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Legislative Process 2011 Position Report

## Statement to Minnesota Governor and Legislature

### Continuous Improvement + Continuous Innovation

#### A short-term / long-term strategy

#### Summary

No thoughtful citizen expects anything less than a struggle over methods to balance the state's budget this session. Major conflict between seemingly unyielding forces and conflicting visions in Minnesota state government is virtually certain over the next two-and-a-half months. Whatever the outcome, down-to-the wire (and maybe post-session) showdowns and ultimate final action probably will leave the Governor and Legislature exhausted and citizens of the state frustrated.

However, looking behind the headlines, an entirely different scene is evident. Lawmakers are sensing that there must be a better way. The hard realities of changing populations and modest economic projections compel them to become architects of a new direction. Already they're sensing new common ground. Bipartisan discussions are under way.

Lawmakers are seeing that the new direction requires a new frame of mind. Questions are being asked: Are some providers automatically rewarded for additional services, whether or not the services are needed? What can people do by themselves? What can people do for themselves with some help? Can outcomes be measured and providers be paid accordingly? Can economic value be attached to delivery of some services and, thereby, attract private investment? Are individuals rewarded or punished for innovation?

Citizens across Minnesota understand that government must seek new approaches to ensure opportunity for all Minnesotans to be successful. The questions asked across the state are "what will change?" and "how will change happen?" The Legislature is talking about new approaches unlike any time in recent memory. Many leaders in community and academic institutions are equally receptive.

Progress already is evident in bills receiving serious consideration in this session. Long after the 2011 budget debate is a memory, this Governor and Legislature might well be heralded as having opened doors for a new approach to state and local programs and services.

To come out of the session as leaders, elected officials need to be able to say that they have articulated a realistic vision, developed an effective strategy, and made the difficult decisions necessary to carry out that strategy, all while acting for both the short and long term interests of the state.

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## **Start with a vision: What kind of state should Minnesota be?**

*Will Minnesota be the brainpower state?* If so, priorities include a well-functioning pre-natal through college public/private education system, and the ability to attract national and global talent to the Cold Sunbelt by offering a better quality of life.

*...the state with the lowest cost of doing business?* In that case, tax and regulatory structure are more important.

*...the innovation center for industry, attracting as much out-of-state talent as traditionally 'growing our own?'* That requires a still different sort of initiative and incentives.

A vision of our future informing all processes of state governance may arise from many sources. It may be articulated by the Governor, legislative leadership, the general public, communities, labor, business and civic organizations. Consensus on a vision is important. There is today both opportunity and need for someone to step forward with a clear vision for our state and to demonstrate the credibility of that vision by taking the critical first steps toward making it a reality. Backed by action addressing both the short and long term, a well-defined vision for the state will bring coherence to the process of governing through this critical period.

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## **Then, advance a strategy: Manage the biennium's budget while implementing new approaches**

A confluence of events-the economic downturn and the structural imbalance of the state budget-has created a rare opportunity in Minnesota in 2011 for structural change.

The Governor or Legislature may take this opportunity to embrace a strategic and fundamentally optimistic approach to Minnesota's position: managing through the biennium's budget imbalance while implementing a dual focus-or "split screen"-strategy of continuous improvement alongside continuous innovation-and in the process, effect both a short-and long-term strategy.

The split screen strategy was developed in the private sector and is now being applied in the government and non-profit sectors. One of the best "split screen" approaches is local. It is how the former Dayton Hudson Corporation thought about the creation of Target. While creating Target (the innovation side of the screen), it continued to "improve" its department stores (the improvement side of the screen).

This dual focus is somewhat analogous to watching two television programs simultaneously via a split screen. Seen this way, improvement and innovation are not competing strategies. Like the programs on the dual screens, they work side by side.

New approaches must address both structure and incentives. Until incentives are changed, nothing fundamentally changes. Thus, the test of a new improvement/innovation approach is: How does it change the incentive structure? New approaches with new incentives are unlikely to emerge from programs already in place. Great changes often happen slowly and outside conventional jurisdictions.

The role of the Governor and Legislature is to create incentives for improvement and innovation among government agencies and units, organizations, communities, families and individuals. Policymakers can establish the incentive framework but might not be in a position to do the actual innovating. One of the tests to use in determining which of several approaches to pursue is the assessment of their short- and long-term costs and savings.

