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GOVERNOR HAROLD LEVANDER

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EXECUTIVE REORGANIZATION



A Special Message to the 66th Session of the Legislature

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SPECIAL MESSAGE ON EXECUTIVE REORGANIZATION

Members of the Senate and Members of the House of Representatives,

I am privileged to present to you my 1969 legislative recommendations for executive reorganization. I do so advisedly with three thoughts in mind.

First, the knowledge that the Minnesota Legislature over the years has continually responded with wisdom and statesmanship in meeting contemporary organizational problems.

Secondly, the awareness that there is no ironclad organizational pattern which is indisputedly the best way to organize state government.

Finally, the daily reminder of the pressing need for extensive reorganization.

RECORD OF REORGANIZATION

In my Inaugural Address in 1967, I urged the Legislature to undertake substantial reorganization. You fashioned new tools to solve new problems with the Department of Human Rights, the Pollution Control Agency, and the Metropolitan Council. In addition, you revitalized old structures such as the Department of Economic Development, the Conservation Department, and the Department of Labor and Industry.

The results of your action are already paying dividends. For example, the Metropolitan Council is attracting national recognition in developing an effective unit of government for an urban area. The 22% increase in tourism in just two years is definitely, though certainly not exclusively, influenced by reorganization of the Department of Economic Development.

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NEED FOR COMPREHENSIVE REORGANIZATION

Obviously, government reorganization is not new to Minnesota. Since our constitution was adopted, major revisions have been enacted. Yet not since 1939 has any broad comprehensive re-evaluation or reorganization of the executive branch been accomplished. Both the Little Hoover Commission Study of the 1950s and the subsequent self-study efforts under Governor Freeman failed in implementation. Throughout the last three decades the need for comprehensive improvement has been repeatedly recognized by the Legislature. For instance, in 1945 a Legislative Interim Committee made this statement:

"The governor, being the political leader of his party, the ceremonial head of the government as well as the chief executive, rarely finds enough hours in a day to give consideration to the multitude of problems presented to him by these agencies . . . A state government the size of Minnesota needs only a limited number of major departments. Too many agencies hamper administrative control, impair efficiency of service to the public, and create duplication of plant, equipment and effort, and consequently waste of taxpayers' money. A remedy for this problem is consolidation of all related activities in a few major departments."

That statement was made in 1945 when the state had 82 executive agencies and a biennial budget of \$440,000,000.00. The impact of that legislative observation is even greater today when the state has 101 executive agencies and has under consideration a biennial budget of nearly \$2,000,000,000.00.

Although the specific reorganization of the past has vastly improved the state's performance, we will never get ahead of the game if we are unwilling to undertake more extensive reorganization. Not only will we be unable to overcome the structural deficiencies we inherited from the past, we will be

incapable of making our state respond to the new role it must play in the future.

Certainly this Legislature recognizes the need for comprehensive reorganization. You recognize it and you have already taken the preliminary steps to effect it. Two years ago, the Legislature appropriated \$50,000.00 and instructed me to conduct a study to reorganize the executive branch. Because I view executive reorganization to be a significant responsibility in my administration, I sought the active participation of knowledgeable Minnesotans in forming recommendations.

To those who claim government reorganization is remote and irrelevant to the public, let me quickly point out that 53 distinguished Minnesotans readily accepted my appointment to the Governor's Council on Executive Reorganization and then raised more money to carry out the kind of thorough examination they were asked to pursue. These past months the Governor's Council and its staff have spent thousands of man-hours studying Minnesota's present-day organization, seeking to provide the answers. They set out their conclusions in a report which has been given to you. I wish to commend this bipartisan Council and its Chairman, Wayne Thompson, the Steering Committee, the Task Force Chairmen, and all individual members for their tremendous contributions to the formulation of my recommendations. I appreciate more than I can express the further offer of the Commission members to assist in every possible way to see that executive reorganization along the general lines they suggested be accomplished.

It is this kind of citizen dedication, participation and cooperation that inspires and warms the heart of an elected public official.

