

Public Policy Issue Briefs

Restructuring Government: Organizing State Government for the 21st Century

Introduction

Given the opportunity for an incoming administration to address a number of organizational issues facing the State, the following focuses on specific strategies to improve the management of essential governmental functions. Options to restructure state government should have the objectives of enhancing inter-agency coordination and providing greater accountability for results.

While organizational consolidations have occurred and new departments and agencies have been created, the fundamental organizational structure of state government has remained basically unchanged since the 1950's. Given the technological changes and the increase in the responsibilities of state government, the next State Administration may wish to determine the cost and benefits of reforming the way in which state government is organized.

Three distinct areas of the structure of state government should be explored. They include:

1. The overall structure of state government, which should focus primarily on questions concerning the organization, size, and role of the Governor's Cabinet. Options that might be considered include maintaining the status quo, creating Cabinet Councils or establishing Secretariats;
2. The organizational structure and responsibilities of selected priority areas such as Administration, Economic and Community Development, and budgeting and planning; and
3. Administrative systems that support the operations of state government such as human resources, information technology, and financial reporting.

Principles to Guide Restructuring

State government should be organized to think and act as a system and agencies and programs should be organized around the functions and purposes they serve. Clearly delineating the roles of agencies and programs could lead to better utilization of resources, long term cost reductions, and improved service delivery.

Furthermore, state government must be organized to focus on identifying and achieving program performance standards and outcomes. These standards and outcomes must be based on benchmarks that can translate various state strategic plans into action plans, link department and agency funding to addressing the benchmarks, and monitor progress in achieving desired outcomes.

Departments, agencies, and programs have been created and abolished in response to specific programmatic concerns. However, many of the issues facing the state require an interdisciplinary approach, which cuts across agency and program boundaries. Policy makers should recognize the interrelationship of issues and comprehensively address them through changes in how government is organized.

There are essentially six guidelines for restructuring state government in Rhode Island:

1. **Lead and Facilitate:** The problems confronting Rhode Island cannot be addressed alone by state government through “top-down” mandates. Rather, state government must provide leadership by gathering together disparate interests to resolve pressing issues.
2. **Focus on Results:** Currently, State government focuses on regulating and mandating process rather than focusing on results. Moreover, program funding is quantity-driven rather than quality-driven. In a new vision of Rhode Island state government, program performance standards and outcome measures should be emphasized over process regulation.
3. **Align Accountability with Authority and Responsibility:** As a necessary step to focusing on results, the division between responsibility and authority needs to be unified. Front line agencies and workers with the responsibility to provide services and deliver results also need to have the appropriate authority to resolve problems and improve service delivery. Not only does this empower agencies and workers to better manage their own affairs, but it also establishes clear accountability. Within this concept, front line agencies and workers would focus on continuous improvement, constantly refining the service delivery process in order to meet outcome objectives and performance targets.
4. **Remember Form Follows Function:** To follow the architect’s axiom, the designs of state agencies and programs need to be organized around the intended function and purpose they serve. Clearly delineating the roles of agencies and programs could lead to better utilization of resources, long term cost reductions, and improved service delivery.
5. **Think and Act as a System:** Building on the concept that form should follow function, state government should think and act as a system. Many of the issues facing the state require an interdisciplinary approach, which cuts across agency and program boundaries. Policy makers should recognize the interrelationship of issues.
6. **Anticipate Rather than React:** In many instances, reacts to problems as they arise rather than focusing on prevention through anticipatory actions. The state government envisioned anticipates problems before they arise and focuses on prevention rather than reacting and focusing exclusively on more expensive remediation strategies.

Section I – State Administration: Overall Organizational Structure

The existing cabinet structure does not encourage multiple agencies to cooperate in implementing public policy. For example, the State currently shows six major functions – general government, human services, education, public safety, natural resources and transportation. However, these major functions are primarily used to categorize the different agencies throughout State government. For the human services function, there are at least five cabinet level departments (DCYF, DEA, DHS, DOH, and MHRH) that have shared responsibilities, which report directly to the Governor. There are no comprehensive mechanisms to coordinate efforts within these functions. Therefore, the State lacks coordination among its agencies even with the same general function of government.

Secondly, many policy issues cross departmental lines and require a blend of various resources to effectuate change. Over the past few decades several agencies and departments have either been created or consolidated. For example, the Department of Children, Youth and Families (DCYF) and the Department of Environmental Management (DEM) were created. Other initiatives, such as the creation of the Children’s Cabinet and the Human Resources Investment Council reflect the desire to create more inter- and intra-agency cooperation. But effective implementation of policies that affect more than one state agency or department remains a challenge.

