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IMPROVING PRODUCTIVITY IN COLORADO STATE GOVERNMENT



COMMISSION REPORT

MARCH 1989

COMMISSION ON GOVERNMENT PRODUCTIVITY

Copies of the full reports of the working committees for the Commission on Government Productivity are available from the Governor's Office, Office of State Planning and Budgeting, State Capitol Room 111, 200 East Colfax Avenue, Denver, Colorado 80203, or by calling (303) 866-3317.

FOREWORD

The current state of Colorado's economy has created a dilemma for the state Legislature and the administration.

On the one hand, major efforts to stimulate the economy of Colorado for the long term require large investments in our educational system, highways and other forms of state infrastructure that support our quality of life. On the other hand, there is great public pressure to control or prohibit increases in state taxes.

In light of the impending need for additional revenues and his public commitment to a high level of efficiency in state government, Governor Roy Romer, with the encouragement of legislative leaders, established the Colorado Commission on Government Productivity. To this Commission, the Governor appointed nine well-known Colorado executives, four members of his cabinet, four legislators and a representative of labor.

The mission of this 18-member body was to "create a public/private partnership, applying the highest principles of business management to effect new levels of operating effectiveness and productivity in Colorado state government."

Twenty committees were established consisting of loaned executives, state managers and employees, and the executive directors of the departments studied. Several companies not only provided loaned executives but also supported the cost of this effort with cash to match state support. In aggregate, contributions of cash, loaned executives, equipment, facilities and in-kind service, from July 1988 to February 1989, exceed \$2 million.

For those companies that shared their executives and their money, we are most grateful. For those hard-working committee members and legislators who went the extra mile, we are most grateful. For the assistance from state employees whom we found cooperative, dedicated and most competent, we are most grateful.

The real payoff in increased productivity and cost savings from this effort will occur as each of the many recommendations is actually implemented.

In order to ensure a successful conclusion, individual members of the Commission have committed to reconvene in September 1989 and March 1990 to monitor the progress of each department and review pending legislation.

It is the hope of the Commission that this study will contribute to Colorado's image, not only as a state noted for its high quality of life, but as a state that strives for the highest level of efficiency and productivity in state government.



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WORK PLAN AND METHOD

The findings and recommendations in this report are based on the work of 20 committees, which began their analysis of the executive branch of Colorado state government the first week of August 1988.

The mandate of the Commission on Government Productivity was to analyze the various government departments and elected offices and make recommendations aimed at achieving several goals: increased efficiencies in each government function, new tools to increase accountability, long-term strategic planning in the budget-forecasting process, an incentive system, and improvement of operations and quality of services of each government function.

Sixteen of the committees studied the 20 departments of state government, including the Governor's Office and Lieutenant Governor's Office. In addition, four committees were formed to study cross-departmental issues: organization and management, budget and forecasting, human resources (state personnel system), and purchasing.

Each of these working committees was composed of an average of four to five members, including the respective department head or heads and a staff of at least two, in most cases one person from state government and one from the private sector. Each committee studying a department was chaired by a loaned or retired executive. The cross-departmental committees were composed of experts on the subject and included representatives from the public and private sectors.

Altogether, there were 106 committee members and eight project-office staff, including the project director.

The \$200,000 cash funding of the Commission's work was shared equally by the state and the private sector. Besides the cash funding, the total value of donated resources, including equipment and loaned executives, exceeded \$2 million. The 10 paid staff included the project director, a secretary, clerical personnel and committee staff.

The committees gathered background information and then obtained more detail about their assigned departments from fact-finding questionnaires and interviews. They analyzed processes, management, support, organization, resources, and measurements of effectiveness and productivity.

Findings were presented periodically to the Commission, which reviewed and approved the committees' final reports.

EXECUTIVE SUMMARY

MISSION

To create a public/private partnership, applying the highest business principles of management to effect new levels of operating effectiveness and productivity in Colorado state government.

GOALS

- Analyze effectiveness and efficiencies of each department/function.
- Provide new tools to allow accountability in the management of all departments.
- Provide long-term budget forecasts for each function.
- Create an incentive system — focusing on long-term efficiencies.
- Improve operations and quality of services of each department/function by implementing specific recommendations.

FINDINGS AND CONCLUSIONS

- **Major productivity gains.** The major gains in state government productivity over the next few years will come from the application of sound human-resource, management, and budgeting practices, with performance measurements and accountability.
- **Specific productivity gains in programs.** Significant gains in productivity will also result from implementation of specific recommendations for changes in state government programs.
- **False perceptions.** Three common perceptions about obstacles to productivity in state government — constitutional and statutory restrictions, inability to manage employees, and the belief that state employees are less qualified and less ambitious and have less potential than employees in the private sector — are for the most part false and are not the critical issues in management.
- **Funding.** Once recommended structural changes and more productive practices are in place, the state will have sufficient money to fund necessary programs.
- **Obstacles to problem solving.** The current management system creates an environment that discourages creative problem solving and works against the taxpayers' interest in better government services at lower cost. The executive and legislative branches work against

each other, rather than cooperatively, and state employees feel unsupported by government leadership and the general public.

- **Budgetary constraints.** The legislative practice of line-item budgeting prevents effective management of government programs and service delivery.

DISCUSSION OF FINDINGS AND CONCLUSIONS

The findings of the Colorado Commission on Government Productivity indicate that the state government can significantly improve its productivity — providing a higher level of services in a more efficient, cost-effective manner — through improved organization, management and budgeting, coupled with a restructured personnel system.

False Perceptions about Obstacles to Productivity

The Commission's investigations have shown that perceptions about obstacles to productivity are not necessarily true. Initial responses by the various departments and agencies to the Commission's inquiries revealed several major factors that were seen as standing in the way of efficient, effective delivery of services. Among them are constitutional and statutory restrictions, inability to manage state employees, and lack of funding. In addition, there is a widely accepted view outside state government that public employees are less qualified, less able, and less ambitious than employees in the private sector.

The perceptions of legal restrictions, inability to manage employees and less capable state employees are for the most part false and are not the critical issues within the professional management system of Colorado state government.

The perceptions of limitations in state statutes and inability to manage employees are often based on the absence of specific enabling laws rather than the existence of restrictive laws. It is this Commission's belief that if there is nothing in constitutional or statutory law to prohibit a productivity-enhancing change, then that change can and should be enacted.

A good example of these perceived limitations is the state's personnel system. Managers believe they are restricted in their ability to hire, fire and manage their employees. In fact, it is long-entrenched practices, not laws, that discourage managers from exercising more control over the hiring and firing processes. The constitution in Article XII, Section 13, clearly permits employees to be "dismissed, suspended, or otherwise disciplined by the appointing authority upon written findings of failure to comply with standards of efficient service or competence" and specifies that "merit and fitness" for hiring are to be determined by "tests of competence." State Personnel Board Policy 5-4-(A), based on the state personnel statutes, says that tests "may include, but need not be limited to education, experience, aptitude, knowledge, skill, ability, physical condition and personal traits." Thus, state government managers have wide latitude to weigh all relevant factors — such as experience — in hiring and to take more aggressive action in firing. To be fully effective as managers, they must use every means possible to hire and maintain the very best staff they can find.

However, in contrast to another common perception, the Commission's study did not find state employees to be generally less capable than those in the private sector, although there are, in state government as well as in business and industry, a certain number of employees whose performance is less than desirable, and who

therefore require assistance, corrective action and/or disciplinary action. The Commission was impressed with the cooperation and enthusiasm of the state employees who participated in the study and the valuable contributions they made to it. These employees were highly perceptive in recognizing the needs for productivity improvement throughout the state system and desirous of seeing such improvements occur. Furthermore, the Commission is confident that the leadership exists within the state organizations to achieve the new levels of productivity this Commission envisions, provided they receive the required support from the Legislature, the executive branch and the private sector.

The perceived lack of funding is true for many programs, but the Commission concluded that in general there is sufficient money to fund state government, once recommended structural changes and more efficient practices are in place. The Commission recommends augmenting seemingly inadequate resources by implementation of cost-saving initiatives.

Budgetary Constraints

Another perception revealed by the Commission's investigations is excessively tight budgetary reins. The budgeting process *does impose constraints* on the executive branch. Specifically, the Legislature's long-standing practice of line-item, rather than programmatic, budgeting denies public-sector managers the freedom and flexibility that private-sector managers have. Typically, business managers operate in an environment that sets goals and objectives and lets them manage to a total budget, while making them accountable for meeting the targets within that budget. Even where there are line-item amounts, managers have some flexibility to transfer funds.

System Inefficiencies

The Commission acknowledges that there are many differences between the management of government and the management of a profit-oriented business. But it also recognizes that there are many similarities in the professional management of service delivery in government and business. All organizations — public and private — face similar problems of allocating scarce resources to accomplish their missions. The major focus of the Commission's findings and recommendations is on the application of sound personnel practices, management systems, and budgeting to free state government from the tangle of restrictions — real or perceived — that have developed over time in government operations. Government systems and processes are needlessly complex.

Under the situation that currently exists, the executive branch departments and agencies are frustrated by the lack of flexibility afforded them by the Legislature's line-item budgeting process. The legislators, for their part, express much frustration with the executive branch's failure to provide adequate program measurements and accountability. The state employees too often experience low morale due to what they frequently refer to as "employee bashing." They feel unsupported by government leaders and the general public. The major customer of government services, the taxpayer, is frustrated by the seeming inability of state government to provide better services for fewer dollars. The resulting environment decreases or eliminates managers' ability and desire to do creative problem solving, establish measurements and move toward a more effective, productive and professionally managed organization.

When similar conditions exist in businesses, management becomes obsessed with controlling activities to meet demands of customers. Managers do not take the time to step back from day-to-day pressures and focus on quality-management systems to improve the process.

The Commission's Vision

The ideal this Commission envisions is a new level of cooperation between the executive and legislative branches, synchronized with the interests of the state employees and ultimately, of course, the taxpayers. In this smoothly functioning government, the executive and legislative branches agree on the amount and quality of services government will provide. The executive branch collects the taxes, pays the bills and runs the government programs; the General Assembly legislates taxes and allocates funds for programs; and the employees deliver the quality services agreed to by the executive and legislative branches. In return, those employees receive fair compensation and benefits, reasonable working conditions, incentives for advancement, and support from the leaders of both the executive and legislative branches. In the long run, the taxpayers benefit from the improved productivity of state government.

This Commission Report and the detailed committee reports are guides to the improvement of operations and quality of services of each department or function. Upon implementation of the Commission's recommendations, with performance measurements and an accountability system, Colorado state government will achieve significant productivity gains.

MAJOR RECOMMENDATIONS

The Commission's recommendations fall into two categories. In the first category are recommendations addressing specific programs within Colorado state government that can be changed or eliminated to provide significant productivity within an agency and cost savings to the taxpayers. Many of them are listed separately under "Major Recommendations, by Committee," beginning on Page 14, and in the committee report summaries, beginning on Page 24. Complete discussions of these program recommendations are in the full committee reports.

The other category includes major recommendations and methodologies that will provide managers with the understanding and the systems to effectively direct a professional service-delivery organization. The recommended practices are similar to those used in business which provide for measurements, accountability and employee participation. These issues are addressed by the Commission's Human Resources, Organization and Management Systems, and Budget and Forecasting Committees.

Recognizing that executive branch managers in state government do not have the flexibility that private-sector managers have in making changes, the Commission recommends certain steps be taken to lay a foundation for the necessary changes.

The following major recommendations will lay the foundation:

Executive Branch

The executive branch can begin immediately to implement the following:

- Revise the state personnel system to include a new classification structure, simplified performance measurements, and a new performance-based pay system. Include a guarantee that all employees in eliminated jobs will be placed in positions of comparable level, and establish a controlled hiring system, to ensure that when jobs are eliminated the employees are redeployed into other government positions that match their skills.
- Establish a quality management system. A key component of this is the ability of the department to reinvest some of the savings generated.
- Establish a real-estate and capital-equipment-utilization process and budget.

Legislative Branch

Legislative approval is needed to implement the following:

- Establish a long-range strategic planning process in the executive branch, to include program prioritization and eliminate low-priority programs.
- Base the state's budget on programs, not on line items.
- Give the Governor authority to transfer funds within a department and also between departments.
- Restructure quasi-independent state entities such as boards, commissions, and Type 1 agencies, to enable department heads to manage them effectively.
- Properly fund mandated programs or remove the mandate.
- Ensure that facilities and working conditions meet standard fire, health and safety requirements. *Employees must have a safe working environment.*

DISCUSSION OF MAJOR RECOMMENDATIONS

Optimum efficiency and cost savings will be achieved only if there is a comprehensive restructuring of the state's personnel system, along with implementation of the recommended management and budgeting changes.

Human Resources

Inherent in all suggestions in this area is the belief in the value of the individual employee. Employees of state government, like those in the business community, are motivated by and respond best to a positive, supportive environment. They respond negatively to adverse factors in their working environment. Productivity improvements can best be attained through employees who are supported by a positive leadership system.

The recommendations of the Human Resources Committee range broadly over the following issues: classification and compensation, appraisal, disciplinary actions, employee development, hiring, employee relations and affirmative action. Some of the major points are simplification of job classes, increased flexibility in determining compensation, more consistent training, greater ability to terminate unsatisfactory employees, a performance-oriented lay-off policy, and better communication with employees. Most important is an incentive and award system that rewards employees for cost savings and productivity improvements. They must be assured of awards and, above all, continued employment security in cases where their suggestions lead to the elimination of their own jobs.

Organization and Management Systems

The Commission recommends prioritization of program needs, strong management philosophy and quality management techniques, and streamlining of organizational structures.

In preparing the annual budget, every state department and agency should describe linkages between its programs and activities and the public interest in such key areas as health and safety and legal rights. Impacts of programs should also be analyzed and the programs ranked. The intent is to identify programs that are no longer required or affordable.

A comprehensive quality management system would ensure measurable performance, targets for gains in productivity, a citizen/customer orientation, positive work environments and commitment and participation from all levels of management and employees.

The recommendations of the Organization and Management Systems Committee include restructuring and reviewing the independent Type 1 agencies for more efficient management of departments; developing guidelines for management/supervision teams within departments; and clearly defining line/staff relationships, including numerical ranges for levels and spans of control, thus reducing the number of management levels.