In addition, I have consulted with other governors, I have studied other state models, both real and ideal, and I have meet with private and public citizens. This has been an interesting but painstaking process which has taken time . . a great deal of time. I was certain that under the charge given to me, you wanted a plan that was desirable, workable and doable.

BENEFITS OF REORGANIZATION

1. Assure economy

Wherever reorganization has been accomplished, efficiency and economy have resulted. Minnesota's experience testifies to that fact. During the past two years, the use of centralized purchasing, computerization, and job redefinition in the Department of Administration alone has resulted in an estimated economy of \$3 Million. And importantly, the savings to the taxpayers from reorganization compounds with the years. At the time the Department of Taxation was restructured, a new staff person was needed for every 30,000 increase in tax returns. Today, six years after reorganization, a new person is not needed until an increase of 100,000 returns. By providing safeguards against unnecessary increases in government personnel, the savings of tax dollars throughout the years with comprehensive reorganization will be dramatic.

2. Improve service

After all the exercises in eloquence are put aside, the purpose of government first and always is simply to serve the individual. If government was completely successful in attaining its goal, there would be no current

discussion about the need for an ombudsman. Little wonder the public needs a guide through the maze of state programs. For example, if one is interested in water resources, there are eight separate agencies to contact; in vocational rehabilitation there are six.

Reorganization of government into functional lines will improve the citizen's understanding of governmental programs and insure greater state responsiveness to citizen needs. We owe it to the people to not only provide services they need but services they can find.

3. Strengthen the legislative process

Any executive's foremost concern is the faithful execution of his legislative mandate. And that demands providing the means for the chief executive to present sharpened alternatives for legislative consideration, to provide the means to carry out legislative enactments more effectively, and to ensure the legislature a more meaningful review of executive performance.

4. Guarantee accountability

With government's growing influence, increasing the people's control of government policy is of critical importance. If we allow a bureaucracy to make crucial decisions for the people while being insulated from the people, we actually have lost all semblance of democracy. The people do not elect their department personnel and are powerless to influence their decisions unless those personnel are directly responsible to a man they can elect . . . the governor. Therefore, reorganization in a cabinet system which will make the governor, not the bureaucracy responsible for policy will keep policy accountable to the people.

5. Facilitate sound decision making

Public decision makers are caught in a squeeze play. Pressure comes from one side because government decisions today compared with yesterday involve higher stakes and greater risks while government mistakes are harder to retrieve.

Pressure comes from the other direction because government decisions while increasing in difficulty and complexity must be made in decreasing time intervals. Reaction time for the decision maker is shortened by public awareness through mass communications. Therefore, decision makers must operate within an administrative arrangement which allows ideas to flow, talent to mobilize and policy to be effectively implemented.

6. Encourage regionalization

I am a firm advocate for the concept of regionalization. Through regional offices state government gets close to the people. Yet this trend toward decentralization which we have accelerated these past two years will be slowed down, perhaps even reversed, if the mounting administrative costs for local offices of proliferating state agencies cannot be cut. Reorganization will allow us to decentralize our programs.

Presently in Minnesota, state personnel office in 1400 field locations. Without the consolidation of major state agencies and consequently the consolidation of regional offices, the public will pay an unjustifiable price for regionalization, a price it may be unwilling to pay. The venture to bring government close to home must not be lost because it was too expensive, especially when it does not have to be.

7. Accept the challenge of a new federalism

If states are to endure as viable instruments for solving problems and serving people, they must respond vigorously and imaginatively to the coming challenges of the 1970s. The coming decentralization of federal programs means an enlarged role for state governments. They must be innovators, planners, coordinators and protectors. This new role requires a state (the Legislature and the Governor) to be able to mobilize its resources, employ its talent, exercise its authority and maintain its flexibility, a role which requires reorganization, streamlining and more efficiency.

8. Attract talent

Although the cynics will deny it, the truth is, talented people are attracted to government because it gives them the chance to serve. They come to us with the highest motives. We cannot afford to allow the system to reject such people because it does not permit personal fulfillment.

DIFFICULTY OF REORGANIZATION

Because the need for and benefit of executive reorganization is recognized by both the Legislature and the Governor, it does not necessarily follow it can be easily enacted. Everyone talks about coordination, few like to be coordinated. There are strong opponents to change. Those who have created their own empires resist being returned to public accountability. "Reorganize the other fellow but leave me alone" is the usual response of the existing establishment.