There is certainly a need to coordinate efforts across agency and functional lines. For example, there are instances where the Department of Health’s regulatory efforts are similar in nature to those at the Department of Environmental Management.

Another example is the policy and program relationships among Economic Development Corporation, Department of Transportation, Department of Labor and Training, as well as those of the state’s institutions of higher education. These and other agencies and departments can have a significant effect on economic development in the state – yet there is currently no formal way these agencies can work together to implement a coherent economic development policy for the state.

In the transportation area, the Ocean State lacks an integrated system for transportation policy and programmatic decision-making. RIPTA, the Airport Authority, the Bridge and Turnpike Authority, and the Department of Transportation all have important roles in providing for essential transportation services.

Creating new agencies and/or consolidating existing agencies can be difficult politically, expensive in real dollar terms, and disruptive to day to day operations for extended periods of time. However, the use of either cabinet councils or the creation of a Secretariat may be as effective and easier to implement.

Creation of either a Secretariat Cabinet or the broader use of Cabinet Councils should be implemented in order to strengthen coordination between related state functions, better focus on strategic initiatives, and provide for greater accountability of department operations.

Secretariat Cabinet – A cabinet comprised of secretaries, each responsible to the Governor for agencies that have shared functions is modeled after the system used by the United States Government and some states. The creation of Cabinet Secretariats could fill a vital gap in the state’s overall organization. Secretariats could provide the necessary resources and capacity to effectively implement the Governor’s strategic initiatives, develop policy, coordinate and monitor agencies who have shared responsibilities, and recommend a unified budget for key functions of state government, such as Medicaid.

For those departments and/or agencies included in each Secretariat, the Secretary would be responsible for undertaking planning, implementing the Governor’s strategic initiatives, and coordinating the activities and programs of the state agency therein. The Secretariat would also conduct studies of agency operations to effect improvement in administrative organization, procedures and practices in order to provide effective and efficiency in the delivery of public services. Implementation of a Secretariat Cabinet should be done in a cost neutral manner through the reallocation of resources.

For example, in *Rhode Island At the Crossroads* (September 2002), RIPEC recommended creating a transportation secretariat to provide an integrated transportation agency that establishes a strong intermodal planning capacity and an organizational structure that lends itself to consolidated transportation funding. The existing transportation-related Boards (i.e. Airport, RIPTA and others) would continue to provide direction and oversight for the quasi-independent corporations and authorities.

Cabinet Council -- A Cabinet Council is a group of department directors that come together to make certain that state programs are effectively coordinated when more than one department has responsibility for addressing a functional issue or providing services to a particular client group.

In a 1994 report, RIPEC recommended that the Governor chair each council but that co-chairs be appointed to convene and take the lead with the Governor’s staff in coordinating the activities of the council on a project by project basis. It was suggested that a policy professional from the Governor’s policy office serve as the permanent secretary for each council. It is important that the councils be used to advance the Governor’s priorities and implement his or her agenda. They should not be viewed as venue for negotiating policies down to the lowest common denominator acceptable to all departments and clients.

The number and composition of cabinet councils is a policy issue, which should be addressed early in the term of a new Governor. There already exists a Children’s Cabinet, created by the General Assembly in 1991 to produce “a comprehensive five (5) year statewide plan and proposed budget for an integrated state child service system.” Other councils might focus on public safety, economic development and the workforce, health care financing, human services, public health, business and professional regulation and the environment.

Some councils might include people other than department directors. For example, a public safety council could include the director of the Governor's Justice Commission. A council dealing with economic development might include the chair of the Human Resources Investment Council and the chair of the Board of Governors. A council dealing with human service programs might include the executive director or chair of the Rhode Island Housing and Mortgage Finance Corporation.

Section II - Restructuring Government: Selected Agencies and Departments

Two additional reorganization issues are discussed below. The first deals with the organization of the Department of Administration and the potential of having the State's Chief Operations Officer devote his or her complete attention to managing and improving the administrative functions of state government, such as human resources, asset management, information technology, purchasing and contract administration and central services. A critical issue to consider relative to the future structure of the Department of Administration is how best to enhance the budget making and planning functions. The second organizational issue below outlines approaches to strengthen the State's economic development function.

