

COMMISSION  
ON REFORM  
AND EFFICIENCY

**C  
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**CORE PROJECT  
RECOMMENDATIONS**

**Reorganizing the executive branch**

**Environmental services**

**Human services**

**Budgeting and financial management**

**Human resources**

**Rules**

**Electronic data interchange**

**Quality improvement initiative**

**APRIL 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

# **CORE PROJECT RECOMMENDATIONS**

**Reorganizing the executive branch**  
**Environmental services**  
**Human services**  
**Budgeting and financial management**  
**Human resources**  
**Rules**  
**Electronic data interchange**  
**Quality improvement initiative**

**BY THE  
MINNESOTA  
COMMISSION ON  
REFORM AND EFFICIENCY**

**APRIL 1993**

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# INTRODUCTION

**T**he Commission on Reform and Efficiency (CORE) was created by Gov. Arne Carlson and the 1991 Legislature (Laws of Minnesota 1991, Chapter 345, Article I, Sec. 17, Subd. 9) to lead a comprehensive effort to improve the management of Minnesota state government. The 22 commission members appointed by the governor and the legislature were drawn from all walks of life and include leaders in business, education, and labor, as well as current and former public officials. Arend J. Sandbulte, chair, president and CEO of Minnesota Power, Duluth, heads the commission.

The commission's work was conducted in two phases. In August 1991, CORE began to address its initial charge to identify \$15.7 million in general fund savings during the 1992-93 biennium. The result of CORE's first project was the identification of 23 program and budgetary actions totaling \$17.5 million in general fund savings and \$21 million in total savings. Ultimately, \$11.2 million of CORE's general fund recommendations were adopted by the governor and legislature.

The commission then turned its attention to its second mandated responsibility; recommending long-term actions for improving state government efficiency and effectiveness. Unlike the commission's initial project, where identifying cost savings was the goal, this project views cost savings as one of several outcomes of improving the quality of state government. To develop its findings, the commission surveyed employees, interviewed agency management, heard comments from those affected by government programs and the general public, developed case studies of executive branch agencies, and sought advice from the academic community.

This report summarizes the work done by the commission in this second phase. Although the commission has reported on nine project areas, all of the projects are closely related and address the major goals identified by the commission before the projects were selected.

## Project selection

CORE's initial data collection involved contact with numerous individuals including legislators, state managers and employees, consultants, and fiscal experts. All of these stakeholders were asked where they saw significant problems or opportunities for reform in state government, and if they had any ideas for improving the efficiency or effectiveness of state government in the longer run. The responses of the interviewees were then entered into a data base of suggestions and ideas for potential CORE projects.

From this data base, CORE staff identified nearly 40 possible areas for substantive reform. Preliminary analyses of these areas were prepared for the commission's consideration, highlighting the existing problem, opportunities for reform, and resources required to undertake a study in each area.

A second set of interviews was conducted with key legislators, state managers and commission members to identify priority areas for reform. Based on the analyses presented and a tally of the priorities identified by interviewees, the commission selected nine areas on which to focus its attention for the second phase of the CORE process. The project areas selected were:

- executive reorganization
- environmental services
- human services delivery
- budgeting and financial management
- human resources management
- administrative rules
- electronic data interchange
- quality improvement initiative
- local services funding

The last project listed, local services funding, will be completed in the fall of 1993.

## Contacts

An extensive effort was made to involve stakeholders in shaping each of the selected project

areas. Four of the project teams had regular meetings with stakeholder advisory committees and all met with stakeholder groups to obtain feedback.

- More than 2,000 people representing state agencies, boards, commissions, county and local governments, the legislature, advocates, employers, and citizens were contacted at more than 400 individual or group meetings.
  - Staff from all 50 states and the federal government were contacted to gather relevant information for CORE projects.
  - Data collection was conducted through various means, including individual and group interviews, focus groups, surveys, letters and advisory committee meetings.
  - Presentations were made at numerous meetings around the state to gather feedback from stakeholders.
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## PROJECT SUMMARIES

### Reorganizing the Executive Branch

#### Reform imperatives

- The governor's span of control (over 26 cabinet level agencies and approximately 200 small agencies) hampers the ability to communicate and effectively implement policies.
- The complex executive branch structure blurs lines of authority and results in problems with determining accountability.
- Existing structure and systems fragment service delivery.
- Interagency planning, policy development, program management and service delivery should be strengthened.

