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ADMINISTRATIVE EFFICIENCY and GOVERNMENTAL REORGANIZATION

A Special Message

by

Governor Orville L. Freeman



Presented to the Members of the
Minnesota Legislature
February 9, 1959

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ADMINISTRATIVE EFFICIENCY and GOVERNMENTAL REORGANIZATION

(19) A Special Message by

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Monday, February 9, 1959

To the Members of the 61st Session of the
Minnesota Legislature:

During the last four years the state administration has pursued a diligent and conscientious program aimed at improving the business management of our vast and complex government. We have made substantial and impressive progress. In fact, our many activities in management improvement have attracted national and international attention and in some areas we have developed new and improved systems that are serving as models for other states.

The struggle for efficiency in government, however, must be a never-ending process. While we have made substantial improvements, much remains to be done. I am, therefore, presenting this special message in order to review the progress we have made and to set forth a much-needed program for further reorganization of our administrative structure.

In each of the two previous sessions I submitted reorganization proposals. The 1955 program was adopted, with some modifications, only to be invalidated because of an

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error in the engrossment process. In 1957 it failed of adoption because of a disagreement over one portion of the comprehensive proposal. Now, at a time when the need to increase taxes makes every citizen conscious of the costs of government, the program of reorganization takes on even greater importance and becomes even more urgent.

Before presenting the details of my reorganization proposal I should like to report briefly concerning a few of our many efforts at management improvement in order to indicate how proper attention to administrative problems can mean not only savings in tax dollars but also improved and more rapid service. Efficiency in government is not simply a matter of structural reorganization. It means even more the hard day-to-day improvement of individual procedures and particular services. Progress in such matters are often not dramatic and may even go unnoticed, except by those who are immediately affected.

In our management improvement efforts we have had the cooperation and assistance of many state officials and employees. The public employee is often criticized in a general and sweeping fashion for being part of a sprawling bureaucracy with questionable efficiency. The truth is -- and our experience of the last four years is evidence of this fact -- that our employees are eager to improve the work of our government. They need only leadership that is interested in such improvement and they will respond with enthusiasm and

dedication. The successful operation of our Merit Award Board created in 1955 is one striking illustration. For example, last year the Board rewarded 56 employees for suggestions that saved taxpayers more than \$20,000 and that resulted in better and more rapid services.

Our improvement efforts include many specific programs and projects. Basic to our work in this vast field has been the Self-Survey. Forty-three task forces have comprehensively reviewed all state operations and from this study, which is a continuing activity, have come hundreds of major and minor recommendations for improvement. As rapidly as we can, we have proceeded to implement the Self-Survey findings, which are before you in the form of two substantial reports.

With the Self-Survey as a launching force, the Department of Administration, with the cooperation of the constitutional officers and other agencies, has undertaken many significant programs, and I should like to describe several of them by way of illustrating the scope of the improvements that have been made or are under way, and by way of indicating the extent of financial savings that are being made.

1. Computer Center. You have before you the proposal for the establishment of an electronic data processing center. You will find that the planning for this activity has been especially painstaking. The consulting firm engaged pursuant to the authorization of the 1957 session has pinpointed annual savings of \$590,000 when the center is in full operation.

I strongly urge your support for the bill establishing this center.

2. Uniform Payroll. I should like to mention specifically one of the eight major applications that will be handled by the computer center. This is our uniform payroll system. After almost two years of planning we established this system on December 15, 1957. Prior to that time, only four of our many departments had machine payrolls. Today the payrolls of all agencies, except three major departments and the miscellaneous licensing boards, have been mechanized. This means substantial savings in time not only for the operating department but also the Department of Administration, the State Auditor, the Department of Civil Service and the State Treasurer.

The uniform payroll now provides quickly and accurately vast amounts of information necessary for social security reporting, federal income tax withholding, and retirement contributions. These are now automatic byproducts of the payroll preparation, where before they had to be manually calculated and recorded.

Two years ago when state employees were brought under federal social security, we assumed a function that, without machine payroll, would have required a substantial expansion in personnel, because, in order to cover the period of

retroactivity provided by law, it was necessary to retabulate 1,000,000 payroll checks. Because we could do this with machines, we met the 90-day deadline imposed by the federal government, thereby avoiding a daily penalty of \$830. In this one byproduct alone we have saved during the first year 800 man days in the preparation of the quarterly social security reports, a savings of \$12,000.

