



Civic Caucus

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Redesigning Public Services Position Report

Different Choices: Redesigning Public Services

Statement Summary

Minnesotans must reject the myth that solving a huge and growing state financial problem means only higher taxes or painful cuts in services.

There is a much better approach: Looking at problems with fresh eyes; re-examining old assumptions; concentrating on outcomes; not being afraid to challenge traditional practices; advancing unconventional ways of solving the problems.

The creative abilities of citizens and organizations of all political leanings statewide, so well demonstrated in the past, must now be energized to develop proposals for redesigning public services to an extent never before contemplated.

Minnesota's next Governor must be someone who will marshal this creativity and bring a steady stream of good ideas to the Legislature. The Governor must be able to both steer through the present budget crisis and establish a trajectory that sees beyond recovery.

The Civic Caucus will attach highest priority to redesign of the public sector in its weekly interviews, its summaries, and position papers. Through interviews and summaries the Caucus will identify thoughtful redesign proposals, learn about them, explore their implications, and help elected officials and others become familiar with them. From time to time it will issue recommendations on redesign proposals that offer the greatest promise.

Signatories to the statement are included on the final pages of the document.

Different Choices: Redesigning Public Services

Minnesota is at a time for choosing. Educational performance is stagnant. Health care costs continue to rise, increasing pressure on employers and the state budget. There are calls for an expensive

renaissance in transit. The middle class is being squeezed from all sides. World-class businesses have not come to Minnesota for a while, and some have left. The state, like others, is in the middle of the greatest budget crisis in its history. And the foundation for Minnesota policy innovation - the partnership between citizen groups and government - has crumbled.

Amidst an atmosphere of polemics there is one area of consensus: elected officials and citizens of all stripes agree that the state faces major challenges in the years ahead.

A state can lead, or it can fall behind. There is no middle, no alternative. History is not kind to those that remain static in a world that is constantly changing. Minnesota no longer measures itself against other states. We now peg ourselves to the pace of the world, an interconnected world with worthy competitors and emerging powers. Minnesota will not lead in the cost or size of our labor force, or on the bounty of our natural gifts alone. Our edge comes through innovation, leading by setting the standard, not reacting to it. How we respond to these challenges will determine whether Minnesota leads or follows as the century unfolds.

Decline is a choice. It happens when a state turns away from a penchant for creativity and improvement, and succumbs to the comfortable drag of mediocrity. Greatness is made. If it is not being actively maintained, we can assume that we are declining.

Minnesota has arrived late to the new century. We are trying to excel in a new time without the benefit of new ideas. And we are frustrated. There is a collective sense that we are in fact declining as a state. Our anxiety is good. It shows we are unsettled.

There is remarkable opportunity, through redesign in the public sector. What has made Minnesota great is not the size of our government, its efficiency, or even its effectiveness at any one time. The trait that has provided Minnesota its edge begins with an ability to understand the relationship between how public systems are arranged and what they produce; followed by a willingness to work collectively to improve government and make things work better.

Policymakers tend to respond to economic crises with familiar short-term and long-term strategies: modify taxes, operate more efficiently, decrease expenditures, promote economic growth. The tools come down to tax, cut, or grow the economy. The most consequential question however - and the one most ignored - is how to change the way the state spends.

Per capita general fund spending has increased in Minnesota faster than the national rate of inflation for state and local government. Per capita growth in the state's general fund averaged 5.4 percent annually from 1984 to 2008. During the same period the Implicit Price Deflator (IPD) for state and local government increased an average of 3.5 percent annually. Money is not the problem. Minnesota has a history of being a high-tax, high-service state. We have been able to tax higher because we offer a better product: Our quality of life, our economic and social climates, a dynamic and well-educated society.

These virtues do not come by way of spending alone. Expenditure is secondary to what it is that we do in the public sector. Are our services good or poor? Do they achieve their goals as efficiently and

effectively as alternatives? What are the alternatives? Those are the key questions. By the same token cutting taxes is not itself sufficient to maintain our status as a premier economic state. Important as they are, when it comes down to it we do not compete on tax rates. That is not our game.

The Governor and Legislature face a budget shortfall of at least \$4 billion for the biennium beginning July 2011 - more serious than the 2009 shortfall that shocked the state to attention. That year the state exhausted its creative tools to shift resources, and had access to one-time federal stimulus funds to backstop further erosion. No such options or assistance are available for 2011.

