Govern with Accountability

A Policy Report

GROWTH & JUSTICE
Preface

Minnesota’s severe budget shortfall draws our attention to warning lights that have been flickering on our state and local governments’ dashboards for years. Now more than ever, it is imperative that our leaders and citizens open the hood and get serious about accountability measures and budget reforms.

Governing with Accountability outlines principles to follow, problems to study, and actions we can take to achieve better results from the vital public investments we make through state and local governments. Some ideas are common sense. Some are already in play but need wider adoption. Others are borrowed from the private sector. And too many have been recommended before but never implemented or abandoned in a crisis.

We can design better systems of accountability that deliver better results, but only if citizens of all political hues insist on better governmental systems and performance, and only if courageous leaders stand up to be counted.

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Overview

A $6.2 billion-plus projected budget shortfall for 2010-11 (almost 20 percent of the state’s total budget, before counting federal recovery assistance) is lending special urgency to a related, long-term challenge. This problem typically has been framed as whether government spends too much or too little. But another core issue is whether government meets its objectives and works as well as it should.

Most citizens want state and local government to do important work well, and surveys show that Minnesotans in particular are willing to invest more when government returns good value for the public dollar.

But there’s mounting evidence that despite our reputation for good government, Minnesota has slipped on this score. For example, the Pew Center’s comprehensive and highly regarded “Grading the States” report card recently downgraded Minnesota from a B-plus in 2005 to a B-minus in 2008 for overall government performance.

Although most of us don’t use the word “accountability” when we talk about whether our government works, we do hold it accountable for many of the public outcomes we care most about – quality education, good jobs, clean air and water, safe and reliable infrastructure, affordable health care and accessible public spaces.

This Governing with Accountability report by Growth & Justice describes a better way to define our expectations in these important areas – and to hold leaders, managers and organizations accountable for delivering services and other valued public policy outcomes. It works by improving the links between goals, public investment and results that measure up to those expectations. More accountable government helps us reach the goals we set as a community – and it will save us money in the long run.

But the truth is we don’t have very reliable ways to answer whether policies are working as expected or are delivering sufficient bang for the buck.

Into this breach comes a growing sentiment for what is often described as a “transformational” change in how governments do what they do, suggesting that a sweeping technological and systemic metamorphosis in our institutions is possible, along with dramatic cost reductions. Visionary thinking along these lines should be encouraged, but tempered with realism. Similarly, over many years, we’ve heard that government simply ought to be run more like a business or be privatized and outsourced to the maximum. Mounting failures in the private sector call that orthodoxy into question, too.

But without good, fact-based accountability systems, arguments on either side can gain little traction. With more focus on accountability, we have greater ability to test new ideas and put popular but failed strategies out to pasture.

Whatever reforms we ultimately choose, we need to reduce expectations for immediate and easily accomplished savings in state and local outlays. Despite decades of sometimes successful initiatives to control expenses and improve government performance in Minnesota, anti-government ideologues continue to make exaggerated claims about the extent of “fraud, waste and abuse” and insist that we’d all be better off with vastly shrunk
government. Growth & Justice has worked to demonstrate how essential public sector investment is and how our larger problems as a state stem from an unaccountable, heavy-handed, ineffective and illogical starvation of government. We also appreciate how public support for this investment must rest upon confidence that the money will produce the results taxpayers want.

**Governing with Accountability** offers a common way forward, regardless of our policy differences.

This report sets forth six essential principles Growth & Justice believes capture the essence of accountability in government — and identifies potential specific opportunities to benefit from increased accountability — sooner rather than later. A list of initiatives already underway in Minnesota begins on page 18. We also convened an informal working group of about a dozen advisers, some of the state’s most experienced and prominent government accountability experts, to help us with this report. Their trenchant observations are referenced throughout this document, and a complete list of the group and their credentials starts on page 21.

Growth & Justice’s continuing work on accountability is part of our “Invest for Real Prosperity” framework:

- Agree on a vision and goals.
- Make smart investments in education, infrastructure, and health care, because these investments increase the state’s productive capacity — and increase each individual’s opportunity to participate in a growing economy.
- Raise the money fairly.
- Maintain fiscal discipline and accountability to ensure that investments are well spent and achieve the results we expect.

We hope Governing with Accountability gives citizens and policy makers a fresh way to discuss the state’s future, make wise choices, and be candid about what is working and what is not.

“I wrote a little history of the developments in the public sector, beginning about [Gov. Harold] Stassen’s time, that made Minnesota what it is nationally. Our deal was always selling a good product at a high price. That makes us a little different from other states that have a low-grade public sector and sell it cheap with low taxes. We charge a lot, but we deliver a lot. That’s what holds people here and what attracts people here – the value created by the public sector – but it’s a very fragile arrangement. If it starts to go, it could really crumble.”

-Ted Kolderie, senior associate, Education Evolving, and former executive director, Citizens League

“Minnesota has the thirteenth-lowest public employees per capita. We’re extremely efficient in Minnesota, but one-third of the state’s workforce is eligible for retirement in less than three years now. There’s a true tsunami coming, and a perfect opportunity to look at how those resources are going to be replaced.”

-Jim Monroe
executive director, Minnesota Association of Professional Employees

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1 The development of these principles was led by Anne Knapp, a Growth & Justice advisor with deep experience in the public and private sector, assisted by a distinguished panel of public policy experts representing government, business and labor – and various shades of political affiliation. See pages 21-23 for a complete list of participants.
Growth & Justice Accountability Principles

After more than a year of study and consultation with some of the state’s leading authorities on public-sector management, Growth & Justice developed these six fundamental principles for governing with accountability.