3. Korean Bonus. Again in the field of machine use, we processed more than 88,000 Korean bonus applications. The entire punchcard operation cost \$14,000 including supplies, personnel and machine rental. Not only did the machine operation complete the process at high speed, the automatic checking and cross-referencing that machine calculation made possible resulted in detecting 89 duplicate claims amounting to \$16,000, which, in itself, more than paid for the machine operation. Under the old manual system the numerous cross-referrals require years to complete. Detection of duplications are thus delayed and in the past were often not detected at all.

4. Licensing. The state licensing of various commercial enterprises represents a major routine administrative activity which offers a vast area for improved efficiency. In the case of the Department of Health, we found 6,600 hotel, resort and restaurant operators were being licensed through a

slow and cumbersome manual process which, at the peak point in the annual licensing period, would overwhelm the normal staff. Undeposited cash accumulated without proper safeguards and the issuance of licenses was often delayed many weeks and even months. With the machine operation the entire process has become current. Cash is deposited daily and the operation now costs less than it did previously.

Similarly in the Division of Insurance, some 70,000 insurance agents in a large number of special fields had previously been registered and licensed through a tedious manual process. Prior to placing this licensing function on machines in 1956, the Division could not report accurately concerning which agents were properly licensed and qualified, and a time lag of several months in the issuance of licenses was common. Now this activity is fully current, providing the insurance industry with a rapid and efficient service and, at the same time, estimated annual savings of \$4,300 are being realized.

5. Documents. An improvement not related to machine operation is the gradual development of a central documents section in the Department of Administration. Created in 1957, this unit centralizes the supervision of the processing and distribution of the state's many publications. Minnesota has become one of a small number of states providing a service similar to that of the Superintendent of Documents at the federal level. We now issue regular quarterly catalogues and

we make appropriate charges for state publications. The volume of printing orders is controlled and the entire function is now on an orderly and systematic basis.

6. Central Services. I have referred at several points to improvements due to new machine operations. For the most part these activities are the responsibility of the Division of Central Services in the Department of Administration. This Division in itself represents a vast improvement in the overhead management of state administration. It now integrates and coordinates a large number of administrative services -- such as tabulating and duplicating -- for the operating departments, making certain that economies are realized wherever possible. This division will supervise the computer center when it goes into operation, and, in cooperation with the Division of Research and Planning in the Department of Administration, it is making plans for further improvements in such areas as microfilming and the management and disposal of records.

7. Agency Reorganization. Several departments have been active in revising their internal structures to handle their increasing workloads in a more efficient manner. Significant internal reorganizations have taken place in the Departments of Agriculture, Education, Administration, Conservation, Health, Veterans Affairs, Labor and Industry, Taxation, and Welfare.

8. Improved Standards. An example of improved standards of service is reflected in the receipt of the Certificate of Performance on financial reports of the Municipal Finance Officers Association by the Department of Public Examiner for the first time in 1957.

9. Records Disposal. An accelerated records disposal program through the State Archives Commission has freed approximately \$365,000 of storage space over the last four years. This records disposal program is being conducted on a more systematic basis through the development of record disposal schedules to prevent future accumulations of unessential records.

10. Tax Auditing. In the Department of Taxation, machine audit of approximately one million income tax returns has replaced the old manual audit procedures. In addition to direct cost savings to the Department, this mechanization has meant a more current adjustment program and has produced additional tax revenues of approximately \$160,000 for one year alone.

11. Gas Tax Refunds. Mechanization of gas tax refunds has meant that approximately 350,000 refunds annually need no longer be manually prepared, sorted, listed, reconciled, and filed with resultant savings of time and effort in the offices of the State Auditor and State Treasurer.

12. Procurement. Another activity in which efficiency has been significantly improved is procurement. For many years Minnesota has had an outstanding and nationally recognized procurement function and I am pleased that we have made further improvements in this area by adding a most effective inspection and testing program that now assures us that the commodities we buy fully meet specifications and that we are receiving full value for each procurement dollar.

These several matters are cited only by way of illustration. There are scores of other improvements, some major, others minor, but all constituting striking evidence of what can be accomplished by systematic attention to the routine flow of administrative operations.

It is not always possible to determine the amount of dollar savings that result. Often the saving comes in the form of improved and faster service. Sometimes it comes in the form of prompt and complete delivery of specified commodities supplied by vendors. In other cases it comes in the form of more intensive utilization of existing personnel, as in the payroll operation. Such savings are as real and as meaningful as are those that result in actual decreases in the number of persons employed or in other reduced expenditures.