Budget and Forecasting

The main goals of the Budget and Forecasting Committee's recommendations are to eliminate duplication of effort by the executive branch and the Legislature, implement long-range strategic planning and prioritizing, adopt program rather than line-item funding wherever possible, tie funding to accountability for results, and give the Governor transfer authority over some funds. The Governor should also exercise stronger initiative in the budgeting process, which is within his legal power. Building on the current environment of cooperation between the executive and legislative branches, the Governor could submit an annual appropriations bill for the Legislature's Joint Budget Committee to review.

COST SAVINGS

It is crucial to understand that in order to create savings of the magnitude the Commission believes is possible, with accompanying increases in productivity, some reasonable up-front investments must occur. And specific investments will be necessary to ensure safe working environments, to provide incentives and to establish programs to train managers in the implementation of more productive methods.

The Commission does not generally recommend new tax dollars for the continued program and productivity improvement, but rather reinvestment of some of the savings gained through the ongoing implementation of the Commission's recommendations. Also, some work efforts need to be reassigned or deferred in order to free up selected employees to implement productivity-improvement programs.

The Commission's recommendations of specific program changes will produce a net three-year benefit of \$218 million in savings, cost avoidance and new revenues.

A detailed breakout of investments, cost savings and economic benefits is displayed on Pages 12 and 13.

The most significant productivity gains will occur as the management-system infrastructure and culture change, producing measurement and accountability. This process in turn will eliminate unnecessary programs and reduce the cost of service delivery by a method that allows measurement comparisons. Current state employees, with assistance from the private sector, can accomplish those objectives.

If the Commission on Government Productivity is reconvened for a month in September 1989 and March 1990 as recommended, it will review each department's implementation progress, including specific measurements, savings and productivity targets.

Measurements must be developed to establish a starting base. Departments must agree to begin the implementation of a new management system which includes quality management, restructuring management positions and more effective use of the revised personnel system.

The Commission's cost-savings emphasis reflects the recognition that the poorly performing economy of the last few years has required widespread belt tightening. The economy has forced the business community, as well as individual citizens, into stringent budget-reduction measures. In such an environment, state government breaks the faith with those it serves if it does not do likewise.

The Commission recognizes that the private sector is different from the public sector. Many state-government services are critical to the well being of Colorado citizens and cannot be summarily discontinued, even in the interest of saving money. In fact, during times of a poorly performing economy, such as Colorado is experiencing now, the demands on the state for welfare, treatment of emotional problems and other services escalate significantly. But the experiences of the private sector have shown clearly that when managers have targets to strive for, significant productivity gains can be accomplished.

The following examples illustrate how savings might be accomplished and the money distributed:

- **STOP A PROGRAM:** An agency has 10 employees responsible for a particular activity at a cost of \$400,000 a year. The decision is made to eliminate this function and return the \$400,000 to the taxpayers.

- **REDUCE REQUIREMENTS:** An agency moves services for 100 clients, costing \$50 a day per client, to community-based facilities at a cost of \$25 a day. The agency saves \$2,500 a day or \$912,000 a year. But it has a backlog of clients, so it moves 100 new clients into state facilities to take the place of those it moved out to the community. The state has saved no money, but is now serving 100 new clients, to whom it had an obligation in any case. So the department must be credited with \$912,000 in annual savings.
- **REINVEST SAVINGS:** An agency which handles huge volumes of mail uses labor-intensive paper-processing methods that have not been updated in recent years. Its facility is old and not designed for the process. It lacks equipment that could do the job much more efficiently and the computer software is 25 years old, operating in batch mode, thus missing the efficiency of modern online interactive operations.

By moving these operations to an appropriate facility and installing modern equipment and integrated online software, the agency can do the same job with fewer people. The initial investment cost will be recaptured in several years. After that, the ongoing savings can be used for increased work volumes, redirected to other cost savings and productivity investments or redirected to the state's General Fund for other state expenditures.

In each of the preceding examples, the real long-term benefit to Colorado taxpayers is services of improved quality at no additional tax burden, funds available for additional services, or a reduction of taxes. **This is government's "profit" or "bottom line."**

IMPLEMENTATION: WHERE DO WE GO FROM HERE?

The recommendations in this report are only the first step. Many studies have been done over the past decade. Few of the recommendations have been implemented in a way that has caused fundamental and long-lasting improvement in the state's method of management.

Implementation planning must include realistic dates and required resources, coupled with a road map, to keep management and professionals focused on the overall objectives and their payoffs. The commitment to ongoing, incremental improvement is not merely a "program" but must be woven into the fabric of the organization, and be able to bridge the changes in leadership and economic environment.

Implementation has the following major components:

- Understanding, commitment and participation of all members of state government including the Governor and his cabinet; the General Assembly; the state management team; and the employees.
- The use of the Commission's public/private partnership to establish work teams of state employees, loaned private executives and advisers who would provide the leadership and methods of implementation.
- Dedication to redirect necessary human resources to productivity-improvement programs. This entails the elimination or temporary stoppage of some activities to free up the necessary people for the productivity programs.

- Agreement to redirect funds for implementation through the elimination or stoppage of activities.
- An understanding that implementation is harder, will take longer and consume more resources than the study. The results are worth the effort.

The Commission recommends the following:

- The Governor should establish an implementation team, with legislative support, to:
 - coordinate the implementation process, ensuring resources are in place and objectives are met;
 - review and approve work plans;
 - assist in scheduling;
 - review and approve measurement systems;
 - provide progress reports to the Governor and General Assembly.
- The Commission on Government Productivity should be reconvened for a month in September 1989 and March 1990 to review each department's implementation progress, including specific measurements, savings and productivity targets.

The many private- and public-sector experts on the Commission's working committees collectively spent thousands of hours interviewing state employees and analyzing data. In the process, they fulfilled the first step of the Commission's mission, "to create a public/private partnership." The implementation process will benefit from building on this partnership over the next few months.

The next steps are already underway as action is being taken to implement a number of the Commission's recommendations. The Commission is confident that near-term efficiencies and savings will be seen within a year as a result of implementation of specific changes. It anticipates that, as the major structural changes are implemented, significant productivity gains will be realized over the next three years and for years to come in Colorado state government.

INVESTMENT AND SAVINGS Annual

<u>Area/Department</u> ⁽¹⁾	<u>New Revenues</u>	<u>Investment Required</u>		<u>Cost Avoidance</u>	<u>Annual Savings</u>
		<u>One-Time</u>	<u>Annual</u>		
Organization and Management Systems					
Human Resources and Personnel		\$155,000	\$411,000	\$9,000,000	
Budget and Forecasting			373,000	600,000	\$1,873,000
Purchasing			130,000		4,700,000
Administration				9,000,000	
Agriculture		1,535,000			
Corrections			494,000	23,750,000	7,350,000
Education					
Elected Offices					
Governor's Office		345,000	240,000		104,000
Economic Development	\$6,160,000 ⁽²⁾		2,800,000		
Health	871,000				
Higher Education	12,549,000 ⁽³⁾		150,000		1,000,000
Highways					
Institutions				285,000	
Labor and Employment					
Local Affairs					
Military Affairs	26,000	375,000	40,000		
Natural Resources	2,830,000				3,426,000
Public Safety					
Regulatory Agencies					
Revenue	2,440,000		440,000	50,000	
Social Services					
TOTAL	\$24,876,000	\$2,410,000	\$5,078,000	\$42,685,000	\$18,453,000

¹ These benefits are derived from specific recommendations with quantifiable investments, revenues and savings. The individual reports include many recommendations with cost benefits that are estimated or could not be calculated. Implementation of the additional specific program recommendations, as well as the Commission's recommended major structural changes, will provide significant measurable productivity gains.

² The ultimate return ratio of 1:4.4 (\$12,320,000) will be achieved in the third year. Fifty percent of the return ratio (\$6,160,000) will be achieved in the first year and 75 percent (\$9,240,000) in the second year.

³ This revenue will be derived from a recommended increase in non-resident tuition to at least 110 percent of the total educational and general costs and an increase in resident tuition from an average of 23.6 percent to 28 percent of total educational and general costs with an appropriate increase of financial aid for resident students.

INVESTMENT AND SAVINGS Three Years

<u>Area/Department</u>	<u>New Revenues</u>	<u>Investment Required 3 Years</u>	<u>Economic Benefits</u>	<u>Cost Avoidance</u>	<u>3-Year Savings ⁽⁴⁾</u>
Organization and Management Systems					
Human Resources and Personnel		\$1,233,000		\$9,000,000	⁽⁵⁾
Budget and Forecasting		1,119,000		1,800,000	\$4,500,000
Purchasing		390,000			13,700,000
Administration				27,000,000	
Agriculture			\$15,000,000 ⁽⁶⁾		
Corrections		1,482,000		44,850,000	20,568,000
Education					
Elected Offices					
Governor's Office		720,000			(753,000)
Economic Development	\$27,720,000	8,400,000			
Health					
Higher Education	37,647,000	450,000			2,475,000
Highways					
Institutions				850,000	
Labor and Employment					
Local Affairs					
Military Affairs	78,000	120,000	1,635,000		
Natural Resources	7,650,000				10,278,000
Public Safety					
Regulatory Agencies					
Revenue	10,500,000	1,320,000		150,000	
Social Services					
TOTAL	\$83,595,000	\$15,234,000	\$16,635,000	\$83,650,000	\$50,768,000

⁴ Net amount after deducting three years of investment costs.

⁵ After the third year, there will be annual savings of \$800,000.

⁶ Economic benefit to the agricultural industry.

MAJOR RECOMMENDATIONS, BY COMMITTEE

ORGANIZATION AND MANAGEMENT SYSTEMS COMMITTEE

- Rank programs and activities as part of the budget process. Identify and phase out some number of programs each year.
- Implement a comprehensive quality management system.
- Study and make recommendations on a constitutional amendment dealing with appointments by the executive branch.
- Define and expand the service-oriented mission of staff functions.
- Develop an implementation plan to measure continued improvement.
- Restructure specific, selected Type 1 organizations and establish a continuing review of all Type 1 agencies.
- Develop guidelines to reduce the number of managers.
- Review cost accounting to ensure all program costs are included.
- Review license and user fees and tuitions to ensure appropriate revenues are collected. For example, increase tuition to colleges and universities.
- Manage all expenditures regardless of funding source.
- Appropriate funds every year to maintain capital assets.
- Fund all mandated programs or remove the mandate.

BUDGET AND FORECASTING COMMITTEE

- Ensure that the Governor takes responsibility for issues within his control.
- Install a small planning and management staff in the Office of State Planning and Budgeting.
- Have the Governor prepare an appropriations bill, which the Legislature should utilize in its decision-making process.
- Ensure that the appropriations process emphasizes programs and measures performance expected from managers.
- Ensure that planning plays a key role in setting statewide policy and program priorities.

HUMAN RESOURCES (PERSONNEL SYSTEM) COMMITTEE

- Simplify the classification structure including use of survey data to establish pay rates.
- Adopt a performance-based pay system including an executive-compensation plan.
- Develop a single annual salary budget.
- Simplify and re-examine the performance appraisal system to utilize the results as the primary criterion in personnel actions.
- Establish a succession-planning system and include performance as the strongest factor.
- Streamline the disciplinary actions, grievance, appeals and hearing processes.
- Establish funding for an employee-development program to include skills and management training and continuing education.
- Upgrade the selection and placement process to ensure better use of experience and accomplishments. Use annual needs forecasting and applicant files to fill open positions in a more timely manner.
- Recognize best performers, achieve proper skill mix and use retraining and rehiring in downgrading and layoff situations to redeploy employees.
- Establish funding for recognition, awards and employee-communications programs.
- Ensure employee participation and feedback through meetings, employee surveys and exit interviews.
- Strengthen affirmative action training and attention to areas of underutilization.
- Have the Civil Rights Division handle affirmative action grievances.

PURCHASING COMMITTEE

- Implement mechanisms to improve communications with all state agencies, including a “hot line” for questions, customer-satisfaction feedback, and an advisory committee.
- Realign the focus on state awards/contracts.
- Automate the process of creating and maintaining purchase orders.
- Assign staff to supervision and control of statewide purchasing policies.
- Approve the next phase of the Colorado Financial Reporting System (COFRS).

ADMINISTRATION

- Fully implement COFRS, including the dissemination of information that COFRS is a management information system.
 - A responsible party must be assigned ownership to ensure COFRS is properly installed, implemented and maintained.
 - COFRS funding must include training, implementation–support and maintenance costs.
 - The Department of Administration must provide enhanced, timely information and financial services to its “customers,” using COFRS as a vehicle for service delivery.
- Focus on real estate assets as an investment portfolio. Develop performance criteria and a real estate information management system.
- Focus human resources toward effective service delivery.

AGRICULTURE

- Establish goals and objectives; prioritize the workload.
- Eliminate one– and two–person sections and consolidate administrative functions.
- Initiate regular staff meetings, including field staff.
- Improve management practices by documenting procedures, processes and the work process.
- Build a new insectary.

CORRECTIONS

- Consolidate similar functions utilizing quality management.
- Support and implement the findings of the facility–staffing study and strategic–growth plan.
- Design, develop and implement a central criminal–records system.
- Create a “level loading” system within the current statutes.
- Develop a new offender–classification system.
- Create a criminal justice commission.
- Continue to maximize use of security facilities to ensure lowest cost.

- Implement a comprehensive offender–employment program.

EDUCATION

- Fund the relocation of the Colorado State Library for the Blind and Physically Handicapped or close the library on or before July 1, 1989.
- Improve internal personnel management to improve morale.
- Provide microcomputer training and technical support.
- Properly fund, staff and accommodate space requisitions for the State Depository.

ELECTED OFFICES

LT. GOVERNOR'S OFFICE

- Make statutory changes to clarify duties and responsibilities of the office.

ATTORNEY GENERAL'S OFFICE

- Clarify contract–review responsibilities.
- Prioritize and manage the appellate and tort workload.
- Strengthen the staff– and attorney–development program.

TREASURER'S OFFICE

- Implement COFRS.
- Purchase investment–income software.

SECRETARY OF STATE

- Continue planned automation.
- Consider a legislative remedy that may be needed to address the workload issue associated with the initiative–petition process.

