

930269

LEGISLATIVE REFERENCE LIBRARY



3 0307 00015 0014

COMMISSION
ON REFORM
AND EFFICIENCY

C
O
R
E

REFORMING
MINNESOTA'S
ENVIRONMENTAL
SERVICES
SYSTEM

SUMMARY
REPORT

HC
107
M63
E542
1993
summ

MARCH 1993

THE CORE VISION OF STATE GOVERNMENT

The Commission on Reform and Efficiency envisions a Minnesota state government that is mission driven, oriented toward quality outcomes, efficient, responsive to clients, and respectful of all stakeholders. These goals are defined below.

Mission driven

State government will have clearly defined purposes and internal organizational structures that support the achievement of those aims.

Oriented toward quality outcomes

State government will provide quality services. It will focus its human, technical, and financial resources on producing measurable results. Success will be measured by actual outcomes rather than processes performed or dollars spent.

Efficient

State government will be cost-conscious. It will be organized so that outcomes are achieved with the least amount of input. Structures will be flexible and responsive to changes in the social, economic, and technological environments. There will be minimal duplication of services and adequate communication between units. Competition will be fostered. Appropriate delivery mechanisms will be used.

Responsive to clients

State government services will be designed with the customer in mind. Services will be accessible, located conveniently, and provided in a timely manner, and customers will clearly understand legal requirements. Employees will be rewarded for being responsive and respectful. Bureaucratic approvals and forms will be minimized.

Respectful of stakeholders

State government will be sensitive to the needs of all stakeholders in providing services. It will recognize the importance of respecting and cultivating employees. It will foster cooperative relationships with local units of government, and nonprofit and business sectors. It will provide services in the spirit of assisting individual clients and serving the broader public interest.

— Feb. 27, 1992

CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	3
Project scope	3
Project work plan and methods	4
FINDINGS	5
RECOMMENDATIONS	7
Consolidate state environmental functions	7
Establish a secretary of the environment	9
Decentralize employees and expand regional services	10
Encourage citizen input	11
Streamline processes	13
Reduce intergovernmental complexity	14
FISCAL ANALYSIS	17
Cost savings	17
Benefits to Minnesota's economy	18
CONCLUSION	19
APPENDICES	21
A. Ecoregion map	21
B. Fiscal analysis chart	23

EXECUTIVE SUMMARY

A healthy natural environment is one of Minnesota's greatest resources. The state's system for managing this environment, however, is suffering from several ills that seriously reduce its effectiveness and efficiency.

In its study of the state's environmental services delivery system, the Commission on Reform and Efficiency (CORE) has found that the system is fragmented and overly prescriptive, the processes are unresponsive to citizen needs, and current conflict resolution processes are time-consuming and costly.

CORE is recommending a package of reforms to address this structural and procedural complexity. Its goal is to construct a system that brings the expertise and perspectives of the different state and local agencies into an integrated system that should work better for the citizens of Minnesota and should safeguard the quality of Minnesota's environment and natural resources.

CORE's six major recommendations are:

1. *Consolidate most state environmental functions into two agencies, the Department of Resource Management and the Department of Environmental Protection.*
2. *Establish a secretary of the environment who would report to the governor and oversee the two departments' programs, budgets, and administration of environmental policy.*
3. *Deliver state environmental services on the basis of ecoregions, which recognize the different ecological needs of the state's natural regions.*

4. *Create citizen input mechanisms, including major advisory bodies, that would provide citizens with the opportunity to offer their viewpoints to top administrators at the state and regional levels.*
5. *Streamline the procedures and processes used to implement state environmental policies.*
6. *Establish a process for simplifying inter-governmental relations in the delivery of environmental services.*

These recommendations are a prescription for developing a healthy environmental services delivery system that can energetically and efficiently serve the citizens of Minnesota and protect the state's invaluable natural resources.

INTRODUCTION

The purpose of the Environmental Services Project of the Commission on Reform and Efficiency was to recommend changes in the state's environmental services delivery system that would:

- Create new structures and procedures for administering the laws and policies that safeguard the state's environment and natural resources to reduce the fragmentation of services and responsibilities that sometimes produces bureaucratic gridlock.
- Offer alternatives to resolving environmental conflicts that fairly balance the public interest and private rights.
- Develop a system that responds to citizens' needs for consistency and timely decisions from the various government entities involved in managing the environment.

Project scope

CORE's Program Analysis Working Committee, a seven-member group that directed the Environmental Services Project, defined the following scope for the commission's inquiry:

From the perspective of the customers or users of state environmental agency services, examine how effectively and efficiently environmental policies and programs are administered in the state of Minnesota.

The term *customer* is defined as any citizen, government unit, or business that interacts with the environmental services system in Minnesota.

All Minnesota residents are customers of the system. The water we drink, the emissions from the cars we drive, the fish we catch, the parks we visit, and the garbage we produce are all governed by Minnesota's environmental laws.

CORE worked to identify the organizational barriers and procedural problems that are impeding quality service delivery and thoughtful and timely decision making. The commission's goal was to strengthen the capacity of government to promote strong environmental stewardship and to efficiently use the available public dollars.