#### Recommendations

##### Executive management

1. Establish a cabinet structure of executive offices to provide coordination and integration of related policies, functions and programs. Each executive office should be headed by a secretary serving at the will of the governor.
2. Provide the governor with a more manageable span of control by reducing the number of executives reporting directly to him.
3. Redefine the role and authority of agency

executive leadership, increasing accountability to the governor for service coordination and customer focus.

Each secretary would be accountable for the coordination of policy implementation and service delivery regardless of department jurisdiction boundaries and other traditional impediments to cooperation. Deputy secretaries would be accountable for achieving the agency's goals and objectives.

4. Consolidate executive-level agency management.

With secretaries directing agency policy formulation and deputy secretaries directing agency operations, a net reduction of agency executives should accompany implementation of the new system, with additional reductions to follow.

5. Consolidate agency policy and support services management by placing control of these functions directly under the secretaries.

6. Invest each secretary with the same powers and duties.

Each secretary should generally have the same power and duties:

- Represent, and act on behalf of, the governor on issues related to the secretary's functional area.
  - Advise the governor on the appointment of deputy secretaries, small agency heads and board members.
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- Supervise deputy secretaries and hold them accountable for their actions.
  - Direct strategic planning and policy development for the functional area assigned to the secretary.
  - Direct the formulation and presentation of a comprehensive program budget for the functional area assigned to the secretary.
  - Reorganize and reassign programs, program budgets and support services to improve operations among the agencies assigned to that secretary.
  - Resolve administrative, jurisdictional, operational, program or policy conflicts between agencies or officials assigned to that secretary.
  - Coordinate development of legislation, and represent agencies in the legislative process.
7. Invest each deputy secretary with the same general powers and duties.
- Formulate agency planning and budget recommendations on behalf of the secretary responsible for the agency's functional area.
  - Implement agency plans by directing the agency's operations and controlling the agency's line item budget.
  - Exercise all administrative authority not assigned to a secretary.
8. Establish an Executive Office of Public Advocacy, consolidating functions now located in a number of agencies.
9. Functionally align all state agencies under the executive offices.
- The following alignment of eight offices is recommended:
- Executive Office of Administration**  
 Department of Administration  
 Department of Employee Relations
- Executive Office of Business Development**  
 Bureau of Mediation Services  
 Department of Agriculture  
 Department of Commerce  
 Department of Trade and Economic Development  
 Department of Labor and Industry  
 Iron Range Rehabilitation and Resources Board
- Executive Office of Education**  
 Department of Education  
 Department of Jobs and Training
- Executive Office of Environment**  
 Department of Resource Management (proposed)  
 Department of Environmental Protection (proposed)
- Executive Office of Finance**  
 Department of Finance  
 Department of Revenue  
 Office of Strategic and Long Range Planning
- Executive Office of Health and Human Services**  
 Department of Corrections  
 Department of Health  
 Department of Human Services  
 Department of Veterans Affairs  
 Housing Finance Agency
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**Executive Office of Public Advocacy**

Department of Human Rights

Consumer advocacy functions from the  
Attorney General's Office and the  
Department of Public Service

**Executive Office of Transportation  
and Safety**

Department of Military Affairs

Department of Public Safety

Department of Transportation

**Boards, commissions, councils,  
and advisory task forces**

10. Assign each board, commission, council and advisory task force to a secretary or a secretary's designee. Each secretary could align small agencies' staffing and support activities anywhere within the agencies reporting to the executive office.

***Advisory bodies***

11. Sunset all advisory bodies over a four-year period beginning in 1994. Each secretary should recommend whether advisory bodies within their executive office should be reinstated after their sunset date.
12. Include a sunset date in all new legislation creating advisory bodies.

