

GOVERNOR'S
LOANED EXECUTIVES *Action* PROGRAM

DOUGLAS J. DAYTON, *Chairman*

LEAP



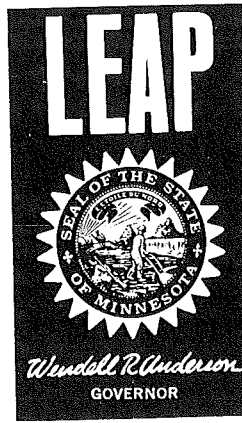
Wendell R. Anderson
Governor

*...to assist the organization in
becoming more viable on its own ...*

FINAL
REPORT

SAINT PAUL, MINNESOTA, DECEMBER 23, 1972

Governor's
LOANED EXECUTIVES *Action* PROGRAM



807 Capitol Square Building
St. Paul, Minnesota 55101
(612) 296-6212

DOUGLAS J. DAYTON
Chairman

ROBERT H. ENGELS
Northern States Power Company
Vice Chairman

STEERING COMMITTEE

RICHARD L. BRUBACHER
State of Minnesota

TED DEIKEL
Fingerhut Corporation

LYLE H. FISHER
3M Company

RICHARD H. KING
International Multifoods, Inc.

GERRY E. MORSE
Honeywell, Inc.

BARNEY U. UHLIG
Executive Secretary

The Honorable Wendell R. Anderson
Governor of the State of Minnesota
State Capitol
St. Paul, Minnesota 55155

Dear Governor Anderson:

All of us in LEAP appreciate your asking for a study of Minnesota State Government to recommend areas for improved service and/or greater efficiency. Your giving us complete freedom to investigate any area in the executive branch, and your expressed support of our efforts facilitated our work immensely. It has been a richly rewarding experience.

Those employed in state service, at all levels, have been cooperative, patient, and extremely helpful in pointing out to us productive areas for study. We leave this assignment impressed by their dedication and ability to serve Minnesota, and their desire to do so even better if given the opportunity.

As you are certainly aware, Minnesota State Government is a gigantic enterprise. Employing over thirty thousand people it spends two and a third billion dollars annually. It administers countless programs and projects, and does most of them well. However, it could do many of them better and, with some changes, create smoother and more efficient operation in most of them.

The pages that follow are concrete suggestions for effecting such changes. We feel your organization will respond enthusiastically to them, and urge that you and your management team support them aggressively.

This question of management is the heart of our concern. It is the means of utilizing the tremendous reservoir of human talent you have at your disposal. Only through competent management can the human resources in state government be focused, trained, and rewarded for maximum results. Capable, efficient management is the key to the accomplishment of our primary goal "to assist the organization in becoming more viable on its own."

The opportunity is great. The time is now.

Respectfully yours,

A handwritten signature in dark ink that reads "Douglas J. Dayton". The signature is written in a cursive, flowing style.

Douglas J. Dayton
Chairman



STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

WENDELL R. ANDERSON
GOVERNOR

December 12, 1972

Mr. Douglas Dayton
Chairman, Governor's Loaned
Executives Action Program
807 Capitol Square Building
St. Paul, Minnesota 55155

Dear Doug:

The work of the Governor's Loaned Executives Action Program over the past six months deserves the thanks of all of the people of Minnesota.

On their behalf, and specifically on behalf of the executive branch of Minnesota state government and my office, I just want to tell you how grateful we all are for your splendid help and that of your team of executives.

My department heads, my staff, and I have found the loaned executives to be dedicated, sensitive, sincere, and remarkably able to penetrate to the core problems of management of our state government enterprise. I know your excellent personal leadership of the L.E.A.P. team has contributed in a major way to their approach. At the same time, I am tremendously impressed with the quality of the people you recruited and with the cooperative investment their companies have made toward the quality of our state government.

The loaned executives leave us with a great responsibility and a great opportunity. I know I speak for all of us in the administration of state government in saying that we will do our best to meet the responsibility and seize the opportunity.

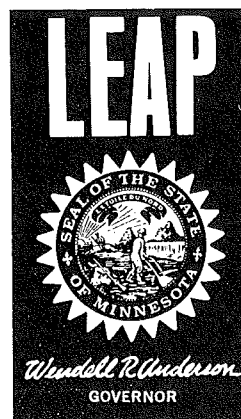
We brought the loaned executives into state government to tell us what to do and how to accomplish it. Your recommendations will have our highest priority for attention. I look forward to the effort and your continuing interest and assistance in the months ahead.

Sincerely,

Wendell R. Anderson

WRA/sm

**Governor's
LOANED EXECUTIVES *Action* PROGRAM**



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Honeywell, Inc.

BARNEY U. UHLIG
Executive Secretary

To All State Employees:

Since June you have had a host of LEAP volunteers underfoot. Your patience and cooperation were a key factor in making our recommendations meaningful. Without your direction we would not have known which areas were of primary import. Your participation has been invaluable in helping us reach decisions in almost complete accord.

We know this entire LEAP program has been an added burden for many of you, and we appreciate the time you gave so generously. May we now urge you to cooperate with whatever changes may be brought about through LEAP's efforts, because we are certain such changes will pay off both for the citizens of our state and all of its employees.

We volunteers in LEAP would like to express our great respect for the talent and ability we've encountered on every hand. We are certain that the system can be streamlined so that each of you can more easily achieve the maximum output of which you are capable. That is our wish. We feel the time is ripe for such an effort.

Again, with many thanks,

Douglas J. Dayton
Chairman

GOVERNOR'S
LOANED EXECUTIVES *Action* PROGRAM

OBJECTIVES

*Assist the organization in becoming
more viable on its own*

•

Improve efficiency

•

Improve responsiveness

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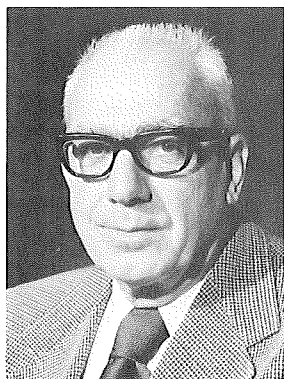


WENDELL R. ANDERSON
Governor, State of Minnesota



DOUGLAS J. DAYTON
*Chairman, Governor's
Loaned Executives Action Program*

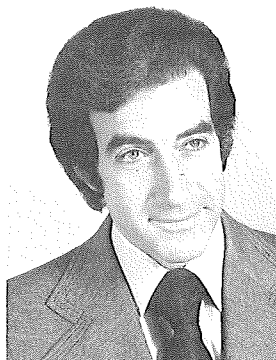
LEAP Steering Committee



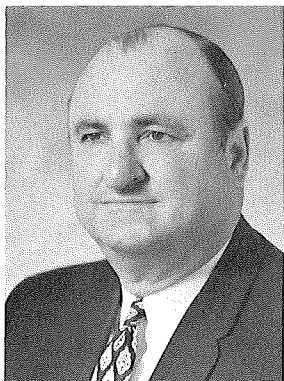
ROBERT H. ENGELS
*Northern States Power
Company
Vice Chairman*



RICHARD L. BRUBACHER
State of Minnesota



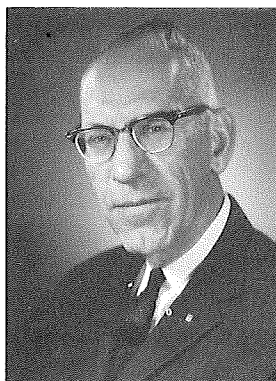
TED DEIKEL
Fingerhut Corporation



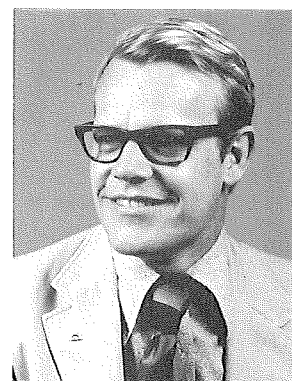
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3M Company



RICHARD H. KING
*International Multifoods,
Inc.*



GERRY E. MORSE
Honeywell, Inc.



BARNEY U. UHLIG
*Executive Secretary,
Governor's Loaned
Executives Action
Program*

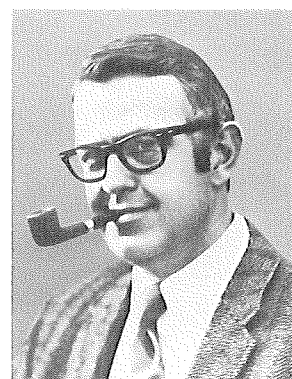
Steering Committee Consultants



DAVID J. SPEER
*Public Relations
Consultant, Padilla
and Speer, Inc.*



JAMES F. MOFFET
*Public Relations
Consultant, Padilla
and Speer, Inc.*



**KENNETH T.
UNDERDAHL**
*Executive Department,
State of Oregon
Former Coordinator of
Oregon's "Task Force 70's"*

OVERALL FINDINGS

This report summarizes 138 recommendations which will produce \$75,249,107 of savings. Not all recommendations indicate dollar savings, but they are equally essential to make this gigantic enterprise, Minnesota State Government, function more effectively.

The LEAP effort is the result of twenty-six man years of service donated by one hundred full and part-time volunteers from the business community. Task Force Chairmen served for six months, working full time. Most of the other men and women served three-month periods. The part-timers worked on shorter projects and frequently were recruited from their parent companies by a LEAP volunteer.

To ensure better understanding, each major Task Force had as one of its members a representative from the department being studied. In addition, a budget analyst from the Department of Administration served in a liaison capacity. By this means, the department, particularly the commissioner, was kept informed constantly on all aspects of our work.

At the outset, each department conducted orientation sessions for the volunteers that covered: department organization, purpose, objectives, problems, and assessment of its effectiveness. The next step was to analyze the department through a series of interviews and observations. This allowed the volunteers to reach their own conclusions concerning the department's appraisal of itself. Next came a ranking of problems to ensure that the most urgent needs were considered first.

In every case, LEAP tried to document that a problem *did* exist. This was necessary because methods that may seem commonplace to those familiar with State service may not always be appropriate.

Once the problem was clearly indentified, alternative solutions were evaluated and prioritized. In nearly all cases, the Task Force Reports identified the recommended solutions as well as the rejected alternatives. It is important to note that every recommendation has an implementation schedule attached. This schedule has due dates, and designates who is responsible. This should ensure maximum follow-through.

Review Process

Once a recommendation reached final form, the department head was asked to sign off, if he agreed with it. It is noteworthy that 95% of these recommendations carry that endorsement. In some instances, department heads have concurred, but have noted some exceptions. Each such qualified statement is pointed out in the appropriate project report.

Once a recommendation cleared the department, it was routed to Douglas J. Dayton, LEAP Chairman, and Richard L. Brubacher, Commissioner of Administration. If they approved, it then went to the Governmental Advisory Committee (GAC) for endorsement.

The LEAP Steering Committee, acting for the Management Advisory Committee, then reviewed the entire report and sent it to the Governor, recommending its acceptance. (Any exceptions to the procedures in the above paragraphs are noted in the addendum.)

Objectives

LEAP's primary objective was and is "to assist the organization in becoming more viable on its own." The underlying theme here is that, while outsiders can occasionally contribute ideas to an organization, real vitality must come from within. Thus, LEAP's aim has been to provide systems, techniques, disciplines, and organizational structure by which the people in State service can upgrade their own performances. LEAP found a burning desire in the organization for just this.

The secondary, but still important, objective was to look for greater efficiency in the Executive Branch and improved responsiveness to the people the State serves. Each recommendation speaks to one of these objectives; frequently both. The \$75,249,107 savings are self-evident. They represent about 3% of the funds going through the State. With time, far greater savings can be achieved and, hopefully, the organization will aggressively seek them out.

Improved responsiveness is necessary in several instances, as noted in specific recommendations. It is interesting that frequently, if not usually, improved responsiveness costs less money than the old system. The State needs to set up

controls to measure its service level and monitor it on an ongoing basis.

Five Areas of Major Concern

As LEAP volunteers became acquainted with State government, they identified five areas of concern which contribute to lack of efficiency and adequate vitality. Some of these concerns are noted directly in the report, others can only be overcome indirectly and with time.

ORGANIZATIONAL STRUCTURE

The over 300 entities reporting directly to the Governor, and with which the Legislature must deal, by their numbers alone forbid close scrutiny by anyone. Their multiplicity results in overlapping of functions between agencies. Also, individual departments frequently are not effectively organized to accomplish their objectives in the best fashion.

LEAP did not have the time nor manpower to adequately study a *total* reorganization. It further believes that the first order of priority is to organize the major individual components effectively before undertaking a total reorganization.

LEAP was instrumental in helping four departments develop new organizations. These are Health, Highways, Natural Resources, and Public Welfare.

Vitally needed changes in Administration, Finance, and Personnel, covered later, are the single most important recommendations in this report.

MANAGEMENT THRUST

An organization as diffuse as this one is extremely difficult to control. Unless it is well managed, and has maximum coordination, it will dissipate its effectiveness in multiple, useless directions.

This key element of management holds the greatest potential for improved efficiency and responsiveness. A standard of professionalism must become more uniform in State service. The organization must devote more time and resources to the training and development of all of its work force; managers and employees. The organization is hungry for such programs.

FINANCIAL CONTROL SYSTEMS

There is a terrible vacuum of readily available, updated information on which to make management decisions and formulate plans.

All of the elements required for a good information system exist, but they exist in different departments and are not adequately coordinated. The recommendations from the Financial Control Task Force are far reaching, but vital, in order to give each manager, up to the Governor, enough information so that the manager can perform well.

In the '72-'73 biennium, \$4.7 billion dollars will pass through the State Treasury. The financial systems presently used seem designed to make sure that money is spent as directed and that it is not stolen. It does a very good job at insuring just this. It falls *far short* of giving all levels of management the tools they need to operate the plan effectively.

PERSONNEL ADMINISTRATION

For 30,000 employees there is no one person charged with maximizing the productivity of each employee, both for the State's and the individual's mutual benefit.

The Personnel Task Force recommendations are far-reaching here, too. They propose that all personnel-related functions be placed under a Commissioner of Personnel. Specific recommendations, such as the ones relating to training, management development, and appraisal, will help each individual upgrade his own performance for the benefit of all.

INCENTIVE

There is no incentive in the system. If a department saves \$100 million, it is shorted that much in the next session. If an employee does an outstanding job, he still gets the same salary increase most others get. The system does not foster risk takers.

One Personnel Task Force recommendation relates to this concern. Incentive should not be artificially generated. It should result from an attitude and atmosphere in which good performance is recognized and rewarded. As this takes place, individuals will take greater pride in their jobs

and earn a higher level of respect from the citizens they serve.

Conclusion

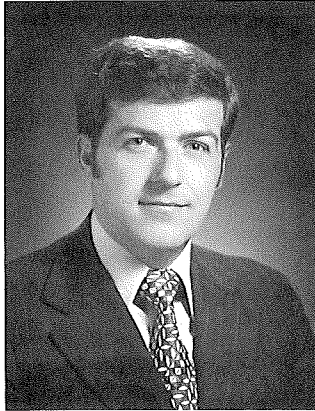
It is the system of State government, not the people in it, that needs so badly to be upgraded. The system is what makes things move so slowly and sometimes awkwardly.

The recommendations which follow will do much to improve that system. The people on board now are fully capable of revitalizing the performance of State government. As management of the enterprise improves, it will operate more efficiently and serve better the citizens of Minnesota.

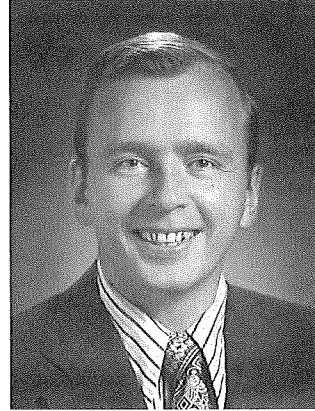
Barney Uhlig and Douglas Dayton confer on LEAP program.



Central Management Task Force



Z. Z. (ZEL) DePRIEST
Captain
*Northern States Power
Company*



FRANCIS X. KOCH, JR.
Staff Assistant
*Northern States Power
Company*

Central Management Task Force

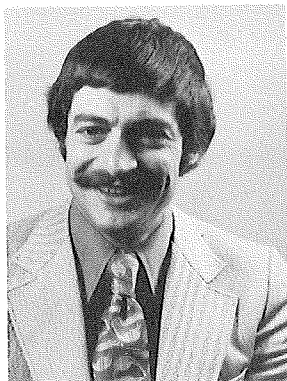
PERSONNEL

Personnel activities for the state of Minnesota are being discussed by LEAP Task Force members with John W. Jackson, right, Director of Civil Service; Donn Escher, standing, Assistant Director of Civil Service, and Civil Service staff member Joe Eastman, second from right.



Central Management Task Force

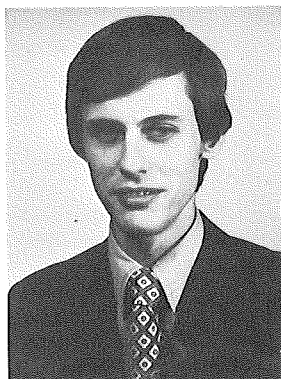
PERSONNEL



JERRY M. McNEAL
Chairman
Dayton's



LEE J. ANDERSON
The Pillsbury Company



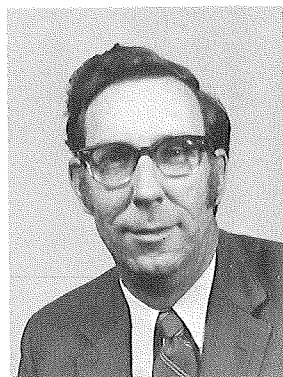
CHARLES G. BOWEN
*West Publishing
Company*



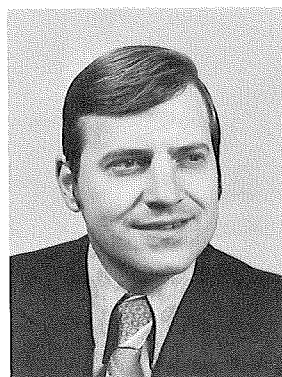
GARY L. BUTLER
*The Minneapolis Star and
Tribune Company*



NICK F. HAWLEY
*Northern States Power
Company*



DONALD E. LEMIRE
*Dayton Hudson
Corporation*



GERALD J. SANTERS
*International
Multifoods*

Central Management Task Force

Personnel

The Personnel Task Force had the assignment to study the personnel system in the State organization which affects over 30,000 employees. Initial findings indicated the majority of the personnel system was contained in the Civil Service Department, but other parts also were contained in the Department of Administration, the various operating agencies, various groups affecting retirement, and various groups affecting pay plan designs.

Civil Service Department: The Department of Civil Service has the responsibility for recruiting and selection, classification and compensation, payroll pre-audit and personnel records, certain aspects of training, manpower planning, operating department liaison and labor relations (Director of Civil Service in conjunction with the Commissioner of Administration). These responsibilities are primarily for the classified service, but do involve unclassified positions in certain instances.

Department of Administration: This Department has responsibility for administering the health and life insurance benefits, the employee suggestion system, the Social Security system, labor relations (in conjunction with the Director of Civil Service).

Operating Departments: The operating departments have operational personnel function responsibilities guided by appropriate Minnesota Statutes and Civil Service rules, but in some cases by their own authority.

Retirement Boards: The five retirement systems have the responsibility for recommendations to the Legislature on retirement plan design and administration for their members.

Pay System: The four pay systems beyond Civil Service have the responsibility for pay design and recommendations to the Legislature for those employees within their jurisdiction.

State Employees Insurance Board: This board has the responsibility for health and life insurance recommendations to the Legislature.

Reporting Structure: The present reporting structure is confusing. Parts of the personnel system report to the Governor; other parts report to the Civil Service Board. Some parts report to five different retirement groups, while others report through four additional pay recommendation systems beyond Civil Service. An additional part of the personnel system is a separate State

Employees Insurance Board. It also should be noted the Labor Negotiator and Contract Administrator actually reports to the Civil Service Director and the Commissioner of Administration simultaneously.

The systems and procedures for the various portions of the personnel system vary by element of the system and department in which the procedures are being used. Many systems and procedures are specified by law, or rule, and are followed quite closely, as in the case of the veteran's preference law. Others are not followed closely or at all, as in the case of performance evaluation. In many cases, staffing in the personnel areas in various departments has significant impact on the degree of the adequacy of the systems and procedures.

Areas of Strength and Weakness

Strength: It is obvious that the patronage system of past years has been effectively checked through the Civil Service system. The employee health and life insurance benefits are not fragmented and are competitive and well administered, even though they are not in the Personnel Department.

The Civil Service compensation area does a good job of data gathering and its analysis is quite thorough. Its members do know their market.

In spite of inconsistencies in the law, we found the Labor Negotiator and Contracts Administrator does a good job, although he has been on the job only a limited time.

The data gathering and analyzing for the Compensation Review Board is well done.

In spite of enlarged State employment over the years, the Civil Service Department was able to operate without increasing staff.

Weakness: Fragmentation of the personnel structure results in many separate reporting structures, and lack of coordination in major personnel elements, such as compensation, which results in inequitable treatment of similar groups of employees.

Lack of results-oriented management philosophy. Lack of definition as to which people are managers in the state service.

Lack of emphasis on management development and supervisory skills.

Certain hindrances to promotions, especial-

ly where cross-departmental promotions are concerned.

Lack of a "standard of performance" program and a uniform appraisal system.

Certain hindrances to effective labor relations.

Certain processes which delay the hiring of employees.

As a rule, those involved in the personnel system in the State are highly dedicated and hard working. The inefficiencies that occur in the systems are there generally as a result of either legislation, rule, or the lack of personnel direction resulting from the fragmentation of the system. An example of legislation is the case where the State Labor Negotiator attempts to bargain in good faith on an economic package which then may or may not be accepted by the Legislature, and could be in harmony or direct conflict with the Civil Service Pay Plan. An example of fragmentation and staff overlap is in the retirement plans. Five groups with separate staffs work on the plans which involve approximately 150 people and a payroll of approximately \$1,100,000 annually. The consolidation of the retirement functions could eliminate the duplication of efforts.

HIRING PROJECT — Report No. 27, Department of Civil Service

Problem: The hiring of employees through the Civil Service process suffers delays due to some techniques and practices presently used. The hiring process includes: processing applications, scheduling of written and sometimes oral exams, scoring of exams, and preparing eligible and certification lists by Civil Service. The hiring process is completed when the agency has interviewed the applicants, and the final selection and commitment is made. The excessive time required by the State to hire an eligible individual, as compared to private industry, will result in industry making job offers significantly earlier than the State.

Solution: To reduce the time required to complete the State's hiring process, it is recommended: 1) verifying applicants' availability prior to preparation of the certification list; 2) conducting a feasibility study concerned with putting together jobs with similar classifications, developing common examinations for them and administering these exams on a regularly scheduled basis;

3) reducing the time an applicant's name can remain on the open competitive eligible list to six months; 4) adopting electronic data processing of exams; 5) expanding the size of the certification list to include the top ten applicants; 6) modifying the use of veteran's preference; 7) continuing to explore new ways of speeding up the hiring process; and 8) eliminating all exams for entry level hiring.

Estimated Annual Savings: Resulting savings from elimination of clerical help will be absorbed by electronic data processing expenses and the possible addition of one Civil Service professional employee.

Anticipated Implementation Date: June, 1973

Status: Being implemented, necessary legislation for consideration by the 1973 Legislature is being prepared.

EMPLOYEE PERFORMANCE APPRAISAL SYSTEM PROJECT — Report No. 44, Department of Civil Service

Problem: A Standards of Performance Program, and a uniform Employee Performance Appraisal System for classified employees in the State service do not exist.

Solution: Establish, implement and maintain a common format, with written position descriptions for all full time positions in the classified State service. Also, establish standards of performance for Schedule "A" positions, and design and implement a uniform "Employee Performance Appraisal" system.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: December 1, 1974

Status: Being implemented.

RESULTS ORIENTED MANAGEMENT SYSTEM PROJECT — Report No. 74, Executive Branch, State of Minnesota

Problem: A results oriented management philosophy or system does not exist in the State employment. By not requiring or fostering this type of management system, the State does not maximize managerial productivity nor does it provide a sound basis for measuring managerial performance.

Solution: It is recommended that: 1) a management group in the State be identified, 2) a man-

agement-by-objectives system be implemented for this group, 3) flexible merit wage increases based on varying levels of evaluated performance be established (covered in Compensation Project), and 4) a highly qualified management-level person be appointed to direct the implementation of this system.

Estimated Annual Savings: None

Estimated Expense: Management consulting costs would be approximately \$15,000. The cost would be based on 30 days of training sessions at \$400 per day plus \$3,000 for program development. There are about 1,100 employees in the classified and unclassified service meeting the salary criteria for manager or top level professional as set forth in this proposal. The 30 days of training sessions would allow the consultant the flexibility to pattern his course content, course length, and size of class to his style of presentation. Cost for this systems manager would be approximately \$42,000 based on one-and-one-half years at \$28,000 per year (\$25,000 salary plus 12% for fringe benefits on a contract basis).

Anticipated Implementation Date: July 1, 1974

Status: Legislation to obtain necessary funds is being prepared for consideration by the 1973 Legislature.

STATE EMPLOYEE RELATIONS PROJECT — Report No. 75, Departments of Civil Service and Administration

Problem: The State's ability to carry out its labor relations function is impaired by the following four problems: 1) an organized employee can pursue dual grievance procedures resulting in duplication of effort; 2) a lack of control and coordination over the various fringe benefits hinders the State in bargaining on those fringes; 3) the State Negotiating Team lacks communication with, and direction from, a decision making body; and 4) potential conflict exists because all State employees are not covered by the same labor laws.

Solution: Prohibit an employee from pursuing more than one grievance procedure. Coordinate fringe benefits under one person. Establish a joint legislative committee to bridge the communication void between the State Negotiator and the

true decision makers. Remove State employees from the jurisdiction of the Charitable Hospital Act.

Estimated Annual Savings: None

Anticipated Implementation Date: June 30, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

OVERALL PERSONNEL ORGANIZATION PROJECT — Report No. 101, State of Minnesota

Problem: There is widespread fragmentation of personnel functions in the State which makes coordination and a unified management difficult at best. The present personnel organization does not permit maximum utilization of available manpower in the State, causes inequity in treatment of otherwise similar employee groups, and does not allow for efficient use of man hours as compared to costs.

Solution: It is recommended: 1) to establish an organizational means to unify the personnel system of the State; 2) to appoint a Personnel Commissioner to report to the Governor; 3) to separate the Personnel Board from the Personnel Department and redefine Board's role; 4) to eliminate the Insurance Board and place the responsibility under the Personnel Department; 5) to combine the retirement boards and the retirement associations into one group, with the Personnel Commissioner a voting member, and administration done through the Personnel Department; 6) to determine through the Commissioner of Personnel all classified and unclassified compensation matters from the five existing systems. These matters will cover the areas of salaries, retirement, holidays, health and life insurance, sick leave and vacations; and 7) to strengthen the role and responsibilities of the personnel officers in the operating departments.

Estimated Annual Savings: Indeterminate at this time. It is estimated that a 10% reduction in administrative staff can be achieved by combining the administration of five retirement systems into one, with a resulting annual savings of approximately \$120,000. These funds, however, can only be returned to the retirement programs from which they were originally taken. A small amount of additional appropriated funds will be necessary to attract top level personnel administrators.

Anticipated Implementation Date: January 1, 1975

Status: Legislation for consideration by the 1973 Legislature is being prepared.

STATE COMPENSATION PROGRAM PROJECT — Report No. 120, Departments of Civil Service and Compensation Review Board

Problem: Presently, there is no means for the coordination or integration of the various elements of the State's compensation program. This results in a variety of compensation practices which are not always internally equitable. This also reduces effectiveness in dealing with employee organizations, causes inefficiency in the handling of compensation matters, and results in some variances from the State's pay policy.