A. Department of Administration

1. Should the State's Department of Administration be restructured?
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In order to implement the Governor's agenda effectively, there is a need to ensure that the Governor has meaningful control over the fundamental systems of government. The three key systems include personnel, information technology and financial management. In Rhode Island, all these systems are the responsibility of the Department of Administration (DOA).

The Department of Administration was created in 1951 to consolidate central finance, purchasing and management functions of state government. Since that time various Directors of Administration have provided policy direction in a variety of administrative and programmatic matters. Today, the Department of Administration (DOA) serves as the central hub of general services for the State. The DOA provides centralized budget and finance services, information technology development and maintenance, human resources, and general services (purchasing, security, etc.). However, various other responsibilities are combined within the DOA – including municipal affairs, sheriffs' services, statewide planning, taxation, child support enforcement, and the State Registry of Motor Vehicles.

While many of these activities lend themselves to a centralized organizational structure, the diversity of these responsibilities may limit the Department Director's ability (as well as senior staff) to focus on critical operating systems and functions.

For example, the Department of Library Services was eliminated in the late 1990s. The entire staff of the Department of Library Services and the related services were then integrated into the DOA and used to create an office of libraries and information technology. While there were certain common characteristics among the library industry and information technology, it may not have been the best organizational option to meet the larger, more complex information technology needs of the State.

This merger has influenced the development and implementation of the State’s new financial management software program – RISAIL, which experienced problems during implementation. Planning and implementation of technology related policies and the organizational structure may have influenced Rhode Island’s grade in a *Governing* study – Rhode Island received a ‘D’ in information technology.

Given these findings, greater attention should be given to the major systems that are fundamental to effectively operating State government. In view of the wide range of functions and activities in DOA there is clearly a need to focus on key operating systems in a manner that will improve effectiveness and enhance executive control.

2. How Does Rhode Island’s Organizational Structure and Related Functions Compare to Maryland and Virginia (high grades in core functions)?

In order to begin evaluating the State’s various managerial systems, RIPEC first referred to a publication of *Governing Magazine* that evaluated and graded the 50 states core management systems – financial management, capital management, human resources, information technology, and managing for results.

Selected states, including Rhode Island were compared, based on high overall performance grades. The following table provides the results of the study for these nine states. As the table shows, Rhode Island clearly lags behind these states in each of the five management areas.

State Comparison of Management Systems						
Governing Magazine - Grading of the States						
State	Average Grade	Financial Management	Capital Management	Human Resources	Managing for Results	Information Technology
US Average		B	B-	B-	C+	B-
<u>Selected States</u>						
Delaware	B+	A-	B+	B	B	B
Iowa	B+	A-	B+	B+	A-	B
Maryland	B+	A-	A	B	B	B
Michigan	A-	A-	A-	B+	B+	A-
Pennsylvania	B+	A-	B	B+	B	B+
Rhode Island	C	B-	C+	C-	C	D
Utah	A-	A	A-	B-	B+	A
Virginia	B+	B+	B+	B+	A-	A-
Washington	A-	B+	A-	A-	A-	A

Source: *Governing: Grading the States*, January 2001.

While RIPEC examined states that had above average grades in the key systems of government operations as presented in the *Governing* study, a number of characteristics were evident that focused attention on the States of Maryland and Virginia. The table below briefly highlights the differences among those States and Rhode Island. First, Maryland received a 'B' in Human Resources and Information Technology, Virginia was graded with a 'B+' in Human Resources and an 'A-' in Information Technology. Clearly both states were out-performing Rhode Island, where the Ocean State achieved a 'C-' in human resources and a 'D' in information technology. All three states received relatively high grades for financial management.

Selected State Comparison of Central Functions			
Functions	Rhode Island	Maryland	Virginia
Budgeting	Dept. of Administration	Dept. of Budget & Mgmt.	Sec. Of Finance - Planning & Budget
Information Technology	Dept. of Administration	Dept. of Budget & Mgmt.	Sec. of Technology
Personnel	Dept. of Administration	Dept. of Budget & Mgmt.	Sec. of Administration
Planning	Dept. of Administration	Dept. of Planning	Various Depts.
Taxation	Dept. of Administration	Comptroller	Sec. of Finance - Taxation
Purchasing	Dept. of Administration	Dept. of General Services	Sec. of Administration - Gen. Services
Municipal Affairs	Dept. of Administration	Dept. of Business & ED	Sec. of Administration
Central Services	Dept. of Administration	Dept. of General Services	Sec. of Administration
Accounts & Control	Dept. of Administration	Comptroller	Sec. of Finance