Resistance to reorganization also comes from those who put their faith in organizational forms rather than ideas and goals. Enamored with tradition and reputation, they are more concerned with precedent, with how

things are done, rather than whether they are done.

However, the record of this Legislature plus its charge to me two years ago indicates your commitment to comprehensive executive reorganization, a commitment I fully share. Consequently, with our special energy and extreme concern, I am confident we can succeed in making progressive improvements in our state administration.

CABINET SYSTEM

One of the essential first steps is the creation of a "cabinet" system in our state. All state department heads appointed by the governor with the advice and consent of the Senate should serve co-terminously for a four-year term, subject to removal at the governor's pleasure. Such a system will enable the governor to effectively direct and coordinate the actions of executive departments. Overlapping terms, once believed to be a proper safeguard of the public interest, have become serious barriers to rational decision-making and good administration. Minnesota should adopt the "cabinet" system, a concept long established at the federal level as well as in several of our sister states. Legislation to implement this goal will be introduced shortly. I consider this one of the most significant steps in executive reorganization.

EXECUTIVE PERSONNEL SYSTEM

Concurrently, we need to establish the idea of an executive personnel system, ensuring that a sufficient number of management posts are placed in the unclassified service to assure a unified and responsive administration serving our state's chief executive. The reorganization proposals submitted this session will reflect this thinking by exempting from the classified service

a small number of management positions involving policy formulation. This will improve the administrative flexibility of state government yet it shall not weaken in any way our long-established and well-respected classified personnel system.

POST-AUDIT

I propose the post-audit functions now carried out by the Public Examiner with respect to state accounts be transferred to the State Auditor. The governor should not appoint the official who is to be the watchdog over the money spent by his own administrative agencies. The people deserve to have an official directly responsible to them doing the post-auditing of the government's books. This is not a new proposal, Governor Freeman made the same recommendation; it is, nonetheless, one of continuing value.

GOVERNOR AND LIEUTENANT GOVERNOR

And, finally, in the area of general reorganization, I recommend that the legislature place on the 1970 ballot a constitutional amendment permitting the governor and the lieutenant governor to be elected as a team. We must strengthen cooperation in state government.

All of my reorganization proposals save one can be implemented statutorily without altering our state's organic act. Thus we avoid any insurmountable obstacles in attaining the goals we seek.

PROPOSED NEW DEPARTMENTS

Turning now to the more specific recommendations, my proposals envision the establishment of a governmental framework along broad functional lines, with Minnesota's major operating departments organized on the basis of

major purpose. I ask that the Legislature take the following action.

THE PRESENT DEPARTMENT OF ADMINISTRATION

For the purpose of increasing efficiency, eliminating duplication and to adapt to electronic data processing techniques, I recommend that all accounting procedures be centralized in the Department of Administration. In addition, I recommend that the pre-audit function of the State Auditor's Office be transferred to the new department. Archives and records management should be transferred to the department from the present commission which is to be abolished.

THE DEPARTMENT OF PERSONNEL

I propose the Civil Service Department be renamed the Department of Personnel, with the Commissioner appointed by the governor and a State Personnel Board retained with the same functions as the Civil Service Board now exercises. The administrative function of the employee retirement and insurance organizations should be transferred to the Department of Personnel.

A NEW DEPARTMENT OF PLANNING AND INTERGOVERNMENTAL AFFAIRS

This new department would supercede the present State Planning Agency and combine the activities of the Office of Economic Opportunity, the Office of Urban and Local Affairs, and provide the staff-secretariat to the Minnesota Municipal Commission. The new department should be charged with urban and community development responsibilities. The new department is to be headed by a commissioner appointed by the governor.

DEPARTMENT OF REVENUE

Minnesota's present Department of Taxation is our state's principal revenue agency, collecting more than 80% of all tax receipts. However, the

remainder of our tax collections are scattered about in a number of executive departments. I propose the integration of our revenue operations presently dispersed throughout state government.