Solution: Establish an organizational means to coordinate all the elements of the State's total compensation program for both classified and unclassified personnel. Clarify the State's pay policy, changing some specific pay practices which do not conform to the State's pay policy, and ensuring pay equity between classes of employees by adopting common procedures. Also, adopt a results-rewarding pay system for managers.

Estimated Annual Savings: There will be no immediate dollar savings: It is estimated a \$5,000,000 reduction in the annual salary spending level will result over several years.

Anticipated Implementation Date: July 1, 1975

Status: Legislation for consideration by the 1973 Legislature is being prepared.

TRAINING AND MANAGEMENT DEVELOPMENT PROGRAM PROJECT — Report No. 121, Department of Civil Service and Operating Departments

Problem: Training is conducted primarily by the various operating departments of the State. Training activities in the State are not well coordinated; effectiveness of training is not well evaluated; and management development and supervisory training have been neglected.

Solution: It is recommended that: 1) the department head of each State operating department continue to be charged with the responsibility for planning, budgeting and conducting training pro-

grams in his department within the scope of an overall State training plan, 2) the State training manager develop an overall training plan which sets priorities and makes coordinative recommendations, utilizing operating departments' input from a revitalized training committee, 3) the function of evaluating training, both quantitatively and qualitatively, be reserved to the central training function, 4) the major training effort be refocused into the management development and supervisory training area, and 5) job knowledge/skills training be left primarily to the various operating departments where it now is conducted, providing only for a review by the State training manager as to the scope and content of the training before it is implemented.

Estimated Annual Savings: None

Estimated Expense: It is estimated that approximately \$1,000,000 now is expended annually for training. We recommend an expenditure equivalent to .6 of 1% of payroll for training annually, which would be a \$600,000 annual increase in expenditures for training.

Anticipated Implementation Date: June 30, 1974

Status: Being implemented with modifications; legislation for consideration by the 1973 Legislature is being prepared.

PROMOTIONS AND TRANSFERS PROJECT — Report No. 122, Departments of Civil Service and Administration

Problem: At present, classified employees in the State service are very dissatisfied with their advancement opportunities. This dissatisfaction is a result of several State policies and practices which hinder upward mobility, nine of which were identified by the Civil Service Department personnel and various line department personnel officers.

Solution: It is recommended that present policies and practices which contribute to this dissatisfaction be amended or eliminated. This would include retirement at age 70; promotions limited to departmental personnel only; no uniform performance evaluation methods; "rule of three" for certification; present veteran's preference and seniority promotional ratings; non-transferability

of vacation leave and seniority when transferring between departments; no recognizable career paths and requirements; and non-payment of moving expenses when being relocated.

Estimated Annual Savings: None. Some immediate expenses may be expected as a result of lowering the retirement age to 65 and paying relocation costs to transferring employees. However, it is expected substantial overall savings will result in future years by placing the best qualified

employee in available positions and by increasing performance by employees as advancement becomes more closely tied to performance.

Anticipated Implementation Date: January 1, 1975

Status: Being implemented with modifications. Where necessary, appropriate legislation is being prepared for consideration by the 1973 Legislature.

Summary of Annual Savings or Costs

	Saving	Costs
Hiring Project — Report No. 27	—	—
Employee Performance Appraisal System Project — Report No. 44 ...	—	—
Results Oriented Management System Project — Report No. 74	—	\$ 57,000
State Employee Relations Project — Report No. 75	—	—
Overall Personnel Organization Project — Report No. 101	—	—
State Compensation Program Project — Report No. 120	\$5,000,000*	—
Training and Management Development Project — Report No. 121 ..	—	600,000
Promotions and Transfers Project — Report No. 122	—	**
Total.....	\$5,000,000	\$657,000

**This will be an annual salary savings realized if recommendations are accepted. This annual figure will not be reached for a period of years.*

***It was not possible to put an actual figure on reducing age 70 retirement or relocation expenses as part of this project due to unavailability of base data.*

Central Management

Task Force

FINANCIAL CONTROL

The Financial Control Task Force discusses the State's accounting system. Chairman Donald Christiansen, second from right, checks a recommendation.



Central Management Task Force

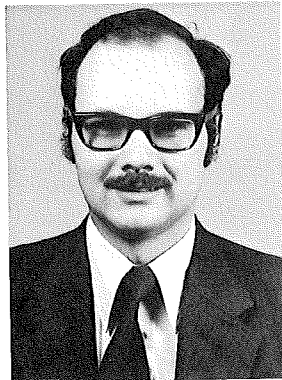
FINANCIAL CONTROL



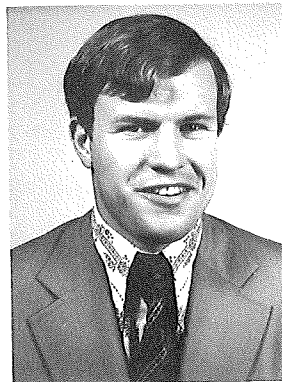
JOHN P. SCHUELER
Chairman, Phase I
*International
Multifoods*



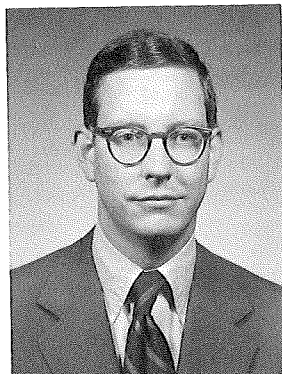
**DONALD A.
CHRISTIENSEN**
Chairman, Phase II
*Dayton Hudson
Properties*



WILLIAM J. BETHKE
*Dayton Hudson
Corporation*



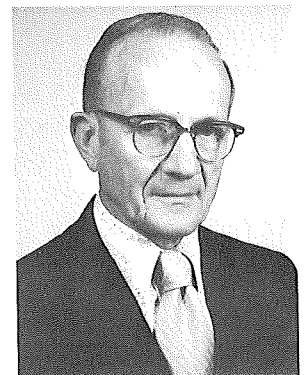
ROBERT C. FINKE
*Peat, Marwick, Mitchell
& Company*



ROBERT B. HARRIGAN
*First National Bank of
Minneapolis*



LUDWIK J. KULAS
Ernst & Ernst



LEONARD J. LINN
*Sears, Roebuck and
Company*

Central Management Task Force

Financial Control

The Financial Control Task Force was established to examine the existing accounting system, methods of budgeting, performance reporting techniques, and forecasting methods that make up the State financial control system as well as the post audit activities. A review also was made of the operations of the Tax Department. Since these functions are divided among the Department of Administration, Public Examiner, Department of Taxation, the Office of the State Auditor, and the Office of the State Treasurer, these projects involved a number of different organizational units of State government.

The financial control responsibility of these various departments and agencies is to establish the accounting and budgeting system, including the control of encumbrances by appropriation, and to publish the required financial report. Their general direction and authority is established by statute, and little has been done to implement broadly defined statutes with formalized procedures. Responsibility has been delegated to line agencies where permissible; thus these programs have significant impact upon all State departments.

Present Organizational Pattern

The organization pattern of the financial control function is, by any standard, split up to the point that any advancement in financial control technology is thwarted. The present organization was established in 1939, long before present day financial control became widely recognized and used. The basic function of accounting (the State Auditor) and the related function of control of the cash (the State Treasurer) are headed by elected officers reporting to the voters or, in effect, responsible to no one. The budgeting function and the control of appropriated allotments is in the Department of Administration, whose commissioner is appointed by, and reports to, the Governor. The Public Examiner, who represents the post audit function or the check and balance on the State's accounting practice, also is appointed by, and reports to, the Governor. The Information Systems Division has an increasingly important role in the processing of financial data, and is the only source of systems analysis. ISD reports to the Commissioner of Administration.

Areas of Strength and Weakness

Strength: The State has a large number of loyal, hard working, and intelligent employees who are proud of the job they are doing. Many of these employees are anxious to improve the operation of the government and are willing to accept the challenge of greater performance when it is presented.

Weakness: There is an appalling lack of readily available, timely, financial information for all levels of management. As a result, management decisions are based on inadequate facts. The various functions that make up the total financial control system have been divided between so many areas of responsibility that there is little organized effort to ensure that the tools of management are kept up to date on a continuing basis. Even when there has been self-initiated use of new techniques, there has been no degree of urgency. Resulting time-tables have extended over much greater periods of time than essential for implementation. Further, the operating activities are totally dependent on the Legislature for funding of new or expanded programs. The interest of the Legislature is much higher for spending on visible programs than investing on financial controls that will provide long range savings.

In general, the State activities lack an organized cost reduction program and, as a result, very little systems analysis of manual operations is performed.

Under the conditions outlined above, State employees are working at their jobs efficiently; however, what they are doing is part of an inefficient system. Without formalized procedures, there is no standard to determine which operations deviate from the original method. As a result, with the changing of personnel, and changes to accommodate temporary situations, the methods go further and further from the original plan and become less and less efficient. Greater emphasis and systems analysis on a continuing basis is needed throughout the State. This emphasis can be obtained with the combined systems activities in the Information Systems Division as proposed in our financial reorganization.

INCOME TAX EXAMINATION, OFFICE AUDIT PROJECT — Report No. 31, Department of Taxation

Problem: A backlog of 11,275 unaudited Minne-

sota tax returns, with known discrepancies, exists in the Department of Taxation. Based on present staff and techniques, the annual backlog is growing dramatically. Elimination of this backlog could generate in excess of \$4,000,000 for the State.

Solution: To reduce the backlog in the office audit area, establish a "project" team of experienced taxation personnel to bring the existing inventory to an acceptable level (one month's work) by May 1, 1973. Personnel necessary to accomplish this task has been identified, a production schedule has been laid out, and implementation has already begun under the guidance of senior management within the Department.

Estimated One-Time Savings: \$4,000,000

Anticipated Implementation Date: May 1, 1973

Status: Being implemented.

INHERITANCE AND GIFT TAX DIVISION PROJECT — Report No. 73, Department of Taxation

Problem: The present system of preparing inheritance tax files requires tax examiners to perform clerical duties. Presently, there is no check of files to expedite closing them, or checking them in regard to the Statute of Limitations. There is need for additional productivity data to be used by the Director in managing the Division.

Solution: Revise the present system to complete tax files in the clerical and initial examination areas. The general file should be reviewed every three months to initiate action on dormant files, and check on files approaching the deadline of the Statute of Limitations. Generate weekly reports, from examiners within the division, to provide current productivity data for the division.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: March 20, 1973

Status: Being implemented.

FINANCIAL ORGANIZATION PROJECT — Report No. 102, State of Minnesota

Problem: The Legislature is without a representative body to provide an independent review of appropriations spent, nor is there a true "arms-length" examination of financial records in the Executive branch. The elements of financial con-

trol (budgeting, accounting, reporting and analysis) are divided between the Departments of Administration and Public Examiner as well as the State Auditor. There appears to be a lack of urgency and concern about the financial affairs of the State.

Solution: Realign the functions of accounting, budgeting, and reporting, data processing, communications, and treasury under a new Commissioner of Finance. Reporting to this position would be a Controller responsible for accounting, budgeting and performance reporting; a Treasurer responsible for cash management, investing and borrowing; and a Director of Information Services responsible for systems analysis, data processing and communications. Concurrent with this action, the Public Examiner's reporting responsibility should be shifted to the Legislature.

Estimated Annual Savings: There will be no direct savings.

Anticipated Implementation Date: April 1, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

FINANCIAL REPORTING PROJECT — Re- port No. 108, Department of Administration and State Auditor

Problem: An overall absence of useful financial reports exists within the State government. As a result, all levels of management are hindered in their ability to respond, on a timely basis, to changing conditions and needs. This financial reporting void has, to a great degree, been caused by limitations of existing accounting systems and a failure to make adequate use of existing budgetary data.

Solution: Establish a monthly budget which is to be compared against actual reporting systems using standard format. This will be accomplished by 1) developing computer programs to retrieve information contained in the new central accounting system and 2) making better use of budgetary data as a basis for performance evaluation.

Estimated Annual Savings: There will be no direct savings. However, better decisions through better information should produce indirect savings. There also will be an additional cost to produce timely reports.

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

CENTRAL ACCOUNTING SYSTEM PROJECT — Report No. 109, Department of Administration and Office of the Auditor

Problem: Present accounting systems are unable to meet the management-reporting and cost-analysis needs of the State. The State Auditor's present system has insufficient capacity. The line agency systems are too highly dependent on manual methods. In addition, processing delays are inherent in present systems.

Solution: The presently proposed and partially implemented new central accounting system will provide the State with a system of sufficient size, flexibility, and responsiveness. However, previously established implementation schedules should be changed to provide accelerated realization of one central financial data base for use in financial reporting. Meeting the financial informational needs of the State's upper management should be given top priority. After this need has been met, resources should then be directed at the remaining tasks, i.e., modifying accounting controls, modifying systems responsibilities, and replacing existing agency systems where economically justifiable.

Estimated Annual Savings: Savings are anticipated, but cannot be specifically identified at this time. Changeover costs will occur, but will be reduced by eliminating the State Auditor's present EDP system (estimated annual savings \$50,000) and present line agency warrant writing systems (estimated annual savings of \$700,000) two years earlier than previously planned.

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

BUDGET METHOD STUDY PROJECT — Report No. 110, Department of Administration

Problem: Line-item budgets do not allow for a meaningful review or analysis of budgets. They do not require the establishment of objectives, nor present information in a manner that permits alternative programs to be evaluated and given priorities when appropriating funds.

Solution: Proceed with the advanced implementation schedule for the program budgeting system. Program budgets present budget data in a programmatic format, facilitating analysis and identification of alternatives during the evaluation and appropriation periods by responsible officials in both the Legislative and Executive branches of government. This system of budget preparation requires the establishment of objectives, measurement of the objectives, and how to achieve them. It also provides for a more meaningful review of proposed expenditures.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: January, 1975

Status: Being implemented.

SELECTION OF STATE INCOME TAX RETURNS FOR AUDITING PROJECT — Report No. 112, Department of Taxation

Problem: The code system developed for selecting State income tax returns to be audited is not productive. Records are not regularly maintained to determine the number of income tax returns examined. A sampling of 10,036 returns selected per audit code and examined by the Department of Taxation resulted in only 93 additional assessments and \$18,913 additional revenue. The additional revenue for the 10,036 returns selected averaged only \$1.88 per return.

Solution: The State Tax Department should rely on the United States Internal Revenue Service system for selecting income tax returns to be audited. To prove the effectiveness of the federal code selection process, the State Tax Department should maintain records to account for the number of returns examined, number of returns adjusted, and additional tax revenue.

Estimated Annual Savings: \$240,000 additional revenue.

Anticipated Implementation Date: December 15, 1972

Status: Implementation complete.

PROCESSING OF AUDITED INDIVIDUAL TAX RETURNS PROJECT — Report No. 113, Department of Taxation

Problem: The processing of adjusted, audited State individual income tax returns for additional assessment has been done on a slow and costly

manual basis resulting in a monetary loss to the State.

Solution: Computer processing of the returns will result in accelerating the procedure and achieving significant savings. To further improve the processing of audited individual tax returns, the auditor should use a copy of the State's income tax return for reporting the adjustments to be made on the return. The information would be computer-processed for calculating the tax obligation and interest; printing the tax order, or proposal, and compiling various statistical reports.

Estimated Annual Savings: \$91,000

Anticipated Implementation Date: March 1, 1973

Status: Being implemented.

REVENUE FORECASTING PROJECT — Report No. 114, Department of Taxation

Problem: The officials of the Department of Taxation need tax revenue-estimating techniques to improve forecasting accuracy and provide reliable answers to "what if" types of questions. The techniques, in addition to providing intermediate forecasting and analytical capability (up to two years forward), should still have a short enough time horizon projection to enable monitoring of "actual" versus "estimate" at an early stage; this would assure that corrective budgetary action could be taken if necessary, while there still was time.

Solution: Advanced forecasting methodology should be used to develop estimating equations with the desired forecasting and analytical capability. Since the technical skills required for the task were not available from within the Department, LEAP personnel were used to achieve this effect. In all, ten quarterly forecasting equations were developed that can be utilized to forecast up to 77% of total tax revenues collected by the Department, and can be counted upon to provide reliable answers to "what if" questions. It is further suggested that the Department acquire the capabilities to keep the present developed models updated, and expand upon the scope of the present study.

Estimated Annual Savings: No direct savings.

Anticipated Implementation Date: December 15, 1972

Status: Project complete; continued updating is in process.

AUDIT REPORTS PROJECT — Report No. 115, Department of Public Examiner

Problem: The Public Examiner's audit reports are not prepared on a regular and timely basis and, at times, are ignored by State agencies. They are not used as a tool to check on accounting procedures and uses of public funds. There are excessive delays in issuing audit reports after the completion of field work. The Public Examiner is not using certain current, generally accepted auditing procedures.

Solution: 1) The Public Examiner should issue reports on Department operations without detailed financial data. 2) Audits should be made of those departments receiving 80 to 85% of the total revenue and appropriations. 3) An internal control questionnaire and audit program should be developed to provide for comprehensive, efficient and economical audits and 4) clarification should be made of the definite duties for the audit supervisor, senior audit supervisor, assistant Public Examiner and Public Examiner in reviewing audit field work.

Estimated Annual Savings: There will be no immediate savings.

Anticipated Implementation Date: March 1, 1975

Status: Being implemented.

TAX RETURN FIELD AUDIT PROJECT — Report No. 116, Department of Taxation

Problem: The tax return field auditors specialize in one tax division and are not trained or transferred to meet demands in other divisions. There are no inter-divisional communications to avoid overlapping of work done by the field-audit staffs. Methods of selecting the tax returns to be field-audited vary with the divisions. There are no complete measures of audit productivity based on manpower utilization, number of audits, additional revenue or refunds generated by the audits. The field-audit staff does not have a standard audit program as used by public accounting firms and in industry.

Solution: Prepare and use a standard audit program for each tax area to promote equal and complete coverage of audit procedures. Make audit

productivity reports to determine which tax return audits prove the most productive, and to aid in the selection of the returns to be field-audited. Consolidate the field-audit staffs into one division and train the auditors in various tax areas to maximize personnel utilization and audit communications. All returns will be pre-audited and those chosen for field-audits will be

selected on a basis of probable productivity.

Estimated Annual Savings: Additionally generated revenue cannot be estimated at this time.

Anticipated Implementation Date: July 1, 1974

Status: Being implemented.

Summary of Annual Savings:

	Savings	
	Annual	One-Time
Income Tax Examination, Office Audit Project — Report No. 31	—	\$4,000,000
Inheritance and Gift Tax Division Project — Report No. 73	—	—
Financial Organization Project — Report No. 102	—	—
Financial Reporting Project — Report No. 108	—	—
Central Accounting System Project — Report No. 109	\$ 750,000	—
Budget Method Study Project — Report No. 110	—	—
Selection of State Income Tax Returns for Auditing Project — Report No. 112	240,000	—
Processing of Audited Individual Tax Returns Project — Report No. 113	91,000	—
Revenue Forecasting Project — Report No. 114	—	—
Audit Reports Project — Report No. 115	—	—
Tax Return Field Audit Project — Report No. 116	—	—
Total	<u>\$1,081,000</u>	<u>\$4,000,000</u>

*Central Management
Task Force*

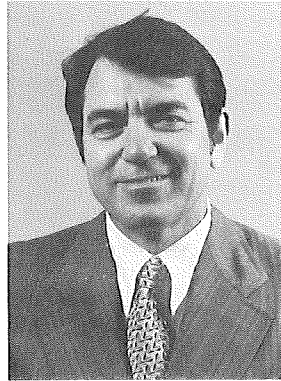
CENTRAL SERVICES

Minnesota's Central Services are being explored in this meeting between LEAP Task Force members and Al Vessey, extreme right, Director of Procurement, and Vern Bruce, extreme left, Assistant Director of Procurement. Both are in the Department of Administration.

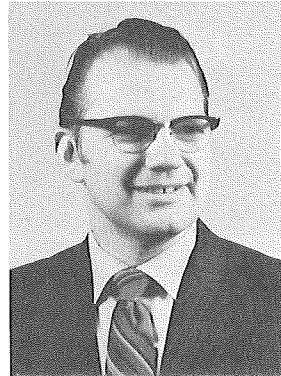


Central Management Task Force

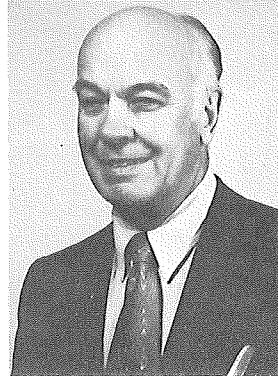
CENTRAL SERVICES



J. AUBREY HENRY
Chairman
*Hoerner Waldorf
Corporation*



LLOYD G. CARLSON
Tennant Company



WILFRED E. LUND
*Economics
Laboratory, Inc.*

Central Management Task Force

Central Services

The Central Services Task Force reviewed the operation of the Bureau of Procurement and Supply, which is one of the four divisions in the Department of Administration. There are four sections in this group: Procurement, Publications, Central Services and Motor Pool. The Bureau consists of roughly 150 people with a personnel budget of approximately \$1,100,000 and a total annual budget of \$4,800,000. The Procurement Section is responsible for expenditures of \$64,000,000 annually.

Areas of Strength and Weakness

Strength: The Procurement Section has the reputation of fairness in dealing with its vendors. It also has developed many material contracts through which cost is reduced and the buying job simplified. Further, it has in the past had a strong standards function.

Weakness: Procurement is not as sensitive to the needs of the using departments as it should be. This is evident by the excessive time required to process a requisition and some of the problems involving the user agencies. Organizationally, the Division lacks depth in personnel ready to assume managerial roles.

STATEWIDE PRINTING PROJECT — Report No. 29, Publications and Central Services Division, Department of Administration

Problem: State agencies decide by themselves whether their printing jobs are to be performed internally through Central Duplicating or externally through the State Printer. Written procedures do not exist to enable State agencies to determine which method is preferable for their printing requirements. Unnecessary expense and poor service occurs when printing jobs, that could be printed by Central Duplicating, are sent to outside vendors through the State Printer. The purpose of the State Printer and Central Duplicating is similar, yet the working relationships between the two are uncoordinated and fragmented.

Solution: Combine the State Printer and Central Duplicating into a Printing Section managed by the State Printer; transfer the buying function of

the State Printer to the Procurement Section, and initiate a standard printing requisition form.

Estimated Annual Savings: \$120,000

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

ORGANIZATION PROJECT — Report No. 45, Procurement and Supply Division, Department of Administration

Problem: Even though the Procurement and Supply Division has the elements of a good purchasing department, the use of the techniques to perform these functions needs improvement to make the Division more responsive to the needs of its clients, and to further reduce cost of purchases. There are five key vacancies in the Division and, as a result, many functions are not performed, or are not performed well. Managers are consequently busy with day to day problems, instead of overall management and the solving of problems with agencies that require their services. There are many varied complaints from user agencies, most of which result from a lack of understanding procedures, or a lack of desire to get to the heart of a problem. The materials management function is also weak.

Solution: Establish, within the Procurement Division, an organization consisting of two major areas under the Procurement Director; buying and procurement engineering. The buying area would continue its major function of acquiring materials. It is recommended that buyers make a greater effort to reach mutual understanding with the user agencies. The procurement engineering group would contain standards, value engineering, classifications, inspection and testing. This group would have the basic duty of improving purchasing quality and would complement the buying group. Establish a Materials Management division directly under the Assistant Commissioner. Stores would be transferred into this Division from the Central Services, and federal and state surpluses would be transferred from procurement. Inventory coordination throughout the State will be a major function of this Division.

Estimated Annual Savings: None

Anticipated Implementation Date: June 1973

Status: Being implemented.

INVOICE PAYMENT PROCESS PROJECT —
Report No. 71, Department of Administration and State Auditor

Problem: The steps to process an invoice from receipt to payment are time consuming. Interviews with user agencies revealed: 1) employees are dissatisfied with the length of time required for reimbursement of expense accounts, 2) agencies were unable to take advantages of all cash discounts, and 3) vendors were dissatisfied with the length of time involved in payment of invoices. Analysis of agencies shows an average of 36 working days required to process an invoice from receipt through payment. Further analysis shows cash discount opportunities are lost because of slow payment.

Solution: All vendor invoices be mailed direct to local business, regional or district offices. This is currently the practice in most agencies. Invoices should be forwarded directly from the local authorizer to central accounting, bypassing agency headquarters. It also is recommended to use the statewide accounting system for accounts payable, accounting and fund encumbrance liquidation. These changes will allow the invoice processing time to be reduced to less than ten days.

Estimated Annual Savings: \$500,000

Anticipated Implementation Date: September, 1973

Status: Being implemented.

REQUISITION PROCESSING PROJECT —
Report No. 72, Department of Administration and State Auditor

Problem: The steps required to process a requisition into a purchasing order are cumbersome and time consuming. Complaints from user agencies indicate the time required to process a requisition is unnecessarily long. A sampling of requisitions reveals an average of 42 working days required to process a requisition into a purchasing order. This time, when compared to industry's 14 average working days, shows the State is unnecessarily slow. Excessive requisitions-to-purchase order processing time results in an inventory overstock, interest loss, and delays in programs.

Solution: Within the user agency we recommend: 1) Using the standard State requisition Form No. 503; 2) strengthening the local authorization powers to allow purchase requisitions to be forwarded directly to central accounting; 3) eliminating the requirement at the local level of competitive quotes on purchases below \$25, and 4) using the statewide accounting system for encumbrance control.

Within the Budget Division we recommend: Revision of clerical and workflow procedures to allow quicker handling of those requisitions requiring budget approval. Within the Procurement Division we recommend: Improving clerical and work-flow procedures; instituting a "no bid" and "telephone bid" buyer procedure on small dollar-value requisitions; giving the buyer more authority, and using the statewide accounting system to encumber the purchase order. These changes will allow the requisition processing time to be reduced to less than 15 working days on "no bid" or "telephone bid" items and to less than 25 working days on written bid items.

Estimated Annual Savings: \$62,500

Anticipated Implementation Date: July, 1973

Status: Being implemented.

CENTRAL STORES PROJECT — Report No. 103, Publications and Central Services Division, Department of Administration

Problem: In the Capitol Complex, five agencies duplicate the central store office supply storage and disbursement function. Forms and papers are stored and disbursed from nine major areas within the Capitol Complex.

Solution: Combine these individual areas into one completely centralized store operation. This will permit better overall supervision with fewer personnel, improved record maintenance, and faster turnover of stock items with less dollar inventory investment.

Estimated Annual Savings: \$72,000

Anticipated Implementation Date: September, 1973

Status: Being implemented.