Incorporating the principles gradually may be the most pragmatic way to proceed in the current economic and political environment; however, all of these principles are interrelated. Minnesota will ultimately achieve the most value from a consistently followed fiscal framework that defines policy intent, specifies expected outcomes and links funding to fact-based indicators that show initiatives are working.

- Establish leadership commitment
- Set long-term goals and priorities
- Strive for transparency, straight talk and open books
- Maintain fiscal responsibility and fairness
- Focus on efficiency and effectiveness
- Demand accountability for results
Establish leadership commitment

Testimony from our working group was emphatic that dedication to accountability must start at the top – from elected officials to appointed administrators to professional mid-level managers.

Suspicious that the boss is less than seriously committed can undercut the mission. By logical extension, because citizens and voters themselves are the true bosses of our governments, interest in the subject and support from the general public must be encouraged.

Surveys show that although voters remain skeptical about the effectiveness of their governments, they retain a surprising faith in the prospects for improvement. A recent poll conducted in five states including Minnesota found that the values Midwesterners prize most in their governments are honesty, accountability and fairness. And a solid majority (74 percent of Minnesotans) rejected the notion that “trying to fix it will not make much difference.”

The Archibald Bush Foundation, one of Minnesota’s most prominent philanthropies, recently identified leadership and community involvement as a top priority for working to solve problems in our region. The Bush Foundation believes that persistent maladies, including education, health care and economic disparities, need to be addressed by developing “courageous leaders” and that “entire communities need to be engaged.”

Inspiring words spoken recently by our top federal and state leaders have set the right tone.

“The question we ask today,” President Barack Obama said in his inaugural address, “is not whether our government is too big or too small, but whether it works, whether it helps families find jobs at a decent wage, care they can afford, a retirement that is dignified. Where the answer is yes, we intend to move forward. Where the answer is no, programs will end. And those of us who manage the public’s dollars will be held to account, to spend wisely, reform bad habits, and do our business in the light of day, because only then can we restore the vital trust between a people and their government.”

Gov. Tim Pawlenty frequently has described the current budget crisis as “an opportunity to reform, prioritize, streamline” and has called for “looking forward, not back, and setting priorities that will deliver a better future.”

“A good reform idea in the legislature can easily be thwarted in the executive branch. Good ideas in the executive branch can be thwarted in the legislature. Somehow or another, creating that bridge and common goal alignment toward a common set of measures – if we can get both branches to agree to those high-level goals – it’ll be a huge step forward.”

-Dana Badgerow, commissioner, Minnesota Department of Administration, and chair of the Drive to Excellence government reform initiative

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Set long-term goals and priorities

An ideal *Governing with Accountability* framework would start from a consensus vision that identifies key long-term outcomes for expanded prosperity and improved quality of life. It would express these outcomes in clear and measurable terms and specify the indicators for marking progress toward the goals. Executive and legislative branches would refer to this big picture as they develop policy recommendations, legislation, appropriations and investment strategies. Annual reports on the selected measures would help citizens, managers and policy makers understand what is working and what needs to be adjusted. Annual priorities for closing the gap would be set. If priorities change, all parties have a basis for discussing direct effects, as well as how related goals may be affected.

Minnesota already has a model for setting the state’s long-term direction in the Minnesota Milestones, established by Gov. Arne Carlson in the 1990s, but mothballed early in this decade. The Legislature, led by Assistant Senate Majority Leader Tarryl Clark and Rep. Lyndon Carlson, enacted a law in 2008 to revive the Milestones and require that budget proposals mark progress toward the goals. Many legislators, including Reps. Steve Simon and Ryan Winkler and Senate Minority Leader Dave Senjem and state Sens. Geoff Michel and Ann Rest, also have initiated goal-setting and accountability initiatives in the Legislature.

Technological capacity and institutional support for long-term measurement are enabling better fact-based reporting of progress toward strategic priorities. Twin Cities Compass, Minnesota State Colleges and University system’s Accountability Dashboard and the Minnesota Office of Higher Education’s Minnesota Measures are among recent ambitious efforts to link strategic goals to effective actions and long-term measures of success.

These initiatives reflect a clear vision of what is important and where we want to be, but they do not represent the entire state or guide state government decisions. Such a comprehensive framework is important, because it shows how different and sometimes competing priorities – such as early childhood health, education and business competitiveness – relate to each other.

Another instructive approach is the Growth & Justice *Smart Investments* model of fact-based, goal-driven policy research, using stakeholders and content experts to analyze “what works” before developing a consensus investment plan. We first applied it in *Smart Investments in Minnesota’s Students*, and have a similar project under way for transportation.

“You can’t really position yourself to be accountable until you know to whom, which is the customer, and for what, which are the results that they want. As the saying goes: ‘If we don’t know where we are going, any direction is fine.’”

-Laurie Ohmann, chief executive officer, Public Strategies Group

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3 “Minnesota Milestones Homepage.” Department of Administration. <http://www.mnplan.state.mn.us/mm/>.
Strive for transparency, straight talk and open books

Minnesota was an early leader in the 1970s with “sunshine laws” that provided for open meetings and open records. Since then, due to a variety of factors, Minnesota is no longer considered a leader on the transparency front. Ratings by national organizations tend to put Minnesota near the middle of the pack on disclosure, accessibility and e-government.8

Minnesota’s state and local governments should increase efforts to open up their books, records and governmental processes. Following this principle, however, must be about more than a passive “go-ahead-and-look” attitude. Effective monitoring requires consistent reporting. And it doesn’t matter how transparent and retrievable information is if few people can understand what it means.