CORE sought reforms that benefit taxpayers who finance the environmental regulatory system; environmentalists who seek strong technical assistance and regulatory programs that improve environmental quality; and businesses and others that expect and deserve timely and clear decisions.

CORE's recommendations can be categorized as administrative and management reforms. The commission affirms the Minnesota Environmental Policy Act and existing laws and policies that safeguard the state's environment and natural resources. CORE explored new structures and procedures for administering state laws and programs. Also, CORE sought alternatives for resolving environmental conflicts that would fairly balance the public interest and private rights.

The Program Analysis Working Committee, chaired by Musicland CEO Jack Eugster, included John Brandl, Arlene Lesewski, Lee Luebbe, Kati Saserville, Erma Vizenor, and Steve Watson. These people were among the 22 citizens appointed by Gov. Arne Carlson and the Minne-

sota Legislature to CORE to develop a number of state government reform initiatives.

Project work plan and methods

To identify and address the problems in the environmental services delivery system, CORE reviewed the wide range of environmental studies previously conducted by public and private organizations and held individual and group meetings with representatives of state agencies, local governments, environmental groups, and businesses, as well as legislators, private consultants, other experts, and citizens. CORE staff met with more than 700 people from around the state, including those who deliver and use environmental services.

Based on the findings of this research, the Working Committee adopted preliminary recommendations and sought written public comment on them. Fifty-four letters were received from state agencies, state employees, local governments, the agribusiness community, environmental groups, and public health organizations. That input was considered in making the final recommendations.

A report containing a detailed discussion of CORE's findings and recommendations for reforming the environmental services delivery system is available from the Department of Administration, Management Analysis Division, 203 Administration Building, 50 Sherburne Ave., St. Paul 55155, telephone (612) 296-7041.

FINDINGS

Four major themes emerged from CORE's findings on the need to reform the environmental services delivery system. They are:

- *The system is fragmented.* The state has more than 30 agencies and boards with environmental responsibilities. At the local level, there are 87 counties, 856 municipalities, 1,801 townships, 41 watershed districts, 91 soil and water conservation districts, and 44 community health services districts, all of which have some responsibility for environmental programs.
- *The processes are unresponsive to citizen needs.* As the number of agencies with regulatory authority has multiplied, decision making has slowed, and citizen access to the system has become more complicated.
- *The system is overly prescriptive.* Inflexible, detailed rules make it difficult to achieve compliance with environmental goals in a timely, cost-effective manner.
- *Current conflict resolution processes are time-consuming and costly.* Environmental programs, more than most areas of public policy, have customers who often have competing and seemingly irreconcilable interests. Government officials often must decide what resolution will balance the competing interests, the private rights with the public interest. Too often, the outcome is lengthy court cases or political battles before the legislature.

Specifically, CORE found:

1. Minnesota's environmental services system can be categorized as a collection of advocacy agencies in which each presents one or more differing perspectives, such as that of the environmentalist, the conservationist, the public health guardian, and the business proponent. At times, these separate and clashing perspectives can lead to administrative gridlock, which means customers of the system cannot get timely decisions.
2. The system relies too heavily on centralized decision making, which has produced significant alienation in nonmetropolitan counties. Many rural citizens are dissatisfied with their interactions with the centralized bureaucracy and perplexed as to why state agencies do not assign more authority to their regional offices.
3. The system relies on the customer to coordinate among the agencies, instead of the agencies presenting a coordinated response to the customer.
4. The multilayered and fragmented environmental advocacy system makes it difficult to manage conflicts among competing interests in a timely manner.
5. The structure of environmental services over the past several decades has developed through addition, fragmentation, and specialization, rather than through combination, consolidation, and services integration. No consistent organizational or administrative pattern exists with regard to the responsibilities of departments, offices, boards, commissions, and other agencies.

6. Several barriers, including composition and diffuse responsibilities, have prevented the Environmental Quality Board (EQB) from exercising strong leadership as a planning, coordinating, and oversight body in the system.
7. The system relies heavily on command-and-control regulatory processes to implement environmental goals, rather than using a balanced mix of diverse approaches to achieving compliance.
8. The linkage between the fees paid for environmental programs and the achievement of environmental policy goals is confused and unclear to fee payers and the general public.
9. Environmental services programs are carried out by a complex and fragmented collection of federal, state, and local agencies. This complexity results in unclear, overlapping, and redundant lines of authority, responsibility, and accountability; increased cost to the customer and taxpayer; and customer dissatisfaction.

RECOMMENDATIONS

CORE's nine findings document the need for reform of Minnesota's environmental services delivery system. As the body of laws expanded in response to emerging environmental problems, state and local governments created a system that has grown in complexity.

CORE is proposing six recommendations to address this structural and procedural complexity. Overall, CORE seeks to construct a system that brings the expertise and perspectives of the different state and local agencies into an integrated system that should work better for the citizens of Minnesota and should safeguard the quality of the state's environment and natural resources.

