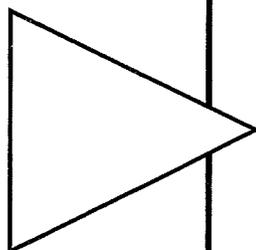


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Doing Things Better



Innovation, Cooperation and Quality

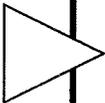
**The Governor's Council on
Government Innovation**

March 1994

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March 1994



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Doing Things Better: Innovation, Cooperation and Quality

A Report on Improving Public Services Delivered by Local
Governments and Public Education Providers

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SUMMARY

Governor Arne H. Carlson created the Council on Government Innovation to recommend an action agenda for reducing costs and improving the quality of public services to Minnesota citizens. The council's recommendations reflect its belief that local governments, public schools and higher education institutions have a special obligation to find the best arrangements for meeting citizen's expectations for public service value.

Like any other goods or service in the marketplace, public services must compete for people's money. The council believes that people willingly will pay for public services only when they think they get value in return. As purchasing agents for citizens, public officials must be smart consumers. They must measure results and continually search for ways to improve services. The state must give local units the flexibility to implement creative solutions.

Recommendations

The council's recommendations are directed at state government, local units and the private sector.

- The state should require that county attorneys, sheriffs, recorders, auditors and treasurers be appointed.
- The Legislature should simplify and clarify the state's data privacy laws.
- The state should make it easier for local governments and school districts to consolidate.
- The state should distribute a portion of state aids to local governments, schools and higher education institutions based on measured performance.
- The state should publish comparative data on local service levels and costs that allows local officials and citizens to better evaluate public service delivery systems.
- The Board of Government Innovation and Cooperation, the Governor and the Legislature annually should pass a bill to remove mandates that unnecessarily limit the ability of local units to solve problems locally.

- The state should free public service providers to make changes in their personnel systems to attract, motivate and retain employees with skills necessary to produce and deliver public services efficiently.
- The state should actively promote collaboration and cooperation among local governments, schools and other service providers.
- Governing boards and managers of local governments, schools and higher education institutions should encourage entrepreneurial behavior in public service organizations.
- Local governments, school districts and higher education governing boards periodically should assess their service delivery arrangements and consider alternative arrangements.
- Local governments should use new information technology to improve delivery of services to citizens and the exchange of information with citizens.
- The Minnesota Council on Quality should create a public-sector category in the Minnesota Quality Award program.

INTRODUCTION

Governor Arne H. Carlson created the Council on Government Innovation in January 1993 to recommend an action agenda for reducing costs and improving the delivery of public services. The council included leaders from county, city and township governments, as well as from business and elementary, secondary and higher education.

In this report, the council offers a set of principles and recommendations to create an environment in which public services regularly are tested for value and continually improved.

This report reflects the council's belief that government is both a provider and a producer of public services. Government's first responsibility is to decide, on behalf of citizens, which services to provide. An equally important but separate decision is how to produce and deliver each service. The challenge to elected officials and public service managers is to find the best arrangements for meeting citizens' expectations for value. This requires a clear focus on desired results, measurement of outcomes and a commitment to continuous improvement.

The council focused its attention on local government and education, but many of the principles in this report apply to all units of government.

UNDERLYING PREMISES

In the course of its discussions, the council came to agreement on several basic findings. These findings are important underlying premises for the council's recommendations.

■ **Citizens want value for their money. They do not want cutbacks in public services.** There is no public outcry to reduce the level or quality of services. People are concerned about value and cost. For the past two decades, the amount Minnesotans have paid to state and local governments has remained steady at about 19 percent of their personal income. While they want better services, they are not likely to be willing to pay more taxes or fees.

■ **Results require more than money.** It takes more than money to guarantee good results. It also takes good management and a commitment to value from employees and citizens who have the information necessary to make wise judgments about value. Good managers find optimal combinations of skilled people, technology and good ideas to produce and deliver services efficiently. What schools and local governments buy is as important as how much they spend. They must spend wisely, choosing service delivery arrangements and producers, public or private, that can deliver quality results at an acceptable cost.