The public, for instance, wants to know about direct expenditures but it also should be informed about tax expenditures that reduce the amount of revenue otherwise available through exemptions, deductions and special lower rates. The cost of tax expenditures is not widely reported or well understood, even though that detail is available on the Minnesota Department of Revenue website.9

Taxpayers also need straight talk about the growing reliance on fees and charges as a source of revenue, the effects of unfunded mandates on local governments and the costs of regulatory requirements on business. When the governor or legislators talk about accounting shifts, the deferred cost of commitments should also be discussed.

In addition to requiring accurate information, accountability relies on honest assessments of strengths and weaknesses in fiscal and program matters. Political leaders, rather than seizing on selective statistics that prop up their points of view, should make good-faith attempts to provide context and meaningful exposition, framing their analysis and communication around the Price of Government,10 the Tax Incidence Study11 and other comprehensive, bottom-line indicators provided by state government.

Minnesota’s Office of the Legislative Auditor has an outstanding reputation for integrity and accuracy in its fiscal and performance audits of governments. Dakota County and a number of school districts have participated in the Minnesota Quality Award organizational assessment process sponsored by the Minnesota Council for Quality. Further efforts to evaluate state and local governments should be conducted by entities that are as independent as possible from the agencies they grade.

“We did focus groups and went to people to find out what they want to know [about the property tax system]. We picked five basic pieces of information that were hard for a citizen to find and did an interactive website. People loved it.”

- Bob DeBoer, director of policy development, Citizens League

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9 Minnesota Tax Expenditure Budget Reports. Minnesota Department of Revenue. <http://www.taxes.state.mn.us/legal_policy/research_reports/content/expenditure.shtml>
10 Minnesota Tax Incident Studies. Minnesota Department of Revenue. <http://www.taxes.state.mn.us/legal_policy/research_reports/content/incidence.shtml>
11 Minnesota Tax Incident Studies. Minnesota Department of Revenue. <http://www.taxes.state.mn.us/legal_policy/research_reports/content/incidence.shtml>
Maintain fiscal responsibility and fairness

Fiscal responsibility would seem to be a principle everyone can agree on. Yet as the Minnesota Budget Trends Study Commission recently stated, it is harder than it looks.

In January 2009, following a spate of embarrassing reports by Minnesota’s Office of the Legislative Auditor detailing misallocated funds, improper spending and outright thefts of taxpayers dollars, Gov. Tim Pawlenty announced that he would restore a number of auditors’ jobs in state agencies. Those auditor positions had been cut, ironically, to save money in the last budget crisis.

Most citizens and public leaders understand that it is irresponsible to engage in profligate taxing and spending, to write blank checks for public treasuries without regard to results and to disregard whether the money is spent honestly and effectively. Likewise, they will acknowledge the damaging effects from “starve the beast” attempts at cost control based on deep tax cuts, no-new-taxes ultimatums and rigid, simplistic formulas in “Taxpayer Bill of Rights” provisions.

A disciplined approach to fiscal management strives to project costs and revenues accurately. Not including inflation in budget forecasts, while allowing for it in revenue and economic forecasts, is not fiscally responsible. But neither is using inflation as an excuse to avoid a rigorous annual examination of expenses.

Leaders should also aim for the revenue sufficiency required to provide stable, reliable services and programs. Countering revenue volatility in a dynamic economy requires a diverse revenue mix as well as maintaining adequate reserves.

Managing volatility must go hand in hand with maintaining tax fairness. The current state-local system results in those at the very top of the income scale paying a significantly lower effective tax rate. Except for the personal income tax, most solutions to budget shortfalls – whether cuts or revenue increases – are likely to fall disproportionately on low- and middle-income households. Leaders will have to display honesty and political courage when discussing the full implications of these budget measures.

Good fiscal stewardship goes beyond managing the general fund to preserving and growing the value of the state’s human and physical assets. Fiscal managers should develop life-cycle cost analyses and more comprehensive fiscal impact statements to guide long-term investment.

“Resources have to be devoted to [performance measurement and accountability]. You have to have people on this. You can’t prepare good data and have the conversations without it. It just won’t be worth it.”

-Steven Bosacker

“Before I became a Dakota County commissioner in 1999, my perception of government was very similar to the stereotypical views today. I expected to find bureaucracy and inefficiency. What I found instead was a revelation — the lowest staff-per-citizen ratio among all metro counties and a positive attitude toward planning and continual improvement.”

-Nancy Schouweiler, Dakota County Commissioner

“We need to update Minnesota’s fiscal system – taxes and revenue distribution — to the 21st century global economy of the information age. The property tax system, a dysfunctional relic of a bygone era, needs an extreme makeover in how property is taxed and how government uses the money.”

-John James, lawyer and consultant, and former commissioner, Minnesota Department of Revenue

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Focus on efficiency and effectiveness

Efforts at improving accountability are bedeviled by the frequent confusion between effectiveness and efficiency – doing the right things (effectiveness) and doing things right (efficiency). Both effectiveness and efficiency should be valued. But we are missing the mark if we don’t recognize the differences between the two.

Efficiency can be understood and measured using the universal inputs of time and money. Effectiveness, however, concerns the quality of the outputs, which requires careful definition in terms of specific policy goals. Measures must also be selected to mark progress toward the desired outcomes. Too often, we demand better short-term control of the inputs without grasping what works best to achieve long-term results or what the outcomes are ultimately worth.

Annual operating and capital costs for schools, transportation and the courts are relatively easy to capture. But the cost-benefit ratios delivered by these systems have multiple dimensions and are widely distributed among recipients over time. The drive for cost-efficiency can have unintended consequences. For instance, how effective is a prison system if it achieves a low cost per inmate but contains far too many who could be rehabilitated sooner and less expensively?