***Occupational licensing***

13. Create a central licensing agency responsible for all administrative functions in support of independent licensing and examining boards.
14. Sunset all professional licensing over a four-year period beginning in 1994. Each secretary should recommend whether licensing activities within their executive office should be reinstated after their sunset date.

***Regulation***

15. Eliminate the Department of Public Service, transferring its staff and responsibilities to the Public Utilities Commission. (Advocacy functions would be transferred to the Executive Office of Public Advocacy.)
16. Reduce the Public Utilities Commission from five to three full-time commissioners.
17. Consolidate gambling regulation activities by merging the Racing Commission and the Gambling Control Board.

**Constitutional offices*****Attorney general***

18. Allow the governor and agencies to select in-house (non-litigation) counsel on a competitive basis. Continue the role of attorney general as exclusive representative of state government in litigation.

***Consumer advocacy***

19. Combine the consumer advocacy functions of the Attorney General's Office with other related advocacy functions in the proposed Executive Office of Public Advocacy.

***State treasurer***

20. After establishing a secretary of finance, examine the roles and relationship between the finance secretary and the state treasurer.

***Lieutenant governor***

21. Governors should consider the option of assigning lieutenant governors to serve in a secretarial role.

## Policies and practices

### *Co-location*

22. Agencies should relocate to common facilities and, whenever possible, integrate their activities to improve service delivery.

### *Technology investment strategy*

23. Establish a statewide data and technology investment plan to improve both customer service and the efficiency of state systems.

### *Ethics*

24. The leaders of all three branches of government should establish a joint commission to create a uniform code of ethics for all employees of state government.

### *Transitions*

25. The Executive Office of Administration should establish transition processes and provide training for appointed officials to assist with their rapid orientation to the complex environment of public management.

## Connections

*The Minnesota model for organization and streamlining government functions is a basic structure for the proposed environmental services and human services delivery systems, which emphasize the importance of using secretaries to coordinate services among departments. Secretarial coordination also facilitates consolidation of rulemaking functions in state agencies, as described in the CORE recommendations on administrative rules.*

## Environmental services

### Reform imperatives

- The system is fragmented and includes more than 30 state agencies, five state-established regional special districts, 87 counties, 856 municipalities, 1,801 townships, 41 watershed districts, 91 soil and water conservation districts, and others with environmental responsibilities. The separate and clashing interests represented by the many agencies and units of government often lead to administrative gridlock.
- The processes are unresponsive to citizen needs. Cumbersome processes within a complicated, centralized bureaucracy impede prompt decision making and accountability.
- The system is overly prescriptive and relies heavily on "command and control" regulatory processes.
- Dispute resolution processes are time-consuming and costly and frequently result in litigation or political conflicts.

## Recommendations

### Organizational structure

26. Consolidate most state environmental functions into two agencies, the Department of Resource Management (DRM) and the Department of Environmental Protection (DEP).
- DRM would emphasize use and management of natural resources, while the DEP would stress protecting the envi-

ronment from degradation. These agencies would be affected in the following ways:

Department of Natural Resources offices would be used as a base for housing the divisions and top management of the new Department of Resource Management.

Pollution Control Agency offices would be used as a base for housing the divisions of the Department of Environmental Protection.

The Pollution Control Agency Board would be eliminated, and its powers transferred to the Department of Environmental Protection.

The Office of Waste Management, the Harmful Substances Compensation Board, the Petroleum Tank Release Compensation Board, and the Environmental Quality Board would be abolished, with their programs and responsibilities transferred to the DEP.

The Board of Water and Soil Resources (BWSR) would be converted to an advisory board to the secretary of the environment. The board's name would be changed to Local Government Advisory Board on Environmental Services. BWSR's programs and statutory responsibilities would be transferred to the DEP and DRM.

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.

27. Establish a secretary of the environment who would report to the governor and oversee the two departments' programs, budgets and administration of environmental policy.

- The secretary would be responsible for establishing a vision and strategic plan for environmental services in Minnesota and would be held accountable for implementing the policies to achieve the vision. The secretary would ensure that the departments streamline and coordinate processes to produce better customer service.

### Service delivery

28. Deliver state environmental services on the basis of ecoregions 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.