Consolidate state environmental functions

- 1. Consolidate most state environmental functions into two agencies, the Department of Resource Management (DRM) and the Department of Environmental Protection (DEP).*

CORE is articulating a two-agency vision in which a new Department of Resource Management emphasizes use of the natural resources in the environment, while a new Department of Environmental Protection stresses protection of the environment. This consolidation recommendation addresses several of the CORE findings and would take the state in a fundamentally new direction that is a major departure from the current advocacy system, in which each agency presents one or more differing perspectives.

Underlying this recommendation is the belief that

the public is better served by a system requiring that multiple perspectives be considered within a single agency, rather than promoting a distinct advocacy role for each agency. This reform is not an attempt to diminish the many legitimate perspectives in the system, such as that of the environmentalist, the conservationist, the public health guardian, or the business proponent. Instead, all of those perspectives would be seriously weighed in the new two-agency system.

This recommendation also responds to problems relating to customer service, fragmentation and specialization, and planning and coordination. It reflects the position that the burden should be on the state environmental services system to provide a coordinated response to citizens, businesses, local government units, and other organizations seeking to comply with state law.

Under this reform, the customer should be able to conduct most environmental business with only one or two state agencies, instead of numerous ones. The state will continue to use the same environmental standards and regulations; but rather than the customer submitting paperwork to multiple agencies, employees within only two agencies, the DEP and the DRM, will be required to coordinate their reviews.

Department of Environmental Protection

This new department would assume and expand the responsibilities of the Minnesota Pollution Control Agency (PCA). Its staff would perform the service and regulatory functions necessary to protect and improve the quality of the state's air, land, and water, thus promoting both human health and a healthy environment.

Incorporating a public health focus into the DEP's mission is critical, because the DEP would assume some of the responsibilities now carried out by the Department of Health's Division of Environmental Health. It is appropriate that much of the work now performed by the PCA in protecting the quality of the air, water, and land have public health as a philosophical underpinning.

In a dramatic change, the Division of Waters in the Department of Natural Resources would be transferred to this new department to consolidate water regulatory functions in one agency. The rationale for this change is: 1) it would clearly define DEP's role as one of protection, while the DRM would be focused on the use of resources; 2) consolidating water permits into one agency should provide better service to citizens by enabling permits to be combined or coordinated; and 3) it would bring state employees working on water regulation into a single location, which would foster better cooperation and communication.

A second major change would be the transfer of timber and mineral regulatory functions involving environmental protection to the DEP from the current Department of Natural Resources.

The new Department of Environmental Protection would have the following divisions: Waste, Air Quality, Surface Water, Ground Water, Environmental Clean-up, Environmental Review, and Support Services. These divisions would provide compliance assistance and would work cooperatively with individuals, businesses, and local government units to attain state environmental goals and meet environmental standards. In addition, regulatory personnel would place greater emphasis on administering the state's laws in a manner that is more understandable to the affected parties and shows more flexibility than exists in the present system. This can be

achieved, in part, through streamlined rules emphasizing ambient or outcome standards and well-defined and consistent enforcement protocols.

Given the concerns of business and local government units about bringing advocacy, technical assistance, and regulatory functions into a single agency, CORE recognized the need to design the internal DEP structure so that these customers would have ready access to services. Compliance assistance in the form of grants, technical assistance, and training should be segregated from regulatory functions, such as inspections, permitting, and enforcement, so these functions would be in separate sections within each of the divisions. CORE emphasizes the need for both service and regulatory sections within divisions to have adequate resources.

Department of Resource Management

The Department of Resource Management would contain many programs now in the DNR and would have the following divisions: Fisheries and Wildlife, Minerals, Forestry, Recreation, Enforcement, and Support Services.

Agencies affected by this proposal

Several agencies would be affected by this recommendation:

- The DNR offices would be used as a base for housing the divisions and top management of the new Department of Resource Management. DNR employees would be absorbed into the new DRM, and the name Department of Natural Resources would no longer exist.
- PCA offices would be used as a base for housing divisions of the new Department of Environmental Protection. PCA employees

would be absorbed into the new DEP, and the name Pollution Control Agency would no longer exist.

- The PCA Board would be eliminated and its powers transferred to the DEP.
- The Office of Waste Management would be abolished and its programs and responsibilities transferred to the DEP.
- The Board of Water and Soil Resources (BWSR) would become the Local Government Advisory Board on Environmental Services and would advise the secretary of the environment. The BWSR's programs and statutory responsibilities would be transferred to the DEP and the DRM.
- The Harmful Substances Compensation Board would be eliminated and its program and responsibilities transferred to the DEP.
- The Petroleum Tank Release Compensation Board would be eliminated and its program and responsibilities transferred to the DEP.
- Most functions in the Department of Health's Division of Environmental Health would be transferred to the DEP.
- The Department of Trade and Economic Development's outdoor recreation grant program would be transferred to the DRM.
- The Environmental Quality Board would be abolished and its functions transferred to the DEP.

Establish a secretary of the environment

2. *Establish a secretary of the environment who would report to the governor and oversee the programs, budgets, and administration of environmental policy of the Departments of Resource Management and Environmental Protection.*

The secretary of the environment would be one of eight secretaries reporting to the governor under CORE's executive reorganization proposal. Under the secretary of the environment would be a deputy secretary of resource management and a deputy secretary of environmental protection; all three would be appointed by the governor. Each deputy secretary would be the chief operating officer of one of the environmental agencies described in Recommendation 1 and would be responsible for achieving the agency's goals and objectives.