As a service enterprise, government is labor-intensive and most of its costs are payroll-related. Therefore, a key improvement focus should be employment practices and agreements, especially in the areas of increased empowerment, flexibility and incentives that encourage improved performance and service delivery. We should also focus employee development on new skills required for effective management of indirect, web-enabled and market-based government.

All levels of government have been chipping away at costs and becoming more customer-focused for years. The governor has championed the Drive to Excellence13 and Enterprise Lean14 initiatives that adopt the tools of business enterprise transformation in an effort to streamline operations. Legislators should continue to comb through laws and scrub statutes to reduce administrative burden and to eliminate obsolete and unproductive requirements. In the legislative process itself, rules and procedures can be reformed to promote efficiency and effectiveness.

But because our government also has the unique role of preserving liberty and resisting concentrated power, certain “inefficient” restraints are built into our systems. For example, the separation of powers between the executive branch and a bicameral legislature can favor obstruction over streamlining – but a focus on producing effectiveness can help all parties rise above gridlock.

“We want to figure out ways we can get more value for the dollars we are putting into transportation investments. There are tools the private sector can bring to the table, whether it’s taking advantage of business procurement policies or just ways to use a little bit different model.”

-Tom Hesse, vice president of government affairs, Minnesota Chamber of Commerce

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Demand accountability for results

So what to do when goals have been set, plans have been laid, and budgeting and execution of those plans is underway? In the end, how do we ensure we get the right results?

We like to talk about elected officials being ultimately accountable for results. But day-to-day, public services and other policy outcomes are delivered by a decentralized, multi-layered network of agencies, private service providers, non-profit program operators and various beneficiaries of subsidies and incentives. An effective system of accountability holds all of these players responsible for delivering the results for which they received public funds.

The best organizations build accountability into their culture and ongoing operations. But government’s complex delivery system – not to mention resistance to “big government” – makes adopting a single, integrated approach difficult. Regular audits and assessments help reinforce expectations and provide important feedback on performance. Rigid rule-making may be counter-productive, because it undermines managerial discretion and accountability at the point of service.

Evaluation frameworks and management strategies for improving organizational performance and accountability — such as Balanced Scorecard, Define, Measure, Analyze, Improve, Control (DMAIC), Lean Six Sigma and the Baldridge National Quality Program – have been adopted and refined in the private sector over decades. While versions of the Baldridge criteria have been developed for education and health care, no current comprehensive system takes into consideration the unique challenges and requirements faced by governments and public service providers.

The good news is that major aspects of accountability can be established independently of specific policy initiatives, so consistent practices can be maintained even if priorities change. For example, organizations can:

• **Maintain a record of policy intent and follow-through.** Rigorously specify outcomes, public benefits, in-process success indicators and linkage to long-term indicators.

• **Revise the budget process to emphasize outputs, not inputs.** Link funds received to outcomes achieved and public value created.

• **Reward innovation.** Tie management pay and retention to performance.

• **Sunset programs.** Require periodic, in-depth review of program performance. Eliminate programs that aren’t working and can’t be fixed.

• **Continue to move the performance bar.** Measure customer satisfaction and refer to external benchmarks as programs evolve.

“The key is to have a department head or other key person who really wants performance measurement information so that they can manage better – not because someone is asking for it, but because they actually believe it’s the right way to manage.”

-Jay Kiedrowski, senior fellow, Public and Nonprofit Leadership Center, Hubert H. Humphrey Institute of Public Affairs

“You don’t have to have a large government. You have to have a committed government, who know they have the support from the top. But the bottom line is, if the employees buy in they are going to be light-years ahead. [You need] the people on the front lines, doing the work.”

-Jim Monroe

“I’m a big believer in surveys. It’s important that our customers are not just the people who show up at public hearings, but also the 95 percent who never show up.”

-John Gunyou, city manager, City of Minnetonka
Our review of accountability research and conversations with state and national leaders in the government performance field produced some agreement, if not consensus, on specific budget areas and governmental functions that are most in need of attention. In particular, we surfaced a number of major cost-driving challenges that present opportunity for reform. We also identified examples of progress and models to emulate.

**Taming the Health Care Monster**

Americans pay almost twice as much of their income for health care as those in other industrialized democracies, despite our ranking lower on health measures. Health care has been a vexing accountability problem for the public sector and private sector for more than a quarter-century.

In Minnesota and most other states, no other budget item exerts more inflationary pressure. Still, our state’s position is not as desperate as many others. Through its MinnesotaCare program for working families, Minnesota has managed to achieve one of the lowest percentages of citizens without health care coverage. The state also realized a measure of success in reducing health care costs for public employees through wellness programs, and shifting some costs onto employees themselves.

Many contend that only a national solution involving the federal government will address a problem of such size and complexity. But state policy experts say progress in Minnesota can be achieved through: continued efforts to educate the public about healthy lifestyles; forcing down reimbursement costs and unnecessary treatments; and reducing costs through shared administrative and record-keeping services.

Virtually every player and interest group in the field offers both diagnosis and prescription for accountability improvements in health care. Among current leading legislative initiatives, each with a distinctive model for achieving universal care and/or cost savings to the economy, is one being advanced by the Minnesota Universal Health Care Coalition and another proposal known as Cover All Kids. Under the banner of the Minnesota Medical Association, the state’s doctors have proposed their own universal coverage plan.

A framework for reforming and reducing the costs of elderly care, largely unheeded, was developed by a state task force almost a decade ago and the Minnesota group Ecumen is continuing to explore research and strategic thinking around reforming long-term care.