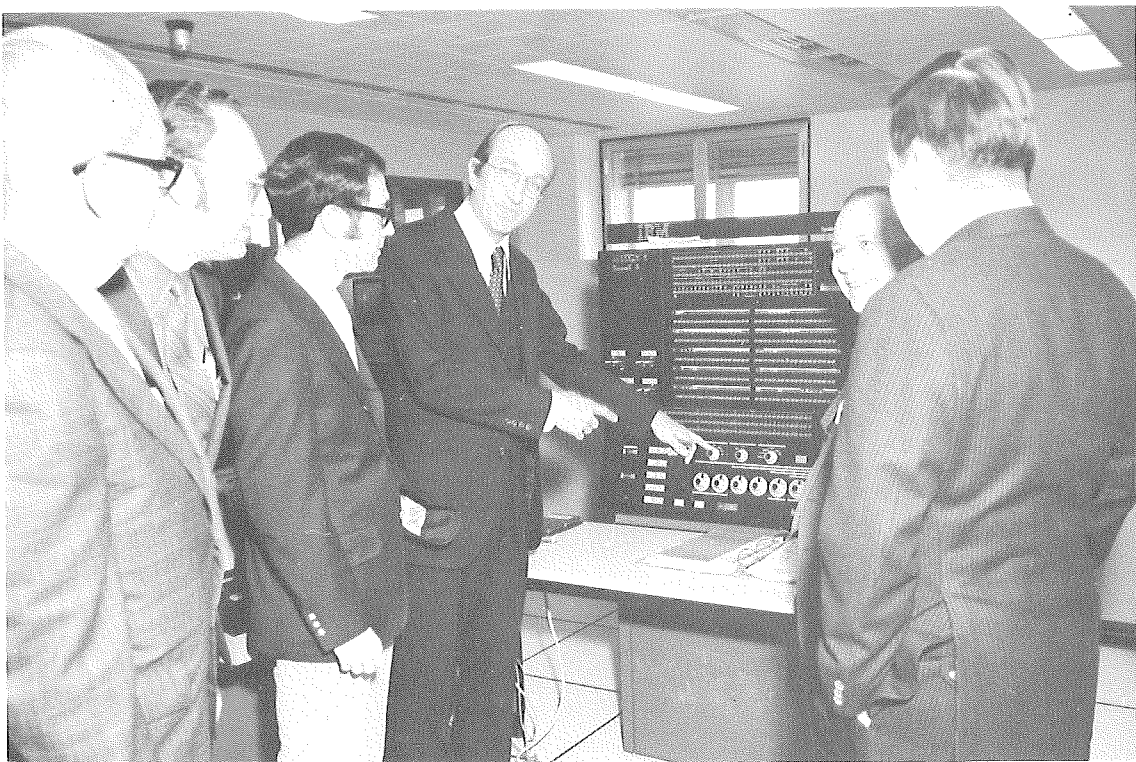
Summary of Annual Savings:

	Savings
Statewide Printing Project — Report No. 29	\$120,000
Organization Project — Report No. 45	—
Invoice Payment Process Project — Report No. 71	500,000
Requisition Processing Project — Report No. 72	62,500
Central Stores Project — Report No. 103	<u>72,000</u>
Total	\$754,500

*Central Management
Task Force*

ELECTRONIC DATA PROCESSING

LEAP Task Force members are shown here conferring with George L. Kieffer, Director of the Information Systems Division of the Department of Administration. Kieffer is pointing out elements of the state's EDP equipment.



Central Management Task Force

ELECTRONIC DATA PROCESSING



EDWARD G. ZIEGLER
Chairman
3M Company



BRADLEY C. ENGLISH
Lutheran Brotherhood



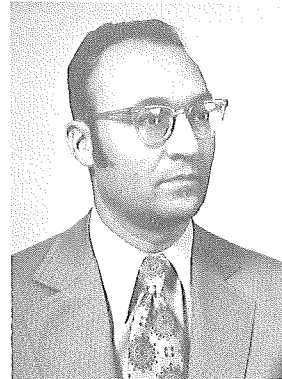
RUSSELL C. HEDLUND
Ernst & Ernst



JOHN A. JOHNSTONE
Dayton Hudson Corporation



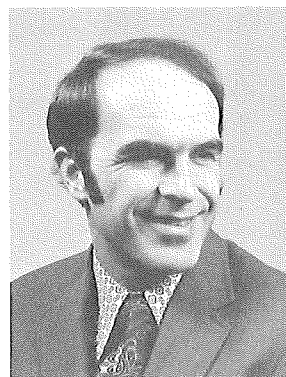
ELMER F. McCLINTOCK
Northwestern Bell Telephone Company



E. ALLAN OTTO
Prudential Insurance Company



RICHARD C. REYNOLDS
Bemis Company, Inc.



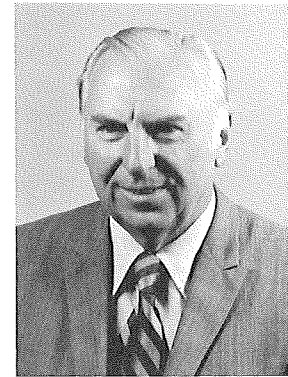
NICK E. SPELIOTIS
The Pillsbury Company



BRADLEY J. STONEKING
Bemis Company, Inc.



ROBERT R. THOMAS
Cargill, Inc.



RAYMOND H. WEIHE
Northwest Airlines, Inc.

Central Management Task Force

Electronic Data Processing

The Task Force was primarily responsible for a study of the operations of the Information Systems Division (ISD) which is one division in the Department of Administration. ISD is responsible for the approval for the lease or purchase of all computers and related hardware involving State government. It also has the responsibility for approving contracts to use systems-oriented, outside consulting services. ISD operates a computer service bureau for all State agencies and departments (excepting manpower services). Together with its customers, ISD is responsible for the design, programming and implementation of all computing systems with the exception of Manpower Services.

The Task Force also reviewed the operations of the Telecommunications Division in the Department of Administration. This Division is responsible for arranging contracts with vendors of communication services. The services consist of telephone, telex, facsimile and data transmission lines.

Additionally, the Task Force examined all procedures related to the processing of applications for insurance licenses and the collection of money in the Department of Commerce. The licensing functions include testing procedures, fee collection, and granting of a license. In the process of granting a license, the department interfaces with an ISD licensing system. The Department's main customers are insurance companies and real estate agents.

Statistics relative to size: The Information Systems Division employs approximately 215 people and has an annual budget of approximately \$6,000,000. Its hardware consists of two major scale IBM computers and a major UNIVAC configuration which compares in size to equipment in use by the 3M Company.

The expenses at State level for telecommunications are not known, but will approximate \$6,000,000 annually. The expense related to inter-city communications, which the Division specifically controls, amounts to approximately \$500,000.

Systems and Procedures: The Information Systems Division operates on a "revolving fund" basis, with users of ISD services paying for the service. The Telecommunications Division has a

direct appropriation from the Legislature.

Areas of Strength and Weakness

Strength: The employees in ISD are highly dedicated. Individuals work hundreds of hours of overtime without pay. Particularly, systems and programming employees go far beyond the call of duty in their effort to develop, implement and maintain systems on a timely basis.

Weakness: The operation is not well organized and individuals do not have clear cut assignments. The Division does not operate as a single entity with a single purpose. Rather, it operates as separate, non-cohesive sections. Some of its personnel are short on technical and managerial skills. There are no project-oriented controls currently in force. At present, over half of the existing systems are poorly documented. There are no standards. Too many people give orders, and the number of programs per programmer is sub-standard.

CONTROL PROJECT—Report No. 23, ISD, Department of Administration

Problem: The data input and output control function in the State's ISD operations is inconsistent and, in most cases, inadequate. The basic responsibilities — that is, establishing a qualitative control over data input to, and output from, ISD, maintaining daily/monthly schedules, and meeting periodically with users to solve problems — are not being satisfied. In the present organizational structure, the data control supervisor is not in a position to manage the control function objectively.

Solution: To resolve the problem of inconsistent, and, in most cases, inadequate control function, our recommendations are to reorganize the ISD Operations Section and establish a new Customer Service Section reporting to an Assistant Director. The reorganized section would have the file control librarian unit, the computer operations unit, and the staging unit under central computer operations. Central computer operations, data entry, and outside installations would be under the Assistant Director of Operations. This reorganization would transfer the production control unit and the supplies and services unit to the new customer service section. This Section will be responsible for the performance of the functions of fiscal control, quality control, service analysis and re-

port distribution. The new Section will be headed by an Assistant Director. The change will remove control from operations and make it independent in working relationships with user agencies and ISD.

Estimated Annual Savings: None

Anticipated Implementation Date: February 1, 1973

Status: Being implemented.

PROJECT MANAGEMENT PROJECT – Report No. 30, ISD, Department of Administration

Problem: A project management system, providing the necessary procedures, standards, documentation and management control, to effectively manage projects and keep them within an agreed quality, cost and time framework, is not presently available in ISD.

Solution: Establish initially a manual project management system. This system requires that ISD: 1) upgrade and complete standard documentation on all existing programs; 2) initiate the rapid establishment of standards, and continue to emphasize the speedy rewriting of procedures; 3) establish control and sign-off requirements; 4) review and modify the initial project management system in six months to accurately reflect needs, and 5) modify, where possible, additional control programs such as PACE, to fit into a developing, overall, comprehensive project management system.

Estimated Annual Savings: \$300,000

Anticipated Implementation Date: December 1, 1973

Status: Being implemented.

ORGANIZATION PROJECT – Report No. 76, ISD, Department of Administration

Problem: A methods and procedures function that would provide overall evaluation and designation of total clerical and/or other systems is not presently available as part of ISD organization. A technical support function that would provide quality computer systems review, hardware and software evaluation, and technical education also is not presently available at a level commensurate with the responsibilities involved. The systems and programming section is currently not organized in a manner that contributes to efficient management.

Solution: Reorganize the planning and coordinating section now not functioning to establish a new Methods and Procedures Section reporting to an Assistant Commissioner. Establish a new Technical Support Section reporting to an Assistant Commissioner. Reorganize the Systems and Programming Section to provide for a systems development group and three maintenance groups.

Estimated Annual Savings: None

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

SYSTEMS AND PROCEDURES IN AGENCIES PROJECT – Report No. 77, ISD, Department of Administration

Problem: There are no “methods analysts” in the Motor Vehicle Services Division of the Department of Public Safety. The studies of this Division by the Public Safety Task Force showed a need for a methods analyst. Presently, there is none available in most State agencies. The absence of such analysts results in poor communication between State agencies and the ISD Systems design function.

Solution: Establish a “methods analyst” position in State agencies and create a continuous work simplification program. Agencies which are too small to sustain a full-time person will receive this service from ISD. The methods analyst would be responsible for the design of work systems between State agencies to reduce administrative costs; coordination and implementation of State administrative policies; training and installation of machine systems in the State agencies; and the design of management systems techniques such as work simplification, work measurement, organizational planning, data control and records management.

Estimated Annual Savings: None

Anticipated Implementation Date: August 1, 1973

Status: Being implemented.

COMMERCE LICENSING PROJECT – Report No. 78, Insurance Division, Department of Commerce

Problem: Problems exist in the Department of Commerce, Insurance Licensing Division, con-

cerning: 1) time required to issue new insurance agents' licenses, 2) reconciliation of fees collected with total licensing transactions and the absence of an acceptable audit trail; 3) erroneously cancelled insurance agents' licenses and awkward procedures to reissue cancelled licenses and 4) the insurance agents' license renewal form.

Solution: Reduce the time required to process licenses, 2) improve accounting for license transactions, 3) establish a means of control in processing licenses; and 4) install the use of alphabetical listing of agents' names, by company, for renewal lists in 1973.

Estimated Annual Savings: None

Anticipated Implementation Date: December 31, 1973

Status: Being implemented.

COMMUNICATION PROJECT — Report No. 79, Telecommunications Division, Department of Administration

Problem: The Department of Administration has the power to supervise and control the expenditures for the rental and purchasing of all communications services and equipment for State agencies. An effort was made to implement this authorization, but it needs further amplification. In addition, the Commissioner needs further cost documentation, better inventory of services, control of State employees working in telecommunications activities, and more expertise in the Telecommunications Division. Adequate funding is not available to provide a satisfactory level of inter-city common-user services, resulting in very poor service, plus unnecessary expense to the State. The low level of service on the State inter-city common-user network has precluded any negotiations with the University of Minnesota for a joint inter-city common-user network. Un-

der the present conditions and operating practices, the Commissioner of Administration does not have the same opportunities to exercise management decisions on the State communication network as his counterparts do in the Federal government, or in private industry. Communications requirements will increase substantially in the foreseeable future.

Solution: The Commissioner of Administration should take immediate action to fully implement his letter of February 11, 1971 (included in the report) and establish positive follow-up action. He should initiate action to change the State accounting system to better identify communication costs; request the communications industry to provide an inventory of leased services on a yearly basis; assume full control and supervision of the Electronic Communications Section now in the Highway Department; obtain wireless and data transmission expertise for his Telecommunications Division; establish a "bill-back" arrangement to all State agencies, on a user basis, for all costs of the State inter-city common-user network; and start negotiations with the University of Minnesota for a joint-use inter-city common-user network. All State communication planning should be toward the ultimate goal of the State and University of Minnesota having a common control switching arrangement by January 1, 1975. The Telecommunications Division must have knowledge and be part of all State planning that involves communications.

Estimated Annual Savings: None

Estimated Expenses: None

Anticipated Implementation Date: December 31, 1974

Status: Being implemented with modification.

Summary of Annual Savings:

	Savings
Control Project — Report No. 23	—
Project Management Project — Report No. 30	\$300,000
Organization Project — Report No. 76	—
Systems and Procedures in Agencies Project — Report No. 77	—
Commerce Licensing Project — Report No. 78	—
Communication Project — Report No. 79	—
Total	\$300,000

Central Management

Task Force

PLANNING

Guidelines for the LEAP recommendations in the Planning area are being developed here by Task Force members and Gerald W. Christenson, extreme left, State Planning Director, and A. Edward Hunter, extreme right, Deputy State Planning Director.

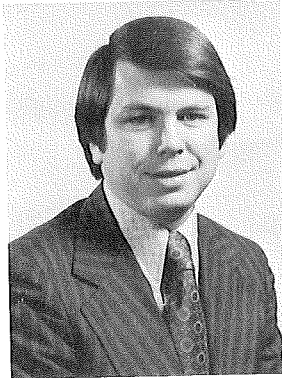


Central Management Task Force

PLANNING



ROGER H. NORD
Chairman
*Arthur Andersen &
Company*



WILLIAM H. ANDERSON
*Arthur Andersen &
Company*

Central Management Task Force

Planning

The Planning Task Force reviewed the activities of the State Planning Agency, which interfaces with virtually all levels of government. The activities of the Planning Agency are concentrated in these areas.

Providing assistance to the Governor.

Administering several grant programs.

Providing planning and technical assistance to local and regional governmental units.

Reviewing and coordinating applications for federal grants-in-aid programs by State agencies and local units of government.

Providing an overall review and coordination of State programs and policies by maintaining contact with State departments and agencies.

Performing studies and developing plans in certain functional areas such as health planning and environmental planning.

The State Planning Agency presently employs 67 persons, of whom 46 are planning personnel and 21 are financial and clerical. The present annual budget is approximately \$2,800,000.

Areas of Strength and Weakness

Strength: The strengths of the Planning Agency lie in the superior quality of its people. The activities of the agency require people with broad knowledge of technical subjects and intergovernmental relations. Their expertise is evidenced by the innovative work they perform. Because of their expertise, they are also asked to participate in budget hearings and testify at legislative hearings.

Weakness: There are several activities where the Planning Agency acknowledges improvements are needed, including: more assistance to the Governor's staff in program evaluation and issue analysis, participation in the budget process, and planning assistance to State agencies. The time needed for these activities is currently assigned to functional planning tasks that should be performed by the departments. The development of planning capabilities in the Department is critical to the success of both the Planning Agency and the Statewide planning effort. It is difficult to achieve

due to several factors: there is no common understanding of the planning responsibilities of the Planning Agency, and of the departments. The fragmented State organization significantly increases the difficulty of developing planning capabilities, and coordinating the programs and plans of the departments. Finally, there has not been an adequate commitment to planning by most departments.

PROGRAM EVALUATION AND ISSUE ANALYSIS PROJECT – Report No. 46, State Planning Agency

Problem: The Governor and his staff need greater assistance from the State Planning Agency, particularly in program evaluation and issue analysis. The principal factors causing this problem are 1) most of the agency staff's time is spent on other planning activities, 2) the present methods of communication between the agency and the Governor's office are not as effective as they could be.

Solution: Implement a standardized method of written communication and a better approach for establishing priorities for program evaluation and issue analysis.

Estimated Annual Savings: None

Anticipated Implementation Date: March, 1973

Status: Being implemented.

FUNCTIONAL PLANNING PROJECT – Report No. 47, State Planning Agency and State Agencies

Problem: The Planning Agency performs a large number of functional planning tasks that should be performed by State departments. The assignments have been primarily due to the inability of the departments to adequately handle these planning tasks. This has reduced the extent to which the State Planning Agency can support its proper functions without achieving adequate levels of planning for the departments.

Solution: Implement a program to provide planning assistance to a few State departments and then add other departments as time and funds permit. This will provide the support needed by the planning organizations initiated as a result of other LEAP Task Force recommendations.

Estimated Annual Savings: None

Anticipated Implementation Date: Ongoing program.

Status: Being implemented.

*ROLE OF THE STATE PLANNING AGENCY
PROJECT — Report No. 63, State Planning
Agency*

Problem: There is no common understanding of the role of the State Planning Agency. This is due in part to the vague legislation which created the agency and the conflicts between its perceived

role and the role it actually performs.

Solution: The State Planning Agency should prepare a policy statement defining the scope of its responsibility, obtain approval from the Governor, and communicate the defined responsibilities to the Legislature and the State departments.

Estimated Annual Savings: None

Anticipated Implementation Date: March 15, 1973

Status: Being implemented.

Summary of Annual Savings:

There are no direct savings resulting from this Task Force's work.

FLYING SQUAD



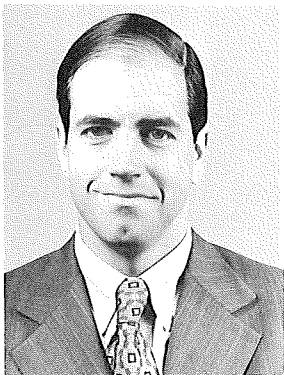
JOHN V. SASINA
Chairman
General Mills, Inc.



JOHN R. BLACK
*Northwestern National
Bank of Minneapolis*



RICHARD H. EISCH
*Northwestern National
Bank of Minneapolis*



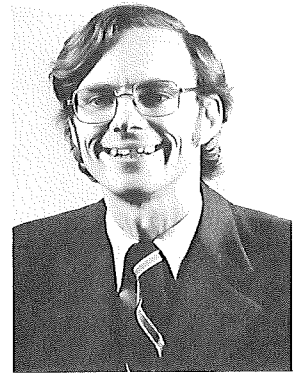
HUGH A. FITZGERALD
*First National Bank of
St. Paul*



T. MICHAEL POWER
Burlington Northern, Inc.



EDMAN J. SALAND
*Investors Syndicate Life
Insurance and Annuity
Company*



MAHLON C. SCHNEIDER
Green Giant Company

Flying Squad Task Force

The Flying Squad did not operate within any specific office, department or agency of government, but was charged with the general, undefined mission of investigating areas of government not assigned to other Task Forces in which, in the judgment of LEAP, significant opportunities for improvement were present. The major departments in which the Flying Squad worked were the Pollution Control Agency, Department of Agriculture, Department of Economic Development, Department of Public Service, and the Treasurer's Office.

1. Pollution Control Agency

The P.C.A. has basic responsibilities for the prevention, control and abatement of pollution of water, air, and land of the State as is feasible and practical in the furtherance of conservation of these resources.

At the present time, the P.C.A. is a rapidly growing agency with a great number of Federal programs influencing this growth. The staff will consist of 145 individuals by the end of 1972. The annual budget is approximately \$2,500,000.

The agency is a sound organization, but like many new and rapidly growing agencies, it is experiencing many growing pains. It is directed by a very capable Executive Director who has proven abilities in administration and, with proper assistance, will be able to overcome these growing difficulties.

2. Department of Agriculture

This Department is primarily a regulatory agency responsible for the enforcement of the State Statutes and other rules and regulations passed by the Department. The Department also encourages and promotes Minnesota agri-business.

The Department has 271 employees with an annual budget of approximately \$3,700,000. The staff of the Department is extremely dedicated. Most of its members have been doing the same jobs for a number of years, and have gained a great deal of experience with on-the-job training. However, the Department needs a strong and positive administration willing to devote full time effort to "running the show." There seems to be a tendency in the Department to shun unpleasant issues. Another apparent tendency is to view wide areas not normally considered agriculture with the aim of bringing them under jurisdiction

of the Department, which does not encourage cooperation with other State agencies.

3. Department of Economic Development

The Department was established to develop, promote and stimulate optimum economic growth in Minnesota, either directly or through liaison with the private sector and all levels of government. Emphasis is on the development and expansion of business, and economic research.

The Department's complement is 39 employees, and the annual budget is \$1,400,000.

The main area of strength lies in the talented and dedicated personnel to be found in all divisions. Given accountabilities, objectives and supervision, these individuals could have a significant impact on growth in Minnesota.

These strengths are opposed by an apparent overall weakness, which is the absence of a viable Minnesota growth policy. The Department has failed to assume a full and meaningful role in the development, promotion, and stimulation of economic growth in Minnesota. This weakness is characterized by a lack of workable accountabilities and planned objectives, by the lack of training and supervision of field staff, and the lack of dialogue and cooperation with other State agencies in a planned and organized manner. There is also an apparent weakness in the coordination of industrial development activities with area development offices in Chambers of Commerce, utilities, railroads, and other business and commerce organizations. The Department does not have a plan to develop and retain existing industry; there is also no economic development strategy based on identifiable needs of the State.

4. Department of Public Service

The Department has responsibility for regulating surface transportation and utility companies in Minnesota. However, it has also been charged with additional responsibilities of regulating live-stock buyers, and public storage and local grain warehouses. The Department also weighs cattle, inspects grain, and is in charge of checking accuracy of scales within the State.

The Department consists of two basically autonomous sections: 1. an administrative area headed by an Executive Director appointed by the Governor who supervises the directors of the various divisions, and 2. a three-member quasi-legislative/judicial Commission also appointed by the Governor.

The Department employs approximately 340 employees and has an annual budget of \$4,015,000.

The primary organizational weakness in the Department is a lack of a clear outline of authority and responsibility between the Commission and the Executive Director. From an organizational standpoint, each can be considered the Department head.

5. Treasurer's Office

The State Treasurer, a constitutional officer elected for a four-year term, is the State's custodian of cash. As such, he keeps records of cash collections and disbursements and acts as the State paymaster. Cash collections flow into one of 239 collection accounts maintained by the Treasurer throughout the State. Disbursements are handled in two steps: the issuance of a warrant (on which the State Auditor is the co-signer) and the subsequent honoring of the warrant by check drawn on one of the State's 57 disbursement accounts.

The Treasurer, on a daily basis, determines the State's net cash position (cash available for disbursements, less warrants presented) and if the number is negative, some State investment must be liquidated, which means lost investment revenue to the State.

An analysis of the State's bank accounts (post-collection and disbursement) made it clear that the Treasurer has, on the average, bank balances in excess of the amounts needed to cover bank costs and disbursements. Also, the warrant system, which was designed, at least in part, to give the State the advantage of the float which it creates within the banking system, is not being used as intended.

General Task Force Comments and Recommendations

The following suggestions are not made in the form of firm recommendations because the Flying Squad did not have sufficient time or manpower to thoroughly research the subject area and arrive at fact-based recommendations. At the same time, it is the feeling of the Task Force that the below-mentioned subject areas merit further study, which, if substantiated, could result in significant improvements in the State service, or in savings, or in both.

1. It is suggested that all building inspection functions from area building trades be satis-

fied within one Department, and with only one permit issued to signify compliance. A study is suggested of this area.

2. The consumer affairs area was given insufficient study to make any firm recommendations, but should, because of the volatile nature of the subject, be given careful consideration.

3. A definite opportunity for improvement exists for a coordinated and cooperative program between the Department of Agriculture and other governmental agencies. The mechanics already exist for use of county, city and village weed inspectors. These persons are appointed by the local boards, with the approval of the Commissioner of Agriculture. Further use of these positions should be investigated.

4. The extension service with the county agents is another great resource for the Department of Agriculture which seems not to be used to the fullest extent at the present time.

5. It is suggested that a study be conducted to determine whether the Department of Public Service should consist of only those divisions that directly relate to regulatory utilities and surface transportation companies. These divisions are: Bus and Truck, Statistical, Rights and Telephone. The remaining divisions may be placed with the Agriculture or Commerce functions within the State.

EVALUATION OF ENGINEERING DIVISION PROJECT – Report No. 2, Department of Public Service

Problem: Historically, all matters relating to railroads were regulated in a separate division in the Department of Public Service. This included the regulation of railroad crossings, as well as the determination of school aids for districts having major railroad facilities. This functional arrangement in the Department of Public Service caused overlap with similar functions in the Departments of Highways and Taxation.

Solution: Transfer the grade crossing protection function to the Department of Highways. Abolish the need for state-conducted railroad valuations by having the Commissioner of Taxation direct the railroads to report their property values as presently done by utilities. The railroad submitted valuation will be used in determining the amount of school aids for locations having major railroad facilities.

Estimated Annual Savings: \$63,120
Anticipated Implementation Date: January 1, 1973
Status: Being implemented.

EVALUATION OF GRAIN INSPECTION PROJECT – Report No. 4, Department of Public Service

Problem: The present state-operated grain inspection division has difficulty in allocating manpower, which results in higher costs for grain sampling than in comparable operations in other states. At the same time, the State acts merely as an agent of the federal Department of Agriculture and not as a sovereign. The Task Force was looking for ways to achieve greater economies and efficiencies in the sampling and inspection of grain, so that this activity may continue at a lower fee to the users.

Solution: Abolish the grain inspection division by turning its function over to private industry.

Estimated Annual Savings: Minor savings will occur to State government. Approximately \$1,000,000 per year would accrue to the users of the grain sampling service.
Could be implemented by: June 1, 1973
Status: Disagreed by Department head; under consideration by the Governor's Office.

EVALUATION OF MANPOWER NEEDS PROJECT – Report No. 39, Department of Labor and Industry

Problem: The Department is short of manpower in some divisions. It lacks proper EDP capability to provide the Department's management with adequate data to direct its activities. The Task Force attempted to determine how the Department of Labor and Industry can best meet the statutory obligations of serving employees in Minnesota.

Solution: Funding should be provided for additional manpower, and the Department of Administration should provide systems support to design and implement an information system. A slight increase in manpower will permit the Department to better respond to citizens' needs. EDP capability will permit better management and reduce the need for additional clerical personnel in the future.

Estimated Annual Savings: None
Anticipated Cost: \$250,000

Anticipated Implementation Date: June, 1974

Status: Being implemented. Legislation permitting additional funding is being prepared for consideration by the 1973 Legislature.

EFFECTIVENESS OF POLLUTION CONTROL BOARD PROJECT – Report No. 66, Pollution Control Agency

Problem: The ever-increasing work load presented to the Board by the staff, and many highly controversial matters which often carry large public input, are the chief causes of the increasing time the Board must spend in session. There is concern over the amount of time spent by the Board on pollution matters and the direct relationship it may have on appointing competent individuals to serve on the Board.

Solution: It is recommended that the meeting time be reduced as much as possible through the implementation of various procedural changes: 1. abandon present agenda in favor of a new priority-type agenda; 2. have all material assembled in order of importance in the hands of Board members no later than seven days prior to agency meetings, including a fixed agenda which cannot be changed materially without approval by the Chairman; 3. summarize, as much as possible, all material being presented to the Board; 4. develop a format for those individuals who will be testifying before the Board.

Estimated Annual Savings: Indeterminate
Anticipated Implementation Date: March 30, 1973
Status: Being implemented.

RELATIONSHIP OF POLLUTION CONTROL AGENCY WITH OTHER AGENCIES PROJECT – Report No. 68, Pollution Control Agency

Problem: The areas of concern of the Pollution Control Agency result in many overlaps into areas of jurisdiction with other State departments. Some of these overlaps result in open conflicts. Exploitation by the news media of such conflicts is aggravating the situation.

Solution: The Pollution Control Agency should appoint a liaison officer who will meet with various State agencies for the purpose of improved communication. Legislation should be passed which would give the Pollution Control Agency clear-cut jurisdiction over all materials emitted

into the environment, including radioactive wastes.

Estimated Annual Savings: None

Anticipated Implementation Date: December 30, 1972

Status: Under consideration by the Governmental Advisory Committee.

*REALIGNMENT OF RESPONSIBILITIES
PROJECT – Report No. 69, Pollution Control Agency*

Problem: The present organization of the Pollution Control Agency does not define clear-cut lines of responsibilities. This is due to the appointment of a Deputy Director whose duties are to administer the day-to-day activities of the agency, which, in essence, replaced the Assistant Director.

Solution: Additional re-definition of the lines of responsibility and future reorganization along functional lines to provide the best operational efficiency. Systems analysis should be used to: a) create a new administrative services division headed by the Assistant Director; b) transfer 10 analytical positions to the Health Department while giving the Pollution Control Agency the authority to contract its laboratory services, and c) re-define all positions within the Agency for future reorganization along functional lines.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: January 1, 1974

Status: Being implemented with modification.