Creating a secretary of the environment is critical because it would centralize accountability for the overall performance of the environmental services system. Strong leadership in this office would set the direction for improvements in customer service and conflict management. In addition, the secretary could set the parameters for a fair and understandable use of environmental fees. The overly prescriptive approach to achieving compliance with environmental regulation and the systemic planning and coordination barriers evident in the current system would be addressed by the secretary and his or her deputies.

The major duties of the secretary of the environment would be:

- *Comprehensive budget responsibility.* The secretary of the environment, in conjunction with the governor, would be accountable

for establishing policy priorities through the budgeting process. While the secretary would consult with the deputy secretaries of Resource Management and Environmental Protection about the budgetary needs of programs, the secretary would make the final decisions on balancing the competing interests of environmental use and protection. The secretary could reassign programs and program budgets between the agencies as needed to address priorities and coordination.

- *Service integration.* The secretary would be responsible for ensuring coordination among the two departments to generate efficiency savings and improved customer service.
- *Conflict management.* The secretary would resolve administrative, jurisdictional, operational, program, and policy conflicts between the two departments.
- *Mission development and strategic planning.* The secretary would have the highly visible role of policy spokesperson for the governor on environmental issues. The secretary would work with the two deputy secretaries to create an environmental vision through strategic planning and mission development for the two agencies. This administrator would be accountable to the governor and the legislature for achieving the outcomes expressed in the mission statement and for implementing the policies and programs set by the legislature.
- *Legislation and rule development and implementation.* The secretary would have substantial control over policy through coordinating legislation and overseeing rule development and implementation. The secretary would review and approve all

legislative proposals with the governor and would coordinate efforts to secure passage of the proposals.

Decentralize employees and expand regional services

3A. Deliver state services on the basis of eco-regions and decentralize the state's environmental employees to the extent possible. Co-located ecoregion offices would be established and headed by regional DRM and DEP directors, who would report to agency deputy secretaries. More operational decisions would be shifted to the regional offices, including most permitting decisions. Major policy-making decisions and those decisions with statewide implications would be made at the deputy secretary and secretary levels.

This recommendation is designed to provide better service to citizens and to locate state employees closer to the resources they are managing and the entities they are regulating.

Ecoregions represent areas that are similar throughout in climate, soils, geology, topography, vegetation types, and land use. Minnesota's tremendous natural diversity has led scientists to identify seven distinct regions in the state that differ in environmental characteristics. Each of these ecoregions has different industries and resources, along with unique environmental problems. (See the Minnesota ecoregion map in Appendix A.)

In addition, the Twin Cities metropolitan area would be designated as an eighth service delivery unit called the urban ecoregion. Although the metropolitan area lies within the hardwood forest natural ecoregion, it is reasonable to place it in

a separate ecoregion. The Twin Cities area has unique challenges and needs based on the high level of development and heavy population density, which necessitates a separate service delivery unit.

3B. Assign regional office location decisions to a two-agency task force of the DRM and the DEP that would make recommendations to provide for regional offices within all ecoregions and would consult with county governments to solicit input on county boundaries. The legislature should set a deadline for completion of this work, and the task force should include employee representation from the agency programs being merged into the DRM and the DEP. Regional directors should be authorized to rent storefronts and buy or lease used office equipment and furniture in the cities selected to house the ecoregion offices.

Four state agencies currently have staff with environmental responsibilities based in regional offices in 11 cities. Those locations should be examined as part of the task force's study. However, each ecoregion should have an office. Three ecoregions do not now have regional offices within their boundaries; they are the Red River valley, the northern Minnesota wetlands, and the driftless area.

Under CORE's recommendation, an office would be located in each ecoregion and would have appropriate staff to meet the needs of the particular ecoregion. To maximize administrative efficiency, however, one DRM or DEP regional director may serve as the chief administrator for two ecoregions.

3C. Increase the authority of the regional directors by assigning them primary responsibility for the performance of the employees under their supervision.

This change is important to increase the effectiveness and impact of regional offices.

3D. The secretary, two deputy secretaries, and other central office managers should interpret state law and make decisions with major statewide implications. Execution of policy and programs should be carried out as close to the customer or citizen as possible.

CORE supports an increase in the number of permitting decisions that are made in regional offices. It is clear, however, that some permitting decisions also have the effect of policy making. As a general rule, most permits to individuals and small businesses should be issued by regional offices. Permit requests from local units of government and large businesses should receive final action in the central offices.

This policy would provide good customer service, efficient use of specialized expertise on complex permits, insulation of regional offices from political pressures, and consistent and effective administration of state law.