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Higher-Ed Cost Spiral

Minnesota was one of 49 states in a recent study to receive an “F” for higher education affordability. Dramatic cost increases in recent years pose a direct threat to both the quality of our workforce and to long-term prosperity. Among the most cited price inflators are “cost disease” in which tuition serves too easily to offset increases in expenses, excessive pay to faculty and administrators to attract and retain the best talent, poor management, and cost increases from compliance with time- and staff-intensive government regulations. There is room for reform in each of these areas.

An overview of the subject suggests we can:

• Improve institutional cost management through the development of performance benchmarks.
• Focus attention relentlessly on cost measurement and cost management.
• Tie increased public revenues to demonstration of increased performance.
• Improve data systems so policymakers, students and parents can obtain reliable information on student progress and system performance relative to the cost of tuition.

Some argue that local, state and federal subsidies insulate universities from the consequences of spending decisions and provide a perverse spending incentive. The reputation of higher-education institutions, fairly or unfairly, is measured by the amount of revenue they bring to the enterprise. Institutions need incentives to reduce costs without sending the signal that quality has been diminished.

Efforts to do a better job of measuring performance on key indicators are underway on several fronts. Especially notable are the Minnesota State Colleges and Universities system’s “accountability dashboard” model. The Minnesota Office of Higher Education recently has ramped up its accountability and measuring capacity with a highly readable and accessible Minnesota Measures 2008 document. And the University of Minnesota has since 2001 maintained an “Accountable to U” web page.

**K-12: The Biggest Slice**

The K-12 public education system provides nearly year-round, weekday instruction and services to almost one-fifth of our population. It is by far the largest slice on the state and local budget pie charts, accounting for more than 35 percent of all government spending. It also is one of the most labor-intensive sectors in government, and health care cost increases in recent decades have helped drive spending growth.

Major overall accountability gains in government cannot be achieved without taking on K-12 education – or, more significantly, the total education continuum from birth and early childhood through early adulthood.

There’s some consensus that K-12 education should protect the core enterprise of teaching and learning and, therefore, that accountability efforts and cost-saving initiatives should first look outside the classroom. A starting point might include measures such as moving district employees into group insurance programs to reduce employee health insurance costs, as well as reducing benefit costs for retired teachers by moving them into Medicare. Other cost-saving measures should include regionalizing schools’ food services, transportation and building maintenance; maximizing federal Medicaid reimbursements for special education; reducing energy costs through better purchasing, conservation campaigns and energy savings initiatives; enacting procurement reform and coordinating the purchase of utilities, bookstore contracts, office supplies and vending contracts. States like Massachusetts have examined these cost measures by setting up a finance commission for education cost savings, and Gov. Tim Pawlenty and school districts themselves are studying administrative consolidation.

The state’s public school system is unusually decentralized and subject to legislative, executive branch and local school board control. Minnesota is one of very few states that have neither a state school board (abolished in 1999) nor an elected official with specific responsibility and authority over public education. Although the Pawlenty administration has won some praise for its attempt to improve teacher quality and accountability through the merit pay initiative known as Q Comp, this program has demonstrated limited results to date, according to both a study by the Office of the Legislative Auditor and an evaluation performed by a firm hired by the Minnesota Department of Education.

Accountability efforts in recent years have consisted primarily of dramatic increases in the frequency and variety of mandatory federal and state testing of students. The Minnesota Department of Education’s accountability function consists largely of coordinating the reporting on this plethora of annual student testing requirements and maintaining oversight of legal compliance issues. The Minnesota School Boards Association has a brief reference to accountability principles in its legislative policy positions manual.

Perhaps symbolic of the need for more research in this area, the Office of Education Accountability, an independent agency operated by the University of Minnesota’s College of Education and Human Development, was defunded in 2005, although its web page still exists.
Public Employee Compensation and Pension Reform

By many measures in recent years, private-sector workers, especially at mid-level pay ranges and below, have lost ground in benefits and compensation. They have lost ground relative to what they had before, relative to top management and relative to public-sector employees.

The idea of replicating this diminished economic status for public employees could be considered a perverse form of fairness, in which an already growing economic inequality between top-income individuals and everyone else is exacerbated.

Nevertheless, government is a labor-intensive enterprise, and no effort at accountability or cost-savings can leave aside questions of whether efficiencies can be achieved from: building more incentives into employee compensation and contracts; making it easier to discharge or discipline non-performers; requiring more flexibility in union contracts; and in the current crisis, perhaps affording job security in return for lower pay increases or freezes. State labor leaders have talked about reasonable trade-offs between compensation and security.

Public employee retirement benefits are another increasingly problematic cost-driver. So-called “defined benefit” plans guarantee a certain pension benefit, regardless of market performance, and state and local governments must make up the difference when the funds run short. During prior years of good investment performance, retirees pushed through legislative changes that allowed them to take the profits from investments, rather than leaving that windfall in the funds to protect future benefits. Roger Lowenstein, a former Wall Street Journal writer who has written extensively and provocatively on the subject of pensions, has described their unfunded public and private liabilities as a “retirement time bomb.”

Oversight of public pensions is provided in Minnesota by the Legislative Commission on Pensions and Retirement, which keeps a detailed analysis of trends and the health of the funds. The Office of the Legislative Auditor found Minnesota ranks low among the states in public employees per capita and relatively high in the compensation and benefits level, suggesting that our employees are more productive. The last such study, however, was conducted almost a decade ago, and it needs to be updated.