*DELEGATION OF AUTHORITY PROJECT
– Report No. 70, Pollution Control Agency*

Problem: There is a lack of delegation of authority in the Agency, which is resulting in employee frustrations and delays of work. The cause of this problem seems to be the reluctance of those in authority to delegate their responsibility to the lowest justifiable level.

Solution: Beginning at the top, develop a program of delegating as much authority as possible while still maintaining the proper controls on those items of absolute necessity.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: Ongoing activity

Status: Being implemented.

*ORGANIZATION OF THE DEPARTMENT
OF ECONOMIC DEVELOPMENT PROJECT – Report No. 111*

Problem: It is most difficult to quantify or substantiate the value of the Department of Economic Development from a cost/value point of view. It appears that Minnesota's economic development activity is not viable on a single-purpose agency basis. One undesirable byproduct of this structure is the failure of State agencies to interpret the State's objectives and anticipated results in the total State context. This results in considerable inter-agency friction and intra-agency frustration, which leads to a substantial degree of organizational inefficiency.

Solution: The need exists, and the time has come, to coordinate the plans and actions of the relevant policy-oriented State departments into a team effort in order to best accomplish the State's objectives. It is recommended that the State ensure compatibility of objectives relating to physical assets utilization in the Department of Natural Resources, the Pollution Control Agency, the Department of Economic Development, the Department of Agriculture, and the State Planning Agency.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: Short-range implementation June 30, 1973. Long-range implementation to be decided by the Governor.

Status: Under consideration by the Governor's Office.

MAXIMIZATION OF STATE CASH PROJECT – Report No. 119, State Treasury

Problem: There are multiple time delays in the State's cash-flow system. Idle cash means lost interest opportunities in the:

1. Inflow and deposit to collection accounts. An average delay of five working days occurs in the cashier's function in the Department of Taxation. Deputy registrars' receipts are delayed from five to ninety days before being made available for State purposes.

2. Drawdown of collection accounts to the Treasurer's cash. The average daily cash balance in collection accounts for 1972 was approximately \$29,000,000. This is \$25,000,000 in excess of the compensating balance LEAP estimates as being

necessary for the deposit and collection service the banking system provides to the State of Minnesota.

3. Payment or outflow mechanism. An average daily cash balance of about \$29,700,000 resides in 57 non-interest-bearing checking accounts. In addition, the State is not realizing the inherent economic benefits of the warrant system.

The problem is caused by:

1. Pre-audit paperwork procedures create delay.

2. The inertia of past practice, combined with the lack of proper information, transfer, and monitoring systems, result in excessive bank account balances.

3. State warrants are being covered monetarily for payment before the need exists; i.e., before they are presented for payment. This procedure circumvents the purpose of the warrant system.

Solution:

1. Eliminate pre-audit procedure and improve processing time of cash receipts to eliminate deposit delay by pulling large dollar receipts at the point of entry and processing immediately. Increase speed and accuracy of processing personnel. Change bank deposit from day after input, to evening of input, and design a "direct pay" method for large taxpayers.

2. Implement an automatic transfer mechanism to concentrate State funds from collection accounts to a centralized control account as frequently as it is economically feasible, generally one or two days. Compensate banking systems only for services rendered on agreed upon service charge or cost-justified compensating balances.

3. Condense the present 57 disbursement accounts to one account with a zero daily balance. Thus, one bank should collect all warrants, and prepare a numerically ordered magnetic tape for reconciliation by the Information Systems Division in the Department of Administration. The State Treasurer should be notified each day of dollar amounts of warrants to be presented for payment the next day.

Estimated Annual Savings: Added interest income (at a rate of 4%) \$4,400,000.

Could Be Implemented: July 1, 1973.

Status: Report has not been agreed upon by the State Treasurer.

INVESTMENT OPERATIONS PROJECT —
Report No. 128, State Board of Investment

Problem: The investment section of the State Board of Investment, when compared with private investment industry, appears to be deficient in terms of diverse investment experience of personnel. Such experience is needed to manage over \$1,800,000,000 (increasing annually by \$120,000,000), in a professional manner over the next decade with a reasonable expectation of prudently maximizing returns. Such able management is extremely difficult to find on a total budget of \$300,000 per year. The current limitations of staff and facilities imposed by this budget have necessarily resulted in procedures and operating practices which limit desirable decision-making capabilities needed during coming years.

Solution: It is recommended that part of certain funds be placed with private investment counseling firms on a fee basis. The remainder of the funds should be invested by the Investment Board, which should be increased in professional personnel capabilities. The results from the two different investment procedures should be compared periodically to decide which procedure yields the most profit for the State. Such comparison period should not exceed three years. After results have been determined, a decision should be made as to whether all funds should be invested through "bought" services, or whether the Investment Board itself should continue the investing, with an increased staff.

Estimated Annual Savings: Indeterminate at this time, but expected to be significant.

Could be implemented by: January, 1974

Status: Not agreed to by Department head.

ORGANIZATION PROJECT — Report No.
131, Department of Agriculture

Problem: There is a lack of coordinated and cooperative effort for the maximum use of resources, both human and physical, in carrying out the programs as established by Statute and by the Commissioner. The present organizational structure of autonomous divisions has caused decentralization and fragmentation. The need for a full-time departmental administrator to administer the many programs is evident.

Solution: Name a full-time administrator to carry out the reorganization of the Department along functional lines and to work with other agencies

to provide for the best use of State resources and to avoid duplications of effort.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: June, 1974

Status: Being implemented.

EVALUATION OF REAL ESTATE ASSETS PROJECT — Report No. 135, Departments of Highways and Natural Resources

Problem: There is a large degree of provincialism, and some confusion, evident in the use of the State's land. Thus, land may be under-utilized, or even be surplus to the legitimate usage needs of the State. A rational, unified management and

decision-making structure for state-owned land does not exist. Several different land record systems are being maintained in various State agencies.

Solution: Consolidate real property records and activities, as well as real estate execution, into a centralized real estate section within one State department.

Estimated Annual Savings: Because data are not available conclusively stating the amount of real estate assets of the State, savings estimate cannot be made at this time.

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

Summary of Annual Savings or Costs:

	Savings	Costs
Evaluation of Engineering Division Project — Report No. 2 . . .	\$ 63,000	—
Evaluation of Grain Inspection Project — Report No. 4	1,000,000*	—
Evaluation of Manpower Needs Project — Report No. 39	Indeterminate	\$250,000
Effectiveness of Pollution Control Board Project — Report No. 66	—	—
Relationship of Pollution Control Agency With Other Agencies Project — Report No. 68	—	—
Realignment of Responsibilities Project — Report No. 69	—	Indeterminate
Delegation of Authority Project — Report No. 70	—	—
Maximization of State Cash Project — Report No. 119	\$4,400,000	—
Investment Operations Project — Report No. 128	—	Indeterminate
Organization Project — Report No. 131	—	Indeterminate
Evaluation of Real Estate Assets Project — Report No. 135	—	Indeterminate
TOTAL	\$5,463,000	\$250,000
Total Annual Savings	\$5,230,000	

*Savings would accrue to the user of the service, but not to the State Government.

CORRECTIONS TASK FORCE

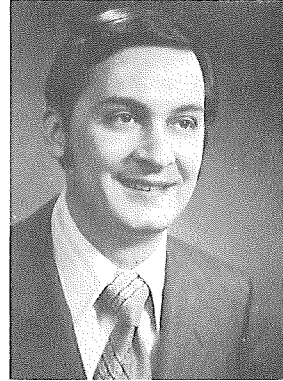
The Corrections Task Force met frequently with Dr. David Fogel, second from right, Minnesota's Commissioner of Corrections.



CORRECTIONS TASK FORCE



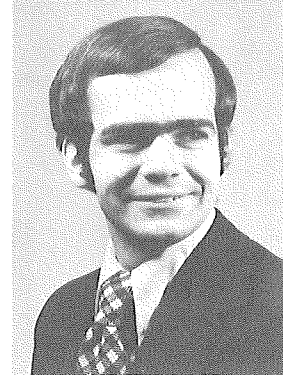
RICHARD D.
McCORMICK
Chairman
*Northwestern Bell
Telephone Company*



WILLIAM P. WALSH
*The St. Paul Insurance
Companies, Inc.*



FOSS A. BOYLE
Honeywell, Inc.



HAAKON B. OKSNOVAD
*Montgomery Ward
& Company*

Corrections Task Force

The goal of the Department of Corrections is to assist offenders in changing their behavior and to help them function as law abiding and free citizens. As part of the criminal justice system, the Department operates a wide range of institutional and community services. The Department provides correctional services to juvenile and youthful offenders committed by courts. In addition, services are provided to adults who are committed by district courts to the Commissioner of Corrections.

Primarily, the Department consists of three segments: the Adult Division, the Youth Division, and the Community Services Division. In addition, administrative support is provided by an Administrative Division. The Adult and Youth Divisions are primarily responsible for the operation of correctional institutions in the State.

An overlap of services exists between the State and counties in the form of juvenile institutions in the metropolitan area. Similar institutions are operated with similar programs and, frequently, many offenders are served in both systems.

A rapid shift is reflected in the figures concerning offenders actually housed in State institutions. As the system shifts from institutionalization to community services, so is there a shift developing from offenders being treated directly by the State as compared to those handled by local agencies receiving partial support from the Department. Also, non-profit organizations are operating correctional programs with subsidy funding from the State. This concept will accelerate rapidly during the next five to ten years.

Areas of Strength and Weakness

Strengths: The Department has an outstanding system of goals, objectives and action plans developed by top management. A top management team with wide experience in other correctional systems has been assembled by the Commissioner. This team is willing to take the issues to the public, and is doing so whenever possible. The Minnesota public is generally receptive and willing to experiment and accept new methods of corrections within the State.

Weaknesses: Major weaknesses which exist within the Department are not unrelated to the

strengths noted above. Where change has been fostered by top management, it has occasionally been resisted at lower levels in the organization. The rising expectations of offenders, even when supported by institution heads, are often not acted upon due to lower-level staff resistance to change. Better communications up and down departmental lines are needed. The institution heads remain somewhat autonomous despite the fact that they are responsible to the deputy commissioners. Deputy commissioners are division managers, and should not be bypassed in communications in either direction.

PRISON FARM OPERATIONS PROJECT — Report No. 13, Department of Corrections

Problem: The Prison farm is presently operating at a net loss of \$15,000 annually. Because of the continuing decline in inmate population, obtaining adequate inmate help has been increasingly difficult, contributing in part to farm losses. If the farm is to be continued, it will be necessary to hire additional civilian workers at an increased expense.

Most of the buildings and machines on the farm are inadequate and in poor repair. An estimated \$380,000 would be necessary for new buildings and equipment if existing production programs were to be continued.

The farm is situated on land that has residential value estimated to average \$1,500 per acre. Continuing the farm for a long term will be increasingly difficult as the area becomes urbanized.

Only about two per cent of the inmates come from farms, even fewer return to farming. Thus, the farm is of questionable rehabilitative value.

Solution: The Prison farm should be discontinued, resulting in over \$1,600,000 in one-time net income from the sale of land and livestock, and a \$15,000 annual savings.

Estimated Annual Savings: \$15,000

One-time Savings: \$1,630,000

Anticipated Implementation Date: January 1, 1974

Status: Being implemented.

CENTRAL OFFICE AND INSTITUTIONS ORGANIZATIONS PROJECT — Report No. 14, Department of Corrections

Problem: The Department has a Central Office

LEGISLATIVE REFERENCE LIBRARY
STATE OF MINNESOTA

organization in St. Paul and various institutions and field service organizations throughout the State. Personnel functions and financial control functions throughout the entire Department are organized in such a manner that the most beneficial result for the organization is not being achieved.

Solution: In the area of personnel, a merger of the institutional personnel sections with the Central Office personnel section would provide for more effective manpower planning and control along with increased operational efficiencies. In the area of financial operating control, reorganization of a portion of the Central Office staff is recommended to assure the fulfilling of specific key functions which presently are not provided. A new planning and control group is proposed to consolidate the financial and operating control functions.

Estimated Annual Savings: \$36,800

Anticipated Implementation Date: Personnel functions July 30, 1973. Financial and operating control April 1, 1973

Status: Being implemented.

PRISON POWER PLANT PROJECT — Report No. 22, Department of Corrections

Problem: The coal-burning power plant at the Minnesota State Prison is old, in poor repair, and has been cited for violation of Federal pollution laws. Major expenditures are necessary to improve the facility. A consultant study recommended converting two existing boilers from coal to gas-oil, and replacing two other boilers with a new package-type gas-oil boiler. For security reasons, the Prison would prefer to build a new plant outside the walls.

Solution: Adopt the consultant recommendation because of the \$1.3 million savings in construction cost. While the security aspects of an outside facility are beneficial, they do not justify the additional cost.

Estimated Annual Cost: \$5,500

One-time savings: \$1,300,000

Anticipated Implementation Date: July, 1974

Status: Being implemented.

EARLY RETIREMENT FOR SELECTED EMPLOYEES PROJECT — Report No. 24, Department of Corrections

Problem: Correctional employees who, as a requirement of the job, are in close contact with inmates during their careers and who are required to use physical force to restore order, presently are under the MSRS retirement plan which provides for optional retirement at 65 years of age and mandatory retirement at 70 years of age. Retirement before the age of 70 is financially less beneficial to the employee.

Most other public law enforcement employees in Minnesota have substantially better retirement plans, providing for retirement at ages of 65 or 60. It is the opinion of correctional professionals that correctional officers of advanced age are no longer able to fulfill all requirements of the job.

Solution: It is recommended that early retirement be provided for correctional officers under the present MSRS plan. In addition, those qualified employees who wish to continue working should be encouraged to accept jobs in other occupational classifications with the State.

Total Cost: \$1,463,000

Anticipated Completion Date: July, 1973

Status: Under consideration by the Governor's Office.

PRISON INDUSTRIES OPERATIONS PROJECT — Report No. 25, Department of Corrections

Problem: Prison industries are presently operating on a deficit. Inmates have little work experience. The organizational lines of prison industries are insufficient. Engineering personnel and training functions do not exist. Industries have no resource of expertise from outside industry. There is a lack of control of the inmate work force. Job descriptions do not exist. Inmate compensation provides almost no incentive to the inmates, and performance evaluation does not tie in with the compensation plan.

The projected loss for products of prison industries for 1972 is \$125,000. Prices are in the lowest quartile of competition. Manufacturing efficiency is estimated at 25% to 30% by industrial standards. Engineering experts estimate that 60% efficiency can be obtained.

Solution: Establish engineering, personnel and training functions. Consolidate production under one manager. Establish a controller for industries. Create an industry advisory board of outside experts. Eliminate State support purchases and legislative dividends from the revolving fund. Prison industry profits should be used to fund vocational and recreational programs. General fund money should no longer be used to finance prison industry building needs. Unused cash from the revolving fund should be invested at profit. Establish a small, 25-man private industry operation to compete with existing industries at the prison. The benefits of this program should be evaluated as compared to existing prison industries and expanded if the concept proves to be successful.

Estimated Annual Savings: \$580,200

One-time savings: \$229,000

Anticipated Completion Date: 1980 (in various steps)

Status: Being implemented. Legislation is being prepared for consideration by the 1973 Legislature.

MERGER OF MAXIMUM SECURITY INSTITUTIONS PROJECT — Report No. 49, Department of Corrections

Problem: Institution populations have declined over 30% during the past two years because of community-based correction services by Federal, State and local agencies, and will continue to decline 5% annually. While deinstitutionalization is deemed beneficial, over 65% of the Department's 1974 to 1975 budget is still devoted to institutions. Adult institution costs are estimated to increase by 16% in 1974 over 1973. In 1974, direct annual costs of nearly \$7,900 for each institutionalized adult male are anticipated.

Solution: Closing the State Reformatory for Men at St. Cloud in 1976 could save a minimum of \$1,900,000 annually. It is recommended that the Minnesota State Prison be the surviving facility because of its capacity and programming capabilities. Key elements of the Reformatory education and vocational training programs, as well as nearly one-half of the Reformatory custody force, could be transferred to the Prison in this plan.

Estimated Annual Savings: \$1,900,000

One-time cost: \$917,000

Status: Under review by the Governor's Office.

YOUTH INSTITUTIONS OPERATIONS PROJECT — Report No. 50, Department of Corrections

Problem: At present, the juvenile institutions are not being utilized to their capacity. Overall, the facilities are at 65% capacity. Projecting current population trends, it is clear that two institutions could serve juvenile needs by July, 1974.

Solution: The closing of Thistledew Camp is recommended. No program loss would result and the State could save \$300,000 a year. Close Lino Lakes Correction Center in July, 1974, with the metropolitan area relying on Glen Lake and Totem Town. This action would yield \$2,400,000 a year in savings. A portion of the savings, \$900,000 per year, would be transferred to the counties. The State is spending nearly \$500,000 annually for capital improvements for its juvenile institutions. This amount seems unrealistic in view of declining populations and increased community service activity. Based on the previous statement, it is recommended that: 1) the Minnesota Home School not build its proposed \$290,000 security building until the effects of regionalization have been evaluated, and 2) the Minnesota Reception and Diagnostic Center in Lino Lakes not build its proposed \$800,000 education facility.

Large differences exist among the staffing patterns in the institutions. The recommendations are: 1) abolish the Minnesota Reception and Diagnostic Center's custody force which no other institution has, 2) reduce Minnesota Rehabilitation and Diagnostic Center's food service staff, 3) reduce the State Training School's education department, which is twice the size of other institutions, and 4) reduce the Minnesota Home School's overall staff, which, in proportion to population, is high. These reductions will yield the State savings of \$350,000 annually. Establish a staff-to-population guideline.

Estimated Annual Savings: \$2,249,600

One-time savings: \$1,042,000

Could be implemented by: January 1, 1974

Status: Disagreed by department head.

COMMUNITY SERVICES SUBSIDY PLAN
PROJECT — Report No. 51, Department
of Corrections

Problem: The Community Services Division is growing rapidly. Projected funds for 1974 are estimated to be 36% over those allocated in 1973. Of concern is how community-based corrections continue to develop in Minnesota, under what funding, under which priorities and under whose direction. Also of interest are the possible savings which can result from community-based corrections. The present probation and parole system is confusing. Corrections needs an incentive to operate institutions as efficiently as possible without sacrificing beneficial programs.

Solution: Develop a subsidy plan to enhance the growth of corrections. The plan calls for conver-

sion of previously allocated funds, where possible, to a community corrections county subsidy based on need, ability to pay, and population. Also being developed is a management structure in the counties to operate such a plan, and the definition of standards and enforcement to ensure proper administration. If adopted, the proposed plan will accelerate Minnesota's development of community-based correctional services, and help stem the rising cost of institutionalization.

Estimated Annual Savings: No direct savings are attributable to this proposal.

Anticipated Implementation Date: June, 1975

Status: Legislation for consideration by the 1973 Legislature is being prepared.

Summary of Annual Savings or Costs:

	Savings		Costs
	Annual	One-time	
Prison Farm Operations Project — Report No. 13 ...	\$ 15,000	\$1,630,000	—
Central Office and Institutions			
Organizations Project — Report No. 14	37,000	—	—
Prison Power Plant Project — Report No. 22	—	1,300,000	\$ 6,000
Early Retirement for Selected			
Employees Project — Report No. 24	—	—	1,463,000
Prison Industries Operations Project — Report No. 25	580,000	229,000	—
Merger of Maximum Security			
Institutions Project — Report No. 49	1,900,000	—	917,000
Youth Institutions Operations			
Project — Report No. 50	2,250,000	1,042,000	—
Community Services Subsidy Plan			
Project — Report No. 51	—	—	—
TOTALS	\$4,782,000	\$4,201,000	\$2,386,000
Total Net Savings	\$6,597,000		

EDUCATION TASK FORCE



Photo courtesy Minneapolis Star and Tribune

EDUCATION TASK FORCE



CHARLES F. CRICHTON
Chairman
Control Data Corporation



HUGH L. DEMMER
*Minneapolis Gas
Company*



CONRAD J. AAS
*Northern States Power
Company*



JAMES F. BASKFIELD
Fingerhut Corporation

Education Task Force

The Department of Education has as its primary responsibility the general supervision over the curriculum, staffing, financing and administration of publicly operated elementary, secondary, and area post-secondary vocational-technical schools. It also includes regulatory functions relative to private trade schools and educational institutions offering services under the Federal Veteran's Benefit Law; developmental and consultative functions relative to community libraries; provision of services leading to gainful employment of physically or mentally handicapped persons; and disability evaluations of persons applying for Federal Social Security benefits.

However, the "general supervision" of public schools actually results in a "staff" activity since the schools are organized within school districts with local autonomy. Consequently, the LEAP project has been limited to operations of the Department itself, and has not included in-depth studies of operations of school districts. With the annual expenditures by school districts at about 100 times the operating expense of the entire Department, it is strongly recommended that thorough and continuing fiscal analysis be made of the districts, both by the districts themselves and by the Department. It is further recommended that serious thought be given to requiring that annual district audits be conducted by *one* public auditing agency, rather than the current practice of each district selecting its own auditor.

The Department employs approximately 800 persons, about 300 of whom are included in the State's complement, with the remainder being funded from various Federal acts. Roughly half of the total number is included in the Division of Vocational Rehabilitation.

The operating budget of the Department consists of approximately 51% Federal funds and 49% State funds. The total Departmental budget for fiscal '72 amounts to approximately \$557,000,000, of which only 2% is expended for the operation of the Department, the remainder is dispensed by school districts.

Areas of Strength and Weakness

Strength: The major strength of the Department is the competence and dedication of its employees to the education of the citizens of Minnesota. There is an increasing awareness in the Department, especially in the higher managerial posi-

tions, for the need of effective management. Work has been initiated by the Department to coordinate and minimize the amount of data required from school districts and to use those which are obtained in the most informative manner.

Weaknesses: Although the employees, as pointed out, are most dedicated, they are at the same time untrained in management skills and unfamiliar with the significance of supervisory responsibilities. This, coupled with a cumbersome personnel system, has resulted in a less than optimum use of resources.

Although it is clear that the Department has attempted to be responsive to the public in general, and to the world of education in particular, built-in pressures necessary for continued economic effectiveness are not present. Furthermore, an effective management information system necessary to facilitate economic decision making does not exist.

TEXTBOOKS STORED IN THE DEPARTMENT LIBRARY PROJECT — Report No. 5, Department of Education

Problem: A large number of textbooks are received each year and stored in the Department library. Although no apparent use is made of these texts, they occupy about two-thirds of the available shelf space and require some three months a year of clerical time for their processing and care. The activity is carried out in direct response to the Minnesota Textbook Law (MS 1969, Section 126.16) which requires that any textbook offered for school textbook purposes shall be filed with the Commissioner. Although the intent of this law was apparently to ensure that the textbooks sold to Minnesota schools were not inferior in physical quality nor higher in price than the same textbook sold to other states, the physical receipt and storage of these books does not appear necessary.

Solution: Eliminate the textbook "sample" provision of the law and substitute a specification sheet for textbooks. Retain the bonding requirements.

Estimated Annual Savings: \$3,267. These savings can only be realized in combination with other changes in the Department.

Anticipated Implementation Date: June 30, 1973

Status: Being implemented. Legislation for

consideration by the 1973 Legislature is being prepared.

SUBJECT AREA CONSULTANTS PROJECT
— Report No. 97, Department of Education

Problem: The State is spending more than \$1,000,000 a year in the Division of Instruction for subject area consultants and program coordinators under these conditions:

1. There is only one consultant per discipline while there are over 440 school districts and nearly 2,000 schools.

2. School districts are not required to follow the consultant's advice.

3. Evaluation of the impact made by the consultant is subjective rather than objective. This assumes a level of critical importance because of the dollar level involved. There is no rational means available to determine whether the service provided approximates the cost involved.

The consulting function within the Department was established because of an apparent need to upgrade the instruction of children. Upgrading instruction still is the primary mission of the consultants as stated by them and by the Commissioner. It is doubtful the consulting service was established because of statistically obvious failure of instruction. Most likely it was felt that making expertise available to practicing professionals would tend to bring about improvement in the education of children. The subject discipline experts at the State level were thought to be capable of improving effectiveness of various instructional programs. A standard measure for evaluating the effectiveness of the consultants has not been established, nor have specific objectives been isolated other than the general intent to upgrade the level of instruction.

Solution: 1. Eliminate the positions of subject area consultants and program coordinators except in those few cases where there is a statutory requirement. 2. Develop objectives for these functions in the light of assessed needs and determine the means of evaluating the application of various types of resources to reach those objectives. 3. After completing the above two objectives, proceed to obtain and utilize the appropriate resources.

Estimated Annual Savings: \$500,000

Anticipated Implementation Date: June 30, 1973

Status: Being implemented with modification.

DIVISION OF VOCATIONAL REHABILITATION PROJECT — Report No. 99, Department of Education

Problem: The Division of Vocational Rehabilitation cooperative program to provide vocational rehabilitation services to handicapped students in secondary schools is producing less than optimum results by its own standards. This hinders maximum utilization of the Division's resources towards achievement of its prime objective — the vocational rehabilitation of more than 100,000 eligible handicapped citizens in Minnesota. The problem is caused by a contractual agreement which splits supervisory and administrative control of key personnel, making them responsible to two supervisors.

Solution: Rewrite and negotiate new agreements with participating school districts to get effective control of this program to the Division of Vocational Rehabilitation.

Estimated Annual Savings: \$100,000

Anticipated Implementation Date: June 30, 1973

Status: Being implemented.

CLEARANCE OF UNLIQUIDATED ENCUMBRANCES PROJECT — Report No. 104, Department of Education

Problem: Unliquidated encumbrances for the fiscal year ending June 30, 1971, remained on the accounting records until November, 1972. Clearance was completed on December 6, 1972, in the 18th month following the close of the fiscal year. The primary cause for the delay in clearance of unliquidated encumbrances is that early clearance has been regarded as not imperative.

Solution: Encumbrances should be cleared as soon as possible after the end of the year. At the end of January of each year, a report should be written by the financial management of the Department to the appropriate assistant commissioners indicating the previous year's encumbrances have been completely cleared, or detailing the reasons for any exceptions.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: January 1, 1973, and annually thereafter.

Status: Being implemented.

**ESTABLISHMENT OF A GRANT PROGRAM
TO PROVIDE ASSISTANCE TO REHA-
BILITATION FACILITIES PROJECT —
Report No. 105, Department of Education**

Problem: The Division of Vocational Rehabilitation, Rehabilitation Facilities and Sheltered Workshop Section, is responsible for administering the Establishment Grant Program — authority for support of rehabilitation facilities in the State. The program is intended to provide assistance in purchasing equipment, carrying out major remodeling or building expansion, and for providing initial staff assistance. The lack of supporting proof of the need for expenditures has resulted from misunderstandings of the Federal program procedures and requirements by DVR employees, incomplete written procedures at the State level, and a poor filing system for the program.

Solution: Written procedures for the program will ensure proper evaluation of the need for grant requests; priority rating of grant requests, and adequate monitoring and filing systems for the program.

Estimated Annual Savings: \$150,000

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

**VARIOUS LIBRARY TYPE FACILITIES IN
THE DEPARTMENT OF EDUCATION
PROJECT — Report No. 106, Department
of Education**

Problem: Within the Department, four separate library type facilities are maintained:

1. Staff library and Higher Education Coordinating Commission library, combined.
2. Division of Vocational Rehabilitation staff library.
3. "School libraries" facility
4. "Public libraries" facility

In addition, library-type facilities are maintained in the Capitol Square Building by both the State College System and the State Junior College System.

Although there are some geographic location justifications for development of separate facilities, the facilities are presently separate

units primarily because diverse interests of the various organizations have engendered a proprietary interest in resource materials. There is no State policy that controls library proliferation.

Solution: Combine the various libraries into one physical unit, under one head using a standard cataloguing system.