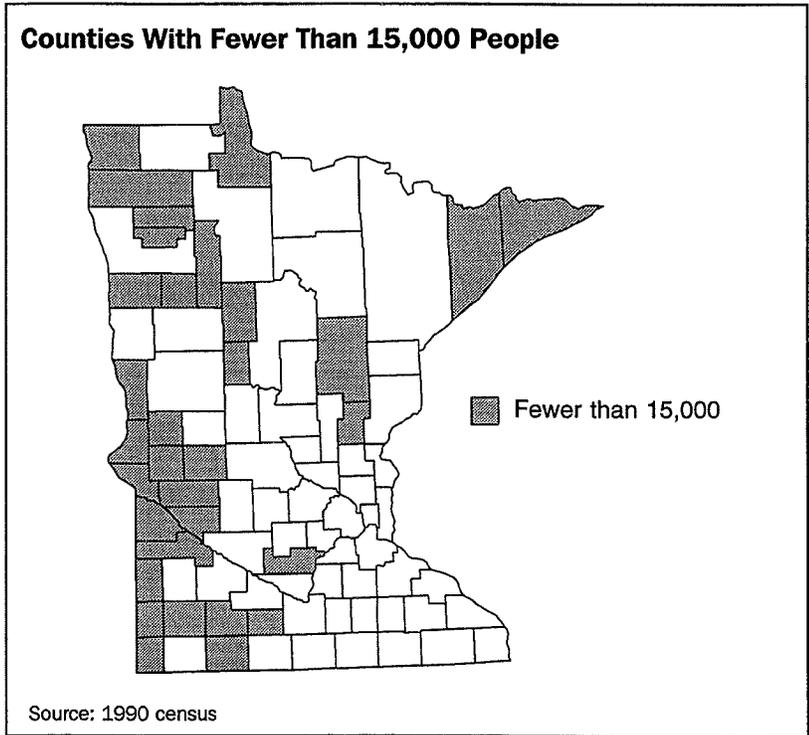
■ **Many Minnesota local governments and educational institutions are leaders in collaboration and innovation.** In the course of its work, the council learned about dozens of innovative initiatives across the state. Examples include neighboring townships and cities sharing computers, counties placing social workers in schools and cities sharing fire departments, city prosecutors and planning departments. A 1992 League of Minnesota Cities study found that 90 percent of surveyed cities were engaged in at least one cooperative or joint agreement with another government. In early 1994, officials in several Minnesota cities and counties, large and

small, were discussing proposals for merging city and county departments.

■ **Consolidation may be an attractive money-saving option for many small local governments, but collaborative arrangements can achieve many of the same savings.** Minnesota has 31 counties with fewer than 15,000 people; 13 counties have fewer than 10,000 people. The state has 385 cities with fewer than 500 people. Some of these cities and counties are too small to support a full complement of county and municipal officers. Consolidation, however, often is politically difficult. State law makes county consolidation particularly difficult. Where consolidation is not practical, collaborative arrangements – whether they be merged departments or contracting for services – can save taxpayers' money.

■ **Independent election of county executive officers dilutes executive authority and discourages innovation and collaboration.** Strong executive leadership is a prerequisite for business-like government administration. Independent election of county attorneys, sheriffs, auditors, treasurers and recorders undermines accountability and dilutes a chief executive's ability to direct key elements of government. Innovation and collaboration require strong leadership. Too often, independently elected officials have a vested interest in preserving the status quo.

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■ **The state bears much of the responsibility for creating an environment favorable for innovation in schools, colleges and local governments.** State laws create the legal and fiscal environment in which schools, colleges and local governments must operate. State laws define the powers, responsibilities and revenue-raising abilities of local units. Numerous state laws and regulations impose requirements on schools and local governments. On the positive side, the state provides substantial amounts of financial aid and makes available many mechanisms through which local governments, schools and higher education institutions can cooperate or consolidate. The state is in a unique position to encourage innovation by removing requirements that limit the ability of local officials to try new service delivery methods.

THE PUBLIC SERVICE CHALLENGE

Minnesotans annually spend some \$20 billion for public services – an amount approaching \$5,000 for every man, woman and child. With public services as with houses, cars, appliances or groceries, they expect value for their money – high quality at a good price.

The council believes there is no substitute for measuring results. Public service providers must always be willing to try new ways of providing and producing services to improve results. Today's way of doing things should never be sacred. Governments, like businesses, always must be ready to change.

The most routine events of everyday life, including such things as driving to work, sending children to school, drawing water from the tap and going to the library or skating rink, depend on public services. Some of the most basic services are things rarely thought about, such as traffic lights, sewer connections and the peace of mind made possible by health and safety inspections of public accommodations.

Public services are not free. Like every other goods or service people buy, public services are produced from materials and labor that have a price. The challenge to governments is to make available, whether publicly or privately produced, the services people want at a satisfactory price and quality.