We must continue our emphasis upon improved management, but to do so we must have support for the necessary machine

installations, such as the computer center, and for adequate planning, research, and administrative analysis. Better administration requires high quality supervisory and administrative personnel and a degree of reorganization that makes possible the maximum use of machines and personnel.

It is with this background of four years of intensive effort at improving our business management that I have developed my reorganization proposals. I have followed substantially the same approach as in the two earlier sessions, but this time I have selected certain specific reforms that should have the highest priority and I have postponed other improvements in order to achieve the largest area of agreement.

It is no secret that reorganization is difficult to achieve. Almost everyone interested in improving government agrees with the basic principles underlying a properly integrated government, but on specific points there is widespread disagreement. As our management improvement has proceeded we have tried to acquaint the general public and the particular groups that are served by our agencies with the advantages that will flow from an improved governmental structure. We have made some progress in this respect, but we must face realistically the fact that there still exists vigorous and, in my view, unjustified opposition on the part of particular groups to needed improvements. This is a matter

that I believe should have joint legislative-executive attention, and I should like to urge you to use your own initiative in augmenting and enlarging upon my reorganization proposals.

I say to you in all frankness that the structure of our state government needs more comprehensive reform than I am proposing in this session, but I cannot risk the loss of the entire program by attempting so large a program that those who oppose particular items will succeed in defeating the entire measure. It appears necessary that reorganization will proceed -- if it proceeds at all -- only in stages, and I am satisfied that my recommendations constitute an effective major first stage of improvement.

Our experience of the last four years has intensified our commitment to those principles of sound administration that I set forth in my two earlier messages as the underlying concerns in our efforts at reorganization. I should like to briefly restate them:

- (1) The reduction in the number of separate and independent agencies by combining operations into a small number of departments organized by function.
- (2) Establishment of clearer and more definite lines of administrative authority by untangling the maze of boards, commissions, departments, and divisions that comprise our present structure.

- (3) Centralization and integration of the various "housekeeping" functions.
- (4) A clearer definition and assignment of administrative responsibility in department heads who can be held accountable for administering one major area of state government.

My recommendations have been made following a large number of conferences with the agencies affected and with representatives of those groups served by these agencies. I have taken note of all reservations and criticisms, and just last week I reviewed again the full range of the reorganization proposal at a large public gathering of interested persons both in and out of government.

You will find, as you proceed to a careful review of my recommendations, that most of them were approved in the 1955 session. While less sweeping than the 1955 program, my proposal this time still represents a substantial improvement in our present structure.

I should like to review my recommendations by briefly describing the effect they will have upon existing offices and agencies.

The Governor

The legal position of the Governor is not greatly modified. The number of persons he appoints is reduced, but his administrative responsibility remains unchanged. The most

significant way in which the Office of the Governor is affected is by the tightening of the lines of executive control and by eliminating much of the present diffusion of administrative responsibility.

Secretary of State

The functions of the Secretary of State are affected in one provision, namely the transfer of Chauffeurs Licensing to the Department of Highways, a move that brings together the related licensing of chauffeurs and other drivers in one agency.

State Auditor

In my earlier proposals certain recommendations would have changed the functions performed by the State Auditor. My proposal this time alters in no respect his present functions.

State Treasurer

The State Treasurer's duties are affected in two respects: (1) the sale of liquor stamps is transferred from the office of the State Treasurer to the Department of Revenue, and (2) the State Treasurer becomes the Secretary of the State Investment Board, to be renamed State Investment Council.

Railroad and Warehouse Commission

In keeping with my original proposal of 1955 and in accord with the recommendations made by the Legislative Interim

Commission that studied the operations of the Railroad and Warehouse Commission, I propose the following changes affecting this agency:

- (1) Retention of the present three-man body for the quasi-judicial and quasi-legislative functions presently performed by that group, with the body to be renamed the Public Utilities Commission.
- (2) Membership on the Commission will be continued for six-year staggered terms with the present incumbents holding office until the expiration of their terms. In the future members would be appointed by the Governor.
- (3) Assignment of housekeeping functions for the new Public Utilities Commission to a newly created Department of Commerce.
- (4) Transfer to the new Department of Commerce all administrative functions presently performed by the Railroad and Warehouse Commission, except livestock weighing and livestock buyers licensing to the new Department of Commerce.
- (5) Transfer of the two livestock activities from the Commission to the Department of Agriculture.

Here, as elsewhere, my proposals do not affect the functions that are presently performed by the Agencies nor do they alter any existing financial arrangement in terms of the

dedication of receipts or the financing of the operation.