Estimated Cost Savings: \$10,000

Anticipated Implementation Date: April 1, 1973

Status: Being implemented.

**EDUCATION SUPPORTIVE PERSONNEL
PROJECT — Report No. 107, Department
of Education**

Problem: Although most of the Department's supportive staff seem to be competent and willing employees, their overall productivity is questionable. For the most part, supervision of supportive personnel appears lacking. Work rules are not understood or enforced, nor are work rule violations documented. Production procedures and standards are not formalized. Productivity is not measured except by subjective means. No merit-demerit personnel evaluation is employed. Consequently, the only incentive for supportive productivity is personal pride of the employee and/or empathy of the supervisor.

Solution: Institute a work measurement program wherever possible, coupled with an appraisal system, uniformly applied work rules, and a merit-demerit type program. This assumes the organization modification recommended separately, which includes training in basic managerial skills, which is a supervisory responsibility.

Estimated Annual Savings: Up to \$100,000 per year on full implementation.

Anticipated Implementation Date: June 30, 1973

Status: Being implemented.

**SPECIAL PROJECTS — DIVISION OF VO-
CATIONAL REHABILITATION PROJ-
ECT — Report No. 129, Department of
Education**

Problem: Most DVR special projects make insignificant contributions to DVR objectives and are inefficient users of DVR resources. These projects include Evaluative and Minor Correc-

tive Services for Manpower Development and Training Act (MDTA), Applicants and Trainees (Minor Medical); New Careers; St. Paul Model Cities Service Unit; Vocational Rehabilitation Services for Drug-Addicted Persons in Minneapolis Model City; Labor Liaison-Minnesota DVR and Minnesota AFL-CIO Staff Training; Minneapolis DPW and Minnesota DVR Cooperative Vocational Rehabilitation Program; Duluth Coordinated Delivery System; St. Cloud Reformatory Vocational Education; Narcotics Addiction Rehabilitation Agency; and Public Welfare Rehabilitation. Most of these programs are ineffective users of DVR resources because DVR personnel has not uniformly and effectively evaluated the proposals before approving them as projects to see that they have objectives which contribute to DVR objectives. Also, DVR personnel has not adequately monitored the projects during their operation and eliminated inefficient ones after a period of one year.

Solution: Change procedures used for special projects to include thorough evaluation before approval and adequate monitoring during operations to ensure that State and Federal funds are expended only for necessary, worthwhile, efficient, and effective programs which contribute significantly to the DVR objectives.

Estimated Annual Savings: \$50,000

Anticipated Implementation Date: January 31, 1973

Status: Being implemented.

*ORGANIZATION PROJECT – Report No. 130,
Department of Education*

Problem: Not all organizational elements and employees of the Department are working in concert with each other to reach departmental goals. The current organization consists of 36 sections, most of which are grouped into divisions which

report to the Commissioner. This structure was, for the most part, determined prior to the appointment of the present Commissioner and seems based on the assumption that sections are principally units unto themselves, but must be grouped in some manner for administrative purposes. In any event, there is not a clear definition of the responsibilities of all Assistant Commissioners who head up the divisions and how they relate to one another, to cover the total responsibilities of the Commissioner. This results in certain overlapping and duplicated activities, "power jockeying" at the section levels, garbled communications, delays in decision-making and less than optimum overall planning.

Solution: In order to carry out his responsibilities to the State Board, the Commissioner of Education must decide how to divide those responsibilities among his immediate subordinates and then conceptually define the mission of each, in as mutually exclusive fashion as possible. With this clearly-stated delegation of responsibility, each immediate subordinate must then, in turn, define the mission and responsibility of each of *his* subordinates. Specifically, the following recommendations are made:

1. Modify the organization of the Department to fit conceptually defined missions of each sub-element in order to facilitate delegation of responsibility and authority, and to combine overlapping functions.

2. Enlarge the scope of the personnel section to ensure definition of supervisory responsibilities, and to ensure considerably intensified training in the basic management skills.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: March 30, 1973

Status: Being implemented.

Summary of Annual Savings:

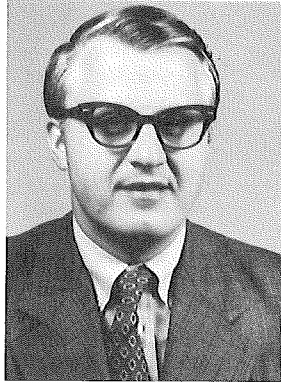
	Savings
Textbooks Stored in the Department Library Project – Report No. 5	\$ 3,000
Subject Area Consultants Project – Report No. 97	500,000 until new approach is formulated.
Division of Vocational Rehabilitation Project – Report No. 99	100,000
Clearance of Unliquidated Encumbrances Project – Report No. 104	None
Establishment of a Grant Program to Provide Assistance to Rehabilitation Facilities Project – Report No. 105	50,000
Various Library Type Facilities in the Department of Education Project – Report No. 106	10,000
Education Supportive Personnel Project – Report No. 107	25,000
Special Projects – Division of Vocational Rehabilitation Project – Report No. 129	50,000
Organization Project – Report No. 130	None
Total.	\$688,000

HEALTH TASK FORCE

Dr. Warren R. Lawson, third from left, Executive Officer of the Department of Health, joins with LEAP Task Force members and departmental officials. Richard G. Krueger, Budget Analyst of the Department of Administration is second from left. In the center is Robert W. Hiller of the Department of Health.



HEALTH TASK FORCE



ROGER W. BERG
Chairman
*First National Bank of
St. Paul*



HAROLD E.
ENGELHAUPT
Burlington Northern, Inc.



JAMES R. KLUM
*National Car Rental
System, Inc.*

Health Task Force

This Task Force worked in the State Department of Health, which exercises general supervision over health matters pertaining to the well-being of all Minnesota residents. Its responsibilities are those of analysis of studies, provision of services, regulations, training, education, coordination, evaluation, and reporting of health matters. The Department is headed by an executive officer who reports to a gubernatorially appointed Board of Health. The Department employs approximately 475 people, of whom 235 are in the managerial, professional or technical fields. The total annual budget for fiscal 1973 is approximately \$7,000,000. The main offices of the Department are located at the University Campus in Minneapolis. District offices are located in seven cities throughout the State.

Areas of Strength and Weakness

Strengths: The most evident strength of the Department is the technical, scientific, and medical-related professional competence of its staff. Closely related to this strength is the apparent regard of professional persons throughout the State for these individuals, and the Department.

Weakness: Many of the areas of weakness are not unique to this Department of State government. They include a lack of a well-defined system of financial control, budgeting, and reporting; the absence of a well-defined personnel training function; a lack of attention to traditional line/staff relationships; and the emphasis placed on professional technical skills at the expense of training of administration and management personnel.

STATEMENT OF PURPOSE AND OUTLINE OF MAJOR DUTIES PROJECT — Report No. 33, Department of Health

Problem: The only published statement of purpose for the Department of Health is a partial list of duties found in Minnesota Statutes, Section 144.05, written in 1925. In the absence of a clear and concise statement of purpose and a supporting list of general duties, numerous conflicting interpretations exist.

Solution: A rewriting of Section 144.05 will clarify for the Governor, the Legislature, and the Department of Health itself, the Department's role in State government.

Estimated Annual Savings: None

Anticipated Implementation Date: July 1, 1973

Status: Legislation has been prepared for consideration by the 1973 Legislature.

REORGANIZATION OF THE HEALTH DEPARTMENT PROJECT — Report No. 34, Department of Health

Problem: More than 20 positions report directly to the executive officer. These separate divisions administer over 50 different programs. Each division operates quite independently with little evidence of coordination, cooperation, or integration of activities with each other. Lines of authority, accountability, and responsibility are hazy. Most division heads are nearing retirement age, but there's little evidence of preparation for management succession. There is an evident lack of attention given to the employment of effective managers.

Solution: Complete the study of the present organization with a view toward creating definite lines of accountability, responsibility, and authority. The study should also recommend methods to administer proper placement of personnel, programs, and activities.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

EVALUATION OF PRESENT PLACEMENT OF PEOPLE AND ESTABLISHMENT OF PROCEDURE FOR FUTURE PLACE- MENT AND UTILIZATION OF STAFF PROJECT — Report No. 35, Department of Health

Problem: Interviews with 147 people indicated that no present programs for people placement, career path development, or utilization of people in more than one division, exist in the Department.

Solution: Establish a strong personnel function in the Department which should give particular attention to placement and interests of staff, in the reorganization project.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

SYSTEM FOR PLANNING AND EVALUATING PROGRAMS PROJECT — Report No. 48, Department of Health

Problem: There is very limited program activity reporting and no systematic effort to determine program results. Fragmented organization and statistical service has prevented the development of a coordinated health information system. Lack of central management and control of research staff has precluded efficient utilization of cost effectiveness and program evaluation techniques. Staff has largely been devoted to supplying data required by the Federal government. Improved management of existing research, and planning and evaluation functions, are essential.

Solution: Establish procedure for systematically investigating potential of new programs and for critical self-appraisal, with major emphasis on utilization of quantitative methods, to determine present and anticipated results of programs.

Estimated Annual Savings: Indeterminate
Anticipated Implementation Date: March 1, 1973
Status: Being implemented.

STRATEGY FOR ORGANIZING THE HEALTH FUNCTION FOR STATE GOVERNMENT PROJECT — Report No. 52, Department of Health

Problem: Health services provided by State and local government in Minnesota are less effective and more costly than necessary because of: 1) Fragmentation of functional responsibility among many agencies; 2) fragmentation of functional responsibility among levels of government; 3) duplication of planning and administrative systems, though not in actual delivery of services, and serious lack of coordination and communication among the different agencies in providing related health services. This fragmentation causes confusion and frustration both among State agencies and the citizens using these services, as well as a growing resentment among citizens to pay for such duplication. The problem seems to be caused by a lack of consistent legislative and executive policies in health matters, along with categorical funding policies at the Federal level which often influence decisions of organizations at the State level.

Solution: Reorganize functionally the health ser-

vices in the State. This project will develop a general strategy for the defragmentation of health services.

Estimated Annual Savings: Indeterminate
Anticipated Implementation Date: July 1, 1974

Status: Legislation is being prepared for consideration by the 1973 Legislature.

ESTABLISHMENT OF A CONTROLLER PROJECT — Report No. 53, Department of Health

Problem: The current position of Accounting Director in the Department lacks the authority to properly administer the many financial requirements of the Department.

Solution: Define, establish, and fill the position of Departmental Controller.

Estimated Annual Savings: Indeterminate
Anticipated Implementation Date: January 5, 1973
Status: Being implemented.

IMPROVEMENT IN THE BUDGET PROCESS PROJECT — Report No. 54, Department of Health

Problem: There is an apparent lack of a well-defined systematic budget process. Responsibility is in the hands of various members of the executive staff with the executive officer having the major responsibility for the preparation, coordination and implementation.

Solution: Establish a systematic process for the preparation, review and approval of budgets.

Estimated Annual Savings: Indeterminate
Anticipated Implementation Date: March 15, 1973
Status: Being implemented.

CENTRALIZATION OF FEES AND LICENSING PROJECT — Report No. 55, Department of Health

Problem: Within the Department, there are six major licensing areas administering over 20 separate activities. Systems and procedures vary from program to program. In some instances, total collections are absorbed by administrative costs. In addition, poor procedures create cash buildups and delays in depositing money. There is no

systematic fee structure throughout the Department. There seems to be a definite need to centralize fee and licensing activity to provide more efficient operation and control.

Solution: Obtain legislation to authorize the Health Department to establish fees to ensure they are economically equitable. Consolidate all fee and license activities into one area under the office of the Director of Administration. Obtain Legislative approval to change license renewal dates to eliminate "peak overloads." Study each fee/license activity to determine if a fee is sufficient. Develop one standard license form for use by all areas. Deposit all monies on the date of receipt.

Estimated Annual Savings: Indeterminate, but significant.

Anticipated Implementation Date: July, 1973

Status: Being implemented — Legislation for consideration by the 1973 Legislature is being prepared.

ESTABLISH DEPARTMENTAL PERSONNEL AND TRAINING FUNCTIONS PROJECT — Report No. 56, Department of Health

Problem: The Department does not have a well-established personnel office or function. Personnel matters are handled by a number of persons with no apparent plan or design. The Department tends to react to personnel problems as they arise. Necessary ongoing programs in personnel administration and training are nonexistent. Also missing are systematic programs for handling transfers, placement, training, cross-training, salary administration, grievance procedures and employee counseling. This problem, however, is not unique to the Health Department, and merely reflects a similar picture throughout the State.

Solution: Establish a personnel and training function within the newly-established Division of Administration. The new Director should be responsible for the function with delegation to subordinates only as they demonstrate ability in personnel matters. Training of Division heads and good supervisory-subordinate relations will be a prerequisite.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: July 1973

Status: Being implemented.

DEVELOP A MODEL FOR COMMUNICATIONS IN THE DEPARTMENT PROJECT — Report No. 57, Department of Health

Problem: The administration of sections, divisions and the entire Department can be generally improved by an organized exchange of information. This is presently lacking. In many operating areas, information that should be shared does not pass below certain levels. In some instances, staff members rely upon the "rumor mill" for general information items. Individuals involved in similar activities need to relate to each other to reduce redundant effort.

Solution: Organize a program to introduce effective methods of communications to individuals at all levels throughout the Department. A definite guide of recommended methods of communications also will be provided.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: June 1, 1973

Status: Being implemented.

REDESIGN THE RECORDS MANAGEMENT AND PRINTING SERVICES PROJECT — Report No. 58, Department of Health

Problem: Overall reporting procedures have dramatically increased in recent years with little use being made of new techniques in the reporting, storing, and accessibility of information. The reporting and records keeping system requires a detailed analysis, especially in the areas of high-volume report generation and retention. Record keeping practices within the Department need to be evaluated with respect to their ability to satisfy the current information needs. There is also a definite need to establish a centralized records management program.

Solution: Conduct a feasibility study of proposed computer applications and a continuing program of evaluation of existing computerized reporting systems. Reorganize the duplicating services operation to more effectively and economically satisfy the reproduction requirements throughout the Department. Introduce microfilm procedures to improve storage and retrieval of frequently needed high-volume records. Establish a continu-

ing program of records evaluation and management. Develop a centralized form design and control function throughout the entire Department.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

REVIEW OF SYSTEMS OF PUBLIC EDUCATION, MARKETING OF SERVICES AND PUBLIC INFORMATION PROJECT —
Report No. 59, Department of Health

Problem: Legislation and past practice have restricted and suppressed the communication to the public of departmental functions and services. Thus, services often are not provided, or are duplicated elsewhere, due to lack of information being given to the citizens or concerned agencies.

Solution: Raise Health Department education functions in the Department's program section as proposed in the reorganization project. Create a section of "marketing" of services and public information. Develop strong programs in each area to serve the needs of the public and the Department.

Estimated Annual Savings: Indeterminate
(a study of the mechanics of providing in-

formation and research will indicate potential savings as program structures are developed).

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

REORGANIZATION OF THE DIVISION OF ENVIRONMENTAL HEALTH PROJECT
— Report No. 60, Department of Health

Problem: The Division is a fragmented unit. Communication within the organization needs improvement, since district personnel are severely isolated from the main office in Minneapolis. Reporting lines are not distinct with over 40 people reporting directly to one division director. A gradual accumulation of many activities within this unit, without sufficient organizational planning, has greatly contributed to this condition.

Solution: Complete review, recommendation and implementation of an organization plan to include the specifics of personnel placements, lines of accountability, of responsibility and authority, and proper placement of programs and their priority.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: March 14, 1973

Status: Being implemented.

Summary of Annual Savings:

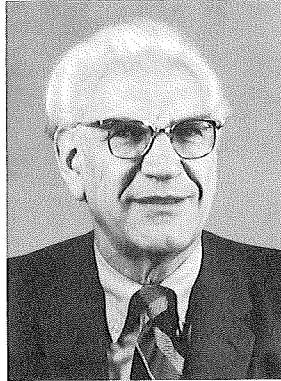
Cost savings in the Department of Health are not determinable at this time.

HIGHER EDUCATION TASK FORCE

Higher Education Task Force members and some of the people with whom they worked: (from left) Dr. Philip C. Helland, Chancellor, State Junior College System; Dr. G. Theodore Mitau, Chancellor, State College System; LEAP personnel, Maraleta Swenson; John T. Lynch, and Kenneth P. Zubay, and Dr. Richard C. Hawk, Executive Director, Higher Education Coordinating Commission.



HIGHER EDUCATION TASK FORCE



JOHN T. LYNCH
Chairman
*International
Multifoods*



MARALETA SWENSON
Peavey Company



KENNETH P. ZUBAY
IBM Corporation

Higher Education Task Force

The Higher Education Task Force began its work on September 20 and was assigned to study the administrative aspects of the Higher Education Coordinating Commission (HECC) and the public systems of post-high school education, which the HECC coordinates. These are the State College System, the State Junior College System, the Area Vocational-Technical Institutes and, to a limited extent, the University of Minnesota. Because of the complexity of Minnesota higher education and the limitations of time and assigned staff, the Task Force decided to focus its attention on the activities of the HECC relating to all systems, and to study the declining occupancy rate of residence halls in the Minnesota State College System. The latter study will be completed in February, 1973, and will not be part of this report. This report will, therefore, deal principally with the HECC.

The HECC's prime function is to coordinate public and private education in Minnesota, including planning, review of programs of instruction, handling of Federal funds, and the administration of special programs.

The HECC is required by Statute to report periodically to the Governor and the Legislature on its findings. Since it has no enforcement powers, its only recourse is to report lack of compliance with its recommendations.

At present, the HECC consists of a Commission of eleven members appointed by the Governor; it elects its own president. It also has a Higher Education Advisory Council comprised of the President of the University, the Chancellors of the State and Junior College Systems, the Commissioner of Education, and the Executive Director of the Private College Council. The HECC has an Executive Director and staff appointed by the Commission. The staff is organized into four functional areas, which are: administrative services and student aids; institutional service program planning; academic planning and analysis, and information services.

At the present time, the staff consists of 32 employees, of which 19 are professionals. The budget for fiscal 1973 is \$7,600,000.

Areas of Strength and Weakness:

Strength:

1. There is growing recognition of the HECC

as a researcher, and source of information in Minnesota post-secondary education.

2. It has a flexible organization structure and staff which permits movement across functional lines to handle projects effectively and quickly.

3. There is good staff awareness of the major problems of higher education, coupled with a great persistence in researching, and proposing alternative solutions.

4. HECC has the ability to view issues, problems and needs objectively from a statewide perspective, and is willing to back the best solution, even though it may not be a popular position.

5. A top staff of six is demonstrating growing esprit de corps and substantial productive ability.

Weaknesses:

1. There is no statement of the Commission's mission and goals, and no Commission-approved objectives to guide the staff in the accomplishment of its functional responsibilities.

2. The Higher Education Advisory Council is barely performing its review function and is providing neither creative input to the staff, relative to the current problems of higher education, nor suggestions for development of new studies or programs. It needs a chairman with a 12-month term to develop a plan and objectives.

3. It is most difficult at present salary schedules to retain top level staff, or to hire replacements of required caliber for handling functional departments and key personnel of the other systems.

4. There is a tendency to overload the agenda of Commission work-sessions and official meetings, leaving insufficient time for deliberation and decision-making on policy matters of major importance to higher education.

CLARIFICATION OF MISSION AND GOALS OF THE HIGHER EDUCATION COORDINATING COMMISSION PROJECT — Report No. 100

Problem: The members of the HECC do not share a common perception of the research activities and data input required to perform the duties assigned to the Commission since 1965 by the Legislature. The Commission has not developed a written statement of mission and goals for self-guidance or for the direction of the staff. The

staff has lacked specific objectives derived from such goals approved by the Commission on which to base its plans and strategies.

Solution: Develop a statement of mission and goals based on a review of duties and responsibilities assigned by the Legislature. Also, analyze the activities necessary to accomplish the mission and goals, considering the short and long range problems presently facing higher education.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: April 15, 1973

Status: Being implemented.

POLICY GOVERNING CONFLICT OF INTEREST/GIFTS AND GRATUITIES TO MINNESOTA STATE EMPLOYEES PROJECT – Report No. 124

Problem: State employees responsible for various aspects of procurement decisions in agencies of the State concerned with post-high school education, are exposed to the possibility of being negatively influenced, to the detriment of the State, by conflict of interest and/or supplier gifts and gratuities. This activity is not prohibited by Statute or State regulation. Inconsistency exists with other State departments concerning the administration of these areas. Existing Statutes apply only to the Department of Administration (Section 16.125, *Felony*), Department of Corrections (Section 241.12, *Misdemeanor*), and Department of Public Welfare (Section 246.20, *Misdemeanor*).

Solution: Adopt a Statute establishing conflict of interest and gifts and gratuities policy governing all Minnesota State employees. This would be consistent with, and in support of, Governor Anderson's objective to "insure that administrative, legislative, and judicial responsibilities at all levels of government in Minnesota are carried out according to highest ethical standards."

Estimated Annual Savings: None

Anticipated Implementation Date: July 1, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

STATE SCHOLARSHIP/GRANT-IN-AID CASH FLOW TO PRIVATE AND PUBLIC POST-SECONDARY SCHOOLS PROJECT – Report No. 126

Problem: The total annual award of scholarships

to recipients is now made in the fall of the year, in one cash payment to each school. The movement of cash from the State Treasurer to support the State scholarship/grant-in-aid programs does not allow for maximum investment of State monies, and involves a cumbersome and costly warrant writing procedure. Minnesota Statutes, Section 136A.121, subd. 11, states that funds should be applied to student needs in the order of tuition, fees, books, supplies.

Solution: Establish a journal transaction instead of writing and redeeming of actual warrants, to incrementally credit public post-secondary schools for awards made to cover students' tuition and fees. Further, establish incremental payments to schools where cash payment is required.

Estimated Annual Savings: \$82,575

Anticipated Implementation Date: June, 1973

Status: Being implemented.

REVIEW OF THE STATE AND JUNIOR COLLEGE SYSTEM'S PURCHASING FUNCTIONS PROJECT – Report No. 127

Problem: Administration and faculty members on campuses of the State Colleges and State Junior Colleges are inconvenienced by delays in receiving items requisitioned. Requisitions over \$25 must now go through Central Purchasing in the Department of Administration and those over \$15 must be multiply quoted. Historically, restraint has been placed on satellite purchasing functions to minimize substandard purchasing practices.

Solution: Increase local authority from \$25 to \$100, and remove multiple written bid requirements under \$100.

Estimated Annual Savings: \$46,125

Anticipated Implementation Date: January, 1973

Status: Being implemented in conjunction with other changes in the Central Purchasing function of the Department of Administration.

IMPROVE THE HIGHER EDUCATION COORDINATING COMMISSION'S ADMINISTRATION AND DELIVERY OF STATE GRANT-IN-AID AWARDS PROJECT – Report No. 132

Problem: Second and third round notices to students arrive later than registration dates in

colleges throughout the State. Students receive funds later than the point in time when they are needed, thereby imposing hardships. These delays also cause added administrative costs. The HECC's administrative resources have not kept abreast of the program's growth. Legislative funding of the program delays initiation of notification and all processing thereafter in odd-numbered years.

Solution: 1. Within the HECC scholarship/grant-in-aid administration, add one administrative assistant, one clerk typist and part-time help (equivalent of two man-years per year). 2. Install a CRT to accommodate real time processing. 3. Forward funds in odd-numbered years by resolution to the level not less than the prior year's commitment.

Estimated Annual Savings: \$28,638

Annual Costs: \$37,500

Anticipated Implementation Date: June 1, 1973

Status: Being implemented. Legislation for consideration by the 1973 Legislature is being prepared.

*BUDGET AND REPORTS GENERATED BY
PUBLIC POST-SECONDARY EDUCATION
SYSTEMS PROJECT — Report No.
134*

Problem: Budget and reports prepared by public post-secondary educational institutions vary in format and content. This makes analysis and inter-system comparison extremely difficult.

Each of the public systems of post-secondary education is proceeding with the development of budgetary procedures targeted to its own needs. Variations likewise occur in information and operating reports covering a number of subjects. Currently, no effective coordinating force among, or related to, these systems has addressed this problem.

Solution: The HECC should recognize its responsibility and develop: 1. A pilot budgeting process which will be compatible among all four public systems of higher education and relate dollars expended to program output anticipated. 2. A standardized reporting format for systems transmittal of supportive data and other operating operations.

Thus, HECC would provide administrators, analysts and legislators with key decisions and related information in a format standardized for all systems.

Estimated Annual Savings: Indeterminate
Estimated One-Time Cost: \$100,000
Anticipated Implementation Date: December 1, 1974

Status: Being implemented.

*ESTABLISHMENT OF OVERALL OBJECTIVES
AND OPERATING PROCEDURES FOR POST-HIGH SCHOOL
BOOK STORE OPERATIONS PROJECT
— Report No. 136*

Problem: The lack of overall established objectives and operating procedures for the book stores causes management control and pricing inequity problems. There are no overall established objectives or operating procedures for the book stores among the post-high school systems.

Solution: Develop an operating manual to establish consistent objectives and procedures for the operation of all post-high school book stores.

Estimated Annual Savings: \$400,000; savings would accrue only to customers of the book stores.

Anticipated Implementation Date: July 15, 1973

Status: Being implemented.

*BUDGETS OF THE STATE'S SYSTEM OF
POST-SECONDARY EDUCATION AND
THE HIGHER EDUCATION COORDINATING
COMMISSION PROJECT —
Report No. 140*

Problem: The Legislature, the Governor's Office, State departments and agencies are attempting to evaluate the individual budget proposals of the four systems of post-secondary education without the benefit of a consolidated format. Priority needs are not identified, and the budgets are not related to long-range plans for the development of higher education in the State. The problem is due to the fact that the HECC is studying and analyzing many aspects of public and private education without having access to budget proposals of the various systems and without being able to relate the available financial resources to long-range plans developed in the HECC.

Solution: The Legislature should instruct the Higher Education Coordinating Commission to perform budget reviews for the purpose of relating present resources and higher educational programs with the State's present, as well as long-range, needs and with available funds, so that

the total picture may be evaluated by decision-makers. Any post-secondary educational system that receives public funds should be instructed by the Legislature to provide the HECC with their budget as well as with budget proposals. In this manner the HECC could provide all concerned with a coordinated and consolidated picture of proposed requests versus education

resources already available and the long range educational needs of the State.

Estimated Annual Savings: Indeterminate at this time

Anticipated Implementation Date: November 1, 1974

Status: Legislation for consideration by the 1973 Legislature is being prepared.

Summary of Annual Savings or Costs:

	Savings	Costs
Clarification of Mission and Goals of the Higher Education Coordinating Commission Project — Report No. 100	—	—
Policy Governing Conflict of Interest/Gifts and Gratuities to Minnesota State Employees Project — Report No. 124	—	—
State Scholarship/Grant-In-Aid Cash Flow to Private and Public Post-Secondary Schools Project — Report No. 126	\$ 82,575	—
Review of the State and Junior College System's Purchasing Functions Project — Report No. 127	46,125	—
Improve the Higher Education Co-ordinating Commission's Administration and Delivery of State Grant-In-Aid Awards Project — Report No. 132	28,638	\$ 37,500
Budget and Reports Generated by Public Post-Secondary Education Systems Project — Report No. 134	—	100,000
Establishment of Overall Objectives and Operating Procedures for Post-High School Book Store Operations Project — Report No. 136	400,000*	—
Budgets of the State's System of Post-Secondary Education and the Higher Education Co-ordinating Commission Project — Report No. 140	—	—
Residence Hall Occupancy Project — Report No. 141	To be completed in February, 1973	
TOTAL	\$157,338	\$137,500
Net Annual Savings	\$ 19,838	

*Savings would accrue only to customers of the book stores.