Source: Rhode Island, Maryland, and Virginia organizational charts

Second, Virginia and Maryland offered two distinct methods of organizing key services, thereby providing organizational alternatives to consider. For example, Maryland included the three major control functions (personnel, information technology and financial management) in the Department of Budget & Management. However, none of the other responsibilities that can be found in Rhode Island's Department of Administration (e.g., Planning and Taxation) are within Maryland's Department of Budget and Management. In Virginia, the control functions are spread over three different secretaries (information technology is located in the Secretary of Technology, budgeting within the Secretary of Finance, and personnel within the Secretary of Administration).

It appears that the level of importance of certain key functions, such as finance and information technology, may be organizationally elevated in both Maryland and Virginia. Thus, bringing the link between these functions and the Governor closer. This may be conducive to a more direct relationship between the Governor's agenda and the fundamental "levers" to implement and manage them.

3. What are the Options to Consider for Reorganizing Rhode Island's Department of Administration?

The next Governor will have to consider what organizational structure best suits his or her leadership style and needs. While there is no magic solution to obtaining and maintaining effective control over the fundamental systems of government, there are certain actions that can enhance the current situation.

One finding that appears to be noteworthy is that most of the states that received an overall average grade of B+ or better in the *Governing* study, the budget functions were represented in a separate agency and the general services are centralized in another agency.

Therefore, in restructuring the Department of Administration, RIPEC recommends two options to consider. Both offer certain advantages, with their principle difference being the role budget and policy play in the structure.

- Option A: Create Separate Department of Finance. Elevate financial function to Cabinet level.
- Option B: Create Separate Office of Budget and Policy. Keep day-to-day finance functions within Department of Administration.

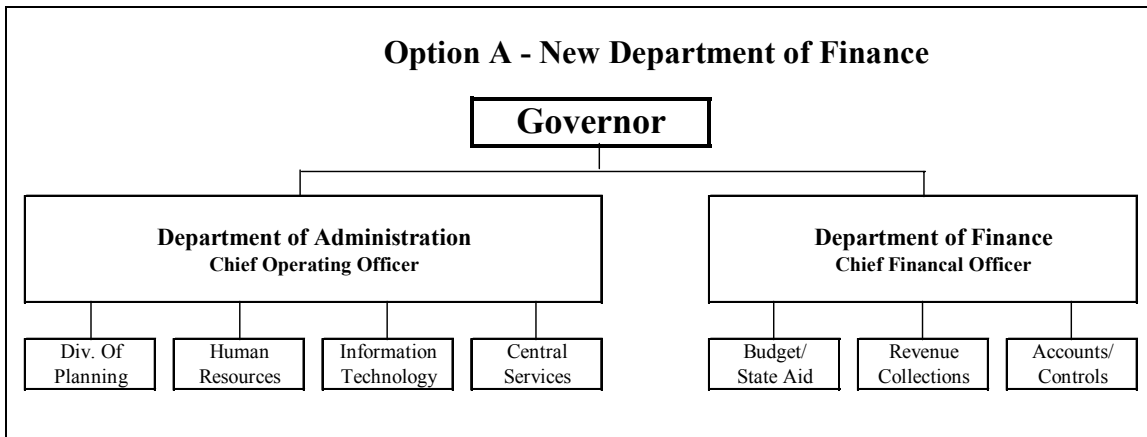
Another key issue to consider while exploring options to re-focus the Department of Administration on statewide operational matters and enhance budgeting is the statewide planning function.

Rhode Island's Statewide Planning Program is located in the Office of Library and Information Services within the Department of Administration. Among other functions, the Statewide Planning Program has the responsibility to integrate the planning of State departments, staff the Metropolitan Planning Organization and administer the Comprehensive Planning and Land Use Regulation Act. This legislation establishes a vehicle for coordinating State and local policies pertaining to land use.

Responsibilities such as these suggest that the organizational status of the planning function should be elevated either by returning the office to the division level within the Department of Administration or by creating an independent, cabinet-level agency similar to the State Planning Office structure that exists in Maryland.

The options outlined below to enhance budgeting would elevate planning to division status within the Department of Administration. Either option would represent an improvement over the status-quo. Elevating the planning function to division status may represent a more cost-effective alternative.