Encourage citizen input

4A. Create an environmental appeals advisory board composed of nine citizens with recognized environmental expertise and independent, objective judgment. The governor should appoint members to serve staggered terms, and no governor should appoint more than half the members during his or her term. In making these appointments, the governor should consider expertise needed to carry out the Environmental Policy Act (Minnesota Statutes, Chapter 116D). The board should focus on policy conflicts between environmental use and environmental protection, as re-

quested by the secretary or a citizen. The board should decide whether to address or reject a request so as to limit its workload. The secretary should make staff available as requested by the board to assist it. Recommendations of the board should be sent to both the secretary and the legislature. The secretary should justify in writing any departure from the advisory board's recommendations.

CORE wants to promote a conflict management system that fairly considers the arguments of competing interests and resolves disputes openly and promptly. The new two-agency system could be expected to promote the distillation of controversies into conflicts between use and protection of the environment. Both the DRM and the DEP would naturally advocate for their different perspectives. When disputes arise between these two perspectives, the secretary, before resolving the dispute, should seek the advice of this citizen environmental appeals advisory board.

This conflict management system would not affect and is different from the existing administrative law system for resolving individual contested cases involving agency administrative decisions. The two forums can be distinguished as follows:

The contested case process is formal and legalistic. An administrative law judge hears the facts in dispute. The judge's authority is limited to the finding of fact and the application of law to that particular case. The judge does not determine the appropriateness or desirability of the law or investigate situations other than the one being heard.

The citizen board would not be concerned with the facts of an individual case and would not make recommendations on specific cases. It

would consider whether a law or policy is appropriate, desirable, or necessary, and it would judge from many perspectives and for many possible situations what balance of perspectives promotes the general public interest. It would do this in a less formal process and seek broad policy applicability. Its mission would be weighing values expressed in the Environmental Policy Act, rather than finding facts.

The two systems also are distinguished by timing. As mentioned earlier, when faced with a policy conflict between the deputy secretaries, the secretary should seek the advice of the citizen board before a decision is made on a permit, environmental review, or rule that would incorporate the chosen policy. A contested case hearing is available only after a decision has been made. If the board becomes involved in considering a policy that also arises during a contested case hearing, its recommendations could apply only to future administrative decisions, not to the case currently being reviewed.

The recommendations of the board would be advisory, and the final decision would rest with the secretary. However, the board's recommendations should be sent to both the secretary and the legislature to ensure their careful consideration and to make the secretary accountable for any decision that deviated from or rejected the board's recommendations. The secretary should be required to explain in writing the rationale for departing from the board's recommendations.

While recommendations need to be based on an appreciation and understanding of the scientific and technical concerns underlying the conflicts, the conflicts between the use of natural resources and the protection and conservation of the environment are often less about science and more about achieving a balance between economic and environmental values. Because the purpose of the citizen board is to apply diverse perspectives

to consideration of the balance between economics and environmental protection, the key qualifications for service on the board should be a demonstrated ability for thoughtful consideration and analysis of public interest issues. Critical skills are independent judgment and the ability to understand, appreciate, and reconcile diverse demands in the public interest and consistent with the policies set forth in the Environmental Policy Act.

4B. Convert the Board of Water and Soil Resources to a permanent advisory board to the secretary of the environment. Change the BWSR's name to the Local Government Advisory Board on Environmental Services.

The rationale for this recommendation is the acknowledgment that local government units have major responsibility for administering many environmental laws and programs. To promote an effective partnership with local governments, the secretary would need to hear regularly from them, since they are customers of state agencies as well as service providers on the local level. The current BWSR membership includes county commissioners, soil and water conservation district supervisors, watershed district representatives, and unaffiliated public members.

4C. Direct the secretary of environment to establish regional environmental councils, which would be convened by the regional directors of the DEP and the DRM. These councils would allow the agency administrators to stay in touch with the concerns of citizens and constituency groups in each region, to gauge the effectiveness of service delivery, and to develop and evaluate programs.

This recommendation reflects CORE's belief that citizens must have good access to the state's

environmental services system and should have input on issue identification, customer service, and program development and implementation. Regional councils would reduce conflict by providing early identification of concerns and quick involvement of affected parties in developing remedies. These citizen councils would be in a good position to suggest how a new program could be effectively implemented for the region and how to improve delivery of programs for that region.

Streamline processes

The effective operation of the environmental services system depends in large part on the procedures, processes, and approaches used to implement state policies. Following are several recommendations for improving and streamlining compliance processes that should make the system more efficient for its customers and more effective at protecting the quality of Minnesota's environment.

5A. Improve the command-and-control approach by standardizing the process of delegating programs to local government and the enforcement tools available in all programs to achieve compliance.

Such standardization would promote clear understanding of responsibilities and consequences for noncompliance. This reform would give agencies an array of tools, so that they could use the most effective one for a given situation. It also would clarify the enforcement process for both the regulators and the regulated parties, making it more understandable and equitable, especially for holders of multiple permits.

5B. Implement a variety of reforms in environmental rules that would increase flexibility and decrease the costs of compliance while maintaining environmental protection.

