Recommendations on improving collaborative activities between the state, not-for-profit organizations and the private sector: A report to the Minnesota Legislature

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I. Executive Summary

Minnesota has robust not-for-profit, public, and private sectors that independently invest in numerous efforts and initiatives to address high-priority community needs. Minnesota’s not-for-profit sector is a national leader and Minnesota has a long history of committed private philanthropic spending. However, despite such promising “ingredients” for social innovation and progress, Minnesota could do more to support successful community programs, increase cross-sector coordination and innovation, and mitigate government regulations that may impede social outcomes.

This report includes recommendations and implementation strategies developed by an advisory group of public, private and not-for-profit representatives to increase cross-sector collaboration, scale and replicate successful community initiatives, and strategically align public and private investments.

**Recommendations for Improvements**

The group identified four recommendations to increase collaboration, expand successful community efforts and encourage programs to become self-sufficient:

- Solicit innovative ideas from state agencies and partners in the not-for-profit and private sectors to identify opportunities for cross-agency and cross-sector collaboration.
- Support innovation by earmarking a certain percentage of ongoing program funding for innovative solutions.
- Create a discretionary grant program to seed or expand innovative ideas.
- Expand the current provision under Minnesota Statutes § 6.80 to allow not-for-profit organizations to apply directly to the state for waivers of administrative rules and procedural laws.

**Implementation Strategies**

The group proposed two implementation models to fulfill its recommendations:

- Create a new structure, the Minnesota Coalition for Innovation and Collaboration, to coordinate collaborative efforts and bring successful ideas to scale.
- Develop an incentive-based grant competition, the Innovation Challenge, to encourage state agencies to solicit and develop innovative solutions.

Overall, the group found that there is a need to more strategically share and guide collaborative efforts in order to build upon successful, proven results and identify new opportunities for collaboration to solve Minnesota’s most pressing social needs.
II. Introduction

The 2009 legislature provided $25,000 to the Office of Grants Management (OGM) to “study and make recommendations on improving collaborative activities between the state, nonprofit entities, and the private sector, including: (1) recommendations for expanding successful initiatives involving not-for-profit organizations that have demonstrated measurable, positive results in addressing high-priority community issues; and (2) recommendations on grants requirements and design to encourage programs receiving grants to become self sufficient. The office may appoint an advisory group to assist in the study and recommendation. The office must report its recommendations to the legislature by January 15, 2010.”  

The Office of Grants Management formed an advisory group of 14 representatives from not-for-profit and philanthropic organizations, state and local government, and the University of Minnesota’s Humphrey Institute to assist in the study. Over the course of several meetings in the fall of 2009, members agreed that Minnesota currently has many of the elements necessary for innovation and cross-sector collaboration (strong not-for-profit and philanthropic sector and experience in cross-sector collaboration), but lacks supportive structures and incentives that can facilitate this work on an ongoing basis.

The following report summarizes the group’s key findings, recommendations and implementation strategies to increase opportunities for cross-sector partnerships and encourage collaboration and innovation in Minnesota.

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1 2009 Minn. Laws Chap. 101 Art. 1 Sec. 12 Subd. 3
2 See Appendix for advisory group members.
III. Key Findings

State agencies are facing unprecedented budgetary challenges and community needs are more pressing than ever. According to the Children’s Defense Fund of Minnesota (CDF-MN), 11 percent of Minnesota’s children lived in poverty in 2008, costing Minnesota approximately $5.7 billion per year. Furthermore, CDF-MN estimates that our current recession could place an additional 5 percent of Minnesota’s children into poverty. Families USA found that nearly 25 percent of Minnesotans under the age of 65 did not have health insurance for all or part of 2007-2008. And, the Clean Water Cabinet and Environmental Quality Board reports that between 1995 and 2005, water use grew 50 percent faster than the population – threatening the state’s ability to meet the needs of a growing population and protect the health of Minnesota’s freshwater habitats.

Innovation, strategic coordination of investments, and leveraging public, private and not-for-profit resources in new ways can help state-funded programs address these current challenges, tackle high-priority community issues and encourage successful programs to become self-sufficient.