The department should be renamed the "Department of Revenue", emphasizing the expanded and more diverse duties of the department. In addition to assuming the present responsibilities of the Tax Department, the Department of Revenue should be assigned the following tasks:

- Administration of the motor vehicle license tax, now vested in the Secretary of State;
- Collection of the beer and liquor excise taxes, now administered by the Department of Liquor Control;
- Administration of the oleomargarine tax; now handled by the Department of Agriculture;
- Administration of the boxing exhibition gross receipts tax, presently the responsibility of the State Athletic Commission;
- Collection of the insurance gross premium tax, now under the administrative aegis of the Division of Insurance, Department of Commerce;

No administrative changes affecting the Tax Court are proposed and the Commissioner of Revenue, appointed by the governor, shall assume the existing responsibilities of the Tax Commissioner with respect to the State Board of Equalization.

DEPARTMENT OF COMMERCE AND CONSUMER SERVICES

One of the vital areas of public administration involves the Commerce Commission, which deals with the regulation and supervision of the safety of every Minnesota citizen's savings, insurance, investments and real estate.

In recent years the work load of this Commission has accelerated

markedly. I recommend a complete revamping of the Department's administrative machinery in order to insure the state meeting its responsibility to our people to the fullest degree possible.

The changes I recommend are as follows:

--- The Legislature should create a Department of Commerce and Consumer Services headed by a Commissioner appointed by the governor for a term co-terminous with that of the governor and removable at his pleasure.

--- The department shall be comprised of six divisions:

- a) Banking and Financial Institutions
- b) Insurance
- c) Securities
- d) Consumer Services
- e) Professional and Occupational Licensing
- f) Public Service (the administrative unit of the present Public Service Commission)

The division directors shall be appointed by the governor and serve at his pleasure.

--- The Commissioner shall:

- a) Handle the administrative functions of the department;
- b) Appoint qualified hearing examiners and such other officers as may be deemed necessary to execute the department's mandate.

--- The Governor shall appoint the chairman of the Commerce Commission already established by law from among the directors of the Divisions of Banking and Financial Institutions, Insurance and Securities. The responsibilities and powers of the Commission must be modified to permit more effective use of Commerce Department personnel.

--- The office of Secretary of the Commerce Commission, now held by the Securities Commissioner, shall be abolished.

--- In the field of commercial regulation and consumer protection, I recognize the need to provide a centralized secretariat for the administrative activities of our many professional and occupational licensing boards. For this reason, I have added a Division of Professional and Occupational Licensing. Its purpose shall be to serve as liaison between the governor and the various boards and develop administrative procedures and other supportive services.

--- The Division of Consumer Services should be responsible for the development of rules and regulations and for administrative activities associated with consumer protection and services. The regulation licensing and inspection functions of the Liquor Control Department should be transferred to this Division.

These suggested reforms, while certainly not as far sweeping as some of those proposed in the past, will do much to resolve the administrative problems plaguing our present Department of Commerce. Not only will a single line of communication between the department and the governor's office be established but greatly improved coordination of departmental activities will be possible if this proposal is enacted. May I suggest to the Legislature that this is priority legislation in 1969.

DEPARTMENT OF AGRICULTURE

Agriculture plays a major role in our state's economy, generating more than \$3.3 Billion in farm and non-farm income in 1967. I believe our state should continue the existence of a strong and independent Department of Agriculture.

I do propose, however, that the Livestock Sanitary Board be transferred administratively to the department, with the functions of the Board being continued and with the members appointed by the governor for staggered five-year terms.

In addition, the present Grain Inspection Division of the Public Service Commission should be transferred to the Department of Agriculture, so that the regulatory functions of grain weighing, grain sampling, grain inspection and operation of the protein laboratory will be appropriately integrated with other agriculture activities. I urge you to adopt these changes.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

The national "Quality of Life" survey, ranking Minnesota first in the

nation in health and welfare, evidences our state's historic commitment to the betterment of the lives of our people. We should be proud of this enviable record in meeting the health and social service needs of our citizens. Financial demands upon our taxpayers for these services have increased dramatically in the last decade and projections call for increases of even higher rates than in the past. Therefore, it is essential that our administrative agencies integrate and streamline their programs so that maximum benefit can be obtained for minimum cost.