Although economic recovery and growth may reduce the state's budgetary imbalance, the imbalance remains because of the structure, operations, and service approach. Keeping the focus on the long term strategy of improvement/innovation must remain primary for the future of Minnesota. This is what we mean by redesign.

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### **Finally, consider the initiatives: approaches to continuous improvement and continuous innovation in the 2011 session**

Even absent a comprehensive vision or strategic plan for the state, the environment for new approaches nonetheless has ripened, with many proposals emerging. Individuals and groups are weighing in with their distinct ideas of what they want Minnesota to become. These ideas are available to whoever chooses to take up the mantle of leadership. The Governor or Legislature can adopt these ideas as planks in a long-term strategy for Minnesota. While the Civic Caucus neither endorses nor opposes particular proposals, some examples of potentially high-return improvement and innovation strategies that the Caucus has reviewed over the past year include:

**Market-based early learning system:** *Give need-based scholarships for families to choose early learning programs with information about quality . ( <http://tinyurl.com/4jty25s> )*

**Human capital performance bonds:** *Finance non-profits on a performance-basis by identifying those whose service saves the state money and paying a portion of anticipated savings to the state. ( <http://bit.ly/i9tzCY> )*

**Driving innovation in education:** *Establish a Legislature-and-Governor-appointed non-profit commission to drive innovation in public schooling. ( <http://tinyurl.com/4fweudc> )*

**Consumer-directed social services:** *Shift from risk-free social services to a consumer-directed model that brings nonprofit service organizations in as partners. Incentives encourage less costly choices by consumers. ( <http://tinyurl.com/4g4lbam> )*

**System of health care at the regional level driven by information on cost and quality :** *Improve health care by providing information on cost and quality, devising incentives for consumers to choose healthcare packages along those lines, and encouraging prevention by implementing Minnesota's 2008 health care reform law. ( <http://tinyurl.com/4zqwt29> )*

**Restructure the state-local fiscal system :** *Adjust the system of state aids and local taxes . In light of enormous budget challenges facing the Governor and Legislature, confine new approaches to those that are revenue-neutral at least or, preferably, revenue-saving . ( <http://bit.ly/fSIJOy> )*

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**Conclusion: We need to embrace the opportunity to resolve the present budget imbalance while laying critical groundwork for the future**

The Civic Caucus has recommended ( <http://bit.ly/eo8l9l> ) that the overall size of the biennial budget be intensively discussed early in the session, instead of waiting until last-minute negotiations. Thus the House and Senate ought enact promptly, by joint resolution, overall legislative spending and revenue targets in response to the Governor's budget. Such action should stimulate early, creative dialogue within and outside the State Capitol on new and better approaches to balancing the budget.

It's difficult to imagine that a final budget, passed by the Legislature and signed by the Governor, won't include expenditure reductions and revenue increases. But the session should include more than that. While service and finance reforms will be required to bring the budget into line this biennium, new approaches will be needed in many areas to resolve the state's structural imbalance and put Minnesota on competitive footing to pursue a worthy vision for the state.

The citizens of Minnesota should express thanks to the Governor and legislators for the painful choices they will make in 2011. As one newly elected representative put it early in the session: "I'll just have to do what I think is right, and in two years let the voters decide."

Nevertheless, the biennium can be an historic watershed, remembered for years to come for forthright, courageous action, managing the budget today while making strategic decisions for tomorrow.

**Civic Caucus process—** The Civic Caucus is a Minnesota-based non-partisan organization offering a new model for involvement and education in public affairs. It concentrates on using the Internet to share new approaches for solutions to challenges facing the state. A library of more than 235 interviews with public figures, along with background on the Civic Caucus, including biographies of its leaders, is available at [www.civiccaucus.org](http://www.civiccaucus.org) .

A draft of the Caucus's statement was first circulated among its email participants, yielding comments and suggestions. The statement was revised and approved by a Civic Caucus leadership group, after which some 145 participants signed on in support.

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**Persons agreeing to be listed as supporters of this statement**

John S. Adams	Lynn Gitelis	Mary Jane Morrison
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David Alley	Joe Graba	Michael O'Keefe
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