GOVERNOR'S OFFICE

- Create an additional deputy chief of staff position.
- Provide a budget for awards and incentives.
- Staff the citizens–advocate function from the departments.
- Seek loaned executives for additional staff.
- Update telephone and computer facilities.
- Retrofit capitol buildings with energy–efficient heating and lighting systems.
- Create additional staff positions for planning in the Office of State Planning and Budgeting.
- Give the Governor limited funds–transfer capability.
- Have the Governor submit an annual appropriations bill.
- Increase the budget of the Office of Economic Development.

HEALTH

- Establish and implement a planning process with measurable goals.
- Reduce the number of line items in the budget or provide greater flexibility within the current structure.
- Realign Automated Data Processing's mission, stressing support and addressing resource requirements.
- Apply fees–for–service to all users.
- Provide training and other incentives for employees.
- Consolidate inspections to reduce duplicate efforts.

HIGHER EDUCATION

- Establish goals and measurements for the financial and management performance of the governing boards, with a link between performance measurements and funding.
- Review the number and organizational structure of governing boards and have the Governor convene annual meetings with each board.

- Expand the Colorado Commission on Higher Education's public information program.
- Create three additional staff positions to implement legislative mandates.
- Reduce the number of employees reporting to the executive director.

HIGHWAYS

- Establish a Colorado Department of Transportation, which would incorporate the current Department of Highways functions.
- Establish a statewide agency within the Colorado Department of Transportation to perform and coordinate the strategic planning of statewide transportation issues.
- Eliminate excessive layers of management, which cause delays in decision making.
- Delegate more responsibility and authority to lower levels of management.
- Decentralize work by shifting many duties from Colorado Department of Highways headquarters to personnel working in field offices.

INSTITUTIONS

- Encourage greater flexibility and incentives.
- Implement a contingency–management plan in the Youth Services Division, addressing caseload on a responsive basis.
- Implement an integrated asset–management program to ensure values of real estate facilities are protected.

LABOR AND EMPLOYMENT

- Adopt a more efficient application process, including interaction with employers, customer–supplier analysis process, and market–share measurements.
- Provide worker's compensation claims and appeals services at all Job Service Centers.
- Provide rewards, recognition and training for employees.
- Create a single metropolitan–area Job Service Center and establish one metropolitan–area Service Delivery Area.
- Resolve duplication between employment and training services.

- Improve management through planning, priority setting, and matrix and project management.
- Define the deputy–director position as operations manager.
- Improve the public relations/public information activities.

LOCAL AFFAIRS

- Create two deputy–director positions.
- Have the executive director or deputy sit as an ex–officio member on all boards and commissions of the department.
- Develop a long–range plan integrating all services.
- Establish a centralized public relations/communications function.
- Publish a summary catalog of all programs and grants.
- Provide training for all staff.
- Provide centralized Automated Data Processing support.
- Eliminate the Office of Volunteerism and the Land Use Commission.

MILITARY AFFAIRS

- Improve facilities management to protect real estate values and meet contractual obligations to the federal government.
- Analyze armory–replacement decisions.
- Expand the National Guard commitment to enhance economic development.

NATURAL RESOURCES

- Redefine the role of the executive director and of the department relative to Type 1 agencies.
- Reorganize the Land Board.
- Consolidate the Colorado Water Resources and Power Development Authority with the Colorado Water Conservation Board.
- Review the Division of Water Resources and the Water Conservation Board to ensure proper structure, staffing and no duplication.

- Conduct a critical re–evaluation of the role for DNR minerals agencies.
- Conduct an extensive re–evaluation and update of fees.

PERSONNEL

- Restructure internal management systems.
- Improve intradepartmental communications.
- Build team synergy.
- Establish a centralized personnel data base.
- Ensure consistency and compliance in administration of all personnel practices.
- Monitor and control such critical functions as selection and classification.
- Make the Department of Personnel the strategic center for the state’s human–resource function.
- Support the current legislation to consolidate salary and benefits administration.
- Place more emphasis on implementation of various study recommendations and less on new studies.

PUBLIC SAFETY

- Review and recommend appropriate levels of administrative support.
- Adequately staff and fund the Division of Fire Safety.
- Fund the hazardous–materials program.

REGULATORY AGENCIES

- Engage in a formal agreement with the Joint Budget Committee to allow reinvestment of savings resulting from quality management.
- Improve data processing and telecommunications tools.
- Reduce excessive numbers of managers and increase span of control.

REVENUE

- Continue with the Two Year Plan — a model for other departments.
- Increase fees to meet the expense of operation.
- Improve facilities to meet needs of employees and work performed.
- Move the “pipeline” (revenue/check processing) to a facility designed for an efficient process.
- Combine the trade–name data base with that of the Secretary of State.
- Upgrade computer software.

SOCIAL SERVICES

- Transfer administration of the state welfare system from the counties to the state.
- Integrate management information systems covering all department programs.
- Provide one–stop shopping for application of benefits.
- Establish the goal of reducing welfare participation by moving clients into employment.
- Improve competitive rate structuring.

COMMITTEE REPORT SUMMARIES

INTRODUCTION

On the following pages are the summaries of the findings and recommendations of the working committees of the Commission on Government Productivity. There are 23 reports, covering all departments of state government and four cross-departmental issues: organization/management, budget and forecasting, human resources, and purchasing.

These summaries highlight the major recommendations of the Commission and include brief discussions of the issues. Comprehensive and detailed discussions of the findings, conclusions and recommendations of the committees are in the full committee reports, available at the Governor's Office, Office of State Planning and Budgeting, State Capitol Room 111, 200 East Colfax Avenue, Denver, Colorado 80203, or by calling (303) 866-3317.

ORGANIZATION AND MANAGEMENT SYSTEMS (CROSS-DEPARTMENTAL STUDY)

BACKGROUND

This committee identified and analyzed several key organization and management issues affecting the productivity and efficiency of state government. The committee focused on issues common to several departments and agencies, and on issues requiring action by more than one department or agency or the Legislature.

A. Needs and Prioritization

The demand for state government services — improved highways, more prisons, economic development programs, human services, quality education — exceeds available resources. Furthermore, the state's economy is flat, and Amendment 6, the tax-limitation ballot initiative that failed in November 1988, sent a clear message to limit state spending to essential programs and services.

State government exists to provide services to its citizens in two fundamental ways: first, to protect citizens against threats to public health, safety, and welfare, including the environment; and second, to help its citizens capitalize on opportunities to improve the state's economy and quality of life, including education. Each state program and activity should ultimately be linked to achieving one or more of those basic purposes.

B. Culture and Quality Management

The culture of an organization influences the productivity of its employees, and ultimately the productivity of the organization itself. The organization's culture, in turn, is based upon individual and corporate values which largely determine the enterprise's identity, orientation and sense of purpose. In order to improve the effectiveness of state government, it is critically important that values which support the goals of productivity, quality and effectiveness be communicated and reinforced through leadership at all levels — from the Governor and Legislature down through agency heads, division directors and section chiefs to individual employees.

A fundamental component of culture is mission. Mission statements are promulgated by a variety of sources and are often not coordinated by the policy makers prior to publication. Employees need to understand the content and source of policy so that individual tasks can further the mission.

Another important component is citizen/customer orientation. "Customers" include private citizens or organizations — or other governmental agencies — that receive goods or services. Many departments have not explicitly identified their customers, nor acknowledged that customer satisfaction should be the primary measure of the quality of their services.

C. Ongoing Improvement and Implementation

The Commission on Government Productivity has identified a significant number of management and efficiency studies that have been conducted over the past decade. Those studies contain many issues and recommendations similar to the ones being identified in the current project. Few of the recommendations have been implemented to cause fundamental and long-lasting improvement in the state's methods of management. Inadequate planning and the difficulty of maintaining institutional commitment across changing administrations appear to be key reasons for lack of implementation.

Introducing fundamental change in an organization as complex as state government presents a major challenge. Implementation planning must include realistic dates and required resources, coupled with a road map to keep management and professionals focused on the overall objectives and their payoffs. The commitment to ongoing, incremental improvement is not merely a "program" but must be woven into the fabric of the organization — and be able to bridge changes in executive leadership.

FINDINGS

- A. Given scarce resources and growing demands, state decision makers need improved ways to estimate the "size" of the threat or opportunity that a given program is attempting to address, and the impact of the program — how much of a difference the program makes. That is, decision makers need clearer ways of measuring the results achieved for the dollars spent.
- B. The current process of program and budget development and review often does not adequately analyze whether state activity can make any significant difference in dealing with a given issue, however important, and whether all appropriate actions by the private sector have been taken. Improved public/private-sector dialogue on these issues first should help clarify who pays for the program later.
- C. There is a lack of "yardsticks" to measure both the significance of a threat or opportunity and the impact of programs. How should spending millions of dollars on a 500-bed prison be compared with spending it on a bio-tech facility at a major university or with returning it to the taxpayers? These are the choices facing the legislative and executive branches daily. Programs should be clearly tied to the public interest, and better quantitative measures of their impact should be developed to assist leaders — and the public — in understanding and making these choices.
- D. The current budget-setting process provides virtually no motivation for state agency heads to be completely candid with the Legislature about weak and outdated programs. Under the current system, the reward for forthrightly recommending that a program be cut back or eliminated is a smaller budget the following year — with no opportunity for the agency to direct a portion of savings into training or new programs. Like Colorado's water users, many

agency heads soon follow a “use it or lose it” mentality with respect to their budgets. Taxpayers lose because of this inefficiency, and capable people drawn into public service as department heads often quit in frustration soon after they have learned the system's limitations.

- E. There needs to be an improvement in the quality of management systems within many departments of Colorado state government. This requires examining the fundamental cultural components which drive these organizations: mission, citizen/customer orientation, work environment, accountability and leadership.
- F. Many work environments are not optimal in some areas of state government. In a negative work environment, morale and productivity are often low. Less than optimal work environments may be found within divisions or departments. Employees have expressed work–environment concerns in such areas as training and development, recognition, structure, lack of appropriate technological support and physical plant.
- G. In the executive branch of state government, accountability needs to be further fostered and enhanced. Improvement in this area will be largely determined by the progress made in addressing mission and optimal–work–environment issues as discussed above.
- H. Leadership is the intangible catalyst that positively influences the behavior of people. Effective leaders typically combine a mix of attributes they were born with, specific skills they have learned and philosophies they have developed. The committee has identified managers that have a very positive impact on their people in spite of all the inhibitors of a less than ideal culture. The challenge is to identify and develop others in parallel with improving the culture of state government.
- I. State government organization has three important problems:
 - 1. Unclear line/staff relationships and unclear accountability within departments inhibit competent management.
 - 2. Ineffective alignment of programs to departments and an excessive number of managers reduce productivity.
 - 3. State departments and offices must provide both political and professional operating management functions, which are difficult to keep in balance.
- J. It is difficult, if not impossible, for executive directors in some departments of state government to truly show leadership in exercising clear responsibility, authority and accountability. The following are examples:
 - 1. Type 1 organizations with independent boards exclude or limit the role of an executive director. The current structure largely dates back to 1968. Problems have been identified in several of the departmental reports with recommendations to resolve specific issues.

2. There is unclear or limited development of staff support organizations in place to serve the internal customers in line departments. This limits the leadership role of key staff organizations and causes inconsistencies of interpretation of policies that should be managed statewide. This problem has been identified in the Department of Personnel and to some extent in the Office of State Planning and Budgeting (OSPB). Proactive central support organizations provide the policy and checks and balances necessary to ensure consistency across departments.
- K. Excessive levels of management directly affect productivity. The problem starts with the personnel compensation system in which key professional positions are not evaluated on an equitable basis with managerial positions. Therefore, in order to provide people with adequate pay, additional management positions are often created. This top-heavy structure slows information flow and impedes communication. Also, this high proportion of managers means high overhead and lower productivity. A second organizational issue affecting productivity is the questionable alignment of some programs to departments. For example, the current administration of water quality and quantity programs in two different departments has been questioned.
 - L. Political and professional operating management processes must be balanced in state government. For example, the Governor and executive directors of the departments must wear two hats, one for public and politically-oriented issues. These issues come up fast and furiously, and the demand for immediate availability of executives and staffs is significant. The current fast-changing environment prevents ongoing operating management from functioning in a sufficiently orderly fashion.

RECOMMENDATIONS

- A. In preparation for the budget each year, require every state department and agency to explicitly describe the linkages between its programs and activities and the public interest, in health and safety, legal rights, the economy, the environment and quality of life. The impacts of such programs and activities should also be analyzed and used as a basis for each department and agency **to rank its programs and activities and as part of its budget process**. (The full committee report describes a preliminary set of procedures for relating public needs and agency priorities, and for allocating costs.) The objective is to identify and phase out state programs of marginal effectiveness and to use savings to reduce government costs and implement needed new programs. The goal is to identify 25 to 50 programs each year that would either disappear or be largely taken over by the private sector.

B. Building upon existing pilot projects, begin implementing a comprehensive quality management system to address culture and to improve productivity and efficiency. Characteristics should include:

1. clear connection of agency activities with key public needs;
2. measurable performance targets and gains in productivity;
3. citizen/customer orientation;
4. positive work environments; and
5. commitment and participation from all levels of management and employees.

Guidelines for implementing a quality management system are found in the full committee report.

While the executive branch can begin this process, it is essential for the Legislature to direct that a portion of efficiency savings be reinvested in both human and capital resources to elicit future savings. Pending legislation, HB 1053, sponsored by Representative Fagan and Senator Rizzuto, embodies this concept.

C. Change organizational structures as follows:

1. Form a bipartisan, highly informed commission, appointed by the Governor and legislative leaders and joined by a truly representative group of state employees to study and make recommendations regarding a new constitutional amendment dealing with the entire executive branch of state government. This study should consider providing the Governor with the power to appoint all executive directors, deputy directors and division heads and to restructure all boards, commissions and Type 1 agencies to provide direct accountability to the Governor and General Assembly.
2. Restructure specific, selected Type 1 organizations as outlined in detailed committee reports such as those on the Departments of Natural Resources and Local Affairs.
3. Establish a continuing review of all Type 1 agencies that will identify candidates for structural revision or transfer to Type 2, and develop criteria that recognize departmental accountability principles.
4. Clearly define an expanded service-oriented mission for staff functions that provide statewide assistance to line departments. This includes the recommendations in the Budget and Forecasting Committee report involving OSPB and the Legislature's Joint Budget Committee (JBC) and those provided by the committee report on the Department of Personnel. Additionally, consistent rules for program expenditures, independent of general- or cash-funding sources, should be developed by OSPB and agreed to by the JBC.