The projected budget shortfall assumes no increase in spending over the present biennium. Nor does it include inflationary increases in spending. Any budget increase would act to enlarge the shortfall, which already includes consideration for natural growth in revenues from a rise in economic activity. The shortfall would be larger if such projections prove overly optimistic.

If school districts, counties or cities are to receive the same aid, or state employees the same salary, or nursing homes the same reimbursement as in the current biennium, the state will first have to find \$4 billion more revenue or budget cuts for the biennium just to stay even.

The economic crisis has shone light on the unsustainable nature of our existing systems. But too many of our leaders fail to see that light. Instead they declare war on the Crisis, and stumble over each other to cry Charge - only to confront the reality that we do not in fact know how to solve it. Our creative tools to shift resources have been used up. We now stand before a cold, unforgiving wall. We think the only way forward is to close our eyes and blast through it. If we do, we will tear ourselves apart. To sacrifice with no vision of the future is to live without hope.

In the short term options are limited, and budgets will likely be reconciled in part with some combination of taxing and cutting. Despite being consumed with crisis management today, it is the responsibility of private and public leadership to look to tomorrow. By now it is clear that we are facing an unprecedented situation that reaches beyond the next session. We cannot cut our way out of it, we cannot tax our way out of it, and we cannot grow our way out of it if we expect to have a stronger state tomorrow. The long-term strategy Minnesota needs now is a process of redesigning aspects of our public sector so that it works better, at a lower cost, by working differently. The process is policy entrepreneurship by thoughtful, engaged individuals and groups.

Redesign for the future can be seen through redesign in the past. The past fifty years have seen a succession of improvements in Minnesota that came through rethinking aspects of the public sector. In the 1960's the Metropolitan Council became a unique organization for a unique metro center, serving a regional planning function to supplement local controls. In the 1970's tax-base sharing again tied together the fate of municipalities in the Metropolis, working to redistribute a portion of the tax base, not tax revenues. Growth thus occurred more balanced, and evenly, than otherwise would have been the case. In part because of these innovations the greater Twin Cities has become one of the finest metropolitan regions in the country.

Other redesigns had statewide implications. In the 1980's Minnesota began its legacy of leading the nation in giving families greater choice in picking schools for their children. A mother made a call to the Department of Education asking why her child must attend school in one district, not another

where she worked. "Good question," came the reply, and so began an era of opening-up the system of primary and secondary schooling in this country. Nowhere else has the progress toward improvement been so tangible, or significant.

First came post secondary options (1985), allowing students to take college courses for credit while still enrolled in high school. Second came open enrollment (1988), allowing students to attend public school in districts other than their own. Third came public school chartering (1991), allowing for choice, competition, and innovation all within the public system. Fourth came site governed schools (2009) allowing school districts to create new schools with autonomy and exemption from state rules and regulation reflective of the chartering sector. This ability to be responsive to a changing education environment has particularly strong ramifications for rural communities.

It is possible to make significant improvements in state functions. K-12 and higher education continue to harbor great potential for public-sector redesign, as do health care and matters associated with aging. Together these account for 80 percent of the state's budget.

Successful redesigns work through the existing political environment without being constrained by it. The process suggests an unconventional approach, exploring different ways of doing things and not just propping up established systems and methods. It gives people an opportunity to be part of a solution themselves, inviting their input. It is pragmatic and not ideological - a change in how things are done is more likely to succeed if it attracts broad political support. It responds to a well-understood issue, necessitating a period of study by those seeking to propose solutions. Recommendations for action must articulate detail sufficient for bill drafting. An idea will not succeed if it is only an answer in search of a problem. Vague concepts, or articulation of goals, do not do the job. Redesign of a system can be slow acting. Work on the way things are put together, and the processes and incentives created, gets at the roots of a system. It is the soundest strategy.

The notion of redesign stands against stagnation and complacency. To redesign is more than finding efficiencies, and runs deeper than much of the political discourse today. It is that commonly overlooked - but vastly consequential - space between inputs (revenue) and outputs (services). When a state fails to address how it operates the public sector, it is limiting its capacity.

Facing a challenging budget environment in 1983, Governor Rudy Perpich spoke directly to the legislature in his budget message:

"The leadership of Minnesota must and will find new solutions to public problems, and expanded alternatives to the strategies of cut and tax. Long-term solutions involve raising revenues through expanded economic activity, and redesigning government. We need to reconsider and restructure the way we provide state services. The answers will not come easily.