NATURAL RESOURCES TASK FORCE



NATURAL RESOURCES TASK FORCE



WILLIAM A. DOBSON
Chairman
*Investors Diversified
Services, Inc.*



WILLIAM J. DUMA
*First National Bank of
St. Paul*



H. E. (BUD) KOOP
*American Hoist and
Derrick Company*

Natural Resources Task Force

The Department of Natural Resources is described in the 1971-72 Legislative Manual as having "the important task of conserving and promoting the wide use in management of the State's natural resources — its forests, game and fish, lands, minerals, State parks and water." The Department has activities in every county in the State. It employs slightly over 1,200 people on a full time basis and slightly over 1,000 on a part time or seasonal basis. It spends approximately \$25,000,000 annually and receives as income approximately \$21,000,000. Headquarters are in the Centennial Building in St. Paul, Minnesota, but the bulk of the people are located in many installations throughout the State.

Areas of Strength and Weakness

Strength: There are many dedicated and competent people within the various divisions, who have provided Minnesota with a fine history and tradition of natural resource management. They have done so in spite of the system under which they have to operate.

Weaknesses: Currently the Department is a loose organization of five divisions. Major problems which have existed for years exist today and will continue to worsen unless something is done to correct the fact that the Department has never been organized, but rather, exists as a loose coalition of the five independent divisions. There is a lack of a cohesive, coordinated overall State policy and plan for the balanced best management of Minnesota's natural resources. The Department is subject to supreme amounts of outside pressure. Literally hundreds of private and public interest groups are making demands on the Department. Over 25% of the legislation introduced in the last session was DNR oriented.

REGISTRATION OF NON-HIGHWAY USER VEHICLES PROJECT — Report No. 9, Department of Natural Resources

Problem: The Department of Natural Resources is currently charged with the responsibility of registering and licensing all boats and snowmobiles. It is quite possible that in the near future, bicycles, trail bikes, other all-terrain vehicles, and even guns could be added to this list. Today's records are being kept on approximately 600,000 to 650,000 boats and snowmobiles and it can be expected that approximately 150,000 new regis-

trations per year will occur. As of August, 1972, there were 18 DNR employees assigned to the permanent complement of the licensing operation, with 14 additional temporary persons added to the staff during peak periods. At this time, 3,600 square feet of building space are being used for the administration of record keeping. The total cost is estimated to be \$275,000.

Since the Department of Natural Resources registration has not been computerized, and since radio communication is not available between law enforcement officers and the Department of Natural Resources registration center, this information is not available on the same instantaneous basis as is motor vehicle registration. There is also duplication of functions in that a computerized license center is run by the Motor Vehicle Services Division while a similar function is performed in DNR on a manual basis.

Solution: We recommend the function of registering all snowmobiles, boats, other all-terrain vehicles, etc. be transferred from Natural Resources to Public Safety, Motor Vehicle Division. We recommend this information be computerized for easy retrieval and availability by law enforcement officials. Furthermore, we recommend the public be made aware of the fact that registering of any vehicle can be done through *one* State agency. The public and the law enforcement agencies of the State should benefit by having all registration information available in one location and through one system.

Estimated Annual Savings: Indeterminate at this time

Anticipated Implementation Date: July 1, 1974

Status: Being implemented.

PAYROLL AND ACTIVITY REPORTING PROJECT — Report No. 15, Department of Natural Resources

Problem: Manual preparation of payroll and activity data requires approximately 112,000 field man-hours and 8,000 clerical office man-hours. Data are accumulated, copies maintained, and data transcribed at each level of supervision to provide input to both the payroll system and separate activity reports. Activity reports are not consistent between divisions, and activity data are not compatible with the State's payroll system. Existing reports do not provide useful in-

formation for preparation of program budgets nor do they provide for control of day-to-day operations. It is impossible to tell if public funds are being expended efficiently to meet the needs of the public.

Solution: We recommend the use of a system which takes data directly from the field level to computer processing, eliminating all interim steps.

Estimated Annual Savings: \$49,400

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

DEVELOPING A FEE SYSTEM TO COVER COST OF PROCESSING AND ISSUING PERMITS INVOLVING WATER RESOURCES PROJECT — Report No. 26, Department of Natural Resources

Problem: It is estimated that the cost for administering the State's program of processing, reviewing, analyzing and issuing permits involving water resources will cost \$220,000 per year during the next biennium. Currently, this is being paid by all taxpayers through general taxation.

Solution: It is recommended that the expenses of the few special persons or institutions who request this service be covered by them rather than by the general public. It is recommended to amend present laws and establish a fee system to cover the cost of: 1) application for permit; 2) field inspection cost; 3) permit processing; 4) charge for public hearings, and 5) charge for any special consultants.

Estimated Annual Savings: \$180,000

Anticipated Implementation Date: July 1, 1973

Status: Being implemented, legislation for consideration by the 1973 Legislature is being prepared.

DISBURSEMENT AND LIQUIDATIONS PROJECT — Report No. 32, Department of Natural Resources

Problem: The processing of 150,000 documents for payment by the Department requires approximately 27 man-years of work. The work is spread throughout the field as well as through the central office. Liquidation records are duplicated at each level of management.

The existing system provides extremely lim-

ited data for decision-making purposes. Data are not available on a timely basis. Payments to vendors are delayed up to eight weeks resulting in loss of cash discounts and discourage vendors from doing business with the State.

Solution: We recommend the liquidation and disbursement function be consolidated into an accounts-payable function integrated with the Statewide accounting system.

Estimated Annual Savings: \$120,000

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

PROCESSING OF RECEIPTS PROJECT — Report No. 41, Department of Natural Resources

Problem: Five persons are currently required to process daily receipts. Less than 200 daily receipts, representing an average daily deposit of approximately \$60,000, are processed. Sources of receipts are: 1) game and fish licenses; 2) timber and nursery tree sales; 3) mineral and land leases; 4) park receipts; 5) firearms and snowmobile safety programs; 6) sale of confiscated property, and 7) Federal aid checks. The same personnel are concerned with incorporating receipts from both snowmobile and boat registrations into their daily deposit.

Processing requires a minimum of five keying operations to assign transaction numbers and dollar amounts to documents and checks. Checks are then listed on a deposit form, both of which are held until the next day for transfer to the State Auditor's office. At month's end, transfer from the depository category to divisional spending plans are manually prepared. No comparison of actual receipts is made to forecast amounts. The system is slow, expensive, and lacks responsiveness to meet current departmental needs.

Solution: We recommend the system for processing receipts be simplified by reducing the number of steps to process receipts and improving the methods for preparing monthly reports. Receipts should also be deposited more promptly. Further, it is recommended to use the Statewide accounting system, as soon as it is available, to provide a comparison of actual receipts to forecast receipts.

Estimated Annual Savings: \$17,300

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

EQUIPMENT UTILIZATION PROJECT —
Report No. 133, Department of Natural Resources

Problem: The Department has too many pieces of equipment that are not being used effectively. Most pieces are sitting idle the better part of operating hours. A high percentage of equipment is in very poor condition because of non-use, chronological age, and non-existent programs for maintenance repair and disposal.

Departmental divisions, five in all, previous to the consolidation under the new Department of Natural Resources, were separate independently operating functions. Each division had, and still has, its own complement of equipment which currently amounts to much duplication of equipment as well as general proprietary use allocation. There is a lack of consistent, coordinated sharing of equipment between the divisions.

Solution: It is recommended that all equipment custody, or ownership, be transferred to the Department of Natural Resources. Simultaneously, and in conjunction with title transfer, all divisional sections of current equipment management and administration must be transferred and reorganized into a departmental central control. This should be designed to handle all of the needs of all the divisions by the method of overall scheduling, but always subject to the variety of emergency priorities and normal expected revisions.

Estimated Annual Savings: \$30,000 (Accurate estimates cannot be made due to lack of data as to the amount of equipment available and maintenance figures on such equipment.)

Anticipated Implementation Date: December 1, 1973

Status: Being implemented.

BUILDING UTILIZATION PROJECT —
Report No. 137, Department of Natural Resources

Problem: Due to the independent and separate functioning of the five divisions of the Department, the situation concerning buildings is similar to the situation prescribed in Project Report No. 133 concerning vehicles. Each division builds and maintains buildings without coordination to meet similar needs of other divisions operating in the same geographical area. It would seem rea-

sonable to expect amalgamation of the divisions into unification of efforts as well as assets. This has not been the case. Rather, it seems, stronger professional ties have resulted within each division and the separation is increasing.

As a result, there are 1,958 buildings in the Department with custody spread out among various divisions. There are many buildings in some locations, some for each division, but very seldom is there any semblance of multi-occupancy.

Solution: Centralization of departmental operations will form the nucleus for an appraisal of the needs of the Department as opposed to the singular proprietary accumulations by the divisions. Evaluation of the Department's buildings and a process of decision-making in regard to buildings required to best perform the responsibilities of the Department will be necessary. Central responsibility is recommended for maintenance, repair and construction. A simple, unified and productive method for handling building assets in the Department would result.

Estimated Annual Savings: \$1,590,000

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

STATE PARK OPERATIONS PROJECT —
Report No. 138, Department of Natural Resources

Problem: In 1971, park revenues amounted to \$1,543,000 against an operating budget of \$2,083,000. It is the conclusion of the Task Force that too much money is being spent to operate parks and to provide services where the demand does not exist or does not yet exist.

Solution: The deficit of \$540,000 can be reversed by: 1) increasing the cost of annual park permits from \$3 to \$5; 2) increasing camping fees from \$2 to \$3; 3) lowering operating expenses, and 4) closing unprofitable refectories. We recommend the Commissioner of Natural Resources adopt the objective that expenditures for park operations will not exceed revenues from services offered. (This should not include budgets for land acquisition or park development.)

Estimated Annual Savings: \$650,000

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

**ORGANIZATION OF DEPARTMENT ALONG
FUNCTIONAL LINES — Report No. 139,
Department of Natural Resources**

Problem: The Department of Natural Resources, today, operates as a loose coalition of five independent agencies. There is no cohesive, coordinated, overall State policy for a balanced management of Minnesota natural resources. The lack of overall planning and the duplication of administrative efforts in the five divisions is primarily due to the fact that, historically, each division has been assigned a responsibility to only one natural resource and has been funded with

that one resource in mind.

Solution: 1) Organize the Department functionally to provide for better planning and more efficient administration; 2) decentralize and delegate decision-making authority into six operating regions to ensure better public response and more efficient and effective field operations, and 3) initiate a system of management by objectives.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

Summary of Annual Savings:

	Savings
Registration of Non-Highway User Vehicles Project — Report No. 9	Indeterminate
Payroll and Activity Reporting Project — Report No. 15	\$ 49,400
Developing A Fee System to Cover Cost of Processing and Issuing Permits Involving Water Resources Project — Report No. 26	180,000
Disbursement and Liquidations Project — Report No. 32	120,000
Processing of Receipts Project — Report No. 41	17,300
Equipment Utilization Project — Report No. 133	30,000
Building Utilization Project — Report No. 137	1,590,000
State Park Operations Project — Report No. 138	650,000
Organization of the Department Along Functional Lines — Report No. 139	Indeterminate
Total.....	\$2,636,700

PUBLIC SAFETY TASK FORCE

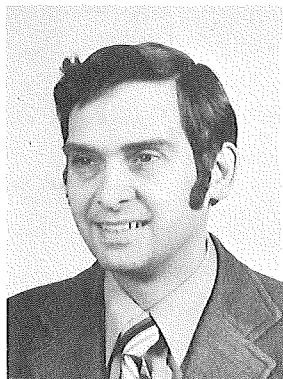
Public Safety programs are being developed by LEAP Task Force members in concert with Phillip A. Iverson, extreme left, Deputy Commissioner of Public Safety; Wallace Hoaglund, seated, Commissioner of Public Safety, and James C. Crawford, third from right, Director of Motor Vehicle Services Division.



PUBLIC SAFETY TASK FORCE



JAMES F. CHEVALIER
Chairman
Honeywell, Inc.



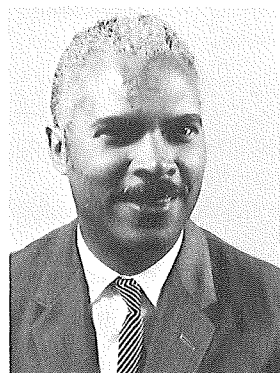
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*Northwestern National
Life Insurance Company*



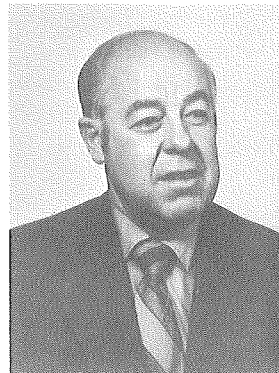
HAROLD D. FOX
Target Stores, Inc.



FRANCIS A. KOCOUREK
*Univac – Division of
Sperry Rand Corporation*



HAMNER C. WILLIAMS
IBM Corporation



LEE E. WOODRUFF
Green Giant Company

Public Safety Task Force

The Department of Public Safety was established in 1969 and encompasses the Divisions of Motor Vehicle Services (drivers' licenses and motor vehicle licenses), Highway Patrol, Fire Marshal, Civil Defense, Bureau of Criminal Apprehension, and an Administrative Services Division.

The Department has an approximate annual budget of \$25,132,000 and employs approximately 1,740 persons.

Areas of Strength and Weakness

Strengths: Many of the problem areas which LEAP found in the Department were already recognized by departmental staff and were under review before the Task Force joined the Department. The Department has a number of outstanding top managers who are recognizing deficiencies, and are willing and eager to improve services.

Weaknesses: It is difficult to make a judgment on the Department as a whole, since it is a collection of many, basically unrelated divisions. In view of this, there is a need for providing means to solve managerial problems in some of the divisions, such as Highway Patrol and the State Fire Marshal. In the administrative area, there appears to be a need to re-define functions and responsibilities. Reporting relationships were not clear.

LONG-RANGE AUTOMATED MOTOR VEHICLE REGISTRATION SYSTEM PROJECT — Report No. 80, Department of Public Safety

Problem: The LEAP Task Force assigned to the Department of Public Safety, in cooperation with the Division management, redesigned and installed during 1972 a new system for processing motor vehicle registrations. However, it is still basically a hand processing system, which, in part, could be computerized for additional cost savings.

Solution: A long-range computerized work flow system is recommended, showing work flow charts, effect on work processing sections, the requirements for form redesign, computer programming and implementation schedule.

Estimated Annual Savings: \$224,000

Anticipated Implementation Date: November 4, 1974

Status: Being implemented.

MOTOR VEHICLE STUDY PROJECT — Report No. 81, Department of Public Safety

Problem: The current manual collection of motor vehicle registration taxes causes many problems in administration staffing, personnel utilization and customer service. The renewal period beginning November 15 of each year causes 2,700,000 notices to be sent to currently registered vehicle owners. These notices must be returned for processing by January 10 to avoid penalty, causing a very sharp peak in processing.

Solution: It is recommended that registration procedures be spaced over 12 equal monthly billing periods to effect essential level workload throughout the year.

Estimated Annual Savings: \$129,202

Anticipated Completion Date: Legislation for consideration by the 1973 Legislature is being prepared.

Status: Being implemented.

MOTOR VEHICLE SERVICES DIVISION PROJECT — Report No. 82, Department of Public Safety

Problem: Minnesota Statutes, 1971, Chapter 168, authorized the issuance of 39 basic license plates and 30 different duplicate plates or a total of 69 different kinds of license plates. Because of the large number of plates, many problems are created in the administration and handling of plates. Law enforcement to ensure actual weights do not exceed registered weights is difficult since gross weights declarations by statute are required to be displayed on truck sides rather than front or rear. The records of the Department indicate that 600 to 700 truck owners are charged with over-weight out of 292,000 registered trucks. This raises the question whether the State is actually losing significant amounts of money per year for non-discovered violations.

Solution: The solution to this problem is in amending present legislation to simplify the weight declarations for law enforcement purposes.

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: July 1, 1973

Status: Legislation for the consideration by the 1973 Legislature is being prepared.

RECOMMENDATION TO CHARGE FEE FOR MAIL AND PUBLIC COUNTER WORK PROCESSING PROJECT – Report No. 83, Department of Public Safety

Problem: Approximately 75% of all work in registering and transferring vehicles is handled by 130 deputy registrars throughout the State. For their service, these registrars charge the applicant \$1 per transaction. All applications received through the mail and at the public counter in the Department of Public Safety are processed on a “no charge” basis by the Motor Vehicle Services Division. The deputy registrars perform a valuable service by processing much work that requires form completion, answers to questions, determination and collection of fees. As much as possible, it is desirable to allow the motor vehicle registrars to handle the majority of the necessary transactions.

Solution: It is recommended to add a “cost” charge of 50 cents for extra work necessary in the processing of applications sent by mail to, or personally presented at, the Motor Vehicle Services Division. All applicants would be paying their share of the work processing and many would divert to the deputy registrars.

Estimated Annual Savings: \$450,000 (added income)

Anticipated Implementation Date: Following approval by the 1973 Legislature prior to the 1973 re-registration.

MOTOR VEHICLE SYSTEMS AND REORGANIZATION STUDY PROJECT – Report No. 84, Department of Public Safety

Problem: Wet stamps have been used to indicate payment of transfer fees (\$2) and pollution control fees (\$1) upon change of legal ownership. This is a costly way of collecting these fees. Purchase costs, mailing, inventory and control costs in the use of stamps can be eliminated and fees still can be collected.

Solution: Replace the stamps with a line item accounting on the necessary application forms.

Estimated Annual Savings: \$56,000

Anticipated Implementation Date: July 1, 1973

Status: Legislation for the 1973 Legislature is being prepared.

LICENSE PLATE MANUFACTURING BY THE DEPARTMENT OF CORRECTIONS FOR THE DEPARTMENT OF PUBLIC SAFETY, MOTOR VEHICLE SERVICES DIVISION PROJECT – Report No. 85, Department of Public Safety

Problem: The uncertain status of the St. Cloud Reformatory and the Stillwater Prison has caused concern in the Department of Public Safety for where and/or how license plate requirements will be met in the future. A general decline in inmate population, coupled with an increasing demand for license plates needed to satisfy legal requirements, has strained the Reformatory’s ability to continue to manufacture the plates.

Solution: It is recommended to extend the license plate life cycle from two and three years to five years, and to reduce the type of license plates presently required. Both changes will relieve the strain on the present production capacity. This will allow the State to continue manufacturing license plates at the St. Cloud Reformatory, which is the most economical alternative.

Estimated Annual Savings: \$465,000

Anticipated Implementation Date: December 31, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

ESTABLISHMENT OF A “MANAGEMENT BY OBJECTIVES” PROGRAM IN THE HIGHWAY PATROL DIVISION PROJECT – Report No. 86, Department of Public Safety

Problem: During the initial survey of the Highway Patrol, problems in the following areas became apparent: supervisory pay, equipment decision making, systems and procedures, financial control, legislative program, and promotional policy. The cause of the problems is basically due to lack of exposure to, and not enough experience in, advanced management techniques.

Solution: It is recommended that a management by objectives program be established in the Minnesota Highway Patrol. Such a program will provide the basis for a long-range solution to many of the management problems presently existing.

Estimated Annual Savings: None

Anticipated Implementation Date: November 1973

Status: Being implemented.

ORGANIZATION STUDY PROJECT – Report No. 87, Department of Public Safety

Problem: The present Department of Public Safety organization, functions, and responsibilities need clarification and additional functions may be necessary.

The functions of the general and administrative divisions, and the scope of the sections, need clarification. In some cases, directors have indicated that reporting relationships indicated on organization charts are not being followed. Job descriptions are not written for all positions in the divisions.

Solution: It is recommended that the Department of Public Safety be realigned into new reporting relationships, and that continually updated position descriptions be produced.

Estimated Annual Savings: None

Anticipated Implementation Date: March 1, 1973

Status: Being implemented.

BUREAU OF CRIMINAL APPREHENSION STUDY PROJECT – Report No. 88, Department of Public Safety

Problem: In the past, when presenting proposed biennial budgets to the Governor, the Bureau of Criminal Apprehension has utilized as the base for the new budget the prior biennial budget, and increased dollar amounts to accommodate planned increases. While this technique has been workable, it does not actually satisfy the need nor justification for new positions or equipment.

Solution: It is recommended to use a zero budget approach which was utilized by the Division in 1972 to justify the need for every single person on the payroll. Equipment has been reviewed to

justify its need. Facilities have been reviewed to determine whether they are adequate or not. By using latest techniques of forecasting, each work area has been reviewed to determine future trends. Actual statistics have been analyzed to determine trends and future needs. Such trends have been included in the presentation of the biennial budget.

Estimated Annual Savings: None

Anticipated Implementation Date: Implementation is completed.

CIVIL DEFENSE STUDY PROJECT – Report No. 89, Department of Public Safety

Problem: Lack of clear understanding in the working relationship between the Director of Civil Defense, the Governor, and the Commissioner of Public Safety, became apparent. Previous to establishing the Department of Public Safety, the Civil Defense Director reported directly to the Governor. With the establishment of the Department, Civil Defense was made a Division of the new Department with the new Commissioner assuming all the powers and duties of the previous Director of Civil Defense. The new Director and his personnel have a close liaison with the Governor in times of emergency, and express the desire that they should report directly to the Governor.

Solution: The Commissioner of Public Safety should define the duties and responsibilities of the Director of Civil Defense, differentiating between day-to-day and emergency situations in which the Governor's Office becomes involved.

Estimated Cost Savings: None

Anticipated Implementation Date: February 1, 1973

Status: Being implemented.

FIRE MARSHAL STUDY PROJECT – Report No. 90, Department of Public Safety

Problem: The Division of Fire Marshal presently has no organization in accordance with line or functional management concepts. All 25 employees in the Fire Marshal's office report directly to the Fire Marshal for assignments, day-to-day communications and reports.

Solution: It is recommended that the office be organized into an effective operating line/func-

tional organization. It is recommended that a Deputy Fire Marshal be appointed. The State should be organized into regions. It also is recommended that communication between the regions be improved.

Estimated Annual Savings: None

Anticipated Implementation Date: Implementation has been completed.

RECOMMENDATIONS REGARDING POWERS AND DUTIES OF MEMBERS OF THE BUREAU OF CRIMINAL APPREHENSION PROJECT — Report No. 91, Department of Public Safety

Problem: Minnesota Statutes define the arrest powers of agents of the Bureau of Criminal Apprehension as being the same as that of a sheriff. However, the Attorney General cannot, because of other statutory definitions, unequivocally state that agents of the Bureau of Criminal Apprehension are peace officers, and thus have the right to request search warrants. The question, therefore, is whether or not investigators of the Bureau are peace officers, thus having the right to request such search warrants.

Solution: It is recommended that Minnesota Statutes, Section 299C.03, be amended to clearly define that members of the Bureau may have the power of search and seizure similar to sheriffs.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: July 1, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

ADMINISTRATIVE PROBLEMS IN THE BUREAU OF CRIMINAL APPREHENSION INVOLVING ARRESTS FOR SMALL AMOUNTS OF MARIJUANA PROJECT — Report No. 92, Department of Public Safety

Problem: In making an arrest of a person possessing a small amount of marijuana, the police officer, because the offense is a gross misdemeanor, must book the suspect, attend the arraignment the next day, attend the preliminary hearing, attend an evidence hearing and, finally, attend the trial as witness for the State. Much time is lost to the State because of these steps made man-

datory by law for handling of gross misdemeanors, and the conviction rate of marijuana arrests is disproportionately low.

Solution: It is recommended Minnesota Statutes be amended defining the possession of a small amount of marijuana (not to exceed 1.5 ounces) as a misdemeanor.

Estimated Annual Savings: \$19,200 (in the Department of Public Safety alone). Additional cost savings will occur throughout Minnesota law enforcing agencies.

Anticipated Implementation Date: July 1, 1973

Status: Legislation for consideration by the 1973 Legislature has been prepared.

SHORT-RANGE REDESIGN OF THE MOTOR VEHICLE REGISTRATION SYSTEM PROJECT — Report No. 93, Department of Public Safety

Problem: The motor vehicle registration system existing in May of 1972 is an antiquated hand processing system. It is increasingly incapable of handling typical backlogs, the new requirement for collecting sales tax on motor vehicle transfers between individuals, the change to an ad valorem method of calculating motor vehicle registration tax, and the change in title registration. The cause of this problem is that little or no systems work was done to keep the motor vehicle registration system up to date prior to its transfer to the Department of Public Safety in 1969.

Solution: Redesign and implement a new system for motor vehicle registration.

Estimated Annual Savings: \$716,000

Anticipated Implementation Date: Has been implemented.

DELAY AND TRANSFER OF MONIES COLLECTED BY DEPUTY REGISTRARS PROJECT — Report No. 94, Department of Public Safety

Problem: Money collected by deputy registrars for the Motor Vehicle Services Division of the Department of Public Safety is deposited in local banks throughout the State, but is not transferred to the State Treasurer to optimize the cash flow interest. The delay has been as long as 60 days. This delay in transferring funds was

caused by a backlog in the agency audit section of the Motor Vehicle Services Registration Section due to the increased workload brought about by the collecting of Pollution Control Agency and excise taxes. An "audit" procedure to verify the accuracy of the Deputy Registrar deposits and reports was performed *prior* to the State Auditor authorizing the transfer of funds to the State Treasurer.

Solution: Match the Deputy Registrar daily report deposit total with a deposit slip prepared for the bank to determine that the amounts agree, and prepare and send to the State Auditor the Auditor's deposit slips listing to notify the State Auditor that he may authorize the transfer of funds to the State Treasurer *before* the "audit" procedure has been performed. This will eliminate deposit delays brought about by backlogs during pay periods. A recommendation to instruct depositories to automatically transfer funds daily in the future is related to this project report, but is part of the overall cash-flow project of the LEAP Flying Squad. (Project Report No. 119.)*

Estimated Annual Savings: \$600,000

Anticipated Implementation Date: June 30, 1973

Status: Being implemented.

SYSTEMS STUDY OF THE DRIVERS LICENSE FUNCTION PROJECT — Report No. 95, Department of Public Safety

Problem: A study of the Drivers License Section of the Motor Vehicle Services Division showed: 1) there was no documented overall plan for drivers license systems development or review; 2) drivers license on-line data input was extremely slow; 3) inadequate documentation of the current work procedures existed; 4) some duplication of work functions existed and some work flow was unduly complex; 5) communication problems between the Information Systems Division and the Department of Administration and the Driver's License personnel were observed.

Solution: It is recommended that: 1) a methods analyst be provided for this section and an overall systems plan be developed; 2) off-line data entry be provided; 3) documentation on work

*Project No. 119 has not been agreed to by the State Treasurer.

procedures provided with this report be maintained; 4) the Section's program for improvement in work flow and procedures be continued; 5) further changes be made in the Section's organization and procedure.

Estimated Annual Savings: \$247,800

Anticipated Implementation Date: April 1, 1974

Status: Being implemented.

FINANCIAL ACCOUNTING AND REPORTING BY THE FINANCE SECTION OF THE DEPARTMENT OF PUBLIC SAFETY PROJECT — Report No. 96, Department of Public Safety

Problem: The Commissioner of Public Safety and the division heads do not receive regularly issued financial reports that indicate the expenditures in their areas of responsibility compared to the appropriations. The information that is available monthly after expenditures and appropriations is not in the form that would be meaningful to a manager and is not timely enough to be acted upon. A manually-prepared summary of all available information, which would identify to each manager how he is operating, compared to the originally submitted budget, is presently considered a luxury and not a necessity, and hence is not prepared because of its low priority.

Solution: The statewide accounting system will provide a data base of receipts and disbursements by major departments and will allow the user department to summarize the accounts within the department in a manner that will best align with the financial responsibility identified by the organizational reporting structure. Sufficient information will be available to recapitulate manually, if necessary, but the computer output should conform in format to the user's needs. The Commissioner should assign high priority to financial reporting to ensure its implementation.