5. Have the Legislature establish a formula to ensure funds are appropriated every year to maintain the state's capital assets to an acceptable level.
6. Have the State of Colorado review its cost accounting and ensure that all overhead expenses are included in each agency's budget. This should include depreciation, maintenance and headquarters overhead (Governor's Office, staff departments and Legislature).
7. Review license and user fees and tuitions to ensure appropriate revenues are collected. For example, increase tuition to colleges and universities.
8. Fund mandated programs or remove the mandate.
9. Develop guidelines and models for management/supervision teams within departments, including numerical ranges for levels and spans of control. The objective should be to reduce the number of management levels within departments to no more than four or five, including the executive director.
10. Manage all expenditures regardless of funding source.

IMPLEMENTATION PLAN

- A. An implementation team should be established. It should be chaired by the Governor's chief of staff and should consist of the executive directors of OSPB and the Department of Personnel and one other cabinet member. The implementation team should call on legislative leadership, representatives from labor, employee and management organizations and members of the private sector for assistance as required. The team will provide oversight, guidance and resources to the Governor's Office to assist in implementation. Quarterly reports will provide detailed information regarding the progress.
- B. The Governor should reconvene the Commission on Government Productivity for a month in September 1989 and in March 1990 to review each department's implementation progress, including specific measurements, savings and productivity targets.
- C. A task group should be formed to refine and test the preliminary procedures for identifying and comparing public needs and agency priorities. Representation should include members from the executive branch, the Legislature, the Legislative Council, the OSPB and the private sector.
- D. A quality management coordinator should be designated in each state department and agency to begin implementing pilot quality management projects. These coordinators should meet periodically under the leadership of the implementation team to share information and ideas.

- E. To demonstrate the participatory nature of quality management, the implementation team should meet with 95 percent of the state division directors within 90 days to present the commission's findings and recommendations, and to solicit feedback and ideas for implementation.
- F. There should be a public commitment to implementing the study recommendations and to the concept of ongoing improvement. Specifically, this commitment should be characterized in terms of milestones on a three-to-five-year road map and should be highlighted through the media and in the various annual reports produced for the citizens.

HUMAN RESOURCES (CROSS-DEPARTMENTAL STUDY)

BACKGROUND

In preparing the analyses and recommendations included in this report, the Human Resources Committee was assisted by experts from the Department of Personnel staff, Public Service Company of Colorado, IBM, the Colorado Association of Public Employees, the American Federation of State and Municipal Employees, the Colorado State Managers Association and the state personnel director's Employee Advisory Committee.

The committee analyzed key human-resource issues as defined by the other Commission on Government Productivity committees; examined audits by the state auditor's office of personnel programs, other management and efficiency studies from 1980 to the present, surveys of selected state employees and managers, and presentations to the committee; and evaluated specific programs as they relate to sound personnel practices.

The committee recognized its responsibility to include an in-depth review of existing across-the-board state human-resource programs for classified employees, who comprise approximately one-half of the state work force. It also recognized the separate function of the Personnel/Labor and Employment Committee in reviewing the legal, organizational and administrative activities of the Department of Personnel and other agencies in implementing human-resource programs. Both committees were in close communication to ensure coordination and avoidance of duplication. The summary of the Department of Personnel Committee report should be read as an addendum to this report.

FINDINGS

Approximately a dozen reviews and audits over the past decade have been made of Colorado's state personnel system. These have been conducted by internal state audit agencies, outside consultants and specially assembled task forces from private and public sectors. This committee has found that most of the same issues and recommendations keep surfacing. There is little indication of required support for any of the previous findings or actions taken, with the result that the problems continue to have an adverse impact on employee motivation and productivity. It is time to cease the review and audit activity and proceed to implementation planning and action.

Most of the recommendations in this report can be implemented without change in constitutional or statutory provisions. In fact, they tend to strengthen conformance to such provisions. Also, most recommendations do not present any significant cost increase and can be readily implemented through effective use of existing state resources.

The committee also believes that the state employees who contributed to this study are professionally qualified and fully capable of providing the leadership required to implement the report recommendations.

The following is a summary of the committee's specific findings:

A. Classification and Compensation

1. **Classification structure.** There are 1,600 job classes, 63 grade levels, and 2.5 percent differentials between grades.
2. **Salary surveys.** Salary changes are made based on slight variances of 2.5 percent; salary changes are made for all employees in a job grouping regardless of performance or position in the rate range; and people are moved up or down within the classification structure instead of progressing within the rate ranges.
3. **Salary administration.** Salary increases occur almost automatically, there is little incentive in the system, and there are compression problems at grade level 99.
4. **Compensation management.** There is a lack of central control over the job–evaluation and utilization process, and normal rate progression and salary–survey actions are not integrated for funding purposes.

B. Appraisal and Upgrading

1. **Performance appraisal.** The system consists of a four–page form, a 51–page instruction manual, and an extensive list of rating factors; both result and behavioral factors are included; and supervisor and employee agree on factors.
2. **Promotion system.** Eligible lists are determined primarily by oral or written tests; limited use is made of demonstrated performance and actual accomplishments; and there is no succession–planning system.

C. Disciplinary Actions, Grievances, Appeals and Hearings

Processes are extremely complex and time–consuming, it is difficult to terminate employees for cause, and employees can *appeal any action* they consider unfavorable.

D. Human Resources Development

There are 50 courses in the current curriculum; the departments pay for each attendee; central staff has only three people; limited use is made of state educational institutions; training, including management development, is not getting to those who need it; and the budgeting process does not recognize training as an essential productivity tool.

E. Recruitment, Selection, and Placement

1. **Recruitment and selection.** The system is reactive, with recruitment starting when job notices are posted; there is no applicant file bank; people can only apply for specific, defined openings; and testing is used as the primary selection tool for eligible lists.

2. **Reduction-in-force, downgrading and layoff.** Seniority is the main criterion and performance is secondary; less qualified people are "bumping" better performers. A good system has been initiated to retrain and rehire laid-off employees.

F. Employee Relations

1. **Rewards, incentives, recognition.** There is no earmarked funding or uniform system. Some departments have good programs.
2. **Employee communications.** An employee newspaper, Stateline, and a new-employee handbook are distributed; regular staff meetings are held by some departments; and some departments publish newspapers and have employee councils.
3. **Turnover/exit interviewing.** Attrition for all causes is less than 1 percent per month; there is a better analysis underway to determine reasons and skill levels involved; and voluntary exit-interview guidelines are prepared for the departments.

G. Affirmative Action

Utilization and hiring analyses are made; goals and timetables are established; the deputy personnel director collects and reviews data, with one staff member assigned; appeal decisions are made by the Personnel Board; and new-hire statistics look good.

RECOMMENDATIONS

A. Classification Structure

1. Simplify and condense the number of job classes and grades.
2. Introduce changes in phases beginning with management job grouping.
3. Establish parallel job ladders for top professionals and managers.

These changes will produce a more easily understood and administered system, greater accuracy in placing jobs in the structure, and an equitable evaluation of top professional personnel.

B. Salary Surveys

1. Use judgment in applying survey results.
2. Do not move people automatically across job groupings based on slight (2.5 percent) differentials.
3. Make changes within rate ranges, not grade levels.

These changes will lead to better application of salary-increase budgets and more accurate analysis of real inequity problems, and will maintain the integrity of the classification structure.

C. Salary Administration

1. Adopt a performance-based pay system.
2. Establish an executive-compensation plan.

These changes will produce more incentive to achieve high performance levels, will resolve the problems at grade level 99, and will ensure competitive pay for top-level people.

D. Compensation Management

1. Develop a single annual salary budget based on percent of current payroll.
2. Have the Department of Personnel issue guidelines and ensure conformance.

These changes represent a simpler, better-understood approach for executive and legislative review and a more ready comparison with other public- and private-sector salary projections.

E. Performance Appraisal

1. Simplify the current process.
2. Re-examine and possibly modify the entire system after the classification structure is revised.
3. Improve utilization of appraisal results as the primary criterion in personnel actions.

These changes will make appraisals easier to complete, gain better acceptance from management and employees, and upgrade performance as a more solid basis for selection, promotion, salary increases, downgrades and layoffs.

F. Promotion System

1. Elevate performance to a stronger level.
2. Establish a succession-planning system at executive levels.

These changes will produce a more valid promotion process, strong employee incentive to achieve peak performance, and a ready supply of qualified back-ups at higher levels.

G. Disciplinary Actions, Grievances, Appeals and Hearings

1. Streamline the entire process.
2. Limit the process to real problems, and exclude frivolous complaints.
3. Assign an investigator from the Department of Personnel to selection and classification problems, not an entire panel.

4. Allow department managers to handle more of their own problems.
5. Assign discrimination cases to the Civil Rights Division.

These changes will produce a simpler, quicker, better-understood process; better use of peoples' time with reduction in cost; and less erosion of management prerogatives.

H. Human Resources Development

1. Establish general funding for training based on need analyses.
2. Centralize programs with statewide impact in the Department of Personnel.
3. Establish regional training centers at state institutions.
4. Pay employees' tuition for job-related degree programs and courses.
5. Broaden the curriculum to include executive development for executive directors and state legislators.

These changes will produce a better motivated, qualified and productive state government work force.

I. Recruitment and Selection

1. Have the departments make annual forecasts of anticipated requirements.
2. Invite applications at any time, with the data included in a mechanized file bank for easy retrieval.
3. Make better use of experience and accomplishments in the selection process.

These changes will produce better planning of recruitment actions, a more responsive system, an increase in the quantity and quality of applicants, and more valid selection criteria.

J. Reduction-In-Force, Downgrading and Layoff

1. Recognize that in a surplus situation the *best performers must be retained* in their positions.
2. Elevate performance as the primary criterion in the process; then consider seniority.
3. Be sure the proper skill mix is maintained; do not compare unlike skills.
4. Continue the retraining and rehiring approach currently in effect.

These modifications will produce a better-qualified work force to handle work demands, which will be spread among fewer people.

K. Rewards, Incentives, Recognition

1. Establish general funds for an employee–recognition program.
2. Include selected departmental initiatives in the program.
3. Communicate the program to employees.
4. Consider awards in appraisals, salary increases and promotions.

These changes will lead to increased employee motivation and productivity.

L. Employee Communications

1. Include regular Governor's and legislative leaders' messages in the Stateline publication.
2. Make staff meetings mandatory.
3. Consider an employee survey — increase participation and involvement.

These changes will create increased employee understanding and involvement and will produce valuable feedback.

M. Turnover/Exit Interviewing

1. Complete a better analysis system as soon as possible.
2. Make exit–interview guidelines mandatory.

These changes will create more precise data on causes and skills involved.

N. Affirmative Action

1. Strengthen attention to areas of underutilization.
2. Have the Civil Rights Division handle grievances.
3. Ensure that all supervisors receive affirmative action training.

These changes will lead to better handling of equal–opportunity grievances, better review of underutilization and follow–up action, and improved supervisory understanding.

IMPLEMENTATION PLANNING

In proceeding with implementation planning, it is vital that the State of Colorado establish a basic philosophy to serve as the foundation of its personnel management programs. Employers across the nation have learned that, without such a philosophy, they cannot realize a maximum return on their investment in human resources or achieve desired levels of productivity. Such a philosophy needs to be forcefully stated, reflect a basic belief

in the inherent value of the individual employee and express the commitment needed to put such a belief into practice. It is further recommended that the philosophy emanate from the Governor's Office, be endorsed by all branches of state government and be communicated throughout all organizations.

It is also essential to establish a logical sequence of actions. The committee recommendations may have varying priorities. Some are interrelated and need to be initiated in accordance with a well-defined schedule that involves a phase-in process. For instance, revision of the classification system and a re-examination of the appraisal process need to occur before the recommendations on salary administration, recruitment, selection and placement, and the promotion process can be effectively implemented. Such a planned sequencing of actions can be scheduled in a format that sets priorities and includes the steps in the process.

Recommendations for implementation also include using the resources available to the state by forming task groups under the personnel director and composed of central personnel supervisors and departmental specialists, plus other selected state employees. Small advisory groups will also be helpful. They could include the members of the Human Resources Committee who participated in the preparation of this report, the Employee Advisory Council, the Colorado Association of Public Employees, the American Federation of State and Municipal Employees, and the Colorado Managers Association.

Finally, the members of the Human Resources Committee would like to state their full commitment to the fulfillment of the recommendations in this report, and their willingness to provide continuing assistance as may be required.

BUDGET AND FORECASTING (CROSS-DEPARTMENTAL STUDY)

BACKGROUND

The major issue is that the current state budget process is too oriented toward control, resulting in inefficient and sometimes wasteful use of resources, and is not directed toward the achievement of long-term strategic state goals and objectives with commensurate accountability.

FINDINGS

A. The Legislature and the executive branch are duplicating budget-formulation efforts.

To the extent the Legislature's Joint Budget Committee (JBC) finds it necessary to build its own budget, a portion of the budget-formulation efforts of the executive branch budget staff are duplicated and wasted. Either the JBC or the executive branch should be responsible for detailed budget formulation — not both.

Much of the present duplication of effort in the budget process could be eliminated if the General Assembly were to conduct hearings on a draft budget bill submitted to the General Assembly by the Governor. This requires strong discipline and a coordinated process for solving problems in the executive branch. Without this leadership, problems have moved to and have been resolved by the JBC.

B. The Long Appropriations Bill is formatted to place emphasis on inputs (how the money is spent) rather than outputs (what is produced with the funds).

The Legislature's line-item approach to budgeting is not doing what the Legislature intends it to do — control expenditures and meet public needs. A consequence of the line-item control at the legislative level is the added cost of manpower associated with the budget-execution process.

Substantial improvements can be made in the current budget process by moving from line-item to program-based budgeting, in which appropriations are made on the basis of programs within departments and agencies and explicit expectations for performance by managers. The traditional object class line-item appropriations should be gradually eliminated as performance budgets are agreed upon by the executive branch and the Legislature. Under this arrangement, the agencies remain accountable to the Legislature, and the Legislature maintains oversight capabilities. With both General Fund and Cash Fund appropriations made on a program basis, with the incentive of allowing reinvestment of internal savings, programs would be in competition with each other for limited resources. Managers could be challenged to find economical solutions to problems. Each manager would be responsible for managing the program and could exercise skills within this flexible appropriations program to ensure the program's survival.