29. 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.

30. Increase the authority of the regional directors by assigning them primary responsibility for the performance of the employees under their supervision.
31. 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.
32. Create an environmental appeals 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 requested 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.
33. 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.

34. 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.

### **Streamline processes**

35. 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.
36. 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.
37. Develop alternative approaches to achieving environmental compliance, including the

exploration of market incentives, broader public accountability mechanisms, and expanded training and technical assistance.

### Reduce intergovernmental complexity

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

- Ecoregions should be the focus and organizing principle for the delivery of environmental services by both state and local governments.
- 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.
- Regional organization 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 state-wide needs.

### Connections

*These recommendations reflect CORE's Minnesota model for organization and apply the model in detail to environmental services. This project is also linked with the administrative rules project, which will further streamline environmental protection and regulation by reducing the number and prescriptiveness of administrative rules in the environmental arena.*

## Human services

### Reform imperatives

- The system is highly complex and fragmented. For example, persons with developmental disabilities are served by 22 programs, 32 funding sources, eight state agencies, 84 county social service agencies and 436 school districts.
- Programs are prescriptive but are not accountable. Minnesota relies on strict adherence to programmatic and financial rules — 1,268 pages of administrative rules for the Department of Human Services alone — but requires few assurances that programs actually improve the lives of recipients.
- The system is not responsive to customer needs. Navigating through the myriad of specialized programs is like moving through a maze, at best. Clients report that the system is confusing and complicated, includes perverse incentives, and is often disrespectful to customers.

## Recommendations

### Organizational structure

39. Establish a secretary of health and human services who reports to the governor and oversees the programs, budgets, and administration of state human services agencies.

- State agencies that should be included under the secretary of health and human services are Health, Human Services, Housing Finance, Veterans Affairs, Corrections, and parts of Jobs and Training.

40. Designate local health and human services districts (HHSDs) using current community health service district boundaries as a starting point. These districts would be created for the purpose of local health and human services program planning and administration. Services would continue to be delivered within communities. Decisions about district health and human services should be made by county commissioners within a district, with votes proportional to the population represented.

### Funding

41. The secretary of health and human services, with the assistance of the health and human services districts and the concurrence of the legislature, should identify target populations, determine service eligibility priorities, and develop a list of health and social services that are eligible for state funding and that constitute a minimum and adequate level of services that meet the basic needs of Minnesota citizens most requiring assistance.
42. Create a new HHSD grant to give local health and human services districts greater flexibility to meet local needs. A basic set of services would be agreed upon as the *minimum and adequate level of services* (see Recommendation 41). All health and human services districts would be required to provide these basic services. This basic level would be funded with no less than 60 percent and no more than 70 percent of available state resources. The remaining 30 to 40 percent of state funds would be allocated in the form of discretionary block grants.

The grant would combine funds from the following current programs: Community Social Services, community health services, Semi-Independent Living Services, Title III

and other non-Medicaid aging programs, non-Medicaid mental health programs, and state-operated residential care funding.

### Outcomes orientation

43. State and local agencies and service providers should fully adopt an outcomes orientation in budgeting, administration, regulation and enforcement, and in direct service delivery.

### Rulemaking for human services

44. Health and human services rules should not be written for every possible scenario but rather to target potentially critical situations. These critical situations are those in which customers have no choice about the degree of risk to which they are exposed and those involving the financial solvency of providers or provider organizations. Rules should outline minimal acceptable standards, rather than the highest possible standards.
45. The secretary of health and human services should be responsible for initiating an agency review and repeal process for existing health and human services rules. Priorities for review should be established and this activity undertaken as agency resources permit.
46. State agencies should permit and encourage regulated entities (such as HHSDs and providers) to apply for waivers from existing rules.
47. Agencies should investigate and implement new methods of enforcement. These new ways would include more use of conflict resolution techniques; provision of technical assistance and oversight in proportion to noncompliance occurrences; peer or citizen

review panels; and rewards and incentives, such as public recognition of exemplary providers and educational opportunities that impart "best practices" principles. The secretary of health and human services should be responsible for ensuring that such methods are sought and used.