Public Services Defined

At first glance, public services seem easy to define: they are services produced by government employees. But consider that:

- Public employees collect garbage in some cities, but private haulers do it in other cities.
- Private corporations produce and deliver electricity in many cities, but other cities have municipal electric utilities.
- Some communities in other states purchase fire protection services from private firms; many communities in Minnesota use volunteer firefighters.
- Some public school districts have hired private firms to manage their schools.

All of these services are public, even when they are produced by a private enterprise. In fact, most government-produced services could be produced by private firms and sold to individuals in the marketplace. The decision to make a service public usually reflects a judgment that the service benefits more than the individual consumer. For example, public provision for education is in the public interest because everyone benefits from having educated citizens. Similarly, the decision to have garbage collected is not left to individuals because a decision by an individual not to have garbage collected harms others.

The government decision to arrange for a service, not the decision to produce it with public employees, makes it a public service. A government can make many kinds of arrangements for provision of a service. It can purchase actual production of a service from its own employees, a neighboring governmental unit or a private firm. Sometimes, a government makes a service public by simply requiring citizens to buy it. Thus, garbage collection is a public service even when citizens must arrange for collection themselves.

In this view, the providers of public services are really the governing boards that make purchasing arrangements on behalf of citizens. As providers, they must specify performance standards, choose among producers based on price and quality, and hold service producers accountable.

Competition for People's Money

Minnesota state and local governments spend about \$250 for every \$1,000 in personal income – about 12 percent above the national average. They collect about \$230 for every \$1,000 in personal income from taxes, fees and charges.

People only have so much to spend on public services. Every individual, family and business makes decisions about how much to spend and how much to save. They are willing to give up a significant portion of their income in exchange for public services when they receive things of value in return – education for children, protection from criminals and smooth roads, to name a few.

But most people prefer to spend most of their income on personal needs and wants. Public services, like any other service or product in the marketplace, must compete against these needs and wants for people's money.

The Market Test

The people who pay for and use public services are like consumers of any other product: they want quality at a fair price.

If they do not think they are getting value for their money, they will balk at paying. Given the choice, they will look for a better value from another source, such as a private school, security firm or garbage hauler.

Consumers of public services have less freedom to choose vendors than do consumers of goods and services in the private marketplace. A dissatisfied consumer easily can change brands of soap or automobile, but switching to a different police department or water utility is usually impossible without moving.

Taxpayers expect to receive good results from their investments in such things as human services, schools or the criminal justice system: people with independent living skills, competent graduates, and rehabilitated or incarcerated criminals. Similarly, if the needs of the clients of government services are not satisfied, the services do not meet fully the value test.

Facing Economic Reality

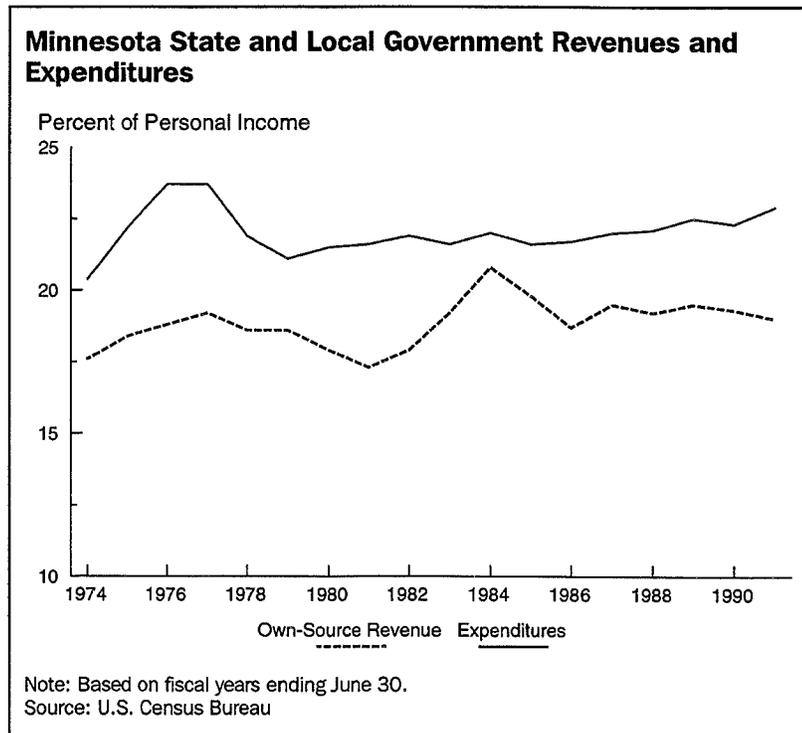
Minnesota cannot, and should not, hope for economic windfalls to solve its fiscal problems.

