



# Tony Murphy, Administrator, Beltrami County

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

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**Present:** Dan Loritz (chair), David Broden, Paul Gilje, Sallie Kemper, Ted Kolderie, Tim McDonald

**Phone:** Jim Hetland, Verne Johnson, Jim Olson

**Summary of meeting :** In this discussion Beltrami County Administrator Tony Murphy describes the need for changing the relationship between counties and the states regarding how services are delivered. Instead of the state dictating how services should be provided, holding county officials accountable for the processes, Murphy argues that the state should hold counties accountable for results and allow them to innovate in how they meet the objectives.

This will improve the engagement of local staff, who, he contends, are well positioned to know what is working and what is not; as well as changing the role of state staff from governing compliance to providing technical assistance. Murphy describes the work of Beltrami County in moving in this direction.

**A. Welcome and introductions** - Tony Murphy was appointed the County Administrator for Beltrami County, Minnesota, on October 15, 2001. Prior to his appointment Mr. Murphy served seven years as the first City Administrator of Ashland, Wisconsin. He has also worked as the City Administrator and Assistant City Administrator/Economic Development Director for the City of South Jordan, Utah.

Murphy received a Master of Public Administration degree from Brigham Young University. He has taught public administration courses at Bemidji State University and Urban/Regional Planning at Northland College, in an adjunct faculty capacity.

Murphy is a Beltrami County native and is proud to say that he is a Bemidji High School Lumberjack. He is married and has three children.

**B. Comments and discussion -**

**The present county-service model may be unsustainable**

The Beltrami County seat is in Bemidji. The county is "property poor", able to levy a tax against only 25 percent of its land. And except for those properties that are on a lake, the land value is relatively low. Therefore they have one of the state's highest property tax rates, though the rate has been reduced in recent years. Yet there is very high demand for services, "insatiable" demand, as some see it.

Murphy described how the County Board engaged a strategic planning process for the county, projecting out service demands, demographics, and financial forecasts.

"We realized the path we were on was literally unsustainable," he said. They saw that by adhering to state requirements they were going to be less and less able to meet budgets. And there was virtually no attention to outcomes. "We were meeting the state mandates but we didn't have any data to determine whether we were accomplishing expected results."

The common practice is to look at the inputs: how much money spent, number of people served. "And that's about as far as we went."

He gave the Beltrami County Board of Commissioners credit for recognizing a need to find a new business model. "We needed to evaluate what we do and redesign how we do it-and the County Board put the needed support behind that effort."

The question they faced was how to create a government that is more outcomes-based. "We had to learn on a new vocabulary. We went through a process of prioritizing objectives around the values and priorities of the citizens of the county and established key performance measures. Sadly, due to the historic relationship that has evolved between the state and counties, many county employees had started to think of state regulators in St. Paul as their primary customers-not those that received the services or the public that hires them."

Murphy described that Beltrami County determined that they needed to find way to align resources, efforts, departments, and policies. They began the process four years ago when there was not yet a crisis, but knew that there eventually would be since they had concluded the system was not sustainable. "Lo and behold, we soon found ourselves in an economic crisis that requires change."

### **Beginning the change**

The relationship between counties and the state has long been that of the counties as creations of the state, charged to carry out those programs and services created by the state. Without state authorization, counties have little ability and little authorization to innovate. So, Beltrami County's change initiative proceeded-quietly, and for some years.

Soon the times started to change, legislators changed, and curiosity was aroused about what Beltrami was doing. Murphy expressed surprise at the number of times he has been asked to speak on the topic of "outcome-based government" and is always happy to do it. He is trying to cast light on the point that counties should focus less on service delivery and inputs, and focus more on results and outcomes.

"We're experiencing a lot of success with that seemingly simple paradigm shift," Murphy said.

## **More ideas improve performance: 'The answers will come from the trenches, not the ivory tower.'**

"We find that as we focus more on outcomes we get more ideas-and we're able to save costs.