Corrections and Criminal Justice Reforms

Minnesota has long been a progressive state that focused on rehabilitation rather than retribution in its penal systems. We continue to rank relatively low on incarceration rates and corrections costs, a significant cost-driver in many states. (A year’s incarceration can cost about as much as a year in a private college.) But our overall costs have risen considerably over the last two decades, driven in part by longer sentences plus harsher penalties for drug-related offenses. In 2007, Minnesota spent $438 million on corrections, which now accounts for 2.7 percent of the state budget, and it is one of the fastest-growing segments.

Both corrections and fiscal experts think it’s time to consider alternatives to the costly throw-away-the-key mentality of the last 20 years, including investing in earlier interventions that reduce the need for incarceration. The Council on Crime and Justice, a Minnesota nonprofit organization, has conducted extensive research and advocacy dealing with Minnesota’s criminal justice system. The group recently produced an informative overview, “Justice, Where Art Thou,” documenting the sharp rise in corrections costs in recent decades and suggesting more cost-effective alternatives.29

Technology and E-government Innovation

Significant productivity gains have been realized in Minnesota by our state and local governments through applied technology and on-line provision of information and services. Minnesota ranks average-to-high on most 50-state measures of excellence and innovation in e-government, but other states may be moving ahead faster. Minnesota recently slipped from 14th to 30th in a comparative evaluation of electronic governance.30

A growing body of experts is pointing to online learning as offering potential cost-savings salvation, particularly in higher education. So far, these initiatives are largely untested for effectiveness and there is little cost-benefit analysis to accompany the limited studies of online learning. Nevertheless, Gov. Pawlenty has set a goal for higher education systems to provide 25 percent of their classes online, and more research is needed. Education Evolving31 is a state-based advocate for intriguing ideas about the redesign of schooling, including new models featuring customized digital learning.

On another broader front, state government under Gov. Pawlenty has taken a step in the right direction with the creation of an Office of Enterprise Technology32 and the appointment of the state’s first chief information officer, Gopal Khanna.

**Consolidation, Coordination and Streamlining Administrative Functions and Units of Government**

For a variety of historical and geopolitical reasons, Minnesota has an unusually large number of governmental entities, from watershed districts to mosquito control districts to township governments. Proposals to merge, consolidate or coordinate the functions of these governments have emerged over the years, but as reported in the Star Tribune’s series “Streamlining Government,” success does not come easily. Mergers and combinations have been spotty and slow, and savings minimal.

But experts agree that it’s advisable to redouble creative and technology-based efforts to combine and coordinate agencies and governmental units, reduce duplication and improve the quality of services at every level. The Association of Minnesota Counties has recently launched an impressive fundamental redesign effort that includes streamlining among county governments and coordinating with other local governments. Even within governments, striving to standardize and reduce complexity can pay off. Minnesota’s state government recently launched an effort to provide a single e-mail and calendaring system for the entire executive branch, replacing 25 different agency-based systems using three different platforms.

**Reducing Tax Expenditures and Enforcing Compliance**

While most of the action on accountability reform lies on the spending side of the equation, opportunities abound on the revenue side as well. Closing “loopholes” and stepping up compliance enforcement on tax delinquencies and evaders can yield big money. A 2005 Minnesota Department of Revenue report found that the state tax gap – the difference between what is owed the state and what is actually paid – is nearly $1.3 billion. The income tax gap is estimated at $604 million, and the sales tax gap is expected to reach $693 million by 2007.

Impressive as those figures are, they pale next to the foregone revenue represented by so-called “tax expenditures.” These are special tax exemptions, deductions, credits and lower rates that have been enacted over many years to achieve various policy goals or sometimes simply in response to temporary emergencies or political pressure. These expenditures range from JOBZ tax breaks for businesses that locate in designated areas, to ethanol subsidies, to interest on student loans, to sales tax breaks on legal services, food and clothing, to more sacred exemptions such as tax benefits for veterans, retirees and home owners.

Many tax expenditures are of questionable public benefit and are seldom subject to a regular accountability analysis of effectiveness in achieving their intended purpose. Full or partial removal of some of the exemptions could have a sizable positive impact on the state’s fiscal health. A complete list of tax expenditures is available on the Minnesota Department of Revenue website.

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Beyond Budgets: Non-Fiscal Political and Process Reform

Restoring public faith in our public institutions is not just about money and budgets. Laudable multi-partisan efforts are in progress in Minnesota to depoliticize the judicial selection and retention process. A campaign also is being mounted to transfer the bitterly partisan redistricting process to a neutral and non-partisan entity. Non-partisan election reform efforts include instant runoff voting and cleaning up the glitches that became apparent during the recent U.S. Senate election recount.

Minnesota has lost its place as a leading state in campaign finance reform. Efforts in recent years — aimed generally at increased public financing to remove the disproportionate influence of large donors and moneyed interests — have stalled. States like Arizona and Maine have moved ahead of Minnesota with nearly total public financing of campaigns. Groups such as the Midwest Democracy Network, Common Cause Minnesota and Heartland Democracy are trying to revive those efforts.

Models

The Growth & Justice Smart Investments Model

Accountability and fiscal discipline have been pillars of our Invest for Real Prosperity framework, and they are fundamental elements in the recommendations we develop under the Smart Investments label, including Smart Investments in Minnesota’s Students. That highly praised strategic investment model exemplifies several of the accountability principles set forth in this brief:

• Setting a strategic measure of success – a 50 percent increase in the higher education attainment rate.

• Identifying the factors most critical to achieving success along the education continuum.

• Using evidence-based research to determine what interventions are most effective at influencing those factors.

• Linking investment decisions with specific educational outcomes, based on studies of cost-effectiveness for the interventions chosen.