For the past 20 years, Minnesota governments have claimed a fairly steady share of their citizens' personal income. State and local general revenues (excluding such things as public utility and liquor store revenues) have ranged between 17 and 20 percent of total personal income.

Even though government revenues remained at a fairly constant share of personal income, inflation-driven increases in tax revenues during the 1970s made possible large increases in government revenues and spending. Minnesotans were able to increase spending on public services without increasing the share of their income going to government.

Most Minnesotans do not want to give more of their income to government than they do now. With income tax brackets now indexed for inflation, large increases in government revenues and spending are impossible without real gains in personal income.

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Strong gains in personal income no longer can be assumed. Expansion of the national economy has slowed over the last decade. Despite the recent upturn, many economists expect slow growth over the next 20 years. The United State's gross domestic product grew at an average annual rate of 2.6 percent between 1965 and 1991. The economy is expected to sustain that rate until 2000, but then slow.

Several factors make rapid economic growth unlikely:

- Labor force growth over the next 25 years is expected to be only half the rate of the previous 25 years.
- Household savings rates are expected to continue to decline, making less money available for business investment.
- Productivity is expected to increase more slowly than during the past 25 years.

On the bright side, the state demographer predicts that Minnesota's dependency ratio – the ratio of the dependent population (those too young or old to work) to the working-age population – will continue to fall until 2010, when baby boomers start to retire. The prospects for many parts of the state, however, are less optimistic.

- Northeastern Minnesota and most agricultural counties of western and southern Minnesota will continue to lose population between 1990 and 2020.
- Many of these same counties will have 15 to 30 percent declines in prime work-force age groups.
- While dependency ratios will fall in most agricultural areas and in northeastern Minnesota, dependency ratios in the state's leading urban areas will rise due to the rapid growth of the population over age 65.

The Need to Break the Mold

Delivering public services in the same old way likely will mean higher taxes, fewer public services or both. Either result would make Minnesota a less desirable place to live.

The option is innovation: finding new and better ways of doing things. Innovation requires breakthrough thinking – fully understanding a problem and imagining new ways of combining

money, technology and labor to produce better and less expensive services.

Successful innovation requires understanding the relationship between process and outcomes, and knowing how to do something differently to produce better results. Innovation is not accidental. It requires constant and deliberate evaluation, along with the willingness to change behaviors and processes. Measurement of performance against desired outcomes is a prerequisite for improving service delivery. Managers and front-line workers must be on the lookout for new technology and methods every day. By expanding possibilities, breakthrough thinking can save money and improve services.

PRINCIPLES FOR REDESIGNING PUBLIC SERVICES

Seven basic principles drive the council's recommendations.

Results Matter

Citizens care more about value than how a service is produced. Decision-makers must be clear about what results are desired and choose service delivery arrangements that produce the best results at the lowest cost. Results must be measured and reported so that both policy-makers and citizens can make informed choices and providers and producers can be held accountable.

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Decision-makers must evaluate alternative service-delivery arrangements based on the results they produce. Teachers, police officers, snow plows and freeway lanes all are means to a desired outcome. Decisions to buy more of any labor, technological or material input must be based on whether its deployment will produce results. The challenge for public service managers and elected officials is to create service delivery arrangements that produce the best results at the least cost. They must evaluate all purchases against this standard. What matters is educational outcomes, not the number of teachers; movement of people and goods, not miles of freeway.

People Care About Value

Citizens behave like customers. They willingly buy public services that meet their expectations for value. Citizens resist paying taxes or fees for services that do not meet their test of value. Their reactions to cost and quality are valuable clues for public managers striving to satisfy their customers.

Because citizens care about price and quality, government officials and managers should never assume that the low bid is the best bid. They must be certain that the bid winner can fully meet all performance standards.

People Benefit From Choice

When people or governments are able to choose vendors based on quality and cost, service producers must compete. Competition forces service producers to pay attention to cost and quality, increasing the chance that people will get the quality they want at the lowest possible price.

This principle is no less true in the public sector than in the private. When producers of public services, be they government agencies or private firms, know that the customer can turn to a competitor, they have an incentive to perform. They need to know that governing boards can turn elsewhere, perhaps to another local government or a private contractor, for the services they produce. Public employees need to act more as entrepreneurs bidding for a public contract and less as privileged employees of their governing boards.

This principle suggests that, whenever practical, governments should create public service delivery arrangements that give consumers options and encourage competition.

Public Spenders Have a Public Trust

Those who purchase public services on behalf of citizens have a public trust. They have an obligation to give decisions about buying snow removal, police protection or student transportation the same sort of scrutiny consumers give to buying cars or groceries. Smart comparison shopping requires diligence on the part of the buyer, along with understandable information about the value and costs associated with alternatives.