"In recent years we've lowered levies, and returned significant amounts of budgeted funds to fund reserves to be reprioritized for outcomes. We find more partners, and better partners at more strategic levels. We have strategically aligned around outcomes. In time, there may be programs that may drop off the list of things we provide. It is nearly impossible to prioritize programs and services; but you can prioritize for outcomes."

### **Examples of reforms**

Murphy cited an example where service has changed as a result of their rethinking.

Murphy noted that counties are required to provide chemical dependency treatment programs to those that need it or are ordered by the court into treatment. Counties must also contribute a cost-sharing requirement, and therefore counties carefully track the number of clients placed in treatment and the amount of money spent (inputs). "Counties and the state are spending a lot of money each year on chemical dependency services- but what are the results?" He described asking the program administrators what the success rates of the services are, and they couldn't say. How many people stay sober, for how long? They couldn't say. "But we do know we're meeting our cost-share obligation, and we do know that everyone that requests the service, or are ordered into treatment, is enrolled in treatment."

The problem he said is that they are not setting performance targets and measuring results. The goal is not to provide treatment; the objective is to help people get and stay sober.

Eventually Murphy seeks to employ "outcome-based contracting" to achieve a better return on investments. Perhaps the county could pay a certain amount when the client enters treatment, another payment upon completion and then a final payment or a bonus to providers when the client remains sober for 6 months or a year. That kind of strategic alignment for outcomes encourages new ideas, new partnerships and might address some of the "revolving door" problems of many traditional services and programs.

## **QUESTION AND ANSWERS**

### **In hard times, the state must provide flexibility**

**Q:** Lutheran Social Service has spoken recently to the House Redesign Caucus with the message that considering expected constraints on financing and prospects for reductions in state funding, LSS cannot maintain service levels for the people they're responsible for.

Their essential point is that if the state decreases funding for services, then the state has a responsibility to set service providers free of many state regulations so that they can innovate in how they prioritize and meet the needs of their clients.

Is that reflective of the county's position?

**A:** Counties agree that flexibility in meeting outcomes is essential. We probably have enough money to accomplish our outcomes, if we have greater flexibility in our delivery approaches. We probably don't have enough money to deliver all of the services and programs we're mandated to provide. Counties are concerned that the state-supervised, county-administered service delivery approach is unsustainable and fails to achieve expected results. Under the current state/county relationship, counties are not only mandated "what" to do but "how" to do it. If we can redefine that state/county relationship we can get past the mistrust by focusing on outcomes and encouraging innovation. The new ideas we seek must come from the trenches, not the ivory tower.

**Q:** Can you give us an example of the types of regulations you'd like to be exempt from?

**A:** Counties would like to challenge the historic concept of 'Dillon's Rule'; that to innovate you have to get permission from the state through legislation or a waiver from an agency. Instead, counties would like to join other states that operate under the 'Cooley Doctrine' where there is an almost implied consent to innovate.

The Dillon rule holds that an entity only has authority to do what it is legislatively permitted or otherwise authorized in advance to do. The Cooley Doctrine comes from the view that authority to govern is derived from citizens and that government closest to the people operates best.

Counties want consent to innovate, to test new ideas. Counties want to be the laboratories of democracy, the incubators of innovation, which is needed to keep pace with a world that seems to be changing at ever increasing rates. If the state would loosen their control over the "How" that each county must operate under - counties can develop new best management practices, demonstrate measurable results, increased transparency, and improved accountability for results, and in the process likely save money. Again, counties want permission to test their ideas. Some ideas will succeed, others might fail, but we will create a culture of learning that all government will benefit from and that will eventually produce better outcomes for citizens.

**Q:** Doesn't the state have an authority to say how they'd like state money spent?

**A:** Sure-the State Legislature needs to establish the targets, the "What" that sets state priorities. It is even better if those targets are tied to a comprehensive state strategic plan that defines the vision, values and objectives of the state. But, when the Legislature or when the Agencies mandate the "How" then innovation is stifled and outcomes suffer. The "one size fits all" service delivery mandates are not efficient, effective or sustainable.

**Q:** In the 1970's the counties got the law known as 'Joint Powers' amended so that two counties could do together what only one of them is authorized to do. It has potential because it crosses systems-schools, city, county. What use has been made of that authorization?