48. Agencies should identify and implement meaningful sanctions for noncompliance with agency rules and regulations. Agencies might develop a conflict resolution procedure; increase the use of escalating warnings and probationary status with greater oversight; require customer or peer review input to agencies for determination of sanctions; publicly announce the sanction status of providers; and shift some funding to another provider, among other options. The secretary of health and human services should be responsible for ensuring that this process occurs.

### Customer focus

49. State and county health and human services agencies should clearly define their customers.
50. State and local staff should be empowered to serve their customers.
51. The legislature, state agencies, counties, and providers should work in partnership to empower customers to achieve their goals.

### Connections

*Like the recommendations for budgeting and financial management, these human services recommendations try to focus service delivery on results, rather than procedures. The human services recommendations also complement the*

*administrative rules recommendations to encourage less prescriptive rules and more alternative means to measure performance outside the rule-making process. The human services structure recommended by this project reflects the Minnesota model detailed in the executive reorganization recommendations.*

## Budgeting and financial management

### Reform imperatives

- The budgeting and financial management system has historically emphasized inputs, rather than outcomes or program effectiveness. Of the 977 performance measures reported by 25 agencies in the 1992-93 biennial budget, only 15 percent were even rough measures of program outcomes.
- System incentives encourage managers to spend as much as they can rather than to conserve public funds.
- The system rewards "business as usual" at the expense of emerging priorities.
- Although flooded with financial details, policy makers are not given the information they need to make the tough choices required.

### Recommendations

#### Performance-based budgeting

52. The state should adopt a fully performance-based budgeting system for resource allocation.

53. The performance-based budgeting process should begin broadly with identification of state priorities and agency strategic planning, then be continually narrowed down to specific performance indicators.
54. The state should select a single contractor to provide assistance on a fee-for-service basis to agencies in adopting the performance-based budgeting process.
55. Performance-based budgeting should be used across the entire state budget, including grants and aid and educational systems.

#### **'Use it or lose it'**

56. Agencies should be permitted to carry forward any savings from the end of one fiscal year into the next. Monies could also be carried forward into the next biennium but would have to be spent by the end of the first fiscal year of that biennium.
57. Monies carried forward must be used for investments that enhance the efficiency or improve the effectiveness of the program. Information would be provided to the Department of Finance and the chairs of the appropriate legislative committees after savings are spent to show where the money went and the results of the expenditure.

#### **Legal levels of control**

58. The legislature should evaluate the existing structure of legal levels of budgetary control to eliminate any levels that are no longer needed.
59. Legislation should be drafted that would encourage the inclusion of performance indicators in legislation and rules wherever possible, instead of creating additional levels of control for program monitoring.

#### **Agency transfer restrictions**

60. The transfer process for interfund transfers should remain the same.
61. Agencies should be permitted to transfer monies between programs within the same fund without authorization. The agencies would inform the Department of Finance and the chairs of the appropriate finance committees of the transfer once it is completed.
62. All agencies should be given standard transfer authority in statute.

#### **Complement control**

63. The complement control system should be replaced with a system of quarterly full-time-equivalent reporting, already available through the state payroll system and used yearly to provide state employment counts to the U.S. Department of Commerce for a nationwide comparison of public employment.

#### **Connections**

*The outcome orientation of the budgeting and financial management recommendations is reflected in all of the CORE projects. All of CORE's recommendations demonstrate a new focus on results, rather than on inputs or processes. The recommendations for a performance accountability model — which moves from broad goal setting at the agency level to linking those goals to the work plan and performance of specific employees — are directly reflected in the human resources management recommendations for training and performance management.*

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## Human resources

### Reform imperatives

- State agencies perform no strategic work force planning.
- A lengthy recruitment and examination process fails to meet agency hiring needs.
- Complicated layoff procedures are disruptive and can result in skilled employees being removed from their positions and replaced by unqualified individuals.
- Classification systems are cumbersome and inefficient. The state currently attempts to administer 2,179 classifications.