Option A: Create Separate Department of Finance. This option is designed to essentially split the Department of Administration into two separate cabinet-level agencies. First, the budget, accounts and controls, taxation, and state aid functions within the Department of Administration would be combined and separated from the DOA into a new Department of Finance. The new department would be responsible for developing and overseeing the State budget.



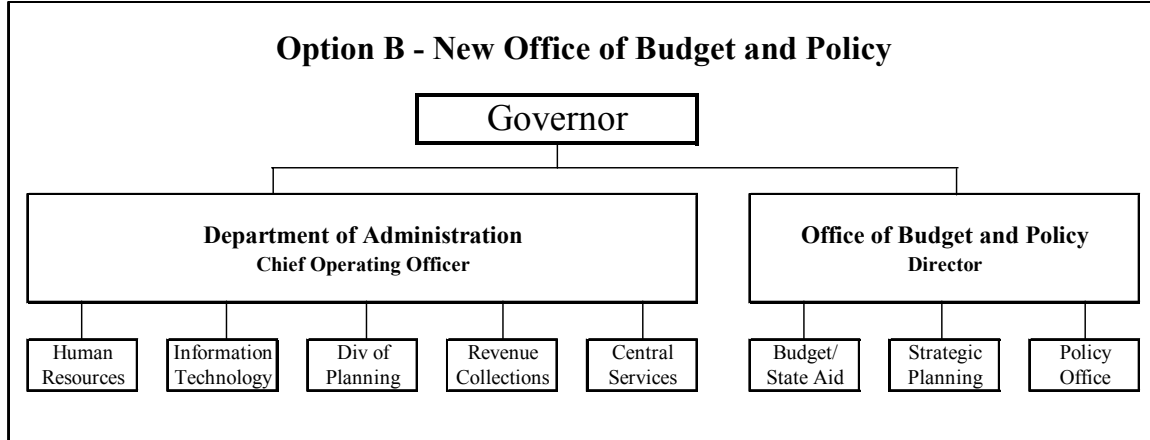
The remaining functions of the Department of Administration would remain. However, the DOA could be organized around four major functions – human resources, information technology, planning, and general services. This modification to the Department may also require the Department to jettison activities not directly related to the operations of State government administrative systems. This would require elimination of the activity or finding a more appropriate “home” for the activity. (For example, integrating the sheriffs into one of the State’s public safety departments.)

The purpose of this approach would be to elevate the finance function for the Governor. The key concept is to create a direct link between the budget function and the Governor. A disadvantage may be that the budget function could be more dependent on others within the Department of Administration to collect relevant information.

Option B: Create Separate Office of Budget and Policy. The concept is to create an office incorporating budget and policy. This new entity would serve as the policy arm of the Governor and report directly to him or her. This Office could be created by pulling the budget office, portions of the office of municipal affairs, and key policy analyst positions into one unit. This would also serve an opportunity to create a tax policy unit within the Office – a function that currently does not exist in State government.

The new Office would not include the day-to-day financial operations within the Department of Administration (accounts and controls, revenue collections, registry, purchasing, etc). The Office of Budget and Policy should enhance budget making by providing for a more coordinated structure that integrates policy development and budget decisions. As a result, the new Office would provide an organizational framework for developing and overseeing the implementation of the Governor’s agenda through

coordinating budget decisions to strategic objectives and program priorities. The remaining components of the Department of Administration still warrant reorganization, perhaps organized around five major functions – human resources, information technology, revenue collection, planning, and general services. This would elevate these components of central administration.



Creating a new Office of Budget and Policy in the executive department, headed by a cabinet level director would give recognition to the budget as the Governor’s principle policy document. In theory, this reorganization will also increase the visibility of the state planning process by elevating the planning office within the department of administration. In addition, the change could encourage better coordination of policy, budget, and legislative activities as well as permit the director of administration to focus all of his or her efforts on improving the administrative management of state government. If this proposal is considered it should be implemented in a manner consistent with the professionalism that has characterized the budget process in Rhode Island.

B. Economic and Community Development

1. Should the State's Economic Development activities be restructured?

An effective system of state-local cooperation is essential if Rhode Island's economic competitiveness is to be enhanced. Economic development is integrally related to state-local relations. For example, the property tax is generally the single greatest tax imposed on many businesses in urban communities by either state or local governments. Furthermore, municipalities often play a significant role in the recruitment of firms, which view local services as very important in making location decisions. To enhance economic competitiveness, both community development and economic development concerns must be considered together.

