Paul Marquart, State Representative and former Mayor

Civic Caucus,8301 Creekside Circle #920, Bloomington, MN 55437

February 12, 2010

Present: Verne Johnson (Chair); David Broden (phone), Janis Clay (phone), Paul Gilje, Jim Hetland (phone), Dan Loritz, Tim McDonald, Wayne Popham (phone), Jim Olson (phone), Bob White

A. Context of the meeting - Representative Paul Marquart joins the Caucus today as someone who, in his capacity inside state government, is leading in efforts to move focus from cutting/taxing to changing how services are delivered.

Over the past year as people began to talk about the need for doing things differently Marquart has stepped forward and taken the lead on efforts inside the legislature to bring in ideas from the outside and turn them into proposals to improve public services at lower costs.

B. Welcome and introductions — Verne and Paul welcomed and introduced State Rep. Paul Marquart, Dilworth, MN. Marquart has served in the Legislature since 2001. Previously he served 10 years as mayor of Dilworth and before that served on the Dilworth City Council. He has been a teacher in the Dilworth-Glyndon-Felton School since1984.

He chairs the Property Tax Relief and Local Sales Tax Division and serves on the K-12 Finance Committee. Marquart recently brought together a bipartisan redesign caucus that will begin weekly meetings this session.

"I started to realize as mayor," Marquart said, "…I started to know that there were things I didn't know in government. I began to follow people who did a lot of thinking about government, like Kolderie and Hutchinson." He read books:*Reinventing Government*,*Banishing Bureaucracy*,*Price of Government*, *Money and Good Intentions are not enough* …all of which were written by, or co-written by, Minnesotans Peter Hutchinson, David Osborne and John Brandl.

C. Comments and discussion -During Marquart's visit with the Civic Caucus, the following points were raised:

1. **The creation of a House Caucus on Redesign—** "The Civic Caucus has been at the forefront of trumpeting the need for redesign and has been the impetus of the movement of this at the capitol,"

Marquart said. "It is really good that this stuff is out there," he noted of the weekly summaries and their focus over the past year on redesign of government services. "But as a legislature we have never really brought it together." He is trying to change that, now.

Last Monday Marquart hosted a press conference that included Representative Thissen and Speaker Kelliher to launch a bi-partisan Redesign Caucus, chaired by himself, Democrat Diane Loeffler and two Republicans, Dean Urdahl and Carol McFarlane.

"The purpose of this Caucus is to have a bi-partisan group…a place for ideas to come into the legislature." They will begin weekly meetings in late February. To begin Marquart has set up a redesign suggestion line on the House website, for citizens to write in: www.house.mn/redesign . The web form received over 300 suggestions in its first week.

"We agree with the need for bipartisanship," the chair observed, to which Marquart said that "The key to a lot of this work on changing government services is getting credible executive and legislative leadership." The House will now have at least one institutional venue to hear ideas and the concept is gaining support for cooperation from some members of the Senate.

2. Suggestions of areas to redesign— Responding to a question for ideas on redesign, Marquart cited the 1995 Brandl-Weber report *An Agenda for Reform* (http://tinyurl.com/yksb93d), delivered to then-Governor Carlson.

"Their three-C's are principles to follow: Concentration of services, Community (picking up activities from government) and Competition."

"According to the literature," he said, "public/private isn't itself the distinction, or the make or break feature of whether services will be efficient or effective. Instead it's whether there is competition and the right rules and regulation."

Marquart suggested that counties bind together and form authorities that can decide what they need for services. Put the service levels down in specifications, including what outcomes they would like to see. Then put it out to competitive bid, to public and private operators.

3. Be practical, not ideological —"We can't just make it ideological," he said, speaking of service-redesign. "We need to make it practical. So do it along service lines, not political ones. Concentrate on the value and productivity of output. Have a no-layoff policy, meaning whoever wins a contract agrees to find savings in attrition." It is important to the Representative to separate the poor performance of a system's design from the individuals employed within it.

"This is a system you're changing, not the people. The employees aren't responsible for the bad system." Merit-pay and gains-sharing are two strategies Marquart cited for reforming and improving how public employees are compensated.

4. Establishing a 'Minnesota Northstar Council' for a strategic plan— This is an idea to bring state leaders together in a venue specifically for planning the future of the state. It is important to institutionalize the planning function, Marquart argued, and his proposal initiates the creation of a state strategic plan, taking a step toward what might have been a function of the discontinued Minnesota Planning Agency.

The Council would consist of an executive committee including the Governor, Speaker of the House, House minority leader and the Senate majority and minority leaders. Other members would reach into the community, including business and youth representation. The Governor would chair the committee.

The Northstar Council would be tasked with developing a strategic plan by February of 2011, including three components: A mission statement, up to 10 public policy goals and up to 100 strategic performance measures for those policy goals. An "owner" would be designated for each performance measure.

"State departments and agencies would be charged with coming up with their own strategic plans, and these would be aligned with the state's plan. Employee improvement would be made central-through 'gain-sharing' and other incentive mechanisms-though there would be restrictions on laying people off to save money. The focus would be on the system," Marquart said.

The Governor would propose his budget based upon the strategic plan produced by the Council.

Marquart's plan also renames the Management Analysis and Development Division the "Performance Management Division," and places the state demographer's office and the Office of Strategic and Long Range planning under it. An "Office of Ombudsman" is established to serve as a one-stop shop to advocate for citizens seeking to utilize state services and act as a third party mediator between individuals and the state when conflicts arise.