Estimated Annual Savings: \$12,000

Anticipated Implementation Date: June 30, 1973

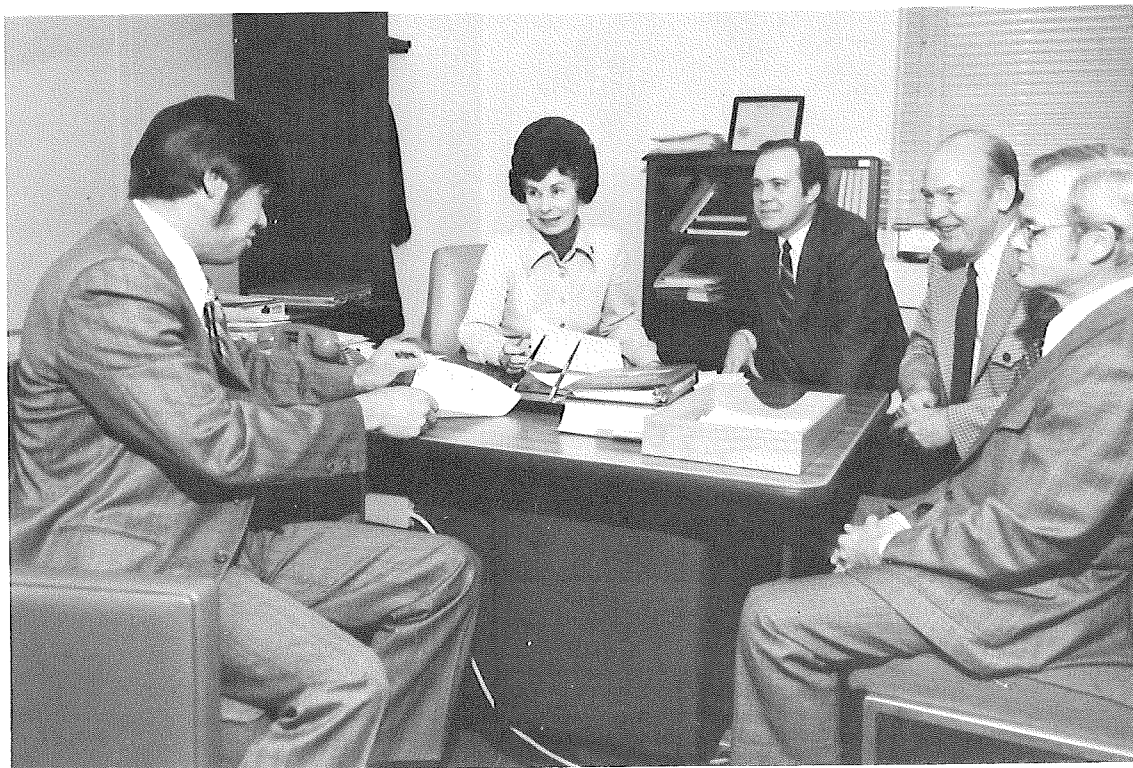
Status: Being implemented pending implementation of the Statewide accounting system in the Department.

Summary of Annual Savings:

	Savings
Long-range Automated Motor Vehicle Registration System Project — Report No. 80 . .	\$224,000
Motor Vehicle Study Project — Report No. 81	129,202
Motor Vehicle Services Division Project — Report No. 82	Indeterminate
Recommendation to Charge Fee for Mail and Public Counter Work Processing Project — Report No. 83	450,000
Motor Vehicle Systems and Reorganization Study Project — Report No. 84	56,000
License Plate Manufacturing by the Department of Corrections for the Department of Public Safety, Motor Vehicle Services Division Project — Report No. 85	465,000
Establishment of a “Management By Objectives” Program In the Highway Patrol Division Project — Report No. 86	—
Organization Study Project — Report No. 87	—
Bureau of Criminal Apprehension Study Project — Report No. 88	—
Civil Defense Study Project — Report No. 89	—
Fire Marshall Study Project — Report No. 90	—
Recommendations Regarding Powers and Duties of Members of the Bureau of Criminal Apprehension Project — Report No 91	Indeterminate
Administrative Problems In the Bureau of Criminal Apprehension Involving Arrests for Small Amount of Marijuana Project — Report No. 92	19,200
Short-Range Redesign of the Motor Vehicle Registration System Project Report No. 93	716,200
Delay and Transfer of Monies Collected By Deputy Registrars Project — Report No. 94	600,000
Systems Study of the Drivers License Function Project — Report No. 95	247,800
Financial Accounting and Reporting By the Finance Section of the Department of Public Safety Project — Report No. 96	12,000
Total	<u>\$2,919,202</u>

PUBLIC WELFARE TASK FORCE

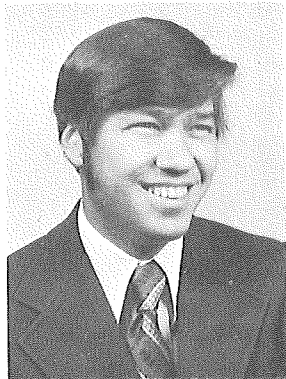
Members of the LEAP Public Welfare Task Force prepared their report with the aid of Dr. Vera Likins, Commissioner of Public Welfare.



PUBLIC WELFARE TASK FORCE



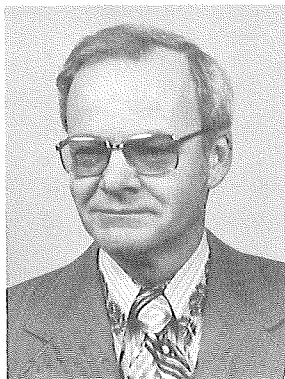
JAMES F. WILLIAMS
Chairman
IBM Corporation



JEROME J. BARBERO
*Twin City Federal
Savings and Loan
Association*



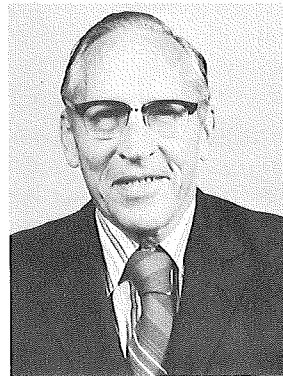
DONALD D. BUNKER
Control Data Corporation



WAYNE H. RIPLEY
*First National Bank of
Minneapolis*



MERLE V. STONE
*American National Bank
and Trust Company*



ARTHUR J. ZIEGLER
The Valspar Corporation

Public Welfare Task Force

The Department of Public Welfare is accountable for the welfare system in Minnesota, but by Statute is actually a coordinator of 87 county welfare agencies. It serves as a fiscal and service program intermediary between the county agencies and the Federal Department of Health, Education and Welfare. The Department also is responsible for the care of all the State's mentally ill or retarded persons; and for hospital residence and connected treatment programs. Additionally, the Department is responsible for the licensing of welfare facilities in the State and for the delivery of grant-in-aid to contract suppliers of service. The LEAP Task Force studied the Department with three major objectives in mind:

- Maximize revenues
- Minimize expenses and costs of programs
- Introduce business techniques and organization

The departmental organization encountered in June of 1972 was one that had evolved over approximately 20 years. The organization was primarily along program lines with little or no understanding of line/staff relationships. The Department employs approximately 6,400 people and has an annual budget of approximately \$400,000,000. There are 14 State Hospitals operated by the Department with an average daily patient population of 6,800.

Areas of strength and weakness

Strengths: The most significant strength of the Department is a well educated, talented and dedicated staff. Although the Department is in a state of change with the usual anxieties and apprehensions that occur in any reorganization, the excitement of the anticipated changes has, in many cases, kindled motivation, creativity, enthusiasm and energy in many staff members.

Weaknesses: The major weaknesses are administrative deficiencies, fiscal ineptness, indecisiveness, and lack of modern management techniques and management tools.

MAXIMIZATION OF FEDERAL AND COUNTY FINANCING OF STATE HOSPITALS PROJECT — Report No. 3, Department of Public Welfare

Problem: Billings to the Federal government and to counties for hospital service during fiscal 1971/

72 under Medical Assistance and Aid to the Disabled programs are made by using the prior year's statewide per diem. No provisions have been made for adjusting the billings to use current year cost figures, depreciation and per diem per hospital, versus statewide hospital per diem. Other hospital expenses, bad debts, and central service allocations have also been omitted from the per diem calculation.

Solution: Manually extract from the accounting system the Federal and county billings by program and by hospital, and calculate and adjust billings, including individual hospital current year cost data, depreciation rates, and central office administrative costs. Also, merge the above cost items into the per diem rate used on current monthly billings to the Federal government and the counties.

Estimated Annual Savings:

Additional Federal billings	\$4,047,915
Additional county billings	234,424
Back Claim	\$4,282,339
Future annual additional billings	1,908,237
Future annual interest income	76,329
Total Annual Savings	1,984,566
	<hr/> \$6,266,905

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

MAXIMIZATION OF INSURANCE REVENUE FOR STATE HOSPITAL COST-OF-CARE PROJECT — Report No. 6, Department of Public Welfare

Problem: 29% of mentally ill patients in private or community hospitals pay for their cost-of-care. No payment is received for similar services at State Hospitals, based on a recent study of 58 insurance company claims. In view of the costs incurred by maintaining and operating State Hospitals, and direct patient care, these insurance companies appear to be benefitting from public funds for their clients. The reason is the lack of controlling legislation.

Solution: Pass legislation requiring insurance companies not to exclude State Hospitals from mental illness coverage, if it is offered for private or community hospitals.

Estimated Annual Savings: \$645,705

Anticipated Implementation Date: July 1, 1973

Status: Legislation is being prepared for consideration by the 1973 Legislature.

IMPROVEMENT OF MONEY FLOW PROBLEM THAT EXISTS BETWEEN THE COUNTY OFFICES AND THE STATE CENTRAL OFFICES PROJECT – Report No. 7, Department of Public Welfare

Problem: The Department forwards monies to the county welfare agencies to enable them to pay for cost-of-care of county patients at State institutions. There is a cash float averaging 8.3 months based on an average monthly billing rate. Although the counties have a balance of \$2,527,936 in funds forwarded to them for the sole purpose of paying for cost-of-care, on June 30, 1972, \$9,822,696 were outstanding in accounts receivable at the State for this specific purpose. Because of this excessive float, the State is using State funds for the support of this program instead of available Federal funds. This problem is caused by an almost non-existent cash flow program at both State and county levels.

Solution: Initiate appropriate contacts with the counties to recommend requests for advances from the State, and payments from the counties to reduce this float. Establish a specific procedure including job descriptions and reports at the Department to insure control on a continuing basis.

Estimated Annual Savings: \$264,034

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

IMPROVEMENT OF MONEY FLOW PROBLEM BETWEEN COUNTY OFFICES AND THE STATE CENTRAL OFFICE IN THE MEDICAL ASSISTANCE PROGRAM PROJECT – Report No. 8, Department of Public Welfare

Problem: As of June 30, 1972, county welfare agencies in Minnesota owed the State central office \$1,482,647 for cost-of-care patients in State institutions eligible for reimbursement on the Medical Assistance Public Assistance Program. The same counties owe the State \$147,795 for hold orders. This problem, depriving the State of the interest on significant amounts, is the result

of a poorly administered program. Very little administration exists other than the recording of numbers.

Solution: Reduce the past-due billing level to one month worth of billing by strict control and by improving administration of existing rules and regulations.

Estimated Annual Savings: \$46,535

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

MAXIMIZATION OF STATE HOSPITAL REVENUE FROM INDIVIDUALS' INSURANCE COMPANIES, ESTATES AND WARRANT TRANSFERS PROJECT – Report No. 10, Department of Public Welfare

Problem: Under current legislation and practice, the Department calculates current-year cost-of-care in State hospitals on a statewide per diem basis for all mental illness cases, mental retardation cases and inebriate-drug and alcohol facilities, using last year's actual cost excluding depreciation, as well as attributable central departmental costs. For the five-year period of 1967 to 1972, the State should have collected an additional \$5,932,177 from individuals, insurance companies, estates and warrant transfers.

Solution: Legislation is required to allow individual State Hospital charges to be made on the basis of actual costs for hospital and time period in which the services were provided, as well as attributable central office administrative costs.

Estimated Annual Savings: \$1,233,892

Anticipated Implementation Date: July, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

INELIGIBILITY AND IMPROPER PAYMENT IN THE PUBLIC ASSISTANCE PROGRAM PROJECT – Report No. 36, Department of Public Welfare

Problem: Ineligibility and improper payments have exceeded the tolerance limits prescribed by the Department of Health, Education and Welfare in the sampling period of the last six months of 1971 and the first six months of 1972. The Minnesota Simplified Method of determining the

eligibility of the 87 independent administration systems in the county welfare agencies have, to a degree, encouraged ineligibility. The majority of improper payments seem to be the result of limited training in grant determination at the county level.

Solution: Abandon the Minnesota Simplified Method in favor of more proof of eligibility. Establish a centralized payment system to achieve a cross-check file between counties. Institute a State central office training program to improve administrative performance at the county level.

Estimated Annual Savings: \$11,559,224

Anticipated Implementation Date: December, 1973

Status: Being implemented.

SIMPLIFICATION OF LICENSING PROJECT — Report No. 37, Department of Public Welfare

Problem: The licensing function of the State is being performed by many State departments. In some cases departments assist one another on a fee basis. The question arises whether licensing and/or licensing administration should be centralized. The secondary question is how the licensing function should be performed in the Department of Welfare, if it is not centralized on a statewide basis. Licensing in Public Welfare is primarily concerned with areas of residential facilities (nursing homes and providers of social services). The function has grown so rapidly that the problem of how to perform it becomes acute.

Solution: Maintain licensing of fixed facilities and programs under direct control of the Department. Administrative procedures should be simplified and centralized within the Department to include computerization.

Estimated Annual Savings: None

Anticipated Implementation Date: February 1, 1973

Status: Being implemented.

EXEMPTION OF STATE HEALTH CARE INSTITUTIONS FROM REVIEW OF PER DIEM INCREASE BY STATE ADVISORY BOARD AND IRS PRICE COMMISSION PROJECT — Report No. 38, Department of Public Welfare

Problem: Minnesota Statutes, Section 246.50,

requires an annual adjustment of the per diem rate for State Hospitals. The new rate is always based on the previous year's cost. The current-year per diem rate was disapproved by the Price Commission Review Board. The cost would result in an increase following policies of the Federal Price Commission. It is felt that all facts were not brought to light in this review and irrelevant subjects were made part of the consideration.

Solution: The per diem rate for State Hospitals should be exempted from Federal Price Guidelines. Direct contact between the Commissioner of Welfare and the Director of the local IRS will be necessary. If the exemption is refused, a rehearing should be scheduled with the State Advisory Board.

Estimated Annual Savings: \$298,139

Anticipated Implementation Date: January 1, 1973

Status: Being implemented.

LICENSING COUNTY NURSING HOMES PROJECT — Report No. 40, Department of Public Welfare

Problem: The State Department of Health licenses 460 private nursing homes, plus 456 other facilities in the State. The Division of Public Assistance in the Welfare Department licenses 20 county nursing homes. The duplication is due to a 1951 State law transferring the licensing of county nursing homes from the Health Department to the Welfare Department, while the licensing of private nursing homes has remained with the Health Department.

Solution: Transfer, by legislation, the licensing of the county nursing homes back to the Health Department.

Estimated Annual Savings: Minimal

Anticipated Implementation Date: July 1, 1973

Status: Legislation for consideration by the 1973 Legislature is being prepared.

MEDICAL FEE SCHEDULE PROJECT — Report No. 61, Department of Public Welfare

Problem: A standard of medical fees is not now available at the county welfare agencies to audit statements for medical services provided under Federal assistance programs. Medical statements

are being paid by county welfare agencies without auditing to determine if the charges are reasonable. Because of administrative error and other causes, it is estimated that 8% of the value of the vendor's statement are overpayments.

Solution: An up-to-date medical fee schedule has been offered to the Department by two leading insurance companies for use in auditing medical charges. This fee schedule should be distributed to county welfare agencies and made mandatory, to monitor medical charges under medical assistance programs.

Estimated Annual Savings: \$1,568,274

Anticipated Implementation Date: January 31, 1973

Status: Being implemented

REORGANIZATION PROJECT — Report No. 62, Department of Public Welfare

Problem: The Task Force was asked by the Welfare Planning Section to review an existing comprehensive reorganization plan. The Task Force found that the existing organization is not only incompatible with the proposed plan, but it is also awkward for the operation of the existing delivery system. The main problem was conceived to be a misunderstanding of line/staff relationship in the Department. The recommended plan, advocating drastic changes in the delivery system, did not spell out in sufficient detail how to achieve that goal.

Solution: Reorganize the Department along functional lines to provide more support for the existing delivery system. Develop a three-phase approach to achieve the ultimate goal of the "comprehensive plan."

Estimated Annual Savings: Indeterminate at this time.

Anticipated Implementation Date: The implementation is anticipated to be completed in three stages: Phase I — June 30, 1974; Phase II — June 30, 1975; Phase III — June 30, 1977.

Status: Being implemented.

REIMBURSEMENT OFFICER ACTIVITY AT THE STATE INSTITUTIONS PROJECT — Report No. 64, Department of Public Welfare

Problem: Presently the reimbursement officer at

each State institution reports to central office for supervision. Consequently, State Hospital administrators have no control over this function. Guidelines for the reimbursement officer for billing policy and procedures are not consistently followed. Controls over the related accounts receivable should be tightened. The reimbursement officer is operating as an almost free agent with little direct supervision. The accounts receivable are not in balance from month to month, billings are late and are not submitted under a strict dollar control.

Solution: Billing policy and procedures should be developed on a consistent basis and made mandatory as the standard authority for all reimbursement officers. Provide closer supervision at the local level for each reimbursement officer. Place tight control on accounts receivable, develop procedures to provide strict dollar control over billings as well as follow-up on collections of accounts receivable.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: June 30, 1973

Status: Being implemented.

IMPROVEMENT OF FUNCTIONS IN THE ADMINISTRATIVE SERVICES DIVISION PROJECT — Report No. 65, Department of Public Welfare

Problem: Present accounting activities include some auditing, general accounting, payroll and cashier function. The accounting function does not include preparation of financial statements on a current basis for various levels of management in the Department. Major departmental functions are operating in a vacuum concerning financial control. State institutions' cost of operations are not reported on a current basis by the individual responsible for the operation. Current and past activity and related cost data as well as fixed assets are not included in the cost accounting procedure. It became evident that the overwhelming concern of the Department is to provide service, and very little attention is given to the cost of the operation. This lack of emphasis on cost control has resulted in a disregard of reporting functions involving accountability for public funds.

Solution: Provide the ability to supply monthly reporting from a general and cost accounting view-

point to effect accountability for the expenditures and the receipts. Provide separate, but integrated, accounting systems for the State institutions. Set up rigid accounting requirements for each area of responsibility within the Department.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: June 30, 1973

Status: Being implemented.

POTENTIAL SAVINGS AND UNIFORM APPLICATION OF ASSISTANCE WITH BLOCK GRANTS – Report No. 118, Department of Public Welfare

Problem: Inconsistency exists among the 87 counties in Minnesota regarding the variable portion of the assistance grants based on estimate-of-need. It is difficult to maintain a uniform policy and keep all county welfare workers informed. It also tends to inflate the overpayment statistics that result from Quality Control Checking done by the Field Services Division of the Department. The administration of the Public Assistance Programs requiring an "estimate-of-need" is costly and inconsistent.

Solution: Establish block grants to provide for items generally considered in the "estimate-of-need" category.

Estimated Annual Savings: \$797,160 (in AFDC only)

Anticipated Implementation Date: July 1, 1973

Status: Being implemented.

AUDITING ACTIVITIES PROJECT – Report No. 123, Department of Public Welfare

Problem: The internal audit activity in the Department is minimal. In fact, no internal audit has been performed during the last year. During the later half of 1972, the internal auditor was involved in compiling statistics for upcoming budgetary legislation. Strong leadership, qualified in financial and operational auditing appears to be lacking. Audit activity in the State institutions is almost non-existent, although such volatile items as patient bank accounts and trust inventories are involved.

Solution: Under the reorganization plans for the Department, the audit activities should be consolidated under an audit-oriented professional within the Support Services Division. Internal controls, audit questionnaires, audit programs, audit schedules and audit reports should be expanded or inaugurated. Audit findings should be discussed with the appropriate personnel in charge; follow-up on corrective actions is mandatory.

Estimated Annual Savings: Indeterminate

Anticipated Implementation Date: August 1, 1973

Status: Being implemented.

Summary of Annual Savings:

	Savings
Maximization of Federal and County Financing of State Hospitals — Report No. 3	\$ 6,266,905
Maximization of Insurance Revenue for State Hospital Cost-of-Care Project — Report No. 6	645,705
Improvement of Money Flow Problem that Exists Between the County and the State Central Offices Project — Report No. 7	—
Improvement of Money Flow Problem Between County Offices and the State Central Office in the Medical Assistance Program Project — Report No. 8	46,534
Maximization of State Hospital Revenue from Individuals, Insurance Companies, Estates and Warrant Transfers Project — Report No. 10	1,233,892
Ineligibility and Improper Payment in the Public Assistance Program Project — Report No. 36	11,559,224*
Simplification of Licensing Project — Report No. 37	—
Exemption of State Health Care Institutions from Review of Per Diem Increase By State Advisory Board and IRS Price Commission Project — Report No. 38	298,139
Licensing County Nursing Homes Project — Report No. 40	—
Medical Fee Schedule Project — Report No. 61	1,568,274
Reorganization Project — Report No. 62	Indeterminate
Reimbursement Officer Activity at the State Institutions Project — Report No. 64	Indeterminate
Improvement of Functions in the Administrative Services Division Project — Report No. 65	Indeterminate
Potential Savings and Uniform Application of Assistance With Block Grants — Report No. 118	797,160
Auditing Activities Project — Report No. 123	Indeterminate
Total.....	\$22,679,867

* These savings are distributed as follows:

Federal funds	\$6,437,166
State funds	2,543,029
County funds	2,543,029

TRANSPORTATION TASK FORCE

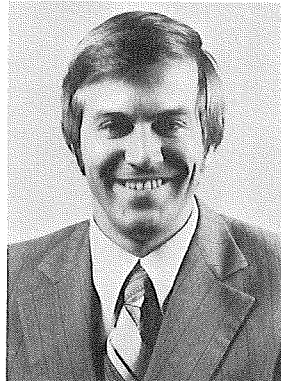
LEAP proposals developed for the Department of Highways are the topic of this meeting between Transportation Task Force members and Ray Lappegaard, center, Commissioner of Highways.



TRANSPORTATION TASK FORCE



ROBERT C. LAUPPE
Chairman
*The St. Paul Insurance
Companies, Inc.*



KEITH A. STUESSI
Honeywell, Inc.



ARTHUR C. BOYDEN
3M Company



WILLIAM R. HITZ
3M Company

Transportation Task Force

The Task Force was originally charged with reviewing operations in both the Department of Highways and the Department of Aeronautics. Due to lack of time, the Task Force devoted most of its effort to the Department of Highways since projects in this Department will result in appreciably larger savings to the public.

A brief statement dealing with the Department of Aeronautics is included in the Task Force report.

The Department of Highway's primary function is to plan, construct and maintain the State's trunk highway system. It operates on dedicated funds coming in part from the Federal highway trust fund (30-40%), with the balance of the Department's revenue coming primarily from State highway user taxes.

The Department employs approximately 5,100 permanent employees and has an estimated 1973 budget of \$247,000,000.

The central office of the Department is located in the Capitol Complex in St. Paul. The State is divided into nine districts each having a district headquarters located within the district. Thus, equipment, facilities and personnel are being employed throughout the State.

Areas of Strength and Weakness

Strengths: The greatest strength of the Department is the caliber of its personnel, both in competence in their technical field and in their progressive approach to solving the problems presented by the rapidly-changing transportation needs of the people of Minnesota. They are most responsive to the concerns of the public they serve.

Weakness: The primary weakness in the Department is the degree of emphasis on cost control. The nature of governmental systems does not develop the urgency, or provide the incentives, to improve cost controls that are common in competitive enterprises. Often times political pressures complicate and prevent such efforts. While this is not peculiar to the Highway Department (it is inherent in most governmental and non-profit organizations), it can be combatted only by a concerted management effort to reduce costs which need the support of the public at large, as well as of the Legislature and the Governor's office.

This de-emphasis of cost control causes inefficient organizational relationships to be perpetuated, resulting in duplications of function and under-utilization of manpower.

INVENTORY CONTROL—SHOP AND FIELD INVENTORY PROJECT — Report No. 12, Department of Highways

Problem: Maintenance, shop and field supply inventories of approximately \$9,000,000 are high, based on a turnover rate of less than once per year. Labor cost to maintain these inventories, approximately \$730,000 annually (73 positions), are high because of the great amount of clerical effort required of the present system. There is not adequate control procedure to assure a minimum inventory level, disposal of obsolete items, recording of surplus items, or accurate activity costs.

Solution: A simple automated system of inventory control is recommended that will provide information to obtain a controlled minimum inventory level and substantially reduce labor costs of clerical activities.

Estimated Annual Savings: \$150,000

Estimated One-Time Savings: \$5,000,000

Anticipated Completion Date: April, 1973

Status: Being implemented.

PROJECT REPORT No. 16 — Property Inventory in the Department of Highways

Problem: Ever since the Department was formed in 1922 it has been acquiring property for highways and related uses. Some of it was transferred by legislation from the counties and many of these records are difficult to trace. Also, the records maintained prior to the development of a computer record in 1955 are unreliable. It appears there has never been an audit made resolving whether property records are in compliance in all cases with laws and regulations dealing with the retention and disposition of properties held by the Department.

The Department has relied largely on the market demand for property to police the system. A small sampling leads the Task Force to believe the results of an audit would be worth the effort.

Solution: It is recommended that each District Engineer be asked to have prepared a listing of all parcels of property in his district that do not

underlie highways. (The term "underlying the highways" shall be construed to mean that land between normal right-of-way limits.)

Information on each parcel should be recorded in the manner provided in this report. The District Engineer should indicate his opinion with respect to the need for retaining each parcel, applying criteria to be established by the Commissioner. The Chief Engineer should make his recommendation to the Commissioner and the Commissioner should take appropriate action to dispose of land if it is considered unnecessary to be held by the State.

Estimated Annual Savings: Indeterminate at this time due to lack of information.

Anticipated Implementation Date: February 1, 1973

Status: Being implemented.

WORK IN PROGRESS INVENTORIES — DESIGN AND RIGHT-OF-WAY PROJECT
— Report No. 17, Department of Highways

Problem: It has been the practice of the Department to substantially over-program highway development. Overprogramming has resulted in design and right-of-way activities being conducted on some projects not expected to be built in the foreseeable future.

Solution: Inventory all work in progress, and compare with the Backbone Plan and interstate programs. Then discontinue work on projects not included, or scheduled for contracts, more than ten years away.

Estimated Annual Savings: Cannot be forecast at this time.

Anticipated Implementation Date: January 30, 1973

Status: Being implemented.

OPERATIONAL COST CONTROL (Field Activity) PROJECT — Report No. 18, Department of Highways

Problem: Levels of work planning and accomplishment are not consistent throughout the State. Maintenance supervision does not have information or a system to accomplish good work planning and scheduling. There is no way to measure its effectiveness.

Solution: Establish cost centers, unit costs and

work planning, scheduling and measurement programs.

Estimated Annual Savings: \$1,700,000

Anticipated Implementation Date: October, 1973

Status: Being implemented.

MANPOWER PLANNING PROJECT — Report No. 19, Department of Highways

Problem: To more accurately determine staffing requirements, the Department needs a method of projecting its manpower needs by an organization unit based on projected work loads and reliable measures of productivity. It has been the practice of the various managers to set their staffing requirements based on their individual judgments, frequently resulting in inefficient staffing and preventing department-wide coordination to fill needs and deal with surpluses.

Solution: Develop a program that will project manpower needs by organizational unit based on anticipated work loads, losses through turnover, and improved productivity. Develop measures of productivity wherever feasible so improvement of objectives can be met.

Estimated Cost Savings: Indeterminable at this time.

Anticipated Implementation Date: April 30, 1973

Status: Being implemented.