Therefore, I recommend that a Department of Health and Social Services be created. This new department ought to include the following divisions:

- Health
- Social Services
- Vocational Rehabilitation
- Veterans Affairs

I further recommend that the present programs and responsibilities of the Department of Veterans Affairs and the Veterans Home Board be transferred to a separate division in the proposed department. Such a transfer would improve the access of our veterans to the total spectrum of social and rehabilitative services.

The Council on Aging and the Minnesota Commission on Alcohol and Dangerous Drug Problems ought to be made administratively responsible to the Department of Health and Social Services. The interdisciplinary nature of these advisory councils is indeed an asset in policy formulation. Administratively, however, they should be accountable to those most directly responsible

for program development and administration.

I further propose the creation of a Governor's Council on Youth Opportunity as outlined in my "State of the State" message earlier this year, to be under the administrative aegis of the Department of Health and Social Services.

DEPARTMENT OF NATURAL RESOURCES

I vigorously support a restructuring of our present Department of Conservation into a new Department of Natural Resources. The new department should retain the 1967 legislatively-mandated structure with whatever modifications necessary to accommodate the following changes:

- Our existing Geographic Board should be abolished and its responsibilities transferred to the Commissioner of Natural Resources.
- The present Water Resources Board should be abolished and its functions transferred to the new department.
- The Soil Conservation Commission should be abolished and its functions transferred to the new department.

I am fully in accord with the position that the Minnesota Pollution Control Agency be preserved as an independent unit with the responsibility of protecting our environment against the onslaught of air and water pollution. Understandably, close cooperation between the new department and the Pollution Control Agency are essential to the protection of Minnesota's environment.

These recommendations will greatly strengthen the state's ability in the development and execution of the myriad of programs fostering the wise use of Minnesota's natural resources.

DEPARTMENT OF EDUCATION

As indicated earlier, I support the transfer of the Division of Vocational Rehabilitation from the Department of Education to the proposed Department of Health and Social Services. I believe this to be a more suitable home for our rehabilitative services and urge your approval.

I recommend that the Commissioner of Education be appointed by the Chief Executive from a list of not less than three nor more than five nominees made by the State Board of Education. This change would be accomplished under the omnibus legislation cited previously to effect a cabinet system.

HIGHER EDUCATION

Closer cooperation and coordination is vital among the university, the state college system, the junior college system, the private colleges, and other post-high school institutions in our state and calls for the strengthening of the Higher Education Coordinating Commission. I ask your support for the following recommendations:

- The HECC should be granted authority to review programs proposed by the respective post high school education governing boards.
- Grant the Commission power to review the budgets of post high school education governing boards for purposes of coordination, rather than centralized control.
- The membership of the HECC should be reconstituted to give a greater participatory role to the public-at-large.
- The Commission's Executive Director should be appointed by the Chief Executive from a list of not less than three nor more than five nominees made by the Higher Education Coordinating Commission. This change would be accomplished under the omnibus legislation cited previously to effect a cabinet system.

It is in the state's best interest that these recommendations be adopted. By guaranteeing comprehensive and objective long-range planning in higher education we can meet the burgeoning educational needs of our young people at the least possible expense to the Minnesota taxpayer.

OFFICE OF MEDIATION AND INDUSTRIAL RELATIONS

I propose that the present Division of Labor Conciliation, located within the Department of Labor and Industry, be reorganized as the Office of Mediation and Industrial Relations, directly accountable to the governor, as an independent agency of state government to resolve labor-management conflicts. This is a significant proposal and I call for its early adoption.

DEPARTMENT OF PUBLIC SAFETY

Another priority item in 1969 is the creation of a Department of Public Safety, consolidating safety functions presently scattered among several administrative agencies. The department should encompass:

- The Bureau of Criminal Apprehension
- The present Department of Civil Defense
- The Fire Safety Division
- All related highway safety functions, including:
 - Minnesota Highway Patrol (from Highway Department)
 - Drivers License Division (from Highway Department)
 - Chauffeurs and School Bus Drivers Licensing (from Secretary of State)
 - Drivers Training Education (from Department of Education)

The planning for and coordination of these operating programs could be improved. A common source of legal, accounting and other supportive services would serve to bring about increased efficiency at reduced cost. The safety of our people -- safety against criminals, against death on the highways as well as against human and economic losses attributable to natural disasters and fires -- is of pre-eminent importance. This proposed department would serve

Minnesotans well in protecting and improving the quality of our daily lives.