- *Create a uniform environmental code that bases compliance requirements on outcome measures.*
 - *Allow regional directors to grant waivers to rules.*
 - *Focus the rule scope to target the most common hazards, rather than every possible hazard.*
 - *At least biennially, the secretary should propose lists of rules that should be repealed because they are obsolete or unnecessary.*
 - *Provide more scrutiny and justification for rules that exceed federal standards.*
- 5C. Develop alternative approaches to achieving environmental compliance, including the exploration of market incentives, broader public accountability mechanisms, and expanded training and technical assistance.**

CORE sees an advantage in creating a mix of approaches to achieving environmental compliance in the state. The following actions would create this mix:

1. *Analyze the applicability of market approaches, such as a pollution charge system, fees and taxes, and marketable permits.* Market approaches are needed tools for achieving environmental compliance. How and when they can be implemented should be part of the analysis that agencies use to determine how to achieve environmental compliance. Increased awareness of the importance of the environment, acceptance of environmental constraints, and recognition of the limits of the command-

and-control system are factors that will facilitate the transition to using market approaches.

2. *Use the marketplace to enforce environmentally desirable choices by developing mechanisms for using the news media to provide information to consumers about products and violators.*
3. *Focus on pollution prevention by allocating more staff to training and technical assistance.*

Reduce intergovernmental complexity

6. *Establish a process for clarifying and simplifying intergovernmental relations in the delivery of all environmental services.*

The following steps should be part of this process for reducing government complexity at the substate level.

- *Ecoregions should be the focus and organizing principle for the delivery of environmental services by both the state and local governments.* The boundaries of ecoregions should be adjusted for county boundaries and established by a task force consisting of representatives from the new state departments and local governments.

Minnesota is complex ecologically and governmentally. Environmental and natural resource problems do not recognize political borders and are not conveniently compartmentalized.

CORE believes government complexity should be simplified to reduce both costs

and confusion for the citizen. All counties in an ecoregion would share similar environmental concerns and natural resources; therefore, planning and service resources should be maximized by being shared or coordinated across an ecoregion organization created by local governments.

Because the boundaries between ecoregions are in many cases indistinct, political and natural boundaries can be adjusted to coincide. A team of professionals from the two state environmental departments and representatives from local government should serve on a task force to designate the boundaries. The task force would balance the need to have regions that are environmentally similar with the need to create regions that are easily identifiable and convenient for citizens.

The existing local water planning process should be used both to examine service overlap and duplication and to establish needed regional interactions. Planning for media other than water should follow and be incorporated into the regional organizational structure designed through water planning.

Many of the environmental special-purpose governments deal with water. To establish some order in the management of water by local governments, the legislature passed in 1985 the Comprehensive Local Water Management Act, which aims to encourage counties to develop and implement a comprehensive water plan and to coordinate with contiguous counties and other local units of government. The plans were to address problems in the context of watershed units and groundwater systems and to be based on principles of hydrology, environmental protection, and efficient manage-

ment. They also required a description of land use and anticipated development. Thus, the local planning process initiated a process that required thinking about interrelationships and beyond isolated political boundaries.

Because the process already has sparked a shift in thinking beyond borders and a focus on interrelationships of natural resources, CORE believes the process fits well with its recommendation to use ecoregions as an organizing focus. The water planning process can be used to identify ways in which planning and service delivery can be conducted and coordinated for all environmental media.

For the process to achieve the goal of reducing intergovernmental complexity, local water planning should be made a required responsibility of counties so all counties actively participate. A requirement of the planning process would be to identify and clarify government roles in implementing the plan. The plan would describe areas of overlap, duplication, or obsolescence in water management and address how they would be simplified.

Regional organizational structures that address regionwide environmental issues should be designed and implemented by the counties; the state should hold counties accountable so that the outcome of planning addresses ecoregion and statewide needs. The counties should have flexibility in designing regional organizations; the state should have the ability to ensure that the plans are completed and the regional management structures implemented.

CORE believes that a regional management structure is needed to ensure compatibility,

consistency, and cooperation in planning and the delivery of environmental services by counties. Such a regional management structure already exists in the Twin Cities area and is consistent with the proposed urban ecoregion; therefore, CORE recommends that the Metropolitan Council be authorized to oversee planning and effect coordination and consideration of ecoregional planning and service delivery in the metropolitan area.

Because of the diversity of existing interactions between local governments in other parts of the state, CORE recommends that the actual design of ecoregion organization structures be crafted by the affected government units. The local water planning process will promote the evolution of such an ecoregion organization, but the nature of the relationships and responsibilities may well be different from ecoregion to ecoregion. Such flexibility for local units of government is a principle CORE has advocated throughout its recommendations.

FISCAL ANALYSIS

State government spends approximately \$300 million a year on protecting Minnesota's environment and managing its natural resources. In FY 1992, six agencies spent that amount from all funds available, including state appropriations, federal funds, and user fees.

More than 60 percent of the expenditures are made by the state's largest environmental agency, the Department of Natural Resources, which also has the largest number of employees in the system. The DNR had 2,606 of the 3,646 environmental services employees in FY 1992.

CORE sought to design an environmental services system with two primary goals: safeguarding the environment and providing better service to the citizens of Minnesota. As a result, its recommendations place a priority on improving the efficiency and effectiveness of the system.

The recommendations that advocate structural and procedural streamlining should result in better customer service and some cost savings. CORE's proposed spending reductions would occur as a result of administrative efficiencies. No proposed immediate program cuts are made in the CORE recommendations.