All of these, Marquart argued, are redesigns that could improve the effectiveness and efficiency of state government.

5. County Service Delivery Districts proposed— Representative Marquart described legislation he is assembling for County Service Delivery Districts (CSDD), aimed to redesign the delivery of local government services to increase service efficiency, innovation and performance while reducing costs to citizens.

In this plan a county and its cities and townships enter into memoranda of understanding to established CSDD's to deal with the design and delivery of services. A County Service Delivery Authority(CSDA), whose membership includes county commissioners, mayors, and township representatives, governs each CSDD.

The CSDA would be charged with defining the scope of the delivery district's operations, overseeing the delivery of services and instituting an accountability process that includes performance measures of services and outcome goals.

CSDD's may cooperate with one another on the delivery of services, utilizing the state's Joint Powers Law already in existence (http://tinyurl.com/y9ct8qx). Redesign and Performance Aid (RPA) is provided to each CSDD in decreasing amounts from years one to three, then leveling off at $2 per capita, in support of police and public works. An additional incentive of up to $1.5 per capita is provided for achievement of performance measures and outcome goals.

There is a mechanism in Marquart's proposal to drive counties into CSDD's: Any county or city not participating in a CSDD within three years of enactment will lose a sizeable portion of its Local Government Aid (LGA). This is necessary, the Representative argued, to move people into an accountability arrangement that many might otherwise resist.

6. Reforming Local Government Aid— The County Service Delivery Districts plan directly affects LGA. Representative Marquart emphasized the need to design LGA in a way to ensure quality and value in services. At present it's just collected and turned back out. "Every biennium we send out approximately $1.5 billion in LGA, and we don't know what we get for that." The state misses an opportunity to work the system to increase the likelihood that those funds will be used well."

Echoing his point on driving opt-in to CSDD's through withholding of LGA, Marquart said that, "If I'm mayor in Dilworth and I'm going to spend $400,000 on law enforcement services, after X number of years if I'm not in the compact on a particular service, then I will lose Local Government Aid (LGA) for that service."

In exchange the cities would no longer be subject to caps on how much they can raise through local levy.

"The people like Triplett are talking about a much more ambitious LGA reform," a member observed, "wiping it out in favor of an expanded circuit-breaker at the individual level."

Marquart replied that he does not think that is the best route to go. "We need to equalize communities across the state. Even then you'll have to equalize among people. Where the redesign should come is that we need to have accountability in how the money is used-we need to be able to ensure quality. Right now the state sends funds out," without any idea whether its being used effectively or not. "We should be looking to give local authorities *more* authority to change how they do things, in return for accountability."

LGA is important to maintain, he argued. "Look at some states-their small towns are drying up because they don't have a program like LGA. It is what keeps small communities viable."

The Representative made an observation about a conflict inherent in reform of LGA: 71 percent of funds from the circuit breaker mechanism go to the Metro. Over 65 percent of LGA money goes out-state. There is a rural/metro conflict when funds begin shifting around.

"I don't think the state has set up the right framework to allow local units to innovate in how they provide services," Marquart said. "If the state looks at inputs and assess outcomes-but leaves the middle open, leaves open the 'how' of services-the innovation will take care of itself."

"This sounds like a contradiction," a member observed: "'We, the state government, will give you more authority, but will assess your work and withhold money if necessary'."

"It's a fine line, yes," Marquart replied. "We give freedom to innovate…but we are also giving these localities a lot of money" and so we can and should expect a degree of accountability."

"We have got too much unnecessary government," a member complained. "We give the money with no incentive to downsize."

"That's a tough one," Marquart acknowledged. "I do think by its nature this process of tying LGA to service delivery districts will find ways to economize, improve productivity and pool services."

7. Saving money and public labor— "Labor is the principal cost of the state," a member observed. "Pull out all the classifications for particular areas-the chief cost is compensation. The whole enterprise is driven by people," since service is labor-intensive. Here's the problem: Labor costs are rising twice the rate of available revenues."

This presents a challenge in finding ways to save money in public services. Increased value may be achieved by making existing workers more productive, with and without the aid of technology. Will there need to be fewer workers?

Marquart has proposed a no-layoff plan, for the first years of new redesigns. Productivity increases through more effective use of the current workforce is possible. Innovate to improve the design of the service, the effectiveness of the service and innovate to apply new technologies.

The Representative posed a question, rhetorically: "How do you create a competitive framework within a wholly public system? Dilworth had a money back guarantee," he said, "We had a formula to determine whether or not our programs had been successful. We said to the public: If we're not delivering our services to your satisfaction, you get your money back."

But whether through contracting with public and private providers, or allowing consumer demand to drive the evolution of services, the Representative argued that market forces must somehow be introduced on a wider scale.

8. **Critical importance of demographic changes—** In closing Representative Marquart and members of the Caucus discussed the vagrant nature of government innovation in recent years. "This redesign thing has no institutional component," one observed. "It has been floating around for some time. An executive could pick it up any time," bringing ideas from outside and making them part of the legislative agenda. Marquart has stepped forward to institutionalize the effort in the legislature.

The redesign push in Minnesota now is about creating a process that continues on. A member observed that state demographer Tom Gillaspy and state economist Tom Stinson have been talking for years now about the demographic change underway in the state. "We're right at the front of the curve," the member said, "and it's going to continue."

He told Marquart: "Your comment at the press conference for the Redesign Caucus that this is long-term-this redesign effort is going to run alongside the demographic shift. When people ask about redesign, we need to make this point. This is a long-term, continual process for a long-term, structural challenge."

Thanks around.