When elected officials approve agency budgets or enter into contracts with private producers, they are acting as purchasing agents for their citizens. They need to deliberately compare the costs not only of alternative levels of service, but also of alternative ways of providing a particular service. They must balance their political obligations to interest groups and government employees with their responsibility to spend wisely on behalf of all citizens.

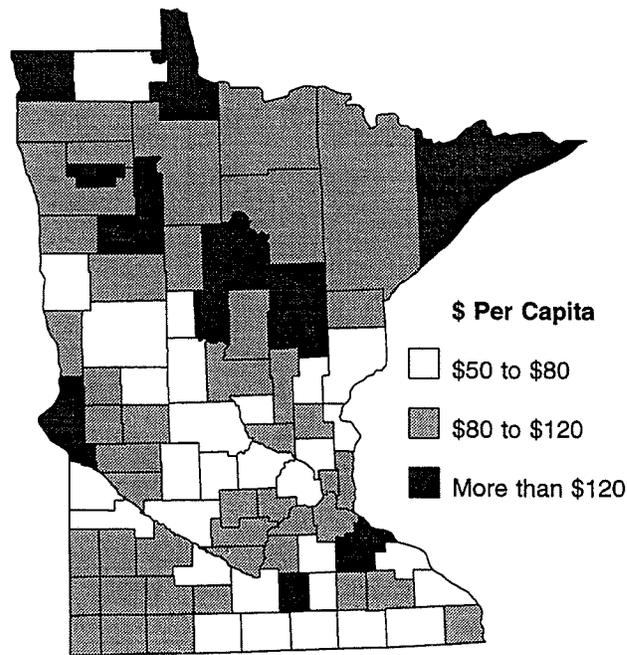
Good Government Is a Matter of Design

Local governments and school districts need adequate fiscal means and the legal authority to serve their communities well. They need appropriate freedom to organize and structure themselves to respond to local circumstances. Their ability to raise revenues must match their needs.

The state, as architect of a state-local government system, is obliged to provide a local government system that can deliver public services of high quality and low cost. The Legislature must ensure that citizens have governments of appropriate size

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County General Government Expenditures, 1991



Source: State auditor

and with necessary legal and fiscal capabilities to meet their service needs.

Minnesota has many small cities and counties. Larger units are not necessarily more efficient than smaller units, but small cities and counties are less able to afford their own library systems, law enforcement agencies, planning departments or attorneys. The 31 counties with fewer than 15,000 people had current general government expenditures averaging \$117 per capita in 1991, compared with only \$79 for the 22 counties with more than 30,000 people. Cities with fewer than 2,000 people had per capita current general government expenditures of more than \$80, compared with \$55 for cities with more than 20,000 population (excluding Minneapolis, St. Paul and Duluth).

Creativity Is a Seedbed for Solutions

Changing times require innovative approaches. Creativity is no less important in government than in the world's leading corporations.

State rules or mandates that unnecessarily prescribe the way services must be delivered discourage innovation. A better approach is for the state to set standards for outcomes and hold public service providers accountable for performance. Given latitude to experiment with new ways of doing things, local governments and school districts can be seedbeds for innovation.

In an environment of high expectations and trust, local governments and educational institutions have a remarkable capacity to dedicate themselves to achieving excellence. When given the means to succeed, local managers and employees can create solutions that improve public service value.

Collaboration Expands Opportunities for Innovation

Working together increases possibilities for creative solutions. Everyone wins when elected officials and public service managers look beyond agency and political boundaries in search of solutions to common problems.

Simply put, collaboration is the act of cooperating with another agency or government for mutual benefit. It can take many forms, such as arrangements to share equipment or staff, merged operations or departments, or purchase of services from a neighboring government.

Cities can collaborate with other cities and school districts with other school districts, but collaboration does not have to be limited to like kinds of governments. Schools can cooperate with cities, cities with counties, counties with townships; there is no limit to the combinations.

Collaboration can be a practical alternative to consolidation. Consolidation of small jurisdictions can lower the costs of some services by saving administrative costs, eliminating duplication and making possible economies of scale. Most small cities, however, are in rural areas where mergers are more difficult. For them, it may be more feasible to contract with the county for selected services.