**A:** Counties have made extensive use of joint powers authority. Beltrami County has joined a multi-county-based purchasing group that is producing very strong outcomes in the areas of public health. Joint powers relationships for waste disposal, joint law enforcement, joint technology services, joint planning, etc., are being implemented in nearly every county of the state.

However, I'm not convinced we have too many service delivery authorities. Before we rush to the conclusion that mandated consolidation of government units or service providers is desirable, there needs to be a more rigorous debate over what the state is asking service delivery authorities to do. Again, if the state is clear about the performance targets (the "What?") then counties and other partners should have an opportunity to use their creativity to solve the service delivery problem (the "How?") and consolidations might be a big part of that discussion.

### **Eliminate silo mentalities to spur effectiveness and efficiency**

**Q:** Is there anything the state could do to push county-based innovation along?

**A:** I believe that if counties are given the needed flexibility to innovate they'll knock your socks off. Hold counties accountable for outcomes, not inputs, and counties will deliver. Give us a chance.

At the risk of sounding elementary, what happens historically is the state mandates services and programs, via silos. Local governments then mimic the silos for ease in meeting state compliance activity. In Beltrami County we're striving to eliminate the silos. We have developed a cross-departmental approach that allows us to better identify overlap, duplication and to eliminate those scenarios where the right hand might not know what the left hand is doing.

By breaking down the silos we are more effective. But, the state can also help counties by allowing greater flexibility in how state funds might be spent. By coupling multiple funding sources, across the silo boundaries, we can be more efficient in our efforts to fund initiatives and produce results.

### **Talented people trapped in bad system arrangements**

**Q:** How do employees like the shift from focusing on inputs to outcomes?

**A:** I have a lot of talented county employees that are working in state mandated processes that are very unworkable and highly ineffective. As we give our employees more power to redesign those systems and processes we reap the benefits of innovation, cost savings and better organization culture. The use of "lean government" principles is really helpful in removing frustrating redundancies and non-value-added process steps. We have also been grateful to find state employees who have been champions of our redesign efforts. Again, there are some really talented state employees who are trapped in bad systems and processes. I dream of a day when those talented state employees are able to truly serve as technical experts and advisors to redesign processes, not just compliance monitors.

**Q:** What is your relationship with unions? Is anyone opposed to changing focus to outcomes?

**A:** These are difficult days for public employees. Too often public employees are being made the scapegoat for financial challenges. It feels unfair for the state to impose awful systems and processes on state and county employees and then blame those employees for poor performing services and escalating costs. Our relationship with employees in Beltrami County is evolving. We are saying we want to empower employees to innovate, improve systems/processes and value the outcomes they are producing. There is a healthy cynicism because they have heard those offers before and nothing changes. But we are seeing pockets of employees who are moving forward and really doing some amazing things with culture change, process change and cost control. Our experience is that when we

take the handcuffs off our employees they can be very creative, and they have the ideas that we need to invest in.

## **Accountability**

**Q:** As a practical measure, how do you hold people accountable?

**A:** During the last legislative session there was a bill, drafted and supported by counties, to allow service delivery authorities in the area of human services. Part of the accountability mechanism for that statute was that if a county is not meeting the outcome measurements the state could withdraw the ability of that county to provide the service - the service (and funding) would be transferred to another county that is performing to expectations. Counties are not afraid of being held accountable for outcomes (provided we have some flexibility in pursuing results) but the forced compliance with input measures must be changed. I think there has to be consequences, but there also should be some tolerance for calculated risk. Public policy should not penalize innovation.

## **C. Closing:**

In closing Murphy was optimistic, saying that, "a focus on outcomes is not a partisan issue - it is a discussion of our shared values and the priorities of the citizens of the state. We have been given a tremendous opportunity for a paradigm shift that can significantly improve the state/county relationship for the future.

"I may be the voice today at this interview," he said, "but there are a lot of county officials who have been supporting and advocating for these kinds of changes for a long time. Maybe the time is ripe for real reform."