But if we bring our will and wit to bear on the problem, solutions will come from the informed pragmatism of many Minnesotans determined to create new alternatives."

Former Governor Elmer Andersen once said when he was asked who might be governor some day:

"I don't think that's very important right now. When the public is clear about what it wants, elected officials are important. They get it done.

But in a time like this, when the answers are not clear, politicians hesitate. The leaders are those who generate the new ideas."

Think of a box. On one end are the 'inputs' to the box, or taxes and other forms of revenue. On the other end are the 'outputs,' or what we see as the product of government agencies and services. Most popular and political attention has focused only on these two components. Over the short term the options with inputs are to tax more, or tax less. On these there is no agreement. Over the long term, nearly everyone agrees in principle that growth is the best way to increase revenue.

Wanting improvement, discussion then leaps from the inputs to outputs. There are calls for greater efficiency and demands for accountability. We want to get more without seriously changing how we do it. But what matters is what transpires to provide the result we see. We need to look at how we can do things better by doing them differently. This is the value in government that we all seek.

The answers do not come on their own. It is through tireless, inclusive work on what goes 'inside the box' that makes the difference between a state that is ordinary and one that's extraordinary.

Here is where the Civic Caucus will turn its attention.

The Agenda for the Civic Caucus

1. Aspirations for a great state. Over the last four years during some 175 interviews with public figures in Minnesota the Civic Caucus has heard consistently that Minnesotans want a state that is dynamic, innovative, and a national leader in education, health care, and quality of life. They want it to be one of the best places in the world to do business and to raise a family, with good people and good civic institutions.

2. A need for new ideas. We have also heard repeatedly that for such goals to be realized the state urgently needs resurgence in generating good public policy ideas, spelled out in detail, accompanied by strategies and methods to bring them to fruition. Many of the interviewees mention that Minnesota was a national leader in public policy from the 1960s to the mid-1990s. But the state is no longer such a leader.

3. Redesign public services. Today's challenge, however, is greater than that of the past. We have learned that Minnesota faces almost unprecedented fiscal pressures over the next several years. We do not just need new ideas for public services that are delivered in the same mould, or design, as the past. A state cannot simply cut or spend its way to prosperity. Those are not themselves strategies for improvement. Efficiency is important, and so is economic growth. But the design of the public sector matters. The systems of a state must continually adapt and improve for long-term strength. What is needed is to break the mould, to redesign public services in ways that capture the times to deliver

more despite severely constrained revenue sources. Such redesign concepts must be sufficiently detailed to make their implications and impacts clearly understood, and be accompanied by strategies for implementation.

The level of leadership present in the '60s-'90s is missing today. There is less emphasis among organizations on the substance of local affairs. The decline of newspapers has diminished their role in synthesizing issues and educating the public.

Consequently, the state will need a new level of creativity from its individual citizens, its organizations, and its elected local and state public officials. Crisis breeds opportunity. We must respond by participating in finding solutions. Never before has the need for better ways of delivering public services been so evident.

4. The state can again lead. Minnesota can again be a public policy leader in the nation. We have become an exceptional state because of an ability to respond creatively to public problems. The people have generated ideas for action, turned them into proposals, thereby inspiring officials to enact them. Our advantage has been our historical commitment to civic discussion and collective action.

Nonetheless, the Caucus has heard from critics who bemoan a significant decline in recent years in the number and quality of new ideas. Without substantive proposals on which to work, elected officials engage in venomous battle over inputs and outputs: Tax more, tax less. Spend more, spend less. Do what we are doing, but better. The energy that could be spent working on what goes 'inside the box' is instead caught in partisan battles of little importance.

5. Ideal role for citizen groups: policy entrepreneurship. Much of the work that made this state a national leader was done outside of government, by engaged citizens who participated out of a sense of responsibility and service.

There is a model for those interested in this work: Visit statewide with leaders in the communities, business and politics. Ask what problems are becoming most important and have potential for shaping. Form groups of fair-minded citizens to study the issues, reach conclusions, and offer proposals. Find supporters in government to move proposals into action. This method of idea generation has proven remarkably effective for getting good policy. The late John Brandl had a term for it: policy entrepreneurship.

Many say we cannot return to these methods and strategies because today's rancorous political discourse stifles new ideas. But politics has not really changed. Absent thoughtful proposals on which to turn their attention, politicians retreat into partisanship and bickering.