## Recommendations

### Systemwide changes

64. Establish a human resources strategic planning process that includes all three branches of government. This process should be part of a comprehensive strategic plan for state government service and delivery, and it should form the foundation for human resources planning in each state agency.
65. Restructure the state's human resources function through decentralization of authorities and responsibilities to state agencies.
66. Reshape the state's organizational cultures and values by: clarifying mission, vision and values; communicating the new organizational values to employees; training employees in the application of the new values to their work behavior and decision making; and

recognizing and reinforcing behavior based on the desired cultural values.

67. Continue to develop a human resources management information system that can support the CORE reform recommendations.

### Hiring and deployment

68. Establish systems to enhance and facilitate the flexible deployment of state employees to quickly and efficiently satisfy needs identified through work force planning for short- and long-term temporary assignments throughout the state.
69. Develop a centralized recruiting effort to obtain access to more protected-group applicants and to help hiring managers and supervisors recruit for unique, high-level or hard-to-fill positions.
70. Make available a range of assessment techniques to qualify and evaluate candidates.
71. Hire for specific jobs, not general job classifications. Revise the current system to encourage the conduct of the hiring process on a position-specific basis whenever feasible. Focus on assessing candidates on the particular knowledge, skills, abilities, and experience related to the specific position that the hiring authority is seeking to fill.
72. Implement a data base of hiring-related information accessible to all agencies.

### Classification and compensation

73. Establish a job evaluation structure that modifies the current system to clearly identify compensable factors and introduce market considerations.
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74. Develop compensation strategies that integrate broad-banding, target salaries, skill- and knowledge-based pay, variable pay programs, and reward systems to support a move to flatter organization structures, allow greater job-to-job mobility, and encourage employee development.
75. Develop a classification system that organizes work within occupational families and broad classifications, defining within each family three levels of the career path: entry/developmental, full performance, and senior/expert.

### **Performance management**

76. Replace the present employee performance appraisal process with a performance management model built around customer needs and designed to improve organizational, work unit, and individual employee performance.

### **Training and development**

77. Link training and development decisions to organizational goals, objectives and performance, using performance-based budgeting, performance management, and compensation to reinforce the link.
78. Refocus the state's centralized training function on coordinating, facilitating and tracking, rather than on delivering, training.
79. Establish mechanisms and interagency, inter-organizational relationships to maximize training resources and facilitate cooperation and the sharing of employee learning opportunities.
80. Redefine *career development as employee development* to emphasize professional

growth rather than promotion. Improve employee access to training and development options and opportunities.

81. Respond to the following specific needs that were expressed by stakeholders:
- retraining
  - managerial skills
  - technology skills
  - customer service skills
  - knowledge of quality improvement principles and tools
  - employee orientation
  - training for changes resulting from CORE

### **Creating consistency**

82. Because the state is one employer, the three branches of government should increase equity and consistency in their human resources management practices by:
- Having one policy governing affirmative action, equal employment opportunity, and sexual harassment to ensure that each branch is equally accountable for its actions.
  - Mandating pay equity for all branches to ensure that positions that are valued equally by the employer receive equitable pay.
  - Using a common job evaluation system for all three branches to allow the state to monitor and compare employee compensation across all three branches.
  - Adopting one classification system to

facilitate employee deployment and enable cross-branch comparison. The classification model recommended by CORE is broad enough to accommodate the diverse needs of each branch while allowing for statewide consistency and comparison.

83. During the implementation of any recommendations for the executive branch, the changes should be discussed with the other two branches to keep them informed and to foster consistency where needed. Adoption of a single human resources management system is possible if all branches see that the new system is more flexible, is easily administered, and successfully meets the needs of all users.

## Connections

*The human resources management recommendations share with the budgeting project the CORE performance accountability system model that replaces the existing input-focused management system with a system focused on customer needs and end results. This model creates a linkage between the work of individual employees and the outcomes of a program or agency.*

## Rules

### Reform imperatives

- The legislature has often delegated its policy-making responsibilities to agencies to be carried out through rulemaking. Consequently, agencies may spend many months or years in rulemaking trying to resolve issues that should have been settled by elected officials.