• Obtaining leadership buy-in by engaging a broad segment of the education and policy community in an education summit and convening a panel of citizens and experts to propose an investment portfolio aimed at achieving the goal.


Other Models: Washington and Oregon

In our working group and in discussions with others in the field, the same states kept turning up as models for accountability, planning and performance measurement. These two examples both offer successful tools and tactics that could be emulated by others, including Minnesota.

The Washington State Institute for Public Policy was created by the Washington Legislature in 1983 and has fiscal and administrative services provided by The Evergreen State College. The Institute’s mission is to carry out practical, non-partisan research on problems facing the state, at the direction of the Legislature, and conducts research using its own policy analysts and economists, specialists from universities, and consultants. The staff works closely with legislators, legislative and state agency staff and experts in the field to ensure that studies answer relevant policy questions tied to state policy needs.

In 1989, the Oregon Legislature created an independent state planning and oversight agency, the Oregon Progress Board. The Board is chaired by the governor and made up of citizen leaders that reflect the social, ethnic and political diversity of the state. The Board monitors the state’s long-term strategic vision, Oregon Shines, by tracking the progress measures known as Oregon Benchmarks. The benchmarks are organized into seven categories: economy; education; civic engagement; social support; public safety; community development; and environment. The benchmarks are used for a broad array of policymaking and budget-related activities, and Oregon state agencies are required to link their key performance measures to them. Student achievement benchmarks are the cornerstone of Oregon’s educational reform initiatives. State-local planning processes, like Oregon’s innovative Partners for Children and Families program, as well as county governments and community organizations, use benchmarks to focus collaborative efforts and to help gauge their progress.

“Washington State has had a non-partisan commitment from leadership. It doesn’t matter who is governor. The basic core issues have not changed.”

-Jim Monroe

“Some states are focusing their efforts in IT consolidation – look to Michigan, Virginia and Delaware. Of all the states – and I’ve tried to benchmark all of them in all of my areas – it always comes back to Washington State. They do everything really, really well.”

-Dana Badgerow
Current Accountability Initiatives and Institutions in Minnesota

Efforts at improvement have been more or less constant in Minnesota’s public sector during the last 30 years and this is an unappreciated fact. The news media tends to overlook it, preferring stories about government failures. Some governors and elected officials emphasize it more than others, but accountability and transparency efforts in the public sector are more prevalent and consistent than is commonly understood. Here are some commendable examples, as well as resources provided by public, non-profit and private-sector entities.

Archibald Bush Foundation
An independent foundation serving Minnesota and the Dakotas, the Bush Foundation has realigned its priorities to include a major new focus on fostering courageous leadership and effective problem-solving in Minnesota communities.

http://www.bushfoundation.org/

Association of Minnesota Counties (AMC)
AMC serves as a central resource for Minnesota’s 87 counties, and it recently created the Minnesota Redesign Project, aimed at restoring trust, transparency and effectiveness to the relationship between state and county governments.

http://www.mncounties.org/

Minnesota Chamber of Commerce
The state’s largest membership association of business owners and managers recently undertook an effort to provide expertise on ways to save costs in highway and transportation construction. The Chamber often works with state and local governments in public-private partnerships to achieve goals and reduce costs.

http://www.mnchamber.com/

Citizens League
A non-partisan civic organization with decades of experience and a solid reputation in “good-government” policy analysis and prescriptive recommendations, the Citizens League is committed to finding new solutions to common policy problems and increasing civic engagement in Minnesota. Recent work has focused on immigrant students and higher education, the governance of water in Minnesota, and poverty policy.

http://www.citizensleague.org/
Drive to Excellence
Launched by Gov. Tim Pawlenty in 2005, the Drive to Excellence has focused on increasing quality in government, increasing customer service in government and reducing costs in government. The program has more than a dozen initiatives completed or currently underway and has saved millions of dollars.

http://www.state.mn.us/portal/mn/jsp/home.do?agency=Excellence

House-Senate Commitment to Government Accountability Group
Led by state Sen. Ann Rest, Rep. Steve Simon, and Rep. Ryan Winkler, this group of legislators has adopted five core principles to guide their legislative agenda. These principles state that Minnesota government should deliver straight talk and open books; use honest accounting and realistic budgeting; cut bureaucracy and reward innovation; be required to deliver results; and set clear priorities and plan for the long run. One of the proposals authored by group members calls for an improvement in the use of the Minnesota Milestones and other statewide goals and indicators in state planning.

http://www.house.leg.state.mn.us/members/pressrelease.asp?party=1&pressid=3374&memid=12280

League of Minnesota Cities
The League provides a wealth of accountability and performance-improving guidance and services for Minnesota’s 855 municipal governments. The League recognizes innovation and effectiveness through its annual City of Excellence Awards program. Recent winners include cities that have combined public safety and administrative functions.

http://www.lmc.org
http://www.lmnc.org/page/1/city-of-excellence-awards.jsp

Minnesota State Colleges and Universities Dashboard
This new website quickly displays goals for the Minnesota State Colleges and Universities (MnSCU) system and its progress toward key performance benchmarks.

http://www.mnscu.edu/board/accountability/index.html

Minnesota Business Partnership
Comprised of the leaders of more than 100 of Minnesota’s largest employers, the Partnership maintains a Partnering for Productivity initiative that connects corporate leaders with government leaders to share expertise and bring private-sector practices to the public sector.

http://www.mnbp.com/article.cfm?aid=4&atid=56&cid=2

Minnesota Coalition on Government Information
This coalition is a network of individuals and organizations committed to open access to public information in print, electronic and digital forms. Its members include librarians, media representatives, lawyers, community activists, computer professionals and educators

http://www.mncogi.org/
**Minnesota Council for Quality**
The Council is a non-profit corporation that believes that Minnesota’s socio-economic future depends largely on the effective management of organizations throughout the state. They are a resource for helping organizations in all sectors and in all communities throughout Minnesota improve their operations and their performance. They also collaborate with other non-profits that focus on improvement.