FINANCIAL POLICIES AND PROCEDURES PROJECT — Report No. 21, Department of Highways

Problem: There are no department-wide policies and procedures that define financial responsibility and accountability, and prescribe the fundamental financial planning, reporting and control functions to be performed. The Department does not have a financial management and control system that provides the management with the necessary financial information required to effectively manage the operation and to insure proper utilization and control of major assets.

Solution: Develop a financial manual that outlines essential financial policies and procedures and defines responsibility and accountability for accomplishing major financial functions. Further, begin applying those policies and procedures

where significant improvement can readily be accomplished within the accounting system.

Estimated Annual Savings: Indeterminate
Anticipated Implementation Date: October 1, 1973

Status: Being implemented.

CONTINUING COST IMPROVEMENT PROGRAM PROJECT — Report No. 28, Department of Highways

Problem: Costs for all departmental functions are increasing yearly, but funds available for construction, as a percentage of total revenues, are steadily *decreasing*.

Solution: There is a need for a simple, effective, continuing cost improvement program to provide additional construction funds to accelerate essential highway building programs. This can be the major source of funds to postpone the need for tax increases for highway purposes for many years.

An attainable overall accomplishment target of 5% of expenses per calendar year has been established by Highway Department management. Conservatively, a minimum of one-half of this cost improvement will carry forward into future years and provide additional funds for highway building.

Estimated Annual Savings: On this basis, and based upon projected Federal and State funds through 1979, an additional \$182,000,000 can be made available for major highway construction. Annual savings in 1973 are estimated to be \$11,000,000.

Anticipated Implementation Date: The program was installed on November 15, 1972

Status: Highway cost improvement program is being implemented. Application to all major State departments in the executive branch should be considered.

OPERATIONAL COST CONTROL (Shop Activities) PROJECT — Report No. 42, Department of Highways

Problem: Equipment maintenance costs per unit of use vary considerably between shops in the Highway Department. Maintenance work is not scheduled based on preventative maintenance programs. Equipment is not replaced or purchased with consideration of maintenance cost.

Solution: Initiate a preventative maintenance program and cost unit control. Install a work plan, scheduling and measurement program. Develop an economic replacement and total cost purchase program.

Estimated Annual Savings: \$1,500,000

Anticipated Implementation Date: November, 1973

Status: Being implemented.

MANAGEMENT PROGRAM FOR PRE-CONSTRUCTION ACTIVITIES PROJECT — Report No. 43, Department of Highways

Problem: There is a need for an overall pre-construction project planning and control system that targets dates and costs, defines responsibility, and monitors project accomplishment. The absence of firm department-wide construction programs for a period of years ahead has allowed design work and right-of-way acquisitions for potential highways to proceed, where the possibility of actual highway construction is remote. This is being corrected through project No. 17, titled "Work in Progress Inventories." However, a system needs to be devised to prevent this recurrence in the future. The absence of a work progress status and scheduling system has promoted inefficiency and, most importantly, does not give top managers a means of knowing a project status in comparison to other projects.

Solution: Implement a major management system that requires for each big construction project: 1) definition of major activities to be accomplished, 2) targeting of activity completion date and estimated cost of these activities, 3) specific responsibility assignments, 4) monitoring of progress of the project in relation to the plans.

Estimated Annual Savings: Not determinable at this time.

Anticipated Implementation Date: April 15, 1973

Status: Being implemented.

CENTRAL SHOP OPERATIONS PROJECT — Report No. 98, Department of Highways

Problem: The Department operates a central repair shop to provide the districts with services that are believed to be more economically accomplished at one central point. However, these services have not been defined on an economic basis.

Because there is not a program of cost evaluation to determine what operations should be performed by the central shop, there is inconsistency in which work is performed.

Solution: Prepare cost evaluation to determine which work should be performed at the central shop. Develop unit costs for operations, and implement a work planning schedule and measurement program. Have new equipment transferred, received, inspected and modified at the districts.

Estimated Annual Savings: \$60,000

Anticipated Implementation Date: December, 1973

Status: Being implemented.

ORGANIZATIONAL ADJUSTMENTS PROJECT — Report No. 125, Department of Highways

Problem: There is a recognized need for 1) realignment and clarification of responsibilities in the central office and the district offices, and the relationships between them and 2) elimination of duplication of functions in the central office and district offices and 3) improved communications between top department management and district management. The Highway Department has

for many years operated under a complicated organizational set-up resulting in confused or poorly established communication between the technical staff, the line or operating personnel, and top management. This has often resulted in serious duplication of efforts.

Solution: The organization recommendation incorporates the following major points:

A clear separation of line and staff responsibility.

A management committee (cabinet) composed of five operating heads and four staff heads.

Consolidation of three staff groups into an Engineering Services Division.

Centralized highway system planning with full operation input into the central planning function.

Realignment of the nine districts into five major districts with relatively equal 20-year projected construction workloads, each staffed to perform essentially all major pre-letting and post-letting construction functions.

Estimated Annual Savings: \$4,840,000

Anticipated Implementation Date: December 1, 1973

Status: Being implemented.

Summary of Annual Savings:

	Annual Savings	One Time Savings
Inventory Control — Shop and Field Inventory Project — Report No. 12	\$ 150,000	\$5,000,000
Real Property Inventory Project — Report No. 16	Indeterminate at this time	—
Work in Progress Inventories Project — Report No. 17	Indeterminate	—
Operational Cost Control (Field Activity) Project — Report No. 18.	1,700,000	—
Manpower Planning Project — Report No. 19	Indeterminate	—
Financial Policies and Procedures Project — Report No. 21	Indeterminate	—
Continuing Cost Improvement Program Project — Report No. 28 ..	11,000,000	182,000,000 (thru '79)
Operational Cost Control (Shop Activities) Project — Report No. 42	1,500,000	—
Management Program for Pre-Construction Activities Project — Report No. 43	Indeterminate	—
Central Shop Operations Project — Report No. 98	60,000	—
Organizational Adjustments Project — Report No. 125	4,840,000	—
Total	\$19,250,000	\$5,000,000

GOVERNOR'S LOANED EXECUTIVES ACTION PROGRAM

SUMMARY OF SAVINGS AND COSTS

Task Force	Savings		Costs
	Annual	One-Time	
Central Management Task Force			
— Planning	—	—	—
— Electronic Data Processing	\$ 300,000	—	—
— Personnel	5,000,000	—	\$ 657,000
— Central Services	754,500	—	—
— Financial Control	1,081,000	\$ 4,000,000	—
Education	688,000	—	—
Health	—	—	—
Natural Resources	2,636,700	—	—
Public Welfare	22,679,867	—	—
Flying Squad	5,230,000	—	250,000
Public Safety	2,919,202	—	—
Corrections	4,776,000	1,821,000	—
Transportation	19,250,000	5,000,000	—
Higher Education	157,338	—	137,500
	<u>\$65,472,607</u>	<u>\$10,821,000</u>	<u>\$1,044,500</u>

TOTAL SAVINGS \$75,249,107

LEAP Organization

The Loaned Executives Action Program was composed of 100 volunteers from 50 companies in Minnesota.

The Loaned Executives were divided into 14 Task Forces as follows:

Corrections Task Force
Education Task Force
Health Task Force
Higher Education Task Force
Natural Resources Task Force
Public Safety Task Force
Public Welfare Task Force
Transportation Task Force
Flying Squad Task Force
Personnel Task Force
Financial Control Task Force
Central Services Task Force
Electronic Data Processing Task Force
Planning Task Force

The last five were grouped together into a Central Management Task Force (CMTF), headed by a Captain for better coordination.

All Task Force Chairmen reported directly to Douglas Dayton, who also chaired the Steering Committee consisting of the following members:

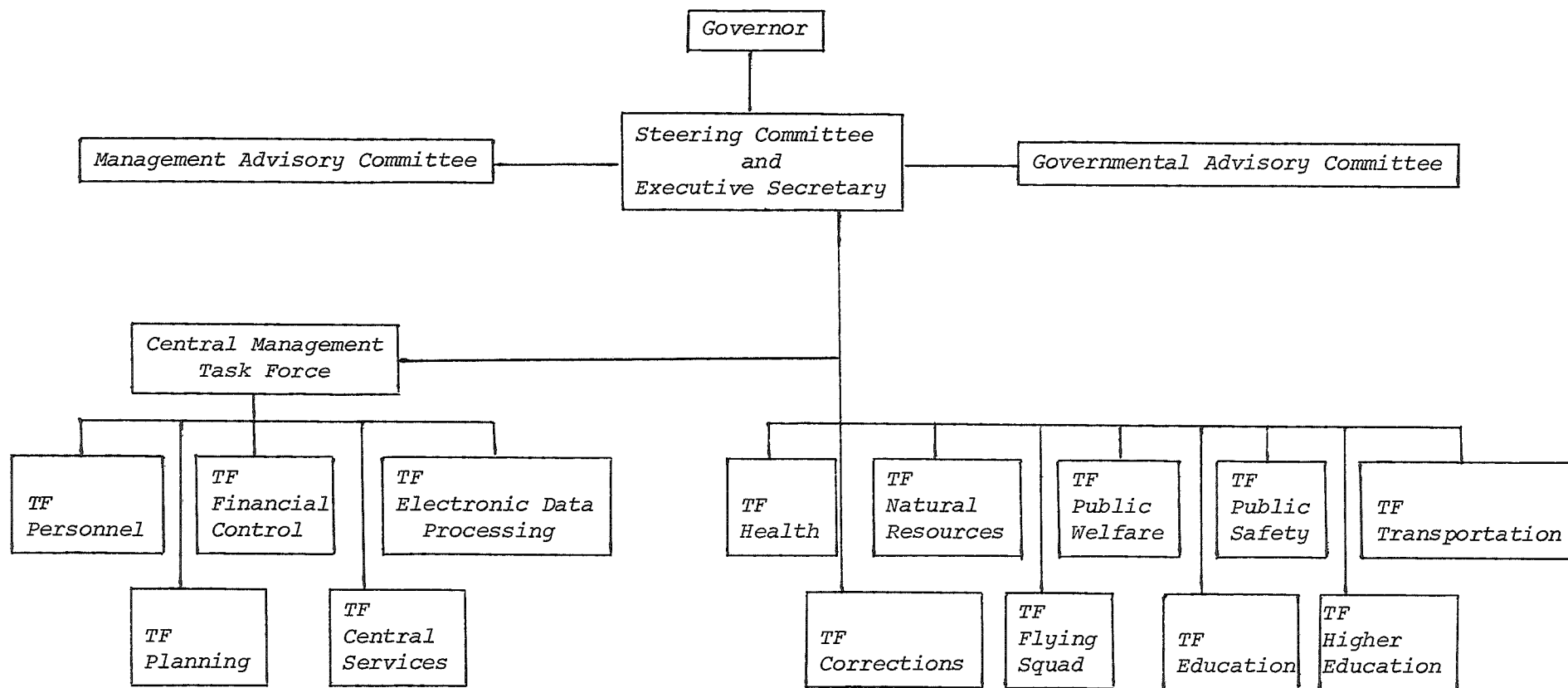
Richard L. Brubacher, Commissioner of
Administration
Ted Deikel, Senior Vice President,
Fingerhut Corporation
Lyle H. Fisher, Vice President,
3M Company
Richard H. King, Vice President,
International Multifoods
Gerry E. Morse, Vice President,
Honeywell, Inc.
Robert H. Engels, who also was Vice-

Chairman of LEAP, Chairman of the
Board, Northern States Power Company
Barney U. Uhlig, on loan from the
Governor's Office, served as Executive
Secretary of LEAP

The Steering Committee was assisted by two advisory committees, namely, the Management Advisory Committee, consisting of the chief executive officers of all companies which provided LEAP with Loaned Executives, and the Governmental Advisory Committee, consisting of:

Roger L. Baker, Commissioner of
Economic Development
Richard L. Brubacher, Commissioner of
Administration
Howard B. Casmey, Commissioner of
Education
Gerald W. Christenson, State Planning
Director
John W. Jackson, Director of Civil Service
Ray Lappegaard, Commissioner of
Highways
Dr. Vera Likins, Commissioner of Public
Welfare
Arthur C. Roemer, Commissioner of
Taxation
Thomas A. Kelm, Executive Secretary to
Governor Anderson, attended GAC
meetings regularly, although he was not
a member.

While the function of the Management Advisory Committee was one of general guidance, the work of the Governmental Advisory Committee (GAC) was to carefully examine, judge, and vote on every Project Report from a Task Force. In fact, this committee, by the end of LEAP's program, had developed into a general advisory committee to Governor Anderson, and will continue in that capacity in the future.



LEAP Volunteers

- Aas, Conrad J., *Northern States Power Company*
 Abt, Ernst, *Brown & Bigelow*
 Adams, Marvin A., *3M Company*
 Anderson, Donald S., *Northwestern National Life Insurance Company*
 Anderson, Lee J., *The Pillsbury Company*
 Anderson, William H., *Arthur Andersen & Company*
 Barbero, Jerome J., *Twin City Federal Savings & Loan Association*
 Baskfield, James F., *Fingerhut Corporation*
 Berg, Roger W., *First National Bank of St. Paul*
 Bethke, William J., *Dayton Hudson Corporation*
 Black, John R., *Northwestern National Bank of Minneapolis*
 Bong, Jerald, *Toro Corporation*
 Bowen, Charles G., *West Publishing Company*
 Boyden, Arthur C., *3M Company*
 Boyle, Foss A., *Honeywell Inc.*
 Bunker, Donald D., *Control Data Corporation*
 Butler, Gary L., *The Minneapolis Star & Tribune*
 Carlson, Lloyd G., *Tennant Company*
 Chevalier, James F., *Honeywell Inc.*
 Christiansen, Donald A., *Dayton Hudson Properties*
 Colston, Irene, *Northwestern Bell Telephone Company*
 Crichton, Charles F., *Control Data Corporation*
 Cummer, Fred, *Northwestern Bell Telephone Company*
 Dayton, Douglas J.
 Dean, William, *Honeywell Inc.*
 Demmer, Hugh L., *Minneapolis Gas Company*
 DePriest, Z. Z. (Zel), *Northern States Power Company*
 Dobson, William A., *Investors Diversified Services, Inc.*
 Duma, William J., *First National Bank of St. Paul*
 Engbretson, Mary E., *Northwestern Bell Telephone Company*
 Eisch, Richard H., *Northwestern National Bank of Minneapolis*
 Engelhaupt, Harold E., *Burlington Northern Inc.*
 Engelstad, Robert C., *Arthur Andersen & Company*
 English, Bradley C., *Lutheran Brotherhood*
 Fifield, Fred, *Medtronic, Inc.*
 Finke, Robert C., *Peat, Marwick, Mitchell & Company*
 Fitzgerald, Hugh A., *First National Bank of St. Paul*
 Fox, Harold D., *Target Stores, Incorporated*
 Harmelink, Cliff, *3M Company*
 Harrigan, Robert B., *First National Bank of Minneapolis*
 Harrison, Al, *Investors Diversified Services, Inc.*
 Hastad, Virginia B., *Northwestern Bell Telephone Company*
 Hawley, Nick F., *Northern States Power Company*
 Hedlund, Russell C., *Ernst & Ernst*
 Henry, J. Aubrey, *Hoerner Waldorf Corporation*
 Hitz, William R., *3M Company*
 Johnson, Paul, *Honeywell Inc.*
 Johnstone, John A., *Dayton Hudson Corporation*
 Klum, James R., *National Car Rental System, Inc.*
 Koch, Francis X., Jr., *Northern States Power Company*
 Kocourek, Francis A., *Univac-Division of Sperry Rand Corporation*
 Koop, H. E. (Bud), *American Hoist & Derrick Company*
 Kulas, Ludwik J., *Ernst & Ernst*
 Lauppe, Robert C., *The St. Paul Insurance Companies, Incorporated*
 Lemire, Donald E., *Dayton Hudson Corporation*
 Linn, Leonard J., *Sears, Roebuck and Company*
 Lund, Wilfred E., *Economics Laboratory, Incorporated*
 Lynch, John T., *International Multifoods*
 MacIntyre, James, *Medtronic, Inc.*
 Marion, Gene, *The St. Paul Insurance Companies, Incorporated*
 McClintock, Elmer F. (Mac), *Northwestern Bell Telephone Company*
 McCormick, Richard D., *Northwestern Bell Telephone Company*
 McNeal, Jerry M., *Dayton's*
 Moffet, James F., *Padilla and Speer, Inc.*
 Nord, Roger H., *Arthur Andersen & Company*
 Norm, Vincent, *Honeywell Inc.*
 Oksnovad, Haakon B., *Montgomery Ward & Company*
 Ostlund, Robert, *Honeywell Inc.*
 Otto, E. Allan, *Prudential Insurance Company*
 Pape, Tove (Mrs.), *IBM Corporation*
 Power, T. Michael, *Burlington Northern Inc.*
 Reynolds, Richard C., *Bemis Company, Incorporated*
 Ripley, Wayne H., *First National Bank of Minneapolis*
 Roan, Thomas, *Medtronic, Inc.*
 Rooney, Rollie, *Honeywell Inc.*
 Saland, Edman J., Jr., *Investors Syndicate Life Insurance and Annuity Company*
 Santer, Gerald J., *International Multifoods*
 Sasina, John V., *General Mills, Incorporated*
 Schneider, Mahlon C., *Green Giant Company*
 Schueler, John P., *International Multifoods*
 Speer, David J., *Padilla and Speer, Inc.*
 Speliotis, Nick E., *The Pillsbury Company*
 Stone, Merle V., *American National Bank and Trust Company*
 Stoneking, Bradley J., *Bemis Company, Incorporated*
 Stratton, Myrle, *Dayton Hudson Corporation*
 Stuessi, Keith A., *Honeywell Inc.*
 Swanson, Donald, *Northwestern Bell Telephone Company*
 Swenson, Maraleta, *Peavey Company*
 Syverson, Roger, *Washington Scientific Industries*
 Tate, Judy K., *Northwestern Bell Telephone Company*
 Thomas, Robert R., *Cargill, Incorporated*
 Walsh, William P., *The St. Paul Insurance Companies, Incorporated*
 Weihe, Raymond H., *Northwest Airlines, Incorporated*
 Williams, Hamner C., *IBM Corporation*
 Williams, James F., *IBM Corporation*
 Winkler, Edward, *Honeywell Inc.*
 Wolf, Mike, *Investors Diversified Services, Incorporated*
 Woodruff, Lee E., *Green Giant Company*
 Zapfi, William, *3M Company*
 Ziegler, Arthur J., *The Valspar Corporation*
 Ziegler, Edward G., *3M Company*
 Zubay, Kenneth P., *IBM Corporation*

Governmental Advisory Committee



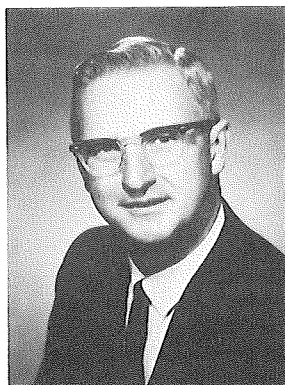
RICHARD L. BRUBACHER
*Chairman
Commissioner of
Administration*



ROGER L. BAKER
*Commissioner of
Economic Development*



HOWARD B. CASMEY
*Commissioner of
Education*



**GERALD W.
CHRISTENSON**
State Planning Director



JOHN W. JACKSON
Director of Civil Service



RAY LAPPEGAARD
Commissioner of Highways



DR. VERA LIKINS
*Commissioner of
Public Welfare*



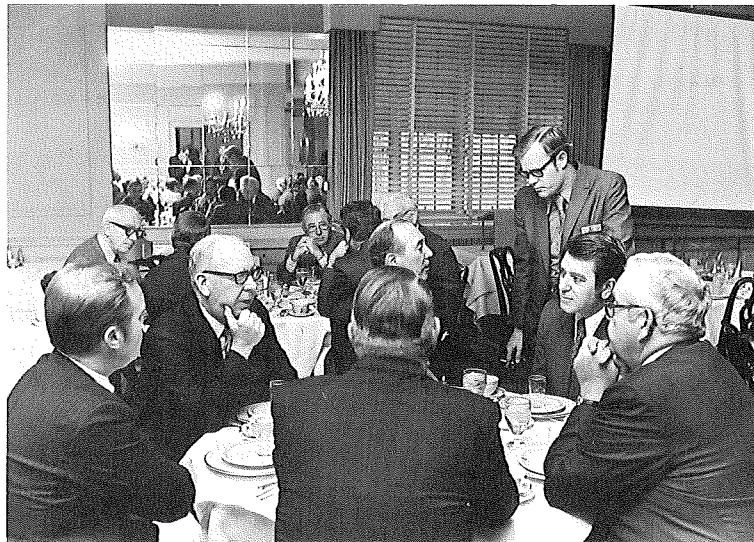
ARTHUR C. ROEMER
Commissioner of Taxation

Management Advisory Committee

Armstrong, John, *Prudential Insurance Company*
 Brataas, M. G., *Mayo Clinic*
 Bemis, Judson, *Bemis Company, Incorporated*
 Carroll, John E., *American Hoist & Derrick Company*
 Chinn, Robert C., *St. Paul Chamber of Commerce*
 Dewing, Merlin, *Peat, Marwick, Mitchell & Company*
 Dixon, George, *First National Bank of Minneapolis*
 Dunne, Dennis, *Minneapolis Chamber of Commerce*
 Gehring, R. L., *Univac-Division of Sperry Rand Corporation*
 Harris, Phil, *Northwestern National Bank of Minneapolis*
 Hubbs, Ronald, *The St. Paul Insurance Companies, Incorporated*
 Kraemer, Paul, *Minneapolis Gas Company*
 Lanners, Fred, *Economics Laboratory, Inc.*
 Laskin, Syl, *Minnesota Power & Light Company*
 McGlynn, Edward, *IBM Corporation*
 McHugh, John A., *Northwestern National Bank of St. Paul*
 McNeal, Dean, *The Pillsbury Company*
 Menk, Lou, *Burlington Northern, Incorporated*
 Montgomery, Eugene T., *Sears, Roebuck and Company*
 Morem, Neil R., *Minnesota Association of Commerce & Industry*

Myers, John H., *Hoerner Waldorf Corporation*
 Myers, Richard L., *Mankato Citizens Telephone Company*
 Nash, John F., *American National Bank & Trust Company*
 Nason, Phillip, *First National Bank of St. Paul*
 Nyrop, Donald W., *Northwest Airlines, Incorporated*
 Opperman, Dwight D., *West Publishing Company*
 Orem, Charles, *Investors Diversified Services, Inc.*
 Pennock, George R., *Tennant Company*
 Phillips, William G., *International Multifoods*
 Pillsbury, John S., Jr., *Northwestern National Life Insurance Company*
 Schwartz, Bruce, *Northwestern Bell Telephone Company*
 Seed, Fred, *Cargill, Incorporated*
 Silha, Otto, *The Minneapolis Star & Tribune Company*
 Spaeth, Thomas D., *Ernst & Ernst*
 Summer, James, *General Mills, Incorporated*
 Swenson, Lowell T., *Arctic Enterprises, Inc.*
 Thompson, Wayne T., *Dayton Hudson Corporation*
 Thorfinnson, Ross L., *National Car Rental System, Inc.*
 Watson, Roy, *The Kahler Corporation*
 Wurtele, C. Angus, *The Valspar Company*

Interim reports have been presented by Leap Task Force Chairmen to members of the Management Advisory Committee. These breakfast sessions have been attended by most of the M.A.C. members, representing firms which have contributed executive talent and financial support to maintain the LEAP program.

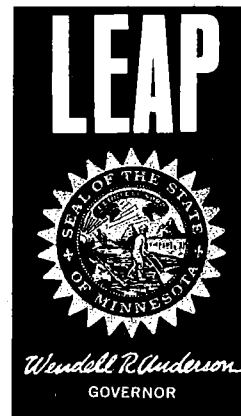


LEAP Sponsoring Corporations

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 American National Bank and Trust Company
 Andersen Corporation
 Arctic Enterprises, Incorporated
 Arthur Andersen & Company
 Bemis Company, Incorporated
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 Burlington Northern, Incorporated
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 Control Data Corporation
 Dain, Kalman & Quail, Incorporated
 Dayton Hudson Corporation
 Dayton Hudson Properties
 Dayton's
 DeLuxe Check Printers, Incorporated
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 Dispatch and Pioneer Press
 Donaldson Company, Incorporated
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 Economics Laboratory, Incorporated
 Ernst & Ernst
 Farmers and Mechanics Savings Bank of
 Minneapolis
 Fingerhut Corporation
 First Bank System, Incorporated
 First National Bank of Minneapolis
 First National Bank of St. Paul
 Gabberts
 General Electric Company
 General Mills Foundation
 General Mills, Incorporated
 Green Giant Company
 Hoerner Waldorf Corporation
 Honeywell Fund
 Honeywell Inc.
 Hormel, George A., & Company
 IBM Corporation
 International Multifoods
 Investors Diversified Services, Incorporated
 Investors Syndicate Life Insurance & Annuity
 Company
 Kahler Corporation Foundation (The)
 Lake Superior Industrial Bureau

Lutheran Brotherhood
 Mankato Citizens Telephone Company
 Mayo Foundation
 Medtronic, Inc.
 Midwest Radio-Television, Incorporated
 Minneapolis Gas Company
 Minneapolis Star & Tribune Company (The)
 Minnesota Mutual Life (The)
 Minnesota Natural Foundation
 Minnesota Power & Light Company
 Montgomery Ward & Company
 National Car Rental System, Incorporated
 Northern States Power Company
 Northrup King & Co.
 Northwest Airlines, Incorporated
 Northwest Bancorporation
 Northwest Paper Company (The)
 Northwestern Bell Telephone Company
 Northwestern National Bank of Minneapolis
 Northwestern National Life Insurance Company
 Northwestern Refining Company
 Otter Tail Power Company
 Padilla and Speer, Inc.
 Peat, Marwick, Mitchell & Company
 Peavey Company
 Peerless Chain Company
 Phillips Foundation (The)
 Pillsbury Company (The)
 Piper, Jaffray & Hopwood, Incorporated
 Prudential Insurance Company (The)
 St. Paul Insurance Companies, Incorporated (The)
 St. Regis Paper Company
 Sears, Roebuck & Company
 Soo Line Railroad Company
 Super Valu Stores, Inc.
 Target Stores, Incorporated
 Tennant Company
 Theodore Hamm Company
 3M Company
 Toro Corporation
 Twin City Federal Savings & Loan Association
 Univac, Division of Sperry Rand Corporation
 Valspar Corporation (The)
 Washington Scientific Industries
 Webb Publishing Company
 West Publishing Company
 Whirlpool Corporation

**Governor's
LOANED EXECUTIVES *Action* PROGRAM**



807 Capitol Square Building
St. Paul, Minnesota 55101
(612) 296-6212

DOUGLAS J. DAYTON
Chairman

ROBERT H. ENGELS
Northern States Power Company
Vice Chairman

STEERING COMMITTEE

RICHARD L. BRUBACHER
State of Minnesota

TED DEIKEL
Fingerhut Corporation

LYLE H. FISHER
3M Company

RICHARD H. KING
International Multifoods, Inc.

GERRY E. MORSE
Honeywell, Inc.

BARNEY U. UHLIG
Executive Secretary

To All Loaned Executives:

LEAP was a collection of 100 people from 50 companies and varied backgrounds. We banded together for a short period of time on a common assignment. We split up into groups in order to cover as much ground as possible yet kept in close contact with each other to make sure we were all pulling in the same general direction.

Your enthusiasm, dedication, and perseverance made all the difference. Your commitment to our primary goal "to assist the organization in becoming more viable on its own" kept us on target.

You were received extremely well by the people in the departments we were studying. You worked hard to demonstrate that their trust was well placed. As a result we learned much from them and were able to contribute much of significance to these operations.

All of you in LEAP should take real pride in your accomplishment. It was fun working with you. Many thanks for a job so well done.

With best wishes,

Day

Douglas J. Dayton
Chairman