Minneapolis can do more to enhance cross-agency collaboration.

Minnesota state government encompasses more than 120 agencies, departments, boards and commissions that employ over 49,000 people. State agencies have the latitude to carry out their own strategic plans to accomplish agency specific goals and initiatives. This creates both challenges and opportunities to better align agency initiatives in order to foster a more coordinated approach to high-priority community issues, especially given the current state budget deficit.

Government programs are crafted by spending guidelines and other regulations that can lead to program, funding and departmentally siloed approaches to address high-priority community issues without the incentives or formal coordination that encourages and guides successful collaborative efforts. State agencies and state-funded programs are often encumbered by the regulations associated with a specific funding stream, making it difficult to try new solutions.

Opportunities exist to work across agencies to share resources and best practices and create innovative solutions. The Interagency Committee on Transit Coordination, a multi-agency committee that coordinates resources and develops recommendations for improving transportation, demonstrates that there is room for increased collaboration and creativity to improve state responses and coordinate efforts toward high-priority community issues.

3 http://www.cdf-mn.org/publications/kids-count
4 http://www.familiesusa.org/assets/pdfs/americans-at-risk/minnesota.pdf
7 http://www.coordinatemntransit.org/index.html
**Minnesota can improve cross-sector communication.**

Given the struggle for state agencies to align and coordinate efforts amongst themselves, it is understandably even more challenging to effectively collaborate across the public, private and not-for-profit sectors. Many state programs are so burdened with their own programmatic requirements that staff do not always have the time to stay informed of other community efforts that are related to their work.

Increased cross-sector communication will result in more collaborative opportunities, new partnerships and an acute awareness of public, private and not-for-profit resources that can be leveraged to address high-priority community issues. For example, the Minnesota Financial Fitness Network8 creates a forum for public, private and not-for-profit representatives working in the financial literacy, asset development and public policy fields to share resources and information and highlight best practices from local, state and national arenas.

**Minnesota has the opportunity to more strategically align public and private investments to improve social outcomes.**

Minnesota has a strong philanthropic sector, demonstrated by $1.32 billion in foundation and corporate giving during 2007.9 However, there is no regular mechanism to strategize how public spending can be aligned with private philanthropy for the greatest social outcome. Other states have demonstrated that better coordination of public and private funding can result in additional funds to address high-priority community issues.

State government can do more to work with the private sector to identify the highest priority community issues and align public and private investments for the most powerful impact in Minnesota’s communities.

**State government should be proactive about soliciting and developing innovative ideas.**

Minnesota has a robust not-for-profit sector and is a nationally recognized leader in philanthropy that benefits from strong connections and knowledge of client and community specific needs. State government often has the expertise and resources to impact people on a larger scale, but requires a more deliberate mechanism to solicit and develop ideas in cooperation with successful community efforts.

Minnesota state agencies could also be more proactive about soliciting innovative ideas and lessons learned from employees and share this information across program, division and agency lines.

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IV. Examples from Other States

Minnesota is not the first state to recognize the need to foster cross-sector partnerships to improve social outcomes. Several states have responded to this need by creating offices to cultivate conversation, increase participation and improve understanding within and across the public, private and not-for-profit sectors.

**Michigan – Office of the Foundation Liaison**

The Office of the Foundation Liaison (OFL) was created in 2003 at the suggestion of foundation leaders and with the support of the governor.\(^{10}\) It is a cabinet level position to identify opportunities for partnership between the state and the philanthropic sector.

Since its inception, Michigan’s OFL has brokered nearly $71 million in foundation investments. One success is K-16 education reform, in which the OFL convened policymakers, grantmakers and educational advisors and leveraged more than $5.7 million in new grants for studies and pilot programs to improve K-16 education in Michigan.\(^{11}\)

**Louisiana – Office of Social Entrepreneurship**

The Office of Social Entrepreneurship (OSE), an office of the lieutenant governor founded in 2006, provides seminars on social innovation, workshops for grantors, business planning training and a social innovation business plan competition.