Consolidation makes more sense for some services than others. For example, while it may be efficient for each small city to have its own recreation center, only larger jurisdictions can justify having their own highly trained hazardous waste response team. In other cases, consolidated efforts can make specialization possible. For example, five cities might each have their own building inspector, but together, they could form a joint five-person staff with inspectors with different specialties working part time in each city. The optimal geographic size for efficient delivery varies widely among services. Collaborative arrangements can provide local governments with more flexibility than would consolidation for taking advantage of these different size-cost relationships.

Sharing facilities or merging individual departments, rather than totally consolidating jurisdictions, also has the advantage of preserving each cooperating local government's political autonomy as a purchasing agent for its community.

Opponents of consolidation who fear losing "community identity" are often expressing a legitimate fear of losing local control over public service spending decisions. Proposals for consolidation should distinguish between consolidation of service production and consolidation of governing boards. Political consolidation may not always be necessary to achieve the desired efficiencies.

RECOMMENDATIONS

The council believes elected officials, managers and employees in local government and education constitute a vast reservoir of creativity for improving public services. The following recommendations directed at state, local and private officials will help release those creative energies.

State Action

The legislature should amend Minnesota statutes to require that county attorneys, sheriffs, recorders, auditors and treasurers be appointed by the board of commissioners.

Policy-makers should be elected. Administrators should be appointed by policy-makers. High-performance government requires professional managers with authority to act. Election of multiple executive officers diffuses administrative authority and weakens accountability to voters.

About 45 of Minnesota's 87 counties have appointed administrators or coordinators. Their ability to manage county administration is limited by elected administrative officers, such as attorneys, sheriffs, recorders, auditors and treasurers. Attorneys and sheriffs are elected in all 87 counties. Only four counties (Anoka, Hennepin, Blue Earth and Ramsey) appoint auditors, recorders or treasurers. Many counties have combined the offices of auditor and treasurer, but continue to fill the office by election.

Even though Minnesota Statutes 375A gives counties the option to appoint auditors, sheriffs, treasurers or recorders, the four counties with appointed officers have obtained special local legislation to sidestep the statutory referendum requirement.

Appointment of these officers would make them accountable to elected county boards that are responsible for efficient overall management of the county. Appointed officials, hired for their professional skills and experience, are more likely to bring modern management practices to county government.

By comparison, city mayors, managers and administrators have greater freedom to act because they need not compete with other elected executive branch officials. City chief executives hire city attorneys, police chiefs and financial officers with the consent of their elected city councils. Appointment of sheriffs and other

county officials might make mergers of city and county offices more feasible. A proposal to merge county and city law enforcement agencies in Blue Earth County was abandoned in part due to opposition from elected sheriffs across the state.

The Legislature should simplify and clarify the state's data privacy laws.

Data privacy laws need to be carefully reviewed and modified, where necessary, to facilitate efficient delivery of services. Data privacy laws are important to protect individuals from inappropriate use of personal information. But, too often, the difficulty of complying with hundreds of data privacy provisions discourages the sharing of information by public agencies necessary for seamless delivery of services to clients.

The basic concept of the Minnesota Government Data Practices Act (Minnesota Statutes 13) is simple: all data is public unless it is elsewhere classified as nonaccessible. The law makes two kinds of data on individuals and decedents nonaccessible: Private data is accessible only to the subject of the data, and confidential data is available publicly to no one, including the subject of the data, after it is collected.

One problem is the many exceptions to the general rule that are scattered in dozens of places throughout statutes and rules. A League of Minnesota Cities manual lists 60 examples of private or confidential data on individuals from Chapter 13 alone.

Statutes for consolidating local governments and school districts should be amended to make consolidation of political jurisdictions easier.

Consolidation is both politically and administratively difficult. The Legislature needs to ensure that the process for consolidating all kinds of local units is practical. In addition, after the merger of the community college, technical college and state university systems is completed, the Legislature should encourage merger of individual institutions when appropriate.

In particular, the process for consolidating counties (Minnesota Statutes 371) should be amended to make consolidation easier. The petition and referendum requirements in current law stack the odds against county consolidations. The requirements for initiating and completing consolidation of cities are much easier.

After nearly 150 years of statehood, Minnesota should carefully re-examine the entire architecture for local government, adjust-

ing boundaries and reassigning powers and responsibilities as necessary to create a responsive and cost-effective system. The state should strongly encourage consolidation where necessary for economical service provision. Toward this end, the state should ensure that citizens have comparative information about public service costs so they can evaluate the pros and cons of consolidation.

The Legislature should develop means for distributing a portion of state aids to local governments, schools and higher education institutions based on measured performance.

State aids account for about 30 percent of city and county revenues, about 25 percent of township revenues and about 60 percent of school district revenues. State taxpayers want these funds spent wisely. The state should apportion a large share of state aids to local units according to fiscal need, while creating incentives for local units to improve efficiency and performance.