C. The budget process is focused on incremental changes to the budget rather than on long-term strategic-planning goals and objectives.

The state has no strategic-planning process. The role of planning in the determination of state goals and objectives must be expanded. The state needs a directional planning effort with strong commitment from the Governor and General Assembly in an environment which is not highly politicized and adversarial. The budget should be the short-term tactical plan for state achievement of the long-term objectives of the state government and should provide the basis of measurement of efficiency and effectiveness.

It is the role of the chief executive to drive the strategic-planning process. The strategic plan requires both the input and the concurrence of the General Assembly, which shares with the Governor the responsibility for determining the directions and policies of state government and which is solely responsible for the appropriation of funds to achieve the strategic goals and objectives of the state. It is highly desirable to have common, accepted premises from which planning and budgeting decisions are made. Budgeting should emanate from planning.

Several key factors must be considered if Colorado is to implement a strategic-planning process statewide:

- There must be strong leadership at the top, from the Governor and General Assembly.
- There must be a link between the planning process and resource allocation.
- Strategic planning is a long-term process.
- Strategic planning is a concept that goes beyond the tenure of any single individual.

RECOMMENDATIONS

- A. Ensure that the Governor takes responsibility for issues within his control.** This includes ensuring that discipline is maintained within the executive branch and that agencies are not permitted to diverge from the executive branch recommendation.
- B. Strengthen the Governor's capacity to manage the executive branch.** A small planning and management staff must be added to the Office of State Planning and Budgeting (OSPB) to do pre-internal audit reviews and management and efficiency studies and to coordinate state planning efforts. Any other resources needed for these functions should be obtained through a transfer authority granted to the Governor.
- C. Have the Governor prepare an annual or biennial appropriations bill, which the Legislature should utilize for its decision-making process.** The bill and the supporting detailed agency budgets could be submitted to the JBC on January 1 or earlier. In addition, each agency should be required to present its component of the executive branch budget to the appropriate legislative committee of reference as well as to the JBC.

- D. **Ensure that the appropriations process emphasizes programs and measures performance expected from managers.** Managers should report periodically to the Governor, JBC and appropriate legislative reference committee on their financial and operational performance against the agreed-upon expectations. Concise, regular reporting of key indicators is vital to maintaining ongoing oversight and trust between the executive and legislative branches.
- E. **Ensure that planning plays a key role in setting statewide policy and program priorities.** A planning steering committee with representation from the executive and legislative branches and the private sector should be created. Staffing could be provided by the OSPB and the Legislative Council staff.

IMPLEMENTATION PLAN

A. Executive Responsibility and Discipline

The Governor should immediately issue an Executive Order to set policy for maintaining the integrity of the executive branch budget-formulation process.

The order should direct that all future state agencies' plans or proposals having an impact on the state budget be submitted to the OSPB and approved by the Governor prior to submission to the General Assembly, unless otherwise provided by law.

Further, the order should require that the OSPB act as a clearinghouse for communications between departments and the General Assembly regarding substantive budgetary matters.

B. The Governor's Capacity To Manage

During its 1989 session, the Legislature should pass a bill to enhance the Governor's capacity to manage. The bill would:

- add a small planning and management review staff of seven to the Office of State Planning and Budgeting, and
- provide the Governor with transfer authority among departmental budgets.

C. Preparation of the Annual Long Appropriations Bill for Legislative Review

The Governor should direct that the fiscal 1991 Long Appropriations Bill be prepared by the OSPB for submission to the Legislature on January 1, 1990, for review, revision and subsequent approval.

In conjunction with, or prior to, the presentation of the Long Appropriations Bill, each agency should present its component of the executive branch budget to the appropriate legislative committee of reference, as well as the JBC.

The Governor should encourage the Legislature to revise its manner of review of the executive branch budget to concentrate on programs and performance measures rather than line items within agencies.

D. Programmatic Structure and Performance Measures

The Governor should direct that the OSPB draft by October 1989, in cooperation with executive branch agencies, a statewide program budget structure with appropriate performance measures. The Governor should also direct that the OSPB prepare the fiscal 1991 Long Appropriations Bill in conformance with the program–budget structure.

Further, the Governor should direct that managers report periodically, perhaps quarterly, to the Governor, JBC and appropriate reference committees of the General Assembly relative to performance against agreed–upon expectations. These expectations should entail both key financial and operational indicators. This should be done in recognition of concerns over the elimination of line–item reporting to the Legislature and to ensure that legislative control over the appropriations process is maintained and enhanced.

E. Planning

The Governor should immediately direct that a permanent high–level strategic planning steering committee be formed. The committee would be made up of no more than 10 high–level individuals, including representatives of the Legislature, executive branch and private sector. The staff could include representatives of the planning division of the OSPB and the Legislative Council staff. Additional staff would be attracted from the private sector to work on discrete interim working committees lasting three to six months. The primary, continuing charge of the committee would be to develop a consensus on the principal issues facing the state. The committee would meet regularly to review planning activities, set and confirm priorities and ensure that planning efforts translate into quantifiable goals and objectives. Preliminary work of the committee could be based on the findings of the Commission on Government Productivity, Vision Colorado and Blueprint for Colorado.

The committee should be charged initially with the responsibility of providing oversight and guidance to the implementation of programmatic budgeting which, when implemented, would provide the most effective tactical tool for carrying out the strategic policies the committee would develop.

Funding for the committee could come from departmental budgets through the Governor's use of the transfer authority previously recommended.

PURCHASING (CROSS-DEPARTMENTAL STUDY)

BACKGROUND

Committee Mission

The Purchasing Committee's mission was to "analyze the state procurement process and make recommendations to achieve the optimum utilization of state funds for the efficient and effective procurement of goods and services."

Work Plan and Method

The committee consisted of six members — three procurement professionals from the business community, the director of the Division of Purchasing, the director of the Racing Commission, and a graduate student from the University of Colorado.

During the initial stages of the project, the committee members spent considerable time developing a Procurement Model reflecting the members' professional procurement knowledge and experience. Pursuant to the model, a questionnaire was developed and tailored for conducting in-depth interviews of state purchasing professionals, requisitioners (agencies or state employees lacking the authority to issue a purchase order on their own) and vendors from the following organizations: Division of Purchasing; Group I state agencies (those with field purchase-order authority, allowing issuance of purchase orders for items costing under \$500 or for items of any dollar amount which are included on a state award) or with minimal purchasing authority (for purchases under \$200); Group II state agencies (those with fully delegated purchasing authority); and selected vendors who have done business with the state. The committee analyzed information from the interviews, from state procurement documents and from the Division of Purchasing.

FINDINGS

- A. The overall performance, organization and management of the state purchasing system was found to be functional.
- B. The Division of Purchasing does not adequately perform cost-efficient and timely procurement of goods and services.

Related issues:

- The state awards system is not operating to maximum potential.
- The Division of Purchasing is functioning under antiquated manual processes.

- C. The Division of Purchasing is responsible for statewide purchasing policies and for supervision and control of these policies, but it does not appear to have sufficient resources to perform this duty.

- D. Delegated agencies have computerized or are beginning to computerize their purchasing systems. Issues relating to the coordination of these systems have not been addressed.

RECOMMENDATIONS

Several options are available to the State of Colorado to address the above issues:

- Realign the Division of Purchasing to maximize the state awards system and improve purchasing performance with minimal resource investment.
- Do nothing.
- Decentralize the state purchasing system.
- Centralize the state purchasing system.

The Purchasing Committee endorses the first option. To implement the reorganization, the committee makes the following specific recommendations:

A. Implement mechanisms to improve communications with all state agencies.

Recommendations include:

- creation of a hot line for purchasing–related questions;
- use of customer–satisfaction forms, which would be distributed to all state agencies serviced by the division;
- scheduling of semiannual meetings between division management and key state purchasing officials;
- scheduling of a semiannual survey of state–agency purchasing perceptions, which will be conducted by an independent, professional organization; and
- creation of a working committee to advise and assist the director of the division.

B. Realign the focus of the division to concentrate more heavily on state awards/contracts as opposed to the processing of purchase requisitions. Statewide purchases from state awards should increase from 28 percent (\$121 million) to 50 percent (\$217 million). With a minimum 5 percent savings on items included on state awards, an increase to 50 percent state award usage would result in \$4.7 million additional annual savings. This recommendation would require an additional annual investment of \$65,000 for two additional full–time–equivalent positions.

C. Automate the process of creating and maintaining purchase orders. The current manual system is costly and results in slow processing of routine purchase requisitions. This

recommendation would require an additional annual investment of \$65,000, which represents the smallest increment of automation for the first year.

- D. **Have the director of the division assign staff to the supervision and control of statewide purchasing policies.**
- E. **Approve the next phase of the Colorado Financial Reporting System (COFRS).** When fully implemented, the system will create a central purchasing data base for all organizations. (See the Administration Committee report summary, Page 45, for more detail on COFRS.)

DEPARTMENT OF ADMINISTRATION

BACKGROUND

The department is an indirect service provider to the taxpayer. It provides administrative support, products and services, which, in turn, enable other departments to provide their mandated services to the taxpayer. The department provides both cost savings and facilitation functions to state government. As a result of this chain of services, the productivity of the department directly affects the efficiency and effectiveness of other departments. The Legislature has reasonably articulated its intent for the department through the statutes creating the various divisions as support systems to all other departments.

In the provision of services the Department of Administration utilizes three distinct types of assets: information and management systems; human resources; and other assets, including real estate, equipment, facilities, etc. The committee directed its study to the efficiency and effectiveness of utilization of these categories.

Implementation of the committee's recommendations will require varying degrees of initial capital and human-resource investment. However, in implementing the recommendations, the state has a significant opportunity not only to save money but also to produce revenues far beyond the initial investment.

FINDINGS

- A. There is a significant need for updates in software systems related to the state's management systems. Information systems are inadequate and obsolete for financial management and uncoordinated for management information.
- B. The state does not have a comprehensive, centralized process for the effective, efficient management of its real estate assets. The State Treasurer is responsible for about \$1 billion in financial assets, which are managed to a maximum potential of earnings as a focused portfolio. However, the state is also responsible for assets in the form of real estate (land, buildings, mineral rights, water rights, and leased space) that are valued at more than three times that amount and currently not managed as an investment.
- C. There is a need for the Department of Administration to enhance service delivery to its "customers."

RECOMMENDATIONS

- A. Fully implement the Colorado Financial Reporting System (COFRS), including the dissemination of information that COFRS is a management information system.

COFRS offers the greatest potential as a system for management productivity in state government. The system is not only well-planned and designed, but also offers program managers the capability of an interface with financial, programmatic and human-resource measurements. Potential results from the implementation of this system include more timely and comprehensive information to support managerial decision making, as well as other benefits. This committee has developed a model of the proposed system, explained in detail in the committee's full report.

In addition, the committee makes the following specific recommendations:

- Include training costs, additional implementation support and maintenance costs as necessary components in the full funding of COFRS.
- Properly utilize COFRS as a vehicle by which comprehensive management decision making and reporting can be accomplished throughout the executive branch of state government.
- For effective management, coordinate the responsibilities of the key players, definition of a person in the executive branch with a leadership role, and identification of an oversight group.
- Provide enhanced, timely information and financial services to the Department of Administration's customers, using COFRS as a vehicle for service delivery.

B. Implement the committee's proposed model for real estate asset utilization, which is explained in detail in the committee's full report.

The model addresses the management organization, management operations, real estate asset management system and data base, investment considerations, maintenance of assets, space utilization, and work environment.

The committee also makes the following specific recommendations:

- Focus on all of the real estate assets of the state as an investment portfolio through centralization of functions as determined by the Capital Development Committee and other key players.
- Develop performance criteria for real estate asset management.
- Establish a real estate information management system.

Although the committee did not specifically review the needs of movable capital assets, it suggests incorporating the concepts of the real estate asset utilization model into a system for the centralized replacement and inventory of capital equipment. This recommendation is a secondary one which could be developed after the other components of real estate asset utilization have been developed and implemented.

C. Enhance service delivery to the department's customers.

The primary purpose of the Department of Administration is to assist its customers (other state managers) in streamlining the administration of government and to provide "value added" support services. The committee recommends a refocusing of work plans, operations and marketing efforts through the use of functional work teams dedicated to providing products and services arranged to facilitate "customer shopping." The following service-delivery clusters are recommended: Information Management; Management, Finance, and Real Estate; Purchasing and Central Services; and Administrative Services.

The committee makes the following specific recommendations:

- Develop functional work teams within the department.
- Place emphasis on the needs of the customers by developing a "user orientation" and expand quality services based on service delivery clusters.
- Provide quality-management training for division managers.
- Incorporate a change in management orientation with the service-delivery-cluster concept.

D. Provide adequate revenues and funding to implement quality management in the department. Management must emphasize the need for customer service through teamwork and process control to enhance the value-added aspect of services provided.

The committee emphasizes that sufficient funding for the productivity management system (COFRS) is mandatory if the state wishes to integrate financial- and human-resource-management information into the decision-making process and relate it to the quality and level of program delivery. The return on investment will be increased efficiency and effectiveness of decision making. Additional resources must also be provided to effectively manage the state's real estate assets. Without such resources, the state may lose millions of dollars by neglecting the management of assets as part of the state's investment portfolio. With additional resources, the state could enjoy revenue creation as well as cost savings.

DEPARTMENT OF AGRICULTURE

BACKGROUND

The Colorado Department of Agriculture (CDA) was created in 1949 by the Colorado General Assembly. It administers a large number of regulations concerning agriculture and consumer protection and provides several services requested by groups and individuals. More than half of the department's budget and staff are devoted to requested services, which are funded primarily by users.

The mission of the department is to serve the people of Colorado by enhancing the food and fiber system and promoting health and safety through agricultural policies and regulations. This mission includes the intent to:

- expand and develop markets for Colorado agriculture;
- identify, clarify, and respond to key issues affecting agriculture; and
- efficiently and effectively implement agricultural regulations and programs.

Areas of concentration for study centered on interdepartmental communication, skills-training requirements, continuing education, management/administrative discipline, state-of-the-art equipment requirements and update, the Performance Appraisal for Colorado Employees (PACE), and current working conditions in state facilities in the Denver area. Data indicated those were the areas that are of most concern to the department and its employees and that have the most impact on operations.