State policy makers have a pivotal role to play in engendering a system of meaningful state-local relations. Under Rhode Island's State Constitution, local governments are dependent upon the General Assembly for their fiscal, structural and governmental authority. Therefore, state government has the responsibility to provide cities with the authority needed to build and maintain strong communities and economic competitiveness. For example, a community's economic strength is impacted by state laws and regulations pertaining to land use, planning and zoning, state mandates affecting housing and building codes, and state laws governing the operation and financing of critical sewer, water and transportation infrastructure. In addition, state policies can assist communities in their economic growth efforts by equalizing tax burdens, making technical assistance and information available to local officials, and encouraging intergovernmental cooperation.

While the State and its communities share many of the same economic development goals and responsibilities, they also have unique responsibilities. The implementation and development of the State's economic development program involves three levels of responsibility. The first is the development of statewide economic development policies and strategies, the second are industry specific programs, and the third is commercial development within local communities and neighborhoods. The effective discharge of these responsibilities requires that procedures, policies, practices and organizational infrastructure be available to encourage state-local cooperation and shared decision-making. For example, localities should have input into statewide economic development that affect their communities, and the State's program needs to be sensitive to local economic development efforts aimed at building neighborhood commercial districts that foster and maintain a community's unique character.

Think and Act as a System - The organization of state government can be improved to enhance program and policy coordination between state agencies and Rhode Island's communities. State economic development efforts are sometimes viewed as insensitive to local needs and even as impediments to local efforts. These perceptions can be addressed if the State's economic development and community development agenda is built on the concept that State and communities should be organized to think and act as a system.

A system where:

- State promotion and marketing efforts are in tune with and complement city efforts;
- The State agency responsible for economic development does not promote and manage a facility that potentially competes with urban options;
- The State provides technical assistance and user friendly information for municipal leaders; and
- The State proactively promotes regional cooperation.

Finally, an intergovernmental system where State programs in such economically critical areas as transportation, education and training, tax policy and land use management should be structured to support local economic development efforts.

Effective state-local program and policy coordination is critical because an ad hoc approach to state-local relations can undermine State efforts to improve overall economic competitiveness and build vibrant communities and neighborhoods. Rhode Island's geographic uniqueness does not permit the State to simply pursue development opportunities that do not attempt to maximize the private and public investments that have been made in Rhode Island's urban infrastructure.

2. What are the Options to Consider for Reorganizing Rhode Island's economic Development Activities?

One size may not fit all. Economic and community development functions must be flexible enough to recognize the uniqueness of individual communities; and capacity building at both the state and local levels is needed to enhance the success of any organizational reforms.

Integrate Economic and Community Development -- Economic development takes place in communities with differing types and sizes of businesses. Therefore, programs are needed to help communities develop and implement strategies for growth. Quality jobs, enterprise development, and vital neighborhoods are critical to the economic well being of Rhode Island's communities and economic competitiveness.

In crafting and managing an economic development agenda, State government agencies should be organized to implement strategic economic development directives, maintain a professional and accountable economic development staff, and develop alliances with other State agencies, local governments and the private sector. Organizational options to achieve these objectives include:

- Establishing either an Economic Development Cabinet Council or Economic Development Secretariat to develop and ensure consistent and coordinated economic policy implementation;

- Enhancing community development responsibilities within the agency responsible for economic development by assigning responsibility and staff for functions including community development grants, housing coordination, historic preservation, human resources investments, municipal affairs, etc.;
- Building local economic development capacities and promoting links between state initiatives and municipal and regional economic development programs;
- Changing the name of the Economic Policy Council (EPC) to the Governor’s Council on Economic Strategy in order to emphasize the Council’s role in advising the Governor on strategic aspects of economic development;
- Providing economic development, capacity building and training opportunities to municipal officials and community leaders responsible for local economic development programs. The Governor’s Growth Planning Council has proposed the creation of a Rhode Island Planning Institute. As recommended, this Institute would be organized as a non-profit organization that would be responsible to coordinate and provide training and technical assistance to municipal officials with regard to principles and practices of land-use planning and decision making. Funding for this Institute would require a State appropriation;
- Resolving EDC’s functional conflict of assisting communities in attracting and retaining businesses and managing the Quonset/Davisville Port and Commerce Park. Resolutions of this conflict could require the creation of a separate agency to be solely responsible for the development and management of Quonset/Davisville; and
- Focusing on programs that assist small businesses and organizations that promote the development of minority business opportunities, such as enterprise and empowerment zones, and business incubators.