- Because of broad grants of authority given to agencies, administrative rules increasingly set policy rather than implement legislative initiatives.
- The legislature has little oversight over agency rulemaking. Strengthening its rulemaking oversight and amending some parts of the Administrative Procedure Act would provide, among other things, a better informed public that participates more in rulemaking.
- Governors could be, but have not been, involved in rulemaking. A strong oversight role for the governor would increase executive branch accountability for rulemaking.

## Recommendations

### Delegation of rulemaking authority to agencies

84. The legislature should limit and focus future legislative delegations of rulemaking powers.

The legislature should require agencies to prepare rule notes for bill provisions authorizing or requiring rules that may significantly affect the delivery of a service, or result in significant burdens on agencies or others.

85. The legislature should review and limit past delegations of rulemaking powers.

The Legislative Commission to Review Administrative Rules, with the cooperation of the Revisor of Statutes and House and Senate Research staff, should report to the 1994 legislative session the frequency with which broad grants of authority are used to adopt rules and their use in defining policy and procedural direction.

86. Legislative leaders should require serious scrutiny of bills before delegating rulemaking authority.
87. The legislature, in establishing rulemaking mandates, should indicate what it expects will be achieved, should direct the agency to specify expected outcomes in the rule, and should state a deadline for the agency to have rules in place.
88. Where rules will have major cost impacts on large numbers of affected parties, the legislature should require agencies to carry out structured cost-benefit analyses.
89. The legislature should carefully examine the desirability of giving small agencies rulemaking powers if it does not fund them to perform all their functions, including rulemaking.

### **Accountability for rules**

90. The governor should have the opportunity to review and comment on all rules just before their adoption by commissioners.
91. The governor should be instrumental in seeking clarification of delegations of authority from the legislature when policy direction is needed.
92. The legislature should limit rulemaking authority to governor-appointed commissioners.

### **Oversight of rulemaking**

93. The legislature should examine its current mechanism for rules oversight and either strengthen it or replace it with a new organization.

94. The Legislative Commission to Review Administrative Rules or a new joint governmental operations committee should annually evaluate the scope, volume and clarity of rulemaking authorizations.
95. The Legislative Commission to Review Administrative Rules or a new joint governmental operations committee should coordinate activity to ensure that policy committees have information about adopted rules — particularly those adopted following a public hearing — and the provisions of the legislation under which they were adopted.

### **The Administrative Procedure Act**

96. An agency should be required to publish a notice summarizing questions to be considered in the proposed rule, whether an agency intends to form an advisory task force, and a list of persons or associations the agency intends to invite to serve on an advisory task force.
  97. The Administrative Procedure Act should be amended to require those who petition for a public hearing to specify their objections and to include their names, addresses, and telephone numbers.
  98. The legislature should clarify criteria for statements on the impact of rules affecting agricultural land, small businesses, or local governments.
  99. The legislature should provide the chief administrative law judge and the attorney general with another process for incorporating substantial changes introduced after the proposed rule is published.
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100. In their statement of need and reasonableness, agencies should be required to list the alternatives they considered before deciding to propose a rule.

### Initiatives by state agencies

101. Agencies should review existing rules and repeal those that are obsolete.

102. Agencies should seek exemptions from the rulemaking process for specific fee rules.

103. Rule interpretations or other educational documents should be exempt from Administrative Procedure Act rulemaking requirements.

104. Agencies should make better use of rule variances or waivers to facilitate the use of outcome measures.

105. To better notify the general public of rulemaking activity, agencies should provide more useful information about proposed rules throughout the state.

106. Agencies should circulate proposed rule language before it is published and ask affected parties to develop impact assessments based on this draft.

107. The Attorney General's Office should simplify the approval of rules adopted without a hearing.

108. The *State Register* publishers should reduce the time it takes to proofread, edit, and prepare for publication each of the three rule notices required by the Administrative Procedure Act — the notice to solicit outside opinion, the notice of intent to adopt a rule, and the notice of adoption.