FINDINGS

- A. Employees have a positive attitude toward current senior management.
- B. There is a lack of communication and information distribution.
- C. There is a lack of detailed administrative discipline.
- D. There is a lack of state-of-the-art computer tool availability, which affects productivity.
- E. Working conditions are detrimental to productivity.

RECOMMENDATIONS

- A. Increase management visibility to CDA employees at all locations and facilities.
- B. Identify, discuss and post CDA objectives and goals.
- C. Eliminate one- and two-person sections and consolidate administrative functions.
- D. Localize field staff meetings — conduct meetings at least quarterly.

- E. Coordinate and prioritize workload — target reduction of overtime.
- F. Plan time to review and modify work processes, and review, update and develop detailed task procedures that include functional flow diagrams for use as base-line documentation.
- G. Initiate regularly-scheduled staff meetings, with a coordinated agenda and time limit, at the department and division levels.
- H. Conduct professional systems analysis for the definition and acquisition of computer capability.
- I. Select one division within the department as a model for developing the quality management concept.

DEPARTMENT OF CORRECTIONS

BACKGROUND

The Department of Corrections is a very complex organization that has little, if any, control over the magnitude of the tasks that are assigned. The department is legislated to house, feed and clothe, supply diagnostic and health care to, provide educational and work programs for and maintain 24-hour-per-day security for an offender population that continues to grow at an uncontrolled rate. The department has no control over numbers of offenders or the length of their sentences and little control over the budget process on which it must rely to provide additional facilities, increase current capacity or maintain existing capital assets. Even with these obstacles, the vast majority of state employees within the Department of Corrections are extremely dedicated and hard-working.

Because the Department of Corrections interacts with the Department of Institutions and the Department of Public Safety's Division of Criminal Justice for housing community corrections inmates, there have to be continued communications. The Department of Health and the Colorado Bureau of Investigation, a division of the Department of Public Safety, have constant interface for alcohol and drug rehabilitation and criminal records. The Colorado Diagnostic Program also works closely with the Department of Health and the Colorado Bureau of Investigation's Crime Information Center.

FINDINGS

- A. The responsibilities, authority and authorization for the executive director have been reviewed through interviews and by studying the Colorado Revised Statutes including the Cumulative Supplements. The assignment of work tasks and financial responsibilities of the executive director can be viewed as a positive attribute in that he is a hands-on operations manager. Limitations as to whom he can directly appoint or dismiss leave the executive director with limited authority to be an operations manager. In fact, the present organizational chart for the Department of Corrections shows the executive director with too large a span of control and in some cases disjointed responsibilities of division directors.
- B. Within the past 10 years, the Legislature has enacted a total of seven different sentencing laws. Each of the laws requires specific sentences be given for certain crimes. Depending on the law in effect at the time the crime is committed, defendants' sentences can vary for the same crime. The effect on the Department of Corrections is costly due to the fact that some defendants are required to serve longer sentences, not because of the crime committed but because of the time it was committed.

RECOMMENDATIONS

- A. Consider consolidating similar functions utilizing the quality management techniques of team leaders, operational managers and administrative managers. This will allow the executive director to focus his attentions on pursuing policy issues with the Governor and Legislature while accomplishing his departmental goals through delegation to his staff.
- B. Support and implement the findings and recommendations of the facility–staffing study and strategic–growth plan that were to be completed in January 1989 as funding becomes available.
- C. Initiate a management study, possibly chaired by the management information system section of the Colorado Bureau of Investigation, to design, develop, implement and manage a central criminal–records system. The committee should include representatives from the judicial branch, Department of Public Safety, Department of Corrections and local law–enforcement agencies.
- D. Assist the Legislature in creating a “level loading” of offenders under the various sentencing laws that are currently in force. Level loading is a term used to refer to a retroactive application of current sentencing laws. Implementation of this recommendation would result in 300 inmates becoming immediately eligible for parole. A reduction of 300 inmates at \$18,500 per year represents a savings of \$5.55 million. These 300 beds would be filled with the current backlog of offenders.
- E. Develop a new offender–classification system that would more realistically classify offenders as to security risks.
- F. Draft, introduce and pass legislation to create a criminal justice commission to assume responsibility for long–range strategic planning for the entire criminal justice system.
- G. Build new facilities producing 100 to 150 more beds at no additional cost, as a result in a change to the classification system. The gain would be valued at \$5 million.

By reducing the classification of 500 inmates, a savings of \$1.8 million in operating costs can be avoided.

- H. Implement a comprehensive offender–employment–placement program in conjunction with the ROCies (Resources for Offenders in Colorado) program. ROCies is based on a similar program in Texas and is funded by the Governor’s Job Training Office. ROCies is intended to reduce recidivism (the number of former prisoners who return to the correctional system) through job training and other measures designed to make parolees more employable. The proposed cost of this comprehensive program is \$494,000.

There is no experience data on the reduction of recidivism as a result of a ROCies–type program, but if 300 former inmates can be kept out of prison for a year, the cost avoidance would be \$5.55 million.

DEPARTMENT OF EDUCATION

BACKGROUND

The mission of the Colorado State Board of Education (SBE), composed of seven elected members, is to provide educational leadership for the kindergarten-through-12th-grade (K-12) system in the State of Colorado. The Colorado Department of Education (CDE) functions under the direction of SBE to implement its objectives. The state is divided into 176 independent school districts which rely upon CDE for the distribution of state and federal funds, accreditation, professional guidance and technical assistance. Additionally, CDE provides services to the Colorado School for the Deaf and the Blind and to populations that do not fall within the K-12 system, such as adults, migrants, the physically handicapped and the state library system.

The existence and organizational structure of an elected State Board of Education is defined in the state constitution. Although SBE is not required by the constitution to work with or for any other body, functionally there is a considerable amount of cooperative and productive effort with the Governor's Office, the Legislature and a variety of appointed advisory committees that provide input for the formation of education policy. The constitutional charter for SBE, to provide "a thorough and uniform system of free public schools throughout the state" (Article IX, Section 2), is very general. Although the charge of educating the citizens of Colorado is enormous, the state functions through a decentralized system in which most of the actual responsibility for quality of education falls in the jurisdiction of the local school boards. The accreditation process is the principal method available to CDE for influencing education at the local school board level. However, accreditation requirements in Colorado are limited and the repercussions of loss of accreditation are restricted principally to loss of prestige; funding remains intact.

The School Finance Act of 1988 (H.B. 1341) mandates new financial and accountability requirements that CDE will be implementing this year through revised accreditation guidelines. Additionally, H.B. 1341 requires SBE to develop educational goals, rules and programs designed to better serve the diverse needs of the state's student population. SBE published long-range goals for educational enhancement in January 1989. It should be recognized that SBE and CDE are taking on these tasks without specifically appropriated funds to augment their operational budget. A positive atmosphere of effective change prevails within the department; some of the issues discussed in this report are already being given consideration.

Last year (fiscal 1988), CDE received a total budget of approximately \$1.04 billion. Of this, \$900.8 million came from the state General Fund, making this the largest state appropriation (43 percent of the total budget). It is important to recognize that approximately 99.6 percent of CDE's appropriation is either distributed to the local school districts or is otherwise prescribed. Thus, the operational budget for CDE is \$4.15 million, much smaller than is commonly perceived. Stringent budgetary constraints are placed on a significant part of the CDE budget, with attendant lack of managerial flexibility.

FINDINGS

- A. Colorado students rank reasonably well in national comparisons of student achievement. This is perceived as a positive reflection on the performance of the State Board of Education, the Department of Education and the local school districts, particularly because of the high percentage of low-income and economically-disadvantaged students in the state system, relative to many other states, and because CDE services to education come at a cost of only \$8 per student.
- B. CDE has 201 full-time-equivalent positions. Unlike other state departments, with the exception of the Department of Higher Education, a large proportion of the personnel (48 percent) is non-classified, i.e., exempt from the state personnel system. Approximately half of CDE's staff is federally funded. The committee believes that these statistics reflect unique personnel situations requiring attention.
- C. The state personnel system, at a certain level, allows for merit awards through promotion only. This appears to result in a disproportionate number of supervisors within a department and in the inappropriate placement of personnel in managerial positions.
- D. There are limitations placed upon the department by the Legislature's liberal use of line-item appropriations. The department needs to be given greater flexibility in the use of operational budgets, although the need for accountability is recognized.
- E. The Colorado State Library for the Blind and Physically Handicapped (LBPH) has been operating under severe physical constraints for several years. The current facility is grossly inadequate; fire, health and safety hazards exist; and the library is operating outside of federal guidelines.

RECOMMENDATIONS

- A. Fund the relocation of LBPH or close the library on or before July 1, 1989. The Capital Development Committee has identified a building suitable for LBPH's needs that will cost \$700,000, with \$350,000 to be paid in fiscal 1990 and \$350,000 due in fiscal 1991. In addition, CDE estimates renovation, relocation and staffing requirements would cost approximately \$250,000. Federal matching funds of 45 percent are available to offset some of these expenses.
- B. Improve internal personnel management. It currently inhibits achievement of new levels of productivity and operating effectiveness. Real morale problems exist within CDE. The division of non-classified and classified has been informally interpreted as a distinction between professional and non-professional. The committee recommends the following:

1. Develop and implement a uniform, formal method for evaluating non-classified personnel. Non-classified personnel are not evaluated under a uniform system. CDE has a review process, Planning and Management System (PAMS), for its non-classified personnel; however, at present, this method is used inconsistently. The process ties individual work plans based upon the goals of CDE and SBE to an evaluation of performance. CDE management agrees that PAMS is good in concept but not necessarily in practice.
 2. Implement the work plan/goal-setting evaluation process for all personnel wherever appropriate. Classified personnel are not involved in individual or departmental work-plan or goal-setting processes. The state's evaluation method for classified personnel, PACE, does not include a work-plan process. While not all classified positions lend themselves to this process, many do. Setting a goal-oriented agenda and relating an individual's work to departmental goals would provide a work incentive.
 3. Follow established procedures for hiring non-classified staff and have the Department of Personnel review all non-classified positions within CDE to determine if exempt status is appropriate. CDE and SBE do not apply for approval of newly created non-classified positions. C.R.S. 24-50-135 defines which positions qualify for non-classified (exempt) status, and the Department of Personnel has developed guidelines for implementing this statute. The guideline requiring Department of Personnel approval of all newly created non-classified positions apparently is not followed by CDE. It is possible that some of the current non-classified positions in CDE should be filled with classified personnel.
- C. Reclassify the position of the administrative assistant to the State Board of Education to an Administrative Officer II or III or Program Administrator I reporting to the commissioner, not to SBE. The job description for this position indicates that many of the duties duplicate those of the commissioner. Currently, the position's salary range is \$41,000-\$51,000. The salary range for the suggested classifications is \$26,000-\$35,000.
- D. Determine the most appropriate organizational location for both the Office of Library and Adult Services (OLAS). The State Library and the Adult Services Unit serve sections of the population that do not appear to be included in SBE's educational mission. The process of setting budget priorities with respect to SBE's goals necessarily sets OLAS at a disadvantage. At present, the system functions well enough; however, the informal organization that works well now could alter to reverse the situation.
- E. Provide microcomputer training and technical support to increase the utility of the microcomputer resources. CDE has recently formed a microcomputer coordinating committee (Automated Data Processing Committee) to create hardware and software standards. Current training and technical support for microcomputer users are inadequate.
- F. Properly fund, staff and accommodate space requisitions for the State Depository, a unit within OLAS, which does not have sufficient resources to function as the archive for all state publications.

ELECTED OFFICES

BACKGROUND

The Lieutenant Governor, Attorney General, Treasurer and Secretary of State are elected every four years. Each has constitutional as well as statutory authority and responsibility. Unlike the appointed executive directors of other departments of state government, the individuals who hold these offices have direct accountability to the electorate. That accountability is a strong motivator to be responsive to clients and to the public in general, but it does not necessarily mean that the offices operate at optimum efficiency or productivity.

Beyond their accountability to the voters, there are few similarities among the four offices. They range in size from the Lieutenant Governor's Office, with seven employees and a budget of \$236,000, to the Attorney General's office, with 229 employees and a budget of \$14.2 million. Three of the offices have very specific missions and clearly mandated responsibilities. By contrast, the mission and responsibilities of the Lieutenant Governor's Office are unclear, and linkages between office activities and statutory requirements are not well defined.

FINDINGS

- A. Lack of statutory clarity for the **Lieutenant Governor's Office** leaves only the vague, undefined constitutional role for the office. Without role definition, the use of the office is left to the discretion of the individual serving as Governor and the personal initiative of the individual serving as Lieutenant Governor.
- B. The **Attorney General's Office** would benefit from clarification of its contract-review responsibilities and the prioritization and management of the appellate and tort workload. A stronger staff- and attorney-development program would improve the department's productivity and protect its significant investment in on-the-job training.
- C. The **Treasurer's Office** would benefit from additional automation of certain accounting processes.
- D. The **Secretary of State's Office** is an efficient and well-managed operation. Responsibilities are clear and a strong client orientation results in continuing efforts to improve public access to records. Good management techniques and a pleasant working environment contribute to the overall productivity.

RECOMMENDATIONS

- A. Provide statutory clarification of the role of the **Lieutenant Governor** to enhance consistency of the activities to the office over time.
- B. Clarify the contract–review responsibilities of the **Attorney General’s Office**.
- C. Enhance prioritization and management of the appellate and tort workload of the **Attorney General’s Office**.
- D. Strengthen the staff– and attorney–development program in the **Attorney General’s Office**.
- E. Implement the Colorado Financial Reporting System (COFRS) as soon as possible in the **Treasurer’s Office**.
- F. Automate nearly all operations in the **Secretary of State’s Office** as soon as possible.
- G. Consider a legislative remedy that may be needed to address the burgeoning workload in the **Secretary of State’s Office** associated with the initiative–petition process.

GOVERNOR'S OFFICE

BACKGROUND

Under the Colorado constitution, the Governor is responsible for executing state laws. As chief executive officer of Colorado, he implements policy as set by the Legislature and follows the law as interpreted by the judicial branch. He is the manager-in-charge of delivery of services to our citizens and is responsible for creating a comprehensive vision of the state's future. The Governor's personal staff is a key element of his team and a critical component of state government. The staff is responsible for coordinating the development of the Governor's policies and programs; for assisting the Governor in securing public and legislative support; for management coordination and liaison between the chief executive and other offices of government; and for handling the seemingly routine tasks of scheduling, correspondence and constituent relations. The way the Governor chooses to develop and structure the office is crucial to his success as an effective leader and manager.