Measuring performance or efficiency is not easy. Communities face unique circumstances that make comparison difficult. Still, it should be possible to develop minimum standards and measures for comparing local government performance that can be used in distributing state aids.

Because results are what matters, the Legislature and state agencies should exercise great restraint in imposing mandates that prescribe or limit the ways local governments and education agencies do their work. Instead, the state should set standards for results and base funding on achievement. Such a strategy forces the Legislature to be clear about what it is paying local governments to do and creates incentives for local units to achieve intended results.

The state should collect and publish comparative data on local government service levels and costs in a format that citizens and local officials can use to evaluate public service delivery systems. Appropriate state agencies should publish similar information for schools and higher education institutions.

It is difficult for citizens and government officials to know how well they are doing compared with other communities. With such information, communities could develop benchmarks, or performance targets, based on best practices in other communities. In some cases, such performance information will indicate the need for reorganizing or consolidating service delivery.

The state auditor publishes annual revenue and expenditure comparisons for all local governments, but direct per capita comparisons are often misleading because communities face different needs and costs. In addition, raw expenditure data says nothing about either the level or the quality of services provided.

Equally important is information about how the communities with the lowest costs or highest quality achieve their results. Best management practices need to be discovered, publicized and emulated.

Based on barriers documented in applications to the Board of Government Innovation and Cooperation, the Governor and the Legislature annually should pass a Local Government Empowerment Act removing unnecessary mandates and other restrictions that limit the ability of local governments, school districts and higher education institutions to solve problems locally.

The 1993 Legislature created the Board of Government Innovation and Cooperation with authority to grant local government requests for waivers from state administrative rules and procedural laws governing service delivery. Applicants must describe how the exemptions will improve service outcomes. The board must accept comments from affected agencies, local employee representatives and other interested parties before making a ruling.

The applications could be a rich source of information about state-imposed barriers to innovation. The board is required to submit an annual report on mandates. The report should identify explicitly mandates that can be eliminated. The Legislature and the Governor should take advantage of this information to eliminate mandates that discourage or preclude innovative local solutions.

The state should free public service providers in state and local government to make changes in their personnel systems to attract, motivate and retain employees with the skills necessary to produce and deliver public services efficiently.

Local governments should take greater responsibility for their personnel systems. State law now regulates some local personnel systems in great detail. Major provisions of the civil service systems of Hennepin, Dakota, Ramsey and St. Louis counties are set forth in state statute. Such legislation should be repealed, giving local governments more flexibility, responsibility and accountability.

Local governments need to take responsibility for training and appraising employees. In particular, local governments should take to heart several themes of the recent report of the National Commission on State and Local Public Service, which found that pay should, wherever possible, be based on skills and performance, not time in position; local governments should set up efforts to recruit the best and the brightest to public service; and job classifications should be broadened and reduced in number, allowing greater flexibility for managers to deploy staff to meet new challenges and take advantage of innovation.

The state should actively promote collaboration and cooperation among local governments, schools and other service providers.

Minnesota provides an orderly process through which local units can enter into cooperative agreements. The Minnesota Joint Powers Act (Minnesota Statutes 471.59) allows two or more governments to exercise jointly any power that they have in common. In addition, one government can perform for another any service or function that the unit providing the service is authorized to provide for itself.

Still, cooperation requires effort and initiative. The state could encourage collaboration and cooperation by offering incentives and granting recognition for successful ventures. The state also must make certain that regulations and funding formulas do not create disincentives for cooperation. Local government associations aggressively should identify and showcase exemplary local collaborations. Attention should be drawn to cases of cooperation among different kinds of local governments.

Local Action

Governing boards and managers of local governments, schools and higher education institutions should encourage entrepreneurial behavior in public service organizations.

Public service organizations need to be more enterprising and less bureaucratic. Enterprising organizations focus on customer satisfaction rather than organizational convenience. They are mission-directed, with a clear sense of performance goals. Successful enterprising organizations are not rule-bound by central authority; they empower managers and employees to innovate and meet customer needs. They hold managers and employees accountable for measured results.

Local governments, school districts and higher education governing boards periodically should assess their service delivery arrangements and consider alternative arrangements.

For each major service it provides, a governing body should review its service delivery arrangements at least every five years to (1) determine if a particular public service should still be provided, and if so, in what amounts and at what quality, and (2) solicit bids from alternative producers, including its own public employees. The governing body would consider different arrangements for providing the service, including contracting and franchising.