I ask that the Legislature take speedy action on this recommendation.

DEPARTMENT OF TRANSPORTATION

We can no longer afford the luxury of believing that highway transportation is our only practicable means of moving people and goods. The future dictates that other modes of travel be considered in solving the transportation problems of commerce and industry and in moving our people about.

Many believe that Minnesota, in fact, has the opportunity to become a major aviation center in North America. We must gear up now to capitalize on that opportunity.

The proposed Department of Transportation would include a:

- Division of Highways
- Division of Aeronautics; and a
- Division of Transportation and Transit Development

Parenthetically, it should be mentioned that the Division of Transportation and Transit Development is not intended to replace our presently existing Metropolitan Transit Commission which operates only in our seven-county metro area. The new division, however, will enable us to plan for and develop a total transportation system, including water, pipelines, rail, track and bus mass transit services.

I also recommend that the Commissioner appoint an advisory transportation board.

In considering proposals for reorganization of the executive branch, you will want to pay close attention to the State Programs and Operations Manual,

presented to the Legislature on January 22nd. The manual represents nearly a year's cooperative effort by the Department of Administration and the State Planning Agency and, although not prepared with reorganization in mind, it does provide much of the basic information you will need.

The manual provides a description of what major agencies are doing, why they are doing it and for whom they are doing it. Through its indexing system, it also provides a guide to the inter-relationships among the many agencies of state government. In short, it tells us what state government is about and what we all are endeavoring to accomplish.

ON-GOING REORGANIZATION

The suggestions I have just made for change are by no means final in making state government as efficiently responsive to the needs of our people as it ought to be.

In many cases, I have recommended moving whole departments into a new department with like functional units without recommending changes within the old department. I have not detailed recommendations in the area of changing policy-making positions into the unclassified service. I have not recommended abolition of a variety of statutory boards which might well in time prove to be obsolete.

We must have an on-going analysis of these and other matters and the burden for recommending improvements must be placed squarely on the executive branch. I ask, therefore, that you provide legislative direction and financing for an on-going effort at reorganization, modernization and innovation.

I also request that you authorize a plan for executive-initiated reorganization. I recommend that the governor be required to submit a report

to each legislative session for such changes in the executive structure as he deems necessary. Such legislative requirement should provide that either body of the legislature would have the right to reject such plan, but if neither took such action within 60 days it would have the effect of law and would thereupon be implemented by the executive.

This proposal does not deprive the legislature of the right to initiate its own reorganization proposals.

Above all, government exists to serve our people. The reorganization proposals submitted to you today will help us better serve all Minnesotans for years to come.

In summary, by affirmative action on these recommendations, we will have assured economy, cut the cost of government, safeguarded against unnecessary increases in governmental personnel so that the growth of government will have been laudably pruned. We will have improved service, strengthened the legislative process, guaranteed accountability, facilitated sound decision making, encouraged regionalization, accepted the challenge of a new federalism, maintained and attracted talent to government service.

With the enactment of these proposals, Minnesota would have materially updated its government. The reorganization plan submitted today which I ask you to adopt, may take another legislative session to implement fully. What we must do this session is to take the first step to achieve these desirable recommendations. The actual integration approved may take varying lengths of time to fully accomplish. Wisconsin adopted a major reorganization a year ago but has not yet fully completed its implementation.

I ask your favorable consideration of these far-reaching recommenda-

tions, not only for the benefit that will be given to our citizens in the immediate years ahead but more importantly for those who will live and govern in this state after we have completed our missions.

Few would expect us to leave a perfect legacy, for that is beyond our human capabilities. But to do our very best today . . . to strain our eyes for a glimpse of the dawning future . . . is to fulfill our purpose as public servants.

Thank you.