The Governor must create a structure consistent with his personal style and select a staff that balances the need for expertise in specific policy areas with personal loyalty to the chief executive. The efficiency of the Governor's Office has a major impact on both the Governor's image and the performance of state government.

The Colorado Governor's Office can be divided into six major work areas: Cabinet Coordination, Executive Services, Energy Conservation, State Planning and Budgeting, Economic Development and the Governor's Job Training Office.

FINDINGS

- A. **Cabinet Coordination** is the function that provides executive policy direction and coordination across all departments of state government. The Governor and his chief of staff are stretched too thin to respond to daily management issues, official functions and emergency policy issues.
- B. **Executive Services** includes legislative relations, legal, press, scheduling, constituent services, boards and commissions, policy and research and administration.
 - With some minor differences, Executive Services is performing the same functions as in most other states. The committee feels that the functions being performed in the Governor's Office are appropriate. The inefficiencies that have been identified are due to resource limitations (staff, equipment and space).
 - Contrary to the average citizen's view of state employees, the employees in the executive offices are hard-working, knowledgeable and dedicated professionals. The morale is surprisingly high considering that many key employees work 60 to 70 hours a week.

- The middle-to upper-level professionals in the office tend to be young and highly motivated. They want to work in the Governor's Office to gain experience while working in an exciting political environment. Because of the demands placed on them, they tend to burn out at about the same time they realize that they can receive a much higher salary in private industry.
 - The Governor's Citizens Advocate Office is responsible for answering citizens' questions. However, the individual departments also respond to citizen inquiries, resulting in duplication of effort.
- C. The **Office of Energy Conservation** is charged with administering the federal oil overcharge funds. The staff has made a proposal to retrofit state buildings with energy-efficient improvements through a bonding/lease-purchase project with the bonds serviced by energy savings (avoided utility costs).
- D. The **Office of State Planning and Budgeting (OSPB)** is responsible for policy formulation and budget analysis, economic research and revenue estimating, program-performance evaluation, and capital-construction budgeting and planning. OSPB has been studied before and the study recommendations were ignored. The Governor's Office Committee and the Budget and Forecasting Committee completed their preliminary research independently of each other, prior to looking at the previous (April 1986) study, and came to identical conclusions, which in turn are almost identical to the 1986 recommendations.
- E. The **Office of Economic Development** is performing efficiently. It currently generates additional or continued tax dollars in the ratio of \$5 for every \$1 invested (fiscal 1988).
- F. The **Governor's Job Training Office (GJTO)** is an example of exemplary management. The committee feels this performance can be partially attributed to the fact that the budget is allocated by program, and performance is measured by indicators such as cost per client rather than line-item control. This gives management the flexibility to adjust the budget as demand changes and it rewards efficiency. For example, if GJTO saves money in one area by eliminating an unnecessary or outdated program, it can utilize the savings in another area. The committee recognizes that the federal budget process is different from Colorado's, but feels that important lessons can be learned. GJTO is also in the process of implementing the Resources for Offenders in Colorado (ROCies) program, aimed at reducing the rate at which parolees return to prison. The program has been successful in Texas and, if implemented in Colorado, will result in significant annual savings, as well as reducing the need for additional prison beds in the future.

RECOMMENDATIONS

A. Cabinet Coordination

- Create an additional deputy chief of staff position to assume the daily management chores of the chief of staff and supply the time and resources for the chief of staff to provide necessary direction and coordination to the cabinet members. This will also include the establishment of programmatic departmental–performance measures. The productivity improvements associated with this additional resource will result in better coordination and focus of the strategic cross–development issues facing the cabinet. Savings will result from more efficient program delivery.

B. Executive Services

- Gain efficiencies by increasing the time and resources available and by allowing the staff to be more proactive in providing executive policy direction and coordination.
- Increase the budget to allow the flexibility necessary to provide bonus awards and increases in salary commensurate with the low end of the compensation range for similar jobs in private industry.
- Staff the advocate function in the Governor's Office from the departments, keeping the number of employees from each department proportionate to the number of requests relating to that department. This will result in better response to citizens, lower costs and additional incentives for the departments to overcome situations which result in citizen concerns and complaints.
- Consider utilizing additional loaned executives from private industry. The business community has a vested interest in ensuring the efficient operation of state government, and state government would benefit by utilizing the knowledge and experience available in the private sector.
- Update the telephone and computer facilities, which are inadequate.

C. Office of Energy Conservation

- Enter the engineering–feasibility stage of the energy conservation project for state buildings. This would involve selecting an engineering firm to complete an engineering feasibility study. The engineering firm will guarantee the savings.

D. Office of State Planning and Budgeting (OSPB)

- Ensure that planning plays a key role in setting statewide policies, programs and financing priorities. Planning must include input and support from all branches and departments of state government. The budget must then emanate from the plan. OSPB needs additional staff to fulfill this role.

- Grant the Governor authority for limited interbudgetary transfers, to allow the Governor to fulfill the managerial role that is necessary to run an effective, efficient and responsive state government.
- Have the Governor submit an annual appropriation bill for the Legislature to use in the budgeting process.

E. Office of Economic Development

- To make this office more effective, increase funding to a level similar to that of the states with which Colorado competes

F. Governor's Job Training Office (GJTO)

- Go forward with the ROCies program.

DEPARTMENT OF HEALTH

BACKGROUND

The mission of the Colorado Department of Health (CDH) ranges from health services for the indigent to environmental regulation of the largest companies in Colorado. Its activities are of interest to hundreds of constituent groups, governmental agencies, regulated companies, health providers, contractors, legislators, and people in need of health care, emergency medical services, advice or data on any health or environmental matter. Its role as regulator often brings it into conflict with other agencies and with many special-interest groups. Its role in health care is criticized as frequently as it is praised due to statutory mandates to regulate health care on the one hand and to provide it on the other. Despite the conflicting and often misunderstood missions and the broad range of its customers and masters, CDH is, on the whole, well-organized and well-managed.

FINDINGS

- A. CDH is organized into three major offices: the Office of Health and Environmental Protection, the Office of Health Care and Prevention, and the Office of Administration and Support.
- B. There is a great deal of intradepartmental interaction among the three offices of CDH. For example, the six divisions that make up the Office of Health and Environmental Protection work very closely together on multifaceted issues, such as Rocky Flats, Fort Saint Vrain, etc. Health and environmental issues often require the attention and expertise of more than one division. The same kind of multi-issue situations exist in the Office of Health Care and Prevention, where its six divisions must work closely on many issues. The Office of Administration and Support provides services on a routine basis to every division within CDH.

Environmental issues are often multimedia issues involving air, water, waste-disposal and public-health questions. Similarly, health-care issues often cross divisional lines. A single issue may relate to a health-care facility, to specific types of health services, such as dental or handicapped services, and to preventive measures. Furthermore, environmental or health issues frequently require specialized laboratory services such as those provided in the Administrative Services Division.

- C. Interdepartmental interactions between CDH and other state agencies and departments are also frequent. Environmental or health issues may involve legal actions requiring the services of the Attorney General, for example. Water-quality protection often involves issues of supply and location that involve the Department of Natural Resources. Health-care services are frequently intertwined with services provided by the Department of Social Services.

- D. CDH is functionally organized; however, it should be noted that many of the divisions rely on each other's expertise and support in carrying out their respective missions.

RECOMMENDATIONS

Productivity improvements at CDH will, for the most part, be obtained by a change in the department's culture, supported fully by changes in the state budget process, changes in statutory restrictions on the use of funds, fees and the cost savings generated by productivity improvements, and by changes in the state's goal-setting and prioritization processes.

The main thrust of the committee's recommendations is to create a management environment within CDH in which productivity shares equal priority with the main missions of protecting and improving the health and environment of Colorado's citizens.

The committee focused on five issues: the CDH planning process, Automated Data Processing (ADP) support, resources, employee training and other incentives, and organizational structure.

A. The CDH Planning Process

1. Establish and implement a planning process that is results- rather than activity-oriented.
2. Set measurable goals directly related to statutory mandates (e.g., measurable improvements in environmental quality and measurable changes in the health status of Colorado citizens).
3. Give the executive director real management control over his department and budget by eliminating restrictions on his ability to reallocate funds in broad budget categories. (CDH currently has several hundred line-item appropriations.)

B. Automated Data Processing (Data Base Management) Support

1. Match Automated Data Processing (ADP) support within CDH to current needs. (ADP support in CDH has not grown at all in 10 years, while the department has grown by 169 percent.)
2. Realign ADP's mission to be consistent with today's data management and data base needs, which are primarily supported by personal computers with data base management software and networks, rather than large-scale, mainframe data processing centers.
3. Stress, and support with required resources, the Information Management Commission's role as the state's planning and standard-setting body for data management.

C. Resources

1. Apply fees for service to all users of the service. Current legislation exempts certain categories from fees (e.g., grandfathered air pollution sources) even though CDH must expend resources to inspect and regulate in these categories.
2. Allow cash revenues to be reinvested in the department for improving delivery of mandated services or productivity enhancements. Currently, revenue is directed to the General Fund.

D. Employee Training and Other Incentives

1. Institute productivity training and professional skill–enhancement training as line items funded in the department budget.
2. Modify personnel and budget policies to allow employees to share in the savings from productivity improvements and cost–saving ideas. Rewards should be granted based upon results.
3. Allow cost savings to be reinvested in department programs.

E. Organizational Structure

1. Increase inspection productivity by consolidating inspections with other agencies and other CDH divisions. Utilize cross–training to reduce the number of independent inspections at single locations and to increase the total number of locations inspected.
2. Do not relocate the Water Quality Control Division from CDH to the Department of Natural Resources until the purpose for such a change has been defined and the benefits have been identified.

DEPARTMENT OF HIGHER EDUCATION

BACKGROUND

The Department of Higher Education is one of the largest departments in state government, with 26,000 employees and total revenues of approximately \$903 million. That figure includes \$475 million from the state General Fund; \$409 million from student tuition, fees and hospital revenue; and \$19 million from federal program grants.

In addition to the Colorado Commission on Higher Education (CCHE), the department contains four other agencies. However, most of the department's human and fiscal resources are dedicated to the higher education delivery system. The system is organized into six semi-autonomous units, each reporting to its own governing board:

- Regents of the University of Colorado — 4 institutions
- State Board of Agriculture — 3 institutions
- Trustees of the Colorado School of Mines — 1 institution
- Trustees for the University of Northern Colorado — 1 institution
- Trustees of the state colleges in Colorado — 4 institutions
- State Board of Community Colleges and Occupational Education — 15 institutions

Each governing board has distinct constitutional or statutory authority. However, CCHE has broad statutory authority over the entire higher education system. Legislation enacted in 1985 substantially strengthened CCHE as the central policy-setting, coordinating, and regulatory point for publicly funded higher education in Colorado.

Only a small element of the total higher educational system was considered in this Higher Education Committee study, due to the magnitude of the higher education system and the limited resources and time available. The committee report examines the policy-making and priority-setting functions of CCHE itself, as well as the policy-implementation and operational functions of the commission staff.

FINDINGS

The 1985 legislation (HB 1187) directed CCHE to address certain policy issues within a specific time frame. The magnitude of those legislative mandates has commanded most of the commission's and staff's resources. During the last three years CCHE has accomplished an impressive amount of work and has laid the groundwork for major improvements in the operation of the higher education system. For example, it has established policies for a consolidated budget-and-funding-allocation process, developed a system for

planning and prioritizing capital–construction requests, instituted an academic review program to reduce duplication, created a program to measure institutions' academic performance, streamlined the transfer of student credits from one school to another, and established academic admissions requirements for each institution.

With these accomplishments, CCHE now appears to have the opportunity and the desire to provide leadership and direction in additional policy areas. According to some of the commission members and staff, some of the issues warranting CCHE's attention include financing, the governing structures of the institutions, management accountability, and the ability of students to access the higher education system (geographically, financially, and from the standpoint of academic qualifications).

The 28–member staff is responsible for implementing CCHE policy. The staff is highly professional and well–educated, with more than half its members holding post–baccalaureate degrees. Most staff members are responsible for a full range of management functions for their individual assignments — planning, budgeting, and program administration.

During the study, numerous issues bearing on the question of productivity were raised. They concern salaries within institutions compared with peers and with other state employees, potential inefficiencies attributable to the number of governing boards, the faculty classroom utilization, total number of institutions and their utilization, and basic operational issues such as utilities and maintenance. These are outside the purview of this report, but are logically included under the accountability mission recommended below and warrant consideration by CCHE.

The committee considered the possibility that the Commission on Government Productivity could organize a special task force to look at these issues. After deliberation, the committee concluded that such an effort was not advisable, because it would duplicate CCHE responsibilities, and could be counterproductive. In essence, CCHE is the productivity commission for higher education. This report concludes that the values of cost–effective education and stewardship of state funds will be well served if CCHE follows the recommendations contained herein. CCHE has fulfilled its 1985 legislative mandate admirably. Its very capable staff has embraced the CCHE mission with energy and dedication. In effect, the commission and its staff have built a strong foundation to pursue the difficult task of building a strong accountability program within higher education. They have earned that assignment.

RECOMMENDATIONS

The committee believes the primary focus of CCHE should be on accountability — assuring that the institutions and the governing boards are accountable to the public, the General Assembly and the Governor for their academic, financial and management performance. Productivity within the higher education system must begin with a broad accountability concept. Once a regular and predictable system for measuring accountability is in place, the committee believes that financing, student access to higher education, governance and other issues will become more manageable.

The committee makes the following recommendations:

- A. Have CCHE establish goals and measurements for the academic, financial and management performance of the governing boards. Results should be reported annually to the Governor and the General Assembly. Elements to be measured include improvements in student knowledge and skills from entrance to graduation, post-graduation employment and professional advancement, institutional administrative costs and effectiveness, organizational structure, levels of management and other relevant indicators.

This program will produce consolidated information on cost and quality and enable decision makers to target funds to those institutions with the best overall performance.