[http://www.councilforquality.org/](http://www.councilforquality.org/)

**Office of the Legislative Auditor**
The Office of the Legislative Auditor serves as the largest and most prominent agency that analyzes and evaluates the effectiveness and integrity of state and local government programs and initiatives in Minnesota. It has long enjoyed a sterling reputation for thoroughness and toughness, and a wealth of audits and background information on public agencies, programs and entire public systems are available on its website.

[http://www.auditor.leg.state.mn.us/](http://www.auditor.leg.state.mn.us/)

**State Auditor**
The State Auditor, a statewide elected office currently held by Rebecca Otto, is responsible for oversight of the $20 billion spent by local governments throughout the state, and has recently undertaken efforts to make its research more easily accessible via the Internet. The office maintains a “Best Practices Review” function, and provides weekly e-updates containing important tips, information and reminders related to local government financial activities.

[http://www.osa.state.mn.us/](http://www.osa.state.mn.us/)

**Twin Cities Compass**
A partnership of Wilder Research and The Itasca Project, this resource tracks trends and gives unbiased information about how our region is faring in several key quality-of-life areas including civic engagement, early childhood, the economy, environment, health and transportation.


**University of Minnesota Hubert H. Humphrey Institute of Public Affairs**
The Humphrey Institute has created a “Governance and Accountability” focus area to research the current strengths and limitations of accountability mechanisms in government.

[http://www.hhh.umn.edu/centers/pnlc/research.html](http://www.hhh.umn.edu/centers/pnlc/research.html)
Many individuals contributed to the development of this initiative. Anne Knapp was an essential driver of the early research and framing of the topic, and was indispensable in the drafting of the accountability principles. She deserves special kudos for her leadership in the research and planning phase of this project. Interns Matt Burdick and Kevin McNellis provided valuable research assistance for which we are thankful. The individuals listed below drew on their personal experiences as distinguished leaders in the public and private sectors and gave us their perspectives, ideas, and time. We are grateful for their participation. Thanks also go to Jennifer Armstrong, Gary Carlson, Eric Schubert, and Tom Triplett for their thoughts and feedback at various stages in the process.

This report is ultimately the product of Growth & Justice and in no way claims endorsement, whether explicit or implicit, by any of the individuals consulted or listed here.

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Steven Bosacker is city coordinator for the City of Minneapolis, where he supervises the City’s finance, communications, regulatory, and technology operations. Described by colleagues as “a very capable strategic thinker” and “an expert in government management,” Bosacker has had experience throughout Minnesota’s public sector and has served as executive director for the University of Minnesota Board of Regents and as chief of staff to Gov. Jesse Ventura and Congressman Tim Penny.

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John Gunyou is city manager for the City of Minnetonka, where he oversees day-to-day operations. Previously, Gunyou served as commissioner of the Department of Finance under Gov. Arne Carlson, finance director for the City of Minneapolis and an executive with Minnesota Public Radio. Gunyou holds degrees in finance and economics from the U.S. Air Force Academy, the University of California, Los Angeles, and the University of Colorado.
Sandra (Sandy) Hale is a fellow at the National Academy of Public Administration in Washington, D.C. Hale served as commissioner of the Department of Administration under Gov. Rudy Perpich and was instrumental in the development of Strive Towards Excellence and Performance (STEP), a government reform initiative which received national attention and won awards from the Ford Foundation and the Harvard Kennedy School of Government for innovative practices in government.

Tom Hesse is vice president of Government Affairs at the Minnesota Chamber of Commerce. Hesse has a bachelor’s degree in math from the University of Minnesota and a master of business administration from Indiana University Bloomington.

John James is a lawyer and consultant. James was commissioner of Department of Revenue from 1987-89, under Gov. Rudy Perpich, and has consulted from time to time on public policy issues for the past 20 years. James holds degrees from Harvard Law School and the University of Iowa.

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Anne Knapp is president of Ready for Change LLC. From 1987-1990, she served as an assistant commissioner for the Department of Economic Security. Knapp has also worked in the Department of Administration, the Office of the Senate Counsel, and was executive vice president of Corporate Development for GMAC ResCap. Knapp holds a bachelor’s degree as well as a doctorate in American history from the University of California - San Diego.

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Jim Monroe is executive director of the Minnesota Association of Professional Employees. During his career, Monroe has led public employees unions in Washington State, Maine, and Ohio and worked as the labor relations coordinator for Ohio Gov. Jack Gilligan. Monroe holds a bachelor’s degree in political science and English from Ohio University.
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Laurie Ohmann is chief executive officer of Public Strategies Group. Previously, Ohmann was superintendent of Minneapolis Public Schools and executive director of the Minnesota Center for Crime Victim Services. Ohmann serves on the board of Cornerstone, a nonprofit committed to preventing violence and supporting victims of domestic abuse. Ohmann holds a Master of Planning degree from the University of Minnesota’s Humphrey Institute.

Nancy Schouweiler is a Dakota County Commissioner who is serving in her third term and 11th year on the County Board. In 2004, Schouweiler was the first woman to chair the Board. Schouweiler served as the president of the Association of Minnesota Counties in 2006 and is vice chair of the National Association of Counties Justice and Public Safety Committee. She holds a Master of Public Administration degree from Hamline University.