concern. Add to this the multitudinous interest groups that each of our Commerce divisions represent regarding promulgation of rules, and the obvious conclusion is that rule-making in and by itself would be a horrendous supervision task for one person to administer for all of the diverse divisions of the Minnesota Department of Commerce.

In any reorganization study, I believe it is time to equalize the pay and titles of the various divisions of Commerce to be more truly representative of the numbers of employees supervised, the size of the budgets administered, and the responsibilities of the enabling legislation. I do not believe that Consumer Services Directors have ever had "equal footing" with certain other commissioners/directors in state government. I would urge that my successor's position, pay and title be upgraded. It is ridiculous to realize that the Executive Secretary of Commerce is paid within $200 of the pay level of the Director of Consumer Services. Similarly, assistant commissioners in many divisions of Commerce receive more than $6-7,000 above the Director of Consumer Services.

ALTERNATIVE 2 - WEAK COMMISSIONER OPTION

I do not like this alternative and think it should be discarded. I can envision, "over time, statutory program responsibilities could be shifted to the Commerce Commissioner", to quote from the draft, would become an annual battleground with interest groups as each session of the legislature loomed. Which group would be "stripped" of their own control next? The Russian Roulette approach could become the whipping boy of the legislative punitive action.

ALTERNATIVE 3 - COMMISSION OPTION

I like alternative 3 the most, principally because some equality is finally provided for Consumer Services standing within the Commerce Commission. I, too, am concerned about an even number of commissioners, (4), in case of a tie vote, but perhaps a working arrangement of not having the Commerce Commission chairman vote or of adding a 5th member to the commission, such as a Coordinator of all state boards would be a possibility.

Alternative 3, also, maintains the individual dignity and identity of each of the various interest group affected by Commerce: Banking, Insurance, Security/Real Estate, Consumers. Alternative 3 would probably have a minimum of opposition in the legislature, at least from the standpoint of objections by the affected industries. It would

(continued)

also appear from the draft documents we have seen that the most dollar savings would accrue to the state under Alternative 3.

If the object of the reorganization study is to save taxpayer dollars, and reduce personnel, alternative 3 seems to be the way to go. However, if there are other reasons for the mandated study of Commerce reorganization, it would appear the single, strong commissioner option alternative, would be the answer.

It would be interesting to determine just what type of an individual would be qualified to hold the "Super Nova" Commissioner position of Commerce Commissioner in Alternative 1. The position surely should be a high level cabinet position with a compensation level equal to or near that of the Commissioner of Energy, Planning and Economic Development.

I would sincerely hope that the letter of request from the Commerce Commissioners and myself for an overview study on the accountability and structure of the occupational boards and commissions housed with Commerce would be a priority agenda item. Perhaps after that study has been completed, an addendum to the reorganization study of Commerce itself would be in order.

Thank you for your consideration of my comments in relation to the draft report we have studied.

KS:dq