Non-governmental citizen groups should lead the way. Proposals should be unambiguous, with ideas specific enough for bill drafting. There is reason to be optimistic. Experts on the policy environment agree that legislators will be receptive because they, too, see no victories in raising taxes or cutting services. They would be delighted to see ways that would raise quality without more spending.

6. Ad hoc commissions can help. Another way to produce new ideas is to convene ad hoc

commissions, tasking them with the consideration of serious policy challenges. Governors are particularly well situated to convene, but almost any elected official has potential to use the power of the office to bring varying interests and citizens together to work on new solutions.

Such commissions must be diligent in the pursuit of a problem, fair-minded in consideration of issues, and courageous in the issuance of recommendations that are both thorough and actionable. Their purpose is not to produce a report but, rather, to generate a new consensus around a particular issue. The focus is always on results. For an example of how this can be done, see the still-pertinent 1995 report by John Brandl and Vin Weber, "An Agenda for Reform."

Whatever the source of recommendations - citizen groups, commissions, individuals, special interest groups, or legislative staff - the door that leads to improved services and better government will more likely be marked 'innovation' and 'redesign,' not 'revenue.'

7. The Civic Caucus will emphasize policy redesign in its interviews. Was the Minnesota exceptionalism of the last century an anomaly, the result of committed individuals coming together with the right practices under optimal conditions? Can the state's great partnership - citizens and their government - be reinvented for a new time with new challenges? After a period of decline the future of the state is uncertain. The Civic Caucus is determined to help reverse that decline, and is optimistic.

The Civic Caucus will act as a champion for redesign and the processes of collective action between citizens and elected government. Comparative greatness cannot be maintained without continual innovation and improvement. This culture of idea-generation and collective action is what has given Minnesota its edge, and is what the Caucus will promote.

The Caucus will continue to operate in a strictly nonpartisan manner. Through its weekly interviews with public figures it will continue to gather information on Minnesota issues, share the information with its member base, invite participants to respond, and share their responses online.

The Civic Caucus will make special efforts to seek out, and give attention to, interviewees who can outline specific proposals for redesigning public services. Before meeting with individuals, the Caucus will verify the extent to which their proposals for change have been well thought-through, so they can discuss them in detail. It will not be enough for someone to recommend more appropriations.

8. Civic Caucus priorities. The Caucus will concentrate its attention on topic areas with major impact on the health of the state. These may range from education to transportation and aging, and involve all matters of the economy.

Through its weekly interviews considering these topics, the Civic Caucus will explore how things can be done differently to achieve better results. In planning for the interviews, members will ask guests to think about ideas for redesign in the areas they understand best.

The Caucus will produce occasional position papers on topics covered during the weekly sessions, with emphasis on viable policy proposals. In its interviews and through the drafting process, the Civic

Caucus involves over 1,200 thought leaders in the state with its electronic membership.

9. Strengthening the republic, protecting the means for action. Historically Minnesota has enjoyed a particularly effective relationship between two distinct dimensions of the American character: the public and its government. The public consists of the people and their associations, in civic and business life. The government includes those we elect to manage our state: the governor, executive cabinet and staff, and by extension the state employees responsible for carrying out legislation. We have a history of effective organizations and governance in this state, bringing people together to work on public problems.

Elected representatives in the Legislature work with one foot in each, providing voice for their constituents while assuming a duty to work toward the best long-term interests of the state. One former governor liked to describe the legislative session as a time when "the people of Minnesota will gather to tell the government what to do."

Some of the most respected observers of political life in this state have warned of subtle erosion at the foundation of our government. Our representative democracy, the rigors of which ensure stability and safeguard organized liberty and minority rights, is under threat. The rise in polemics and partisanship in state politics has led to widespread cynicism about elected officials. The public doubts their ability to address critical state issues. This has contributed to a troubling trend toward direct democracy, voting interests into the state constitution instead of relying on the deliberate mechanisms of the republic. California tried this path and is now virtually ungovernable.

The rise of sympathies for direct democracy threatens the very processes of collective action that have been core to Minnesota's exceptionalism. The Civic Caucus will be resolute in arguing for representative democracy as a superior form of government.