109. Agencies should use neutral third parties in some highly controversial rules negotiations.

110. Agencies should organize their rulemaking resources for maximum benefit.

### Connections

*Administrative rules figure prominently in the delivery of environmental and human services. Recommendations to reduce the prescriptiveness of rules as well as to eliminate unnecessary rules and encourage exceptions to better focus on outcomes are reflected in the recommendations for the environmental and human services systems. Creating outcome-based rules builds on the results orientation of the budgeting and financial management project.*

### Electronic data interchange

#### Reform imperatives

- Electronic data interchange is a proven method for re-engineering business processes; it is already widely used in the private sector for a number of information exchanges like purchasing and payment.
- EDI often results in substantial cost savings over paper-based business systems.
- The state lags far behind its private-sector business partners in developing EDI systems.

## Recommendations

111. An EDI system should be implemented for statewide application before the Statewide Systems Project comes on line.

The Department of Administration's investment initiative for contract purchasing would be a good starting point for EDI, and would allow the state to gain experience in dealing with the process, technology, and communications. In addition, this application would facilitate a true assessment of cost reductions and the means to achieve them.

112. The state should implement EDI through a PC-based system.
113. State government should expand its use of EDI.

Areas offering significant opportunity include health care, vendor payments, and information exchange.

114. The state EDI Committee should be responsible for coordinating the development of EDI technology in state government.
115. State government should be involved in developing EDI standards and practices.

## Connections

*Recommending EDI to redesign business processes at the state demonstrates a focus not only on efficiency, but also on responsiveness to the state's clients. Thus, the EDI project echoes the major focus points of the other CORE projects.*

## Quality improvement initiative

### Reform imperatives

- The basic tenet of the quality improvement philosophy is customer satisfaction, and CORE's vision defines customer- and client-driven service delivery as a top priority in its reform proposals.
- A quality approach focuses on the continual improvement of processes, and CORE recognizes that processes must be analyzed and redesigned to make government operations more efficient.
- A quality approach would precipitate a cultural change in government, which would help ensure that CORE's structural redesigns achieve success.
- Building continuous quality improvement practices into CORE's long-term systemic improvement strategy could mitigate the need for future reform efforts.

## Recommendations

116. If the governor and legislature are committed to providing quality services to the state's citizens, they must support and reward innovation, partnerships, and risk-taking in the use of quality tools in state government.
117. The development and implementation of quality initiatives should be the responsibility of each cabinet agency. New initiatives should be developed with the input of quality improvement experts and key exter-

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nal and internal government stakeholders, including: state managers, state employee bargaining units, interested legislators, the Minnesota Council for Quality, private-sector business executives, and the Minnesota Quality Initiative.

118. Cabinet strategies should seek to accomplish the following:

- Establish vehicles to obtain regular customer and client feedback on state service delivery.
- Provide access to training on quality concepts and practices for state employees.
- Develop coalitions with key stakeholders in the public-sector quality movement, especially state employee bargaining units, the Minnesota Quality Initiative, the Minnesota Council for Quality, and private-sector business.

- Match public or private organizations that are willing to serve as mentors or volunteer consultants with state agencies implementing quality improvement projects.
- Determine how to dedicate resources to carry out agency quality initiatives.

## Connections

*A quality initiative encourages the development of a state government that is more reflective of CORE's vision by creating a forum for agencies to realize constant improvement in all of their business activities. As a result, improvements are likely to be demonstrated in the efficiency and effectiveness of the state agencies that have participated in quality improvement projects. The cultural change and systems improvements resulting from a quality initiative are important to the success of all CORE recommendations.*

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## CONCLUSION

**T**he Commission on Reform and Efficiency believes that, despite Minnesota's reputation for excellence in government, citizens and taxpayers should not be satisfied with the status quo. CORE is proposing sweeping and innovative reforms that will transform state government. If CORE's recommendations are fully enacted:

- government will be better managed
- government will provide vastly improved services to citizens

- government will deliver greater value to taxpayers by saving as much as \$173 million over the first five years of implementation.

CORE fully realizes that its recommendations will be controversial and that many affected groups will fight to protect the status quo. However, Minnesota's citizens and elected public officials have a historic opportunity to reach beyond partisanship and narrow, special interests to find the political will to champion real reform.

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