Department of Administration

Two provisions in the proposed legislation affect the Department of Administration: (1) the Commissioner of Administration becomes the Secretary of the Executive Council, a position he has been filling since July 1, 1955, as part of an interim arrangement under existing legislation.

(2) Responsibility for administering the State Archives program is transferred to the Commissioner of Administration from the present Archives Commission of which the Commissioner is now chairman. Both of these proposals are aimed at making responsibility for these operations clearer and more definite.

Department of Agriculture

I am again proposing that the name of this department be changed from Department of Agriculture, Dairy and Food, to the Department of Agriculture. Also, this Department will have transferred to it the livestock weighing and livestock buyers licensing from the Railroad and Warehouse Commission and the administrative housekeeping function of the Soil Conservation Committee. The Committee is retained for its present policy-making function, but the new arrangement will provide the Committee with administrative service that will enable its limited staff to devote its attention more fully to the conservation program itself.

Department of Commerce

I propose again the establishment of a Department of Commerce substantially along the lines adopted in 1955. This proposal establishes the new department that would embrace functions now performed by

Division of Banking
Division of Insurance
Division of Securities
Department of Business Development
Department of Aeronautics
Compensation Insurance Board
Great Lakes-St. Lawrence Tidewater
Commission
Upper Mississippi-St. Croix Improve-
ment Association

and the present administrative functions of the Railroad and Warehouse Commission excepting those as noted that have been transferred to the Department of Agriculture. The proposal would continue the functions of the present Department of Commerce which consists of the Commissioners of Banking, Insurance, and Securities, but renaming it the Financial Control Commission with housekeeping functions assigned to the new Department of Commerce.

Department of Conservation

Similar to the 1955 act, the five division directors in this Department, who are now political appointees, would be placed under Civil Service and their statutory responsibilities would be assigned directly to the Commissioner of Conservation. Other changes affecting this department, all

of which were also approved in 1955, involve the transfer to the Department of functions performed by (1) the Surveyor General; (2) the Department of Health in the field of boat inspection; and (3) the State Geographic Board.

Department of Labor

The proposal establishes a new Department of Labor bringing under central direction the functions now separately administered by the Department of Employment Security and the Industrial Commission. The quasi-judicial functions of the Industrial Commission would not be altered but its present administrative responsibilities would be assigned the new office of the Commissioner of Labor. The proposal does not affect the present function or independent status of the Labor Conciliator.

Department of Health

The only change affecting this agency is the transfer of the boat inspection function to the Department of Conservation as already mentioned.

Department of Highways

Here, too, no change is made except the transfer, as already noted, of chauffeur licensing from the Secretary of State to the Department of Highways.

Department of Taxation

In order to consolidate all revenue collection functions in one agency, my proposal calls for the transfer of the functions now performed by the Liquor Control Commissioner and sale of liquor tax stamps now performed by the State Treasurer, to this Department. Because collection and enforcement are closely related in the liquor control area, my proposal calls for the transfer of all functions presently performed by the Liquor Control Commissioner to the Department of Revenue.

Department of Corrections

Two years ago my proposed reorganization called for establishment of a new Department of Corrections that would bring together in one agency the functions now separately performed in the field of Corrections by the Department of Public Welfare, the Youth Conservation Commission, and the State Board of Probation and Parole. Legislation substantially similar to my 1957 proposal has already been introduced in this session and it has my endorsement and support.

Under this proposal a Commissioner of Corrections would assume administrative responsibility for the three adult correctional institutions now administered by the Department of Public Welfare, for the several juvenile correctional institutions now administered by the Youth Conservation Commission, and for the direction of the two separate parole systems now operating in the adult and juvenile areas.

The Commissioner of Corrections would appoint one deputy commissioner to head a division of youth services and another deputy to head a division of adult services.

Soldiers Home Board

In order to coordinate activities affecting veterans the proposal calls for the transfer of the management of the Soldiers Home to the present Department of Veterans Affairs. The Board would be retained to advise concerning welfare benefits but administration of its business affairs would be transferred to the Commissioner of Veterans Affairs.

Department of Public Welfare

The only changes in this Department will be (1) the transfer from it to the new Department of Corrections the administrative control of the three adult correctional institutions and (2) the shortening of its official name from Department of Public Welfare to Department of Welfare.

Conclusion

I am confident that the consolidations I am proposing will insure more economical administration and at the same time strengthen and improve our governmental operations. My proposals will make possible better day-to-day administration and more effective long-term planning. They will facilitate the convenience of the public in its dealing with our agencies and they will greatly improve the general operation of the executive branch.