The Changing Louisiana Initiative, launched in 2007, promotes citizen involvement in social entrepreneurship and volunteerism. The OSE also held a forum for public sector employees in February 2009 to help state agency employees maximize their programming’s social impact.\(^{12}\)

**Texas – Texas OneStar Foundation**

The Texas OneStar Foundation is a supporting not-for-profit of the office of the governor that promotes innovation, entrepreneurship, volunteer programs and evaluation. OneStar also serves as the state’s National Service Commission.

Texas House Bill 492, signed into law on May 30, 2009, established a task force to strengthen the capacity of not-for-profit organizations.\(^{13}\) The task force will work with the OneStar Foundation and the Health and Human Services Commission to conduct public hearings throughout Texas and recommend ways to strengthen those organizations. The bill also designated a general revenue account to fund partnership development work with not-for-profit organizations.


\(^{12}\) [http://www.crt.state.la.us/ltgovernor/socialentrepreneurship/](http://www.crt.state.la.us/ltgovernor/socialentrepreneurship/)

\(^{13}\) [http://www.onestarfoundation.org/page/noe](http://www.onestarfoundation.org/page/noe)
Colorado – Denver Office of Strategic Partnerships

The Denver Office of Strategic Partnerships, created in 2004, serves as a liaison between the City of Denver and the not-for-profit and private sectors to strengthen Denver’s communities. The office has obtained over $17 million in federal and foundation funding for the City of Denver and not-for-profit organizations and conducted free workshops for over 200 not-for-profits.14

V. Recommendations for Improvements

To harness Minnesota’s unique strengths of strong not-for-profit and philanthropic sectors and a confident sense of partnership between public and not-for-profit sectors and to address needs for a platform for innovation to share knowledge and resources, ways to spark sustainable innovation, and a commitment to take ideas to scale, the advisory group makes the following recommendations:

**Recommendation #1:**
*More can be done to solicit innovative ideas from state agencies and partners in the not-for-profit and private sectors.*

State government should do more to encourage and support state agencies to: identify opportunities for cross-agency collaboration that address high-priority community needs, pursue additional federal funding opportunities, and create new solutions to challenges that an agency or program faces.

State agency employees may choose to share ideas within their departments or networks, but there is a need for a centralized function to solicit good ideas from specific programs and departments and identify opportunities for greater collaboration and alignment of effort. There are many instances in which outcomes could be improved if greater effort is made to combine resources and ideas.

Solutions include: actively gathering feedback from successful programs, sharing lessons learned from unsuccessful efforts and identifying programs that are no longer working as intended. Furthermore, outcome measurement is essential to ensure that effective programming receives necessary resources and resources allocated to ineffective programming are transitioned to successful efforts where they will have the greatest impact.

**Recommendation #2:**
*Support innovation in ongoing program funding decisions.*

The State of Minnesota will provide approximately $1 billion in grants to various public, private and not-for-profit organizations in FY 2010. By the time the appropriation is finalized at the federal or state level and passed through the administering agency, grants are increasingly burdened with regulations that make it difficult for state-funded programs to pilot new ideas.

To the extent possible, ongoing program funding should allow state-funded programs to pursue innovative solutions that address high-priority community issues. A shift toward more flexible funding will give agencies the latitude to test innovative solutions while continuing to measure the agency’s ability to address high-priority community issues in order to replicate success and identify areas for improvement.
The legislature should earmark a certain percentage of funding solely for innovative solutions. This will give agencies the support and flexibility to test new ideas and share their results. In addition, less prescriptive funding will allow agencies to craft more flexible grant requirements to encourage their grantees to try new ideas and approaches to achieve program outcomes.

**Recommendation #3:**

*Create a discretionary grant program.*

In addition to encouraging innovation through ongoing program funding, state government should support and replicate successful efforts through a one-time grant program to seed or expand innovative ideas.

This grant program will allow new ideas the time needed to grow and expand and could result in cost savings or a permanent solution to a problem. One result would be that traditional means of program funding could be reallocated to address other high-priority community needs.

Recipients of this funding would be required to report anticipated and actual outcomes to the legislature to identify how successful, innovative solutions can be tested and replicated throughout the state.