Cost savings

The net annual savings for CORE's package of environmental reforms are projected to be \$1,636,000, which translates into \$3,272,000 in savings over a two-year period. (See the fiscal chart in Appendix B.)

These savings would be achieved through the

permanent reduction of 36 positions, including executive managers and administrative and technical support personnel. The annual savings for this cut would be \$1,836,000. Such reductions would be possible because the two-agency delivery system would be more administratively efficient than the current fragmented system. It is also expected that office space costs would be reduced by \$250,000 a year when about 250 employees are transferred to regional offices located in space leased for less money than would be required in the metropolitan area. Total annual savings from these two areas would be \$2,086,000.

While \$450,000 a year in new funding would be needed to support a secretary of the environment and his or her seven-member staff, the net annual savings would be \$1,636,000.

One-time transition costs and pay-back period

Implementation of these recommendations would involve a one-time transition cost of \$3,469,400. About \$2 million would be spent on relocating personnel to ecoregion offices outside the Twin Cities area and consolidating other staff to the two new agencies' central offices. Other start-up costs include moving equipment, changing the names of the agencies on signs, buildings, vehicles, and uniforms, and opening three ecoregion offices in areas currently underserved.

Based on the annual savings projected, the one-time transition costs would be recovered through savings achieved in slightly more than two years of ongoing operations.

Potential future savings

These projected savings are minimums. CORE expects that more savings would be identified by the secretary of the environment once all environmental services functions were consolidated into two agencies. Future savings should develop after the secretary and top managers closely scrutinize the administration of all environmental programs.

Benefits to Minnesota's economy

The CORE reforms should also generate significant savings for Minnesota's overall economy from the reduction of unnecessary regulatory burdens that would be accomplished by:

- *Streamlining rules.* Creating a uniform environmental code that is outcome-based, focusing rules on environmental risk, allowing waivers, and repealing obsolete rules would increase flexibility and decrease costs of compliance while maintaining environmental protection.
- *Promoting pollution prevention.* Providing more training and technical assistance would offer the chance for reduced economic and environmental liability.
- *Encouraging alternative approaches.* Using market and consumer incentives would allow environmental goals to be met without costly bureaucracy.
- *Expanding regional offices.* Making it easier to get decisions and assistance from regional offices around Minnesota would help customers save time and money.

CONCLUSION

The state's environmental services system affects the lives of every Minnesotan.

Many levels of government share responsibility for managing, using, and protecting Minnesota's environment and natural resources. These responsibilities have grown over time, and the balance of demands for use and protection has also changed. New uses for natural resources have been found, and new threats to human health and environmental stability have emerged. Government has expanded to meet both of these challenges.

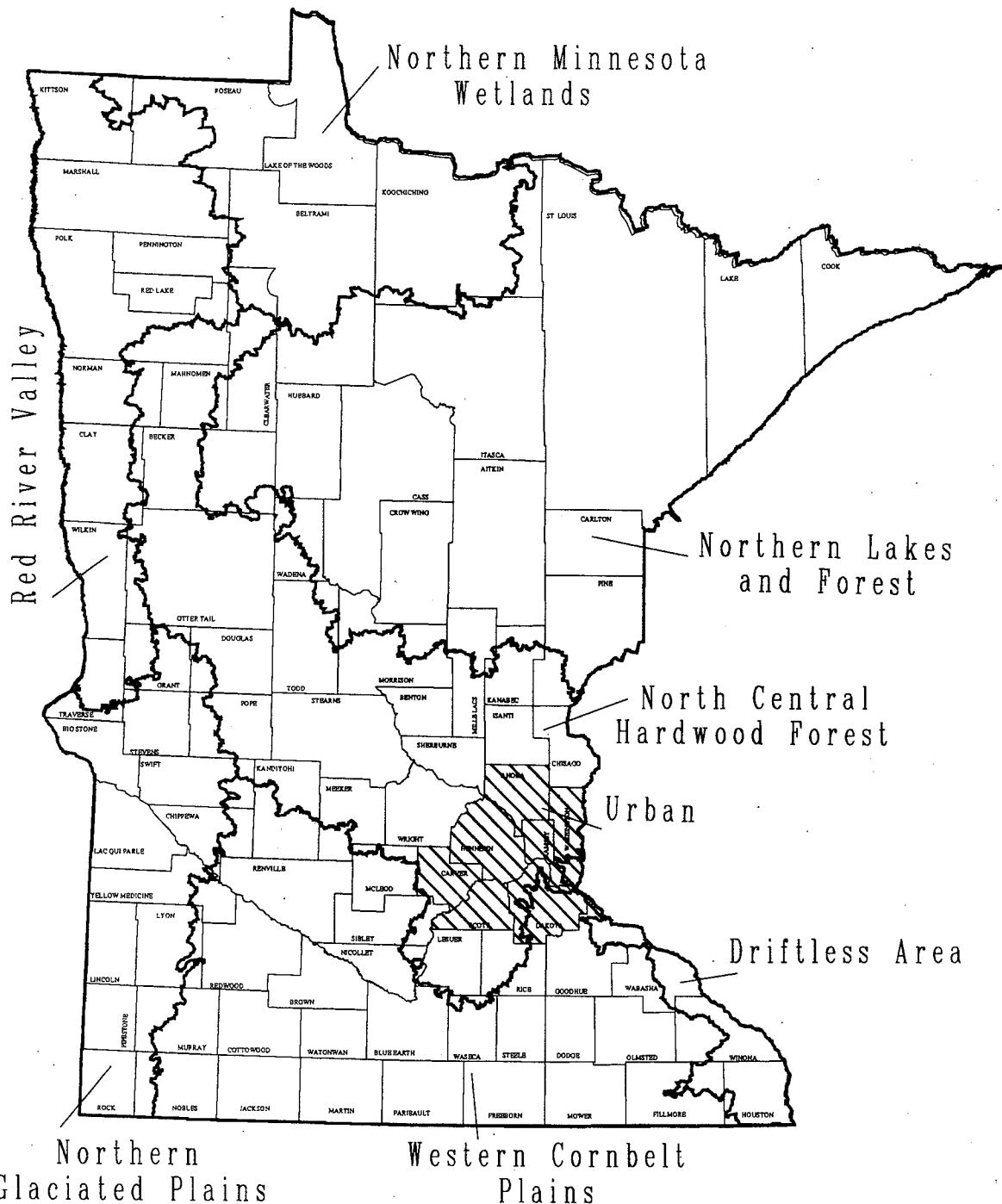
Reforms have been made periodically over the years to respond to changing demands and to promote integrated approaches to environmental management. The fragmentation and compartmentalization present in the current environmen-