Municipal Economic Development Advisory Service (MEDAS) – Creation of a municipal economic development advisory service should be considered. A Board of Directors consisting of municipal officials should govern MEDAS. The Board would have the responsibility to determine MEDAS policies. The MEDAS could be housed in an economic and community development agency.

The core function of MEDAS would be to provide communities with customized economic development assistance upon request in areas such as financing, market analysis, project management, federal program support, etc.

State resources should be appropriated to support the core activities of MEDAS. However, communities who utilize the service for specific projects should be required to share the cost of customized services.

In addition, a technical advisory group consisting of representatives of the non-profit sector and a cross section of businesses should be established to assist the Municipal Economic Development Advisory Service.

Finally, special attention should be directed at opportunities to create problem-solving relationships between the State's colleges and universities and state and local economic and community development policymakers.

Section III - Restructuring Government: Human Resources

1. What Changes have been made to the State's Personnel System since 1996?

If Rhode Island's state government personnel system is not reformed, proposals to reorganize and streamline state agencies will not necessarily enhance the delivery of public services. Previous RIPEC studies have examined the State's Personnel System and called for reform based on the following objectives:

- Make performance count
- Merit-based opportunities
- Career opportunities for State workers
- Pay equity and competitive compensation
- Clearly defined management rights and responsibilities
- Reconciliation of merit system and collective bargaining laws.

Since FY 1996, the State has engaged in collective bargaining, passed legislation or implemented various administrative changes that affect the State's personnel structure. Many of the changes outlined below appear to begin to address some of the difficulties outlined above. The outline below highlights some of the major changes during this period..

Collective Bargaining Changes:

1. **Bumping.** Previously, layoffs were made on the basis of seniority and performance, where in the event of layoffs, there could be a lengthy series of bumping within and among state agencies and departments. Recent experience in bumping translated into years of bumping through positions and continued costs and disruption in the delivery of services. However, in the event of a reorganization of a department or division, or the abolishment of a position or positions in state service, the bumping procedures provide for three bumps and then the last one is out. These bumps occur within the employee's class and go to the least senior. There is both the cost savings and the decreased disruption and frustration in the bumping process.
2. **Reorganization Process.** Reorganizing State government is a difficult process, especially as it relates to the various collective bargaining units affected by such change. However, the State recently included language in its collective bargaining agreements that establish a formal process for any initiatives to reorganize State government. The reorganization must be initiated through either an Executive Order or by act of the Legislature. The process requires a plan to be developed and to notify affected collective bargaining units for comments.

3. **Annual Personnel Review Process.** A major gap in the State's personnel structure has been the lack of an effective performance evaluation process. This inhibits the State to identify excellence as well as address shortcomings in staff performance. Contracts do permit union employee reviews, but the timetable to introduce reviews for union personnel is unclear. The State has piloted personnel reviews on non-union staff in the Department of Environmental Management, the Department of Mental Health, Retardation and hospitals, and the Governor's Office. The State will only use the reviews to educate employees, and plans to extend the reviews to all non-union personnel by Spring of 2003.
4. **Hiring and Selection.** Up until recently, managers were required to select new employees from a final list of three candidates who had taken an exam – known as the rule of three. Recent contract provisions permit State managers to consider a final list of six candidates - known as the rule of six. This gives managers additional flexibility to identify the most qualified candidate through a larger pool of candidates.
5. **Sick Leave Bank.** The State has established a voluntary sick leave bank for State employees. Participants voluntarily donate one sick day at the beginning of each calendar year. Once one has made a contribution, they are eligible to participate. Participating employees are eligible to receive up to 60 days from the bank based on recommendations from the review committee (made up of both management and labor). The review committee reviews the employee's history, reason for requests, etc. The program is portable, in that should an employee take a different position within State government, he or she remains a participant.
6. **DCYF-Caseload Management.** Due to overages on contract specific caseloads for DCYF caseworkers, many have been receiving overtime pay. In response to this caseload allocation issue and its related costs, the State created a caseload-monitoring unit to oversee caseload assignments in order to minimize overages in assignments and overtime costs. The results of this initiative have yet to be reported.
7. **Parity Clauses.** The State eliminated parity clauses in collective bargaining agreements.
8. **Corrections.** There have been a number of cost-saving opportunities identified at the Department of Corrections, including the potential for sub-contracting certain services to the private sector. Recent contract provisions include language that provides for a sub-contracting clause for non-custodial services only. This language has been used to sub-contract commissary.
9. **Education Incentive Credits.** State employees were able to permanently increase their salaries through the completion of education credits. Starting with employees hired after July 2001, once credits are earned for bonus pay, the employee is eligible to receive the bonus pay for four years. Once the four years is complete, the State automatically terminates the additional pay. State employees must then wait three years to be eligible for education incentive credit again. Then the process would begin again.