**Recommendation #4:**

*Expand the current provision under Minnesota Statutes § 6.80 to allow not-for-profit organizations to apply directly to the state for waivers.*

Not-for-profit organizations have expressed concerns that state rules and regulations sometimes impede innovation. Minnesota should expand the waiver provision under Minn. Statutes § 6.80 to allow not-for-profit organizations to apply directly to the state for a waiver of administrative rules or procedural law. This expansion will allow not-for-profit organizations to demonstrate how current programming efforts benefit from an innovative approach to complex problems.

The expansion of this provision will allow not-for-profit organizations to test innovative solutions and share outcomes with state government. Successful initiatives should be tested and replicated throughout the state and changes to administrative rules and procedural law should be pursued if outcomes demonstrate that these barriers are currently inhibiting best practices or preventing best service delivery.
VI. Implementation Strategies

The advisory group identified a clear need for state government to improve collaboration across state agencies and with the not-for-profit and private sectors to take advantage of emerging opportunities and leverage the impact of public and private funding to test and replicate innovative ideas.

In order to address this need, the group proposes two implementation strategies:

1) Create a new structure to coordinate collaboration efforts - Minnesota Coalition for Innovation and Collaboration
2) Develop an incentive-based grant competition - MCIC Innovation Challenge

**Implementation Strategy #1:**

**Minnesota Coalition for Innovation and Collaboration**

The Minnesota Coalition for Innovation and Collaboration (MCIC) would be a multi-agency collaborative that rallies resources for high-potential ideas that have the opportunity to become self-sufficient. The overall purpose of the MCIC is to facilitate cross-sector innovation and collaboration and bring successful ideas to scale.

The MCIC would:

- **Generate ideas** - Elicit, encourage and respond to feedback from public, private and not-for-profit stakeholders by sharing program ideas, identifying client needs, and addressing concerns about current funding sources or grant requirements.
- **Launch collaborative projects** – A new discretionary grant program will allow the MCIC to reward the most innovative cross-agency and/or cross-sector ideas with a one-time opportunity for public and private funding.
- **Build capacity** - Share information about new developments and opportunities for collaboration and promote best practices across agencies and sectors.
- **Create connections** - Identify key policy initiatives and opportunities for partnerships to maximize public and private resources.
- **Replicate success** - Identify sustainable resources to replicate successful ideas throughout the state.

MCIC efforts would be coordinated by a two-person staff in the Department of Administration to expand relationships the Office of Grants Management has established with not-for-profit organizations and state agencies.

MCIC staff responsibilities would include:

- Assessing collaborative efforts and innovative approaches to community issues in other states and nations and their potential for positive change in Minnesota.
- Identifying, recruiting and convening potential collaborators from the public, private, and not-for-profit sectors to highlight successful community efforts and share innovative solutions.
• Soliciting, exploring and developing ideas that are submitted by agency or not-for-profit liaisons.
• Creating collaboration agreements between public, private and not-for-profit partners.
• Seeking sustainable funding sources from federal, state and private funders.
• Administering a new grant fund that would support innovation and replication of successful community efforts with one-time funding.

MCIC staff would also identify several existing state agency staff members and not-for-profit community leaders to serve as MCIC liaisons. These liaisons should be knowledgeable in their field, have strong relationships with the private or not-for-profit sectors, and have influence within their organization to spark and foster change. The liaison role involves a time commitment and MCIC staff would work with the liaison’s agency to secure an understanding and agreement of time allotted for MCIC liaison activities.

MCIC liaisons would:
• Solicit innovative solutions from state employees, the public and partners in the private and not-for-profit sectors.
• Discover areas for service improvement and opportunities for increased collaboration.
• Identify partners within state government or across sectors to help bring innovative solutions to fruition.
• Work with MCIC staff to bring resources to high-potential efforts.

MCIC efforts would be guided by a steering committee comprised of 10-15 leaders from the public, private and not-for-profit sectors. The steering committee would inform MCIC staff and liaisons of developments in their fields, identify new opportunities for public, private and not-for-profit partnerships, and assess the contributions of MCIC liaisons.