10. Leadership and vision. There is no substitute for capable leadership. Standing opposite the Legislature the Governor serves an essential role in facilitating policy entrepreneurship. The Governor can convene and task people to work to solve problems. Not all ideas will be popular. Executive and legislative leadership need to be open, both to good ideas and to each other.

The news media can lead too in public affairs, reporting on new ideas as they are under development and come forward. Reporters and editorial boards should cover the substance of government more than the politics of government, or horse-race coverage, that is common today. They used to do this more often. Electronic news boutiques may find a niche here, as well as civic groups like the Civic Caucus that have an educational component for their members.

To lead there must be a vision. A Governor can supply this, but leadership in public affairs should come from all organizations working for the benefit of their communities and the state. Right now professional politicians and staff dominate the public sector. The decline of corporate investment has been offset by an increase in the capacity of local foundations to fund the work of policy entrepreneurship. It is now their time to rise to the challenge of supporting the work of public sector redesign, leveraging their limited resources for the greatest possible return - improving the way the state does business.

Minnesota's next Governor needs to be an agent of ideas. Imagination will be the currency of this century, in economics and in governance. Global inter-connectedness is decreasing the value of labor in the United States, but raises the premium on creativity and innovation that can skip across the world instantaneously. The pace of change has quickened, and those governments best able to adapt and respond will lead.

This state has a history of chief executives who worked creatively and constructively with private, civic, and political interests to marshal good ideas and bring them to the Legislature. Anyone can bring ideas, and they should be encouraged to. But the Governor enjoys the unique capacity to set the state's agenda, unilaterally if so chosen. If ideas are not coming in from the outside a Governor may appoint commissions to generate them. While the Legislature is a partner, so far as there is or is not a ready supply of creative solutions to problems the Governor should be held accountable.

Minnesota needs now a Watershed Governor; a leader who can both steer through crisis and establish a trajectory that sees beyond recovery.

The task awaiting our next leader is clear: negotiate the crisis, and then guide the state onto a path of sustained improvement. It is a once-a-generation charge - to defer ideology for the work of establishing a foundation of collective action that will exceed any official tenure. This, not matters of party or programs, will be the basis on which history will judge Minnesota's next Governor. It is the task history has put to our state. It is what will await the Governor upon entering office, following a period where government ingenuity has ground to a lock. An exceptional state requires continual refinement and redesign of the public sector - work that must be as active in good times as in bad.

We need a Governor who will be surrounded by advisers that are constantly looking for new ideas, interested more in the ideas themselves than in who came up with them. The Governor needs to speak candidly at every opportunity about the enormous fiscal challenge facing the state, and the limitations of a strategy based primarily on the tax/cut polarity.

Any program for recovery will need to involve both short-term and long-term solutions. Redesign done right takes time, and will not balance the budget for 2011. Cutting and taxing, even with economic growth, will only weaken the state if our methods for delivering public services remain unchanged. Our next Governor must call upon the people of Minnesota for their energies and expertise, arguing for the need, and the remarkable opportunities, for doing things differently.

Better, stronger, faster. Minnesotans now have a rare opportunity to concentrate on where we are heading. The gubernatorial race is open with no major national office to contend for attention. The economic crisis has brought on a collective self-awareness and reassessment of our condition. A movement for rethinking how we do things as a state is gathering, helped along by individuals and groups experienced in redesign and policy entrepreneurship.

We have many assets: A growing and vibrant population of seniors with an under-realized capacity to offer their talents; productive workers; a diversified business sector; rich natural resources; and a strong bio-medical industry that could boom into the next decades. Minnesotans hold a quiet

confidence rooted in a legacy of excellence, and understand that with great aspirations comes a requirement for good, smart, work.

And we are hopeful. We have not been broken by that cold wall of crisis. But hope is not a method. There is no single answer to the myriad challenges we face. The solutions will come one at a time, many starting out small. We must cultivate ideas from everywhere, statewide, looking to the government not for solutions but for enactment. Given a chance, the bright people who live here can find a way to make the state work well. Most of them would never choose to run for public office. That is okay. The challenge is to put them together with those who have. We need an entrepreneur's hunger for innovation with patience and tolerance for failure.

By applying the time-tested practices of idea-generation and collective action, the people of this state will have a strategy for greatness.

Signed,

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Original signatories, December 2009

The Civic Caucus is a Minnesota-based non-partisan organization offering a new model for public affairs dialogue, educating and encouraging citizens and leaders across political ideology to explore solutions to challenges facing the state.