Such a regular review process would place greater emphasis on local officials' responsibility to act as prudent purchasing agents for their citizens. Decisions about service delivery arrangements should not be based solely on low cost, but also should consider quality. Governing boards should never presume that either using public employees or contracting out to private firms is the preferred option. Existing public service-producing agencies represent years of investment and organizational and employee development. It may sometimes be more prudent to improve the effectiveness of existing service delivery systems than to substitute new ones.

Local governments should use new information technology to improve delivery of services to citizens and the exchange of information between citizens and their governments.

Rapidly emerging forms of communications technology are creating many opportunities to bring government closer to the people it serves. In the future, citizens will no longer need to travel to the courthouse or city hall to conduct government business. Citizens already can use personal computers to file state income tax returns. Automatic teller machines are being used to dispense welfare payments. The potential exists for citizens to apply for licenses and conduct government-related financial transactions from their homes or offices.

Many school districts and local governments already broadcast their board meetings over cable television. New interactive communication technologies will make electronic town meetings feasible. Physical access to public hearings and government meetings will be less important.

Private Action

The Minnesota Council on Quality should create a public-sector category in the Minnesota Quality Award program.

A highly visible award for organizational redesign based on principles of quality management would help make quality and innovation part of the culture of local government in Minnesota. A similar category has already been established for education. A public-sector quality award would bring attention and recognition for outstanding quality management efforts.

The U.S. Department of Commerce is developing an award program for education institutions similar to the Malcolm Baldrige National Quality Award program for businesses. The hallmark of the Baldrige program is the rigorous self-assessment that participating organizations must undergo. The department hopes to test a pilot program in 1995.

APPENDIX

How the Council Did Its Work

The Governor's Council on Government Innovation met 12 times from February 1993 to January 1994.

In its early meetings, the council invited numerous experts on intergovernmental relations, quality management and innovation to present examples of innovation, barriers to innovation and strategies for encouraging innovation and collaboration.

In June, the council invited leaders from local government, education and labor to a stakeholders meeting. Trained small-group facilitators led discussions on barriers and strategies for innovation.

Speakers at Government Innovation Council Meetings

February 25

Lt. Governor Joanell Dyrstad

April 6

Gail Marksjarvis, St. Paul *Pioneer Press*

Mary Birmingham, director, Metronet (library services)

James Mulder, executive director, Association of
Minnesota Counties
Helene Johnson, executive director, Government
Training Service

April 30

Zona Sharp-Burk, Minnesota Academic Excellence
Foundation and Partners for Quality
David Fricke, executive director, Association of
Minnesota Townships
Lothar Wolter, Minnesota Association of Minnesota
Townships
Dr. Mary Gander, Winona State University
Dr. Mary Rieder, director, Rochester Center, Winona
State University
Cal Winbush, Assistant Vice-President, Winona State
University
Joe Nathan, senior fellow, Hubert H. Humphrey
Institute of Public Affairs, University of Minnesota
Lyle Wray, director, Citizens League

May 21

Jim Buckman, Minnesota Council for Quality
Terry van der Eyk, Stearns County Social Services
Department

June 29

Professor John Brandl, Hubert H. Humphrey Institute
of Public Affairs, University of Minnesota
Senator Ember Reichgott Junge

August 4

Steve Hunter, American Federation of State, County
and Municipal Employees
R. Thomas Gillaspay, state demographer, Minnesota
Planning
Ted Kolderie, Center for Policy Studies, St. Paul

September 29

Dean Larson, Partnership Minnesota and Minnesota
Department of Transportation
Roger Olson, Partnership Minnesota and U.S.
Department of Housing and Urban Development

COUNCIL ON GOVERNMENT INNOVATION

Ruby Hunt, Ramsey County commissioner (chairwoman)

Valerie Halverson Pace, manager, IBM Corporation,
Rochester (vice chairwoman)

Larry Bakken, professor of law, Hamline University

Doug Bunkers, city manager, Luverne

David Childs, city manager, Minnetonka

Stan Edin, president, Brainerd-Stables Technical College

Sally Evert, commissioner, Washington County

Ed Steenberg,* deputy chief of police, St. Paul

Delores Henderson, principal, Maxfield Elementary School,
St. Paul

Ron Jandura, superintendent of schools, St. Cloud

Darrell Krueger, president, Winona State University

Representative Richard Krueger, Staples, District 11B

Karl Nollenberger, city administrator, Duluth

Senator Gen Olson, Minnetrista, District 34

Cheryl Sharp, treasurer, Cotton Township

**Served in place of William Finney, chief of police, St. Paul*