High-level agency leadership coordination and communication will be necessary to carry good ideas to fruition and encourage continuous collaboration. However, the MCIC will strive to represent a mixture of leadership and operations employees in order to withstand changes of administrations, overcome resistance to change, and empower all state agency staff to identify new ways to encourage and support cross-agency and cross-sector collaboration and share innovative solutions.

The strengths of the MCIC model include:
• Knowledge of state government operations and existing relationships with key leaders.
• State agencies may be more comfortable working with an entity that operates within the executive branch.
• Leverages the knowledge, experience and relationships of existing state staff.
• Ability to communicate and coordinate efforts across public, private and not-for-profit sectors.
This graphic depicts the roles and functions of the MCIC:

**Minnesota Coalition for Innovation and Collaboration (MCIC)**

1. Ideas and innovative solutions from the public, state employees, and the private and not-for-profit sectors are submitted to MCIC liaisons.
2. MCIC is guided by a steering committee comprised of 10-15 public, private and not-for-profit leaders.
3. MCIC recommends the best cross-sector solutions to improve social outcomes and share cross-sector developments in other states and nations.
4. MCIC has access to public and private resources to launch the most important new projects or solutions. Using these resources, MCIC creates connections between state agencies and across sectors, builds the capacity of government and not-for-profit organizations to improve service delivery, and replicates successful ideas by leveraging public and private investments.
Implementation Strategy #2: Innovation Challenge

A specific way for the state to solicit the best ideas and foster innovative solutions to address high-priority community issues is to partner with the private sector and sponsor an incentive-based grant competition. The goal of the competition would be to seed the best ideas for program or service improvements with the objective that selected initiatives would become self-funded through the cost savings achieved by greater program efficiencies and improved social outcomes.

Through the Innovation Challenge, MCIC liaisons and staff would solicit innovative project ideas from not-for-profit organizations, the public and private sectors, and from those based on developments in other states or nations.

The MCIC would review and rate all Innovation Challenge submissions and the top five ideas would have access to a new funding opportunity, a 50 percent public and 50 percent privately funded grant pool, to implement their initiatives.

Recipients would be required to report outcomes to the MCIC to help identify new ways for state agencies to achieve cost savings or deliver services more efficiently so that traditional funding sources could be shifted toward efforts that have the greatest impact on high-priority community needs.

The new incentive-based grant competition could also be implemented in other ways that do not require the involvement of the MCIC. For example, key agency contacts could present their best ideas for improvements to a legislative committee that would appropriate funds to the top ideas and track recipients’ progress toward identified outcomes.

Regardless of implementation model, the advisory group recommends the involvement of representatives from the public, private and not-for-profit sectors in the design, selection and award process of the grant competition to encourage and foster cross-agency and cross-sector collaboration.
VII. Conclusion

The recommendations and implementation strategies outlined in this report will foster and spur innovation in and across state government, expand successful efforts in the not-for-profit sector, and increase collaborative efforts between the state, not-for-profit organizations and the private sector to address high-priority community issues.

Establishing the MCIC would allow state government to encourage, promote and support innovation and collaboration within and across agency and sector lines. The Innovation Challenge would identify program or service improvements and challenge state agencies to evaluate and measure the impact of their programming to utilize resources more effectively and better align public and private investments toward shared community goals.

By strategically coordinating and leveraging the knowledge, experience and resources of Minnesota’s strong philanthropic, not-for-profit, private and public sectors, state government will deliver real solutions to our most complex social problems during challenging times.
Appendix

Grants Innovations Advisory Group Members

- Andrea Ferstan – Greater Twin Cities United Way
- Carol Zierman – Ramsey County, Heading Home Ramsey
- Colleen Ebinger – Root Cause
- Connie Greer – State of Minnesota, Department of Human Services
- Frank Forsberg – Greater Twin Cities United Way
- Jan Berry – MACC Alliance of Connected Communities
- Jeannie Fox – Minnesota Council of Nonprofits
- Jennifer Ford Reedy – Minnesota Community Foundation and Saint Paul Foundation
- Jodi Sandfort – University of Minnesota, Humphrey Institute
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