tal system and the resulting citizen confusion demonstrate that a new period of reform is needed. The system has been largely successful in implementing sound, and many times innovative, environmental protection and natural resource management policies; however, it would benefit from a reduction in cumbersome processes and confusing organizational structures.

CORE's recommendations would enhance Minnesota's existing strong environmental services system, make it easier for the citizens who use and enjoy the state's environment and natural resources to actively participate in its protection, and equip the state to deal with the demand for an environmentally sustainable future.

APPENDIX A

Minnesota Counties and Ecoregions



APPENDIX B

ENVIRONMENTAL SERVICES			
Fiscal Analysis			
Activity	Annual Savings	Annual Increase	One-Time Transition
TWO-AGENCY CONSOLIDATION			
Eliminate 36 positions	(\$1,836,000)		
Move equipment			\$ 44,400
Change names			\$ 750,000
ESTABLISH OFFICE OF THE SECRETARY			
Add eight positions		\$450,000	
DECENTRALIZE TO REGIONAL OFFICES			
Move equipment			\$ 75,000
Relocate personnel			\$2,000,000
Set up three new offices			\$ 600,000
Space savings	(\$ 250,000)		
TOTAL	(\$2,086,000)	\$450,00	\$3,469,400

Note: Net savings for five years: 5 (\$2,086,000 - \$450,000) - \$3,469,400 = \$4,710,600.

THE CORE MEMBERSHIP

ARENDE J. SANDBULTE
COMMISSION CHAIR
Chairman, President and CEO
Minnesota Power
Duluth

MARCIA F. APPEL
Executive Director
Association of Area
Business Publications
Lakeville

JANE BELAU
President
Belau Consulting Group
Rochester

SHARON SAYLES BELTON
Minneapolis City Council
President
Minneapolis

JOHN E. BRANDL
Professor
University of Minnesota
Minneapolis

GARY DENAULT
Executive Director
Middle Management Association
St. Paul

JACK W. EUGSTER
CEO, The Musicland Group
Minneapolis

GERALDINE A. EVANS
Chancellor
Community College System
St. Paul

JEAN L. HARRIS
Senior Associate Director
Medical Affairs
U of M Hospital & Clinic
Minneapolis

BECK HORTON
President
Juno Enterprises, Inc.
Minneapolis

ARLENE J. LESEWSKI
Regional Director
Independent Business Association
of Minnesota
Marshall

ERNEST A. LINDSTROM
Attorney at Law
Lindstrom Law Offices
Minneapolis

LEE LUEBBE
Former Chair
Winona County Board
of Commissioners
Winona

H. WILLIAM LURTON
Chairman and CEO
Jostens, Inc.,
Minneapolis

DORRAINE (DORRIE) MUND
Associate Attorney at Law
Hall, Byers, Hanson, Stell &
Weinberger
St. Cloud

ROBIN PANLENER
President
Minnesota Association of
Professional Employees
St. Paul

KATHERINE (KATI) SASSEVILLE
General Counsel
Otter Tail Power Co.
Fergus Falls

GLEN TAYLOR
Chairman and CEO
Taylor Corp.,
North Mankato

ERMA J. VIZENOR
Ph.D., Student
Harvard University
Ponsford

STEPHEN E. WATSON
President
Dayton-Hudson Corp.
Minneapolis

CONNIE G. WEINMAN
Vice President
National City Bank
Minneapolis

C. ANGUS WURTELE
Chairman and CEO
The Valspar Corp.
Minneapolis