10. **Fair labor Standards Act.** In order to limit the outstanding liability of employees that qualify for overtime compensation beyond the 40th hour of work, the State created a new category of work week – the non-standard, non-exempt workweek. Employees would work the standard 35-hour workweek. However, hours worked between 35 and 40 hours would be without additional compensation. Those hours worked beyond 40 hours qualify for overtime or comp-time.

Statutory Changes

1. **Statutory Status** – State employees with 20 years or more of state service (veterans with 15 and disabled with 10) could not be subject to layoff. These individuals could be moved to another position of similar responsibility and pay, but could not be removed. However, employees hired after August 1996 no longer have statutory status, including veterans (15 years) and disabled employees (10 years).
2. **Transfers of State Employees to Comparable Positions** – Law had provided authorization to transfer any classified employee within the same class of position. The law was recently changed to authorize the Director of Administration to transfer any employee within the executive branch who is not covered by a collective bargaining unit to a comparable position.
3. **Special Contract Employees.** Special contract positions bring issues concerning unemployment and Workers compensation, as well as legal actions seeking state employee status (job security, pensions and health insurance). Therefore, the Personnel Department has been conducting an on-going review of each special contract. Consideration is being given to securing personnel from existing and future master price agreements, limitations on the time a special contract employee can be engaged in the job, and determining the true independent contractor status. According to the State Department of Personnel, the State has reduced the number of special contract positions from 900 to 350 to date by converting services to independent contractors or shifting the service to master agreements.

Other:

1. **Management Development Institute.** The State has established a formal training process for its supervisors and managers. The program includes a total of 78 hours of training, in the areas of strategic planning, negotiation/mediation and program evaluation. While employees do not get credit towards incentive pay, the program provides a range of training opportunities for supervisors. To date, the program has had 192 participants in the core coursework – which is an 18-hour program.
2. **Diversity Initiative.** Citing the potential for 30-40 percent of the workforce retiring over the next five years, the State has embarked on a diversity initiative. The initiative is designed to develop networks for emphasizing a diverse workforce through training, mentoring and other activities.

3. **MIS – Personnel.** The RISAIL project is the foundation to the Personnel Department's MIS needs. Personnel is currently troubleshooting using human resource staff from several agencies to test the product to ensure it meets their needs. The Personnel Department considers two-thirds of the items required to function properly have been tested and approved. It is expected to have full implementation of the personnel component of the RISAIL project complete in October 2003.

2. What are the Options to Consider for Building on this success and improving the State's Personnel Structure?
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Notwithstanding the progress made to date by the current Administration, there are a number of outstanding issues that require additional attention.

1. A Classification Plan for State Employees – There is a need to modernize the State's classification and pay plan to improve flexibility, expand career opportunities and provide the necessary foundation for effective performance reviews.
2. Performance Evaluation System – While pilot initiatives have moved forward, there is considerable distance to go in implementing an effective employee evaluation system. In order to effectively link responsibility and authority, the State needs to ensure it can effectively evaluate the performance of its employees.
3. Training – There is a need to report on the quality and scope of existing training opportunities, as well as explore alternative training techniques. Building on recent initiatives, such as the Management Development Institute, the State will need to ensure there is quality professional development opportunities for State employees.
4. Senior Executive Service – There is a gap in the State's ability to attract and retain employees for program and policy development and implementation. Establishing a Senior Executive Service may provide the needed flexibility and agility in the personnel system to build a senior management team.
5. Unclassified Pay Board – Still needs to be eliminated.

RIPEC believes the proposed personnel reforms should be approached from both a short and long-term perspective. Short term, RIPEC will urge the incoming administration to develop and implement a performance evaluation system for cabinet and non-union senior officials. In addition, RIPEC will work towards the elimination of the Unclassified Pay Board. However, modernizing the State's classification system will require significant time and resources, and will require a long-term strategy to implement.