- B. Establish a link between performance measurements and the funding process. CCHE should incorporate into the funding-distribution-formula factors which measure academic, financial and management performance.
- C. Have CCHE review the number and organizational structure of the governing boards for potential organizational improvements and cost savings by consolidation.
- D. Ensure that the Governor emphasizes the appointment of knowledgeable, participatory and assertive individuals to the governing boards of the institutions. The Board of Regents of the University of Colorado are elected and not appointed by the Governor.
- E. Have the Governor convene annual meetings with each governing board following submission of CCHE's annual report on institutional and board performance. The purpose of the meetings is to give policy guidance to the boards and to review their performance.
- F. Have CCHE hold orientation sessions for new governing-board members to apprise them of their statutory responsibilities and the statewide policy issues affecting both their board and the entire higher education system.
- G. Expand CCHE's public information program by disseminating information on requirements for entering the higher education system and the array of programs it offers; the return the public receives for its investment of tax dollars; and the impact of a college-educated work force on personal income, public-revenue potential and economic development for the state in a timely manner.
- H. Increase the CCHE staff by three employees, to strengthen the commission's policy-analysis and data-management capacity. Current staff resources are inadequate to implement the legislative mandates imposed on CCHE.
- I. Reduce the number of employees who report directly to the CCHE executive director. The span of control should not exceed five staff members.
- J. Support CCHE in seeking assistance from the community and private sector to tackle the accountability and governance issues. Such assistance would be in the form of a task force supported by executive loans and qualified staff personnel from the public and private sectors and coordinated by CCHE. This would be in lieu of consultants and additional staff.

DEPARTMENT OF HIGHWAYS

BACKGROUND

There have been a significant number of studies of the Colorado Department of Highways (CDOH) within the past few years which have focused on most of the areas in which the Commission on Government Productivity was interested. However, the committee determined that none of the prior studies had performed an adequate and in-depth analysis of the management and organizational structure of the CDOH. The committee focused its principal efforts in this area.

The committee interviewed approximately 40 management personnel comprising a cross section of CDOH management, met with the chairman of the Highway Commission, and reviewed and analyzed other data.

FINDINGS

- A. A statewide agency is needed to perform and coordinate the strategic planning of statewide transportation issues.
- B. The current management structure causes delays in decision making because of excessive layers of management.
- C. There is insufficient delegation of responsibility and authority to lower levels of management.
- D. There should be a decentralization of much of the work performed by personnel in the headquarters of the CDOH to personnel working in field offices.

RECOMMENDATIONS

- A. Establish a Colorado Department of Transportation (CDOT), which would incorporate the Colorado Department of Highways.
- B. Implement the committee's proposed new management structure, which eliminates certain layers of management.
- C. Implement the committee's proposal for moving the CDOH to a more decentralized structure.

Some of the organizational changes proposed will require statutory changes by the General Assembly before they can be implemented.

DEPARTMENT OF INSTITUTIONS

BACKGROUND

The Department of Institutions is structured with three divisions serving three distinct population groups: youth commitments, mental illness, and developmental disability. All three divisions use a mix of institutional (direct) care and community (contract) care to serve the client needs. In general, the trend is toward community placement, in Colorado and throughout the nation. This has the practical effect of privatization by shifting services to franchised non-profit corporations. The Department of Institutions has achieved major cost reductions over a period of several years, and is continuing this trend in all three divisions. These ongoing savings are predicted to be more than offset by escalating client loads. A major impact is the growing influence of special-interest advocacy groups (and the media) on the day-to-day management of the department.

Approximately 3,800 employees and \$250 million will be dedicated to the Department of Institutions this year, making it one of the largest state departments. Physical plant and real estate probably represent another \$200 to \$300 million of capital investment. An organization of this magnitude clearly presented a plethora of analysis opportunities.

The committee reviewed prior studies, interviewed at all levels, toured major work locations, and sought internal and comparative data sources. The results should not be construed to be an in-depth study or an efficiency analysis. However, the committee did identify the three most important internal opportunities for improved effectiveness and productivity.

FINDINGS

- A. In the management of direct services, employees and management appear to be dedicated and efficient. The opportunity for improvement is to change structure and practices within the management system to mitigate damaging external influences.
- B. Management of youth commitments involves the entire operation of the Division of Youth Services (DYS). Recent media attention has focused on conflicts over the mission of this division. However, the committee findings indicate the problem begins with judicial-legislative communications and is aggravated by the entire budget process. DYS has an opportunity to appease some critics by changing its process for securing resources.
- C. Physical-asset management must maximize labor efficiency and satisfy the needs of a group of specialized occupancy types. In spite of functional obsolescence and some severe physical deterioration, the value of the real estate facilities is about \$315 million. Replacement cost could be two or three times that amount. Committee findings clearly indicate that a shortage of human and financial resources results in lack of attention to maintenance. When the neglect leads to severely impaired or dysfunctional facilities, the solution invariably is replacement with expensive new construction.

- D. The Department of Institutions appears to be flexible and responsive to economic and social realities. If its positive attitude is matched with updated policies and practices, the result will be productivity improvements.

RECOMMENDATIONS

- A. Encourage greater flexibility and incentives, which will lead to some economic savings and will certainly improve effectiveness of service delivery. The operational recommendation is to undertake a pilot management program applicable within the two state hospitals. The major components should include an incentive system, a three-year planning policy, and a managed public affairs function. If the pilot program proves effective, the management system can be expanded to other areas of the department.
- B. Implement a contingency-management plan, to address caseload on a responsive basis.
- C. Implement an integrated asset-management discipline within the department, in addition to broad policy changes statewide. This recommendation can be implemented at zero net cost, if it includes asset acquisition and disposition.

DEPARTMENT OF LABOR AND EMPLOYMENT

BACKGROUND

The federal government is considered both the primary supplier and customer. This is understandable for two reasons. Programs and operations are governed by federal law and regulations and revenues are largely federal. Direct federal funds and indirect federal support appropriated as cash funds together constituted 77 percent of the department's revenues in 1988.

Because of the considerable control exercised by the federal government through funding, regulations, auditing and reporting procedures — all of which purportedly support the federal mission, this committee decided to focus its attention on the provision of services to Colorado citizens. The intent was to find ways in which attainment of the state mission can be given equal status with the attainment of federal mandates.

Therefore, the scope of the inquiry into the Department of Labor and Employment programs has been limited to three areas:

- A. Analysis of delivery of services which are, or could be, delivered to citizens through the Job Service Centers, with emphasis on satisfaction of customer need. These services represent approximately 78 percent of the financial resources and 86 percent of the human resources of the department.
- B. Internal management system and internal communication.
- C. Enhancement of public relations and public information activities to increase the public's awareness and acceptance of services delivered.

FINDINGS

A. **Service Delivery**

- 1. Staff has decreased by 18 percent and applications for services have remained steady in the past eight years.
- 2. Employers have said they favor a model in which they work with the same employment counselor on all aspects of job placement.
- 3. Job Service Centers should clearly understand the make-up and needs of their applicant pools.
- 4. To the greatest extent possible, worker's compensation claims and appeals services and wage-claim service should be provided in all Job Service Centers to accommodate citizens.

5. Cross-training and team building are needed for employment staff and unemployment-benefits staff to increase efficiency and teamwork in Job Service Centers.
6. The department needs a customer-supplier quality analysis process and needs to cultivate working relationships with employer organizations and shop its own services to gain a customer perspective.
7. Rewards and recognition are needed for employees who successfully meet prenegotiated targets for difficult-to-place clients. Incentives are needed for desired placement and retention outcomes.
8. There is potential for a share-of-market measure to better understand Job Service Center performance.
9. A single metropolitan-area Job Service Center with one management system, utilizing satellite offices, would allow the department to treat the metropolitan area as one labor market and instigate reforms in employer relations and placement activities.
10. The Governor should enlist the cooperation of employers and local governments in establishing one metropolitan-area Service Delivery Area to provide Job Training Partnership Act services. This, together with a metropolitan-area Job Service would make the employment and training system more understandable to clients and to the government agencies which deliver these services.
11. There is a need for the Governor to intensify his efforts to decrease duplication and increase efficiency and effectiveness in the delivery of state and local employment and training services. This can be accomplished by the cooperative efforts of the executive director of the Department of Labor and Employment and the Director of the Governor's Job Training Office in creating a statewide plan for employment and training services which includes reforms such as: joint planning, joint service delivery, team management, co-location, common application forms, and common data elements and measurements

B. Internal Management System

The department's management team has considerable knowledge and the will to implement the philosophy of service. The proper forums and techniques just do not appear to be in place.

C. Enhancement of Public Relations and Public Information Activities

An appropriate and current goal of the department is to improve public relations.

RECOMMENDATIONS

A. Service Delivery

Focus on the needs of Colorado citizens who are customers of the Department of Labor Job Service Centers:

1. Adopt a more efficient application process which utilizes group orientation and instructional video tapes, coupled with applicant choice of services.
2. Use the exclusive-account representative, or similar employer-relations model, whenever possible in Job Service Centers. This model may increase employee motivation, could be a basis for employee career-advancement opportunities and will result in better screening and follow-up on placements.
3. Ensure that Job Service Centers clearly understand the make-up and needs of their applicant pool, and cultivate employers who can satisfy the needs of the applicant pool at each Job Service Center.
4. Provide, to the greatest extent possible, worker's compensation claims and appeals services and wage-claim service in all Job Service Centers to accommodate citizens.
5. Make available cross-training and team building to employment staff and unemployment benefits staff to increase efficiency and teamwork in Job Service Centers.
6. Institute a customer-supplier quality analysis process, cultivate working relationships with employer organizations and make sure the department shops its own services to gain a customer perspective.
7. Consider providing rewards and recognition for employees who successfully meet prenegotiated targets for difficult-to-place clients. Develop incentives for desired placement and retention outcomes.
8. Consider the potential of a share-of-market measure to better understand Job Service Center performance.
9. Create a single metropolitan-area Job Service Center with one management system, utilizing satellite offices. This will allow the department to treat the metropolitan area as one labor market and instigate reforms in employer relations and placement activities.
10. Have the Governor enlist the cooperation of employers and local governments in establishing one metropolitan-area Service Delivery Area to provide Job Training Partnership Act services. This, together with a metropolitan-area Job Service Center, would make the employment and training system more understandable to clients and to the government agencies which deliver these services.

11. Encourage the Governor to intensify his efforts to decrease duplication and increase efficiency and effectiveness in the delivery of state and local employment and training services. This can be accomplished by the cooperative efforts of the executive director of the Department of Labor and Employment and the director of the Governor's Job Training Office in creating a statewide plan for employment and training services which includes reforms such as joint planning, joint service delivery, team management, co-location, common application forms, and common data elements and measurements

B. Internal Management System

1. Institute regular strategic planning and priority-setting meetings.
2. Use a project management model for allocation and synchronization of resources.
3. Invest in quality management training for program and operational managers.
4. Hire a deputy director to act as operations manager.
5. Work as a team in planning and policy development.
6. Use a matrix management model to set policies for Job Service Center operations.

C. Enhancement of Public Relations and Public Information Activities

1. Establish a base level of services to be performed excellently.
2. Critically assess who should be served in each program, who is being served and what efforts will be made to change those realities.
3. Inventory current programs for excellent products.
4. Retain a commitment to excellence in service delivery, not taking on additional programs simply because funding is available.
5. Review employee, applicant and employer survey materials and other appraisal documents with an eye to altering those tools in a way which will provide consistent, helpful information on quality of services provided.
6. Work with Job Training Partnership Act providers in relevant public information efforts.
7. Consider the requests of employers and employees for specific kinds of information which will meet their needs as customers and service providers.

DEPARTMENT OF LOCAL AFFAIRS

BACKGROUND

The mission of the Department of Local Affairs (DOLA) is to help build independent local-government capacity. Its services include technical assistance and training, financial assistance, advocacy, research and information.

The department consists of 12 divisions/offices reporting to an executive director. Also assigned to DOLA are the Economic Development Commission, which reports directly to the Governor's Office, and the Colorado Office of Volunteerism and the Land Use Commission, which are not currently funded or staffed.

In preparing this report, the committee interviewed managers, staff, clients and board members of the 12 DOLA divisions and offices as appropriate. In addition to those interviews a letter was sent to all department personnel offering direct contact with committee members outside of scheduled interviews. A few people took advantage of this opportunity and contacted committee members directly.

FINDINGS

- A. DOLA has close, good relationships with the Governor's Office, primarily through the executive director, but also through the Office of Economic Development. It also has extensive contacts with other state agencies. The relationship is particularly close with the Attorney General's Office and the Department of Social Services.
- B. The executive director spends so much of his time on administrative issues, public and private initiatives, and visiting and maintaining relationships with local communities that the internal management function suffers. At times, there are delays in getting decisions made and the DOLA units operate with less than optimum coordination.
- C. The department lacks an overall plan and unified approach to serving its constituencies.
- D. There is insufficient publicity about DOLA's programs and services.
- E. The process of monitoring legislative activity and preparation of DOLA positions on proposed legislation is too decentralized.
- F. There is insufficient staff training.
- G. The Office of Volunteerism and the Land Use Commission are attached to DOLA but are not currently funded or staffed. The Economic Development Commission is attached to DOLA but has its own budget and reports to the Governor's Office.
- H. A number of human resource, budget and forecasting, purchasing, and organization/management systems issues need attention and have been referred to

cross-departmental committees. There are criticisms of the Governor's Office for not adequately supporting employees. There are also delays in the contract review process involving the Attorney General's Office.

RECOMMENDATIONS

- A. Create two deputy-director positions to provide better on-site management and coordination.
- B. Have the executive director or a deputy director sit as an ex-officio member on all boards and commissions of the department, to facilitate a unified approach to serving DOLA constituencies.
- C. Develop a long-range plan integrating all DOLA services.
- D. Establish a centralized public relations/communications function.
- E. Centralize monitoring of legislative activity that affects DOLA or its constituencies.
- F. Publish a summary catalog of all programs and grants.
- G. Provide training for all staff, particularly for management.
- H. Provide centralized Automated Data Processing (ADP) support and consistency in automation to all DOLA units.
- I. Eliminate the Office of Volunteerism and the Land Use Commission.

DEPARTMENT OF MILITARY AFFAIRS

BACKGROUND

The Department of Military Affairs (DMA) is a small department of state government, whose size belies its true impact on the Colorado economy. Its primary function is the control and management of the Army and Air National Guard. The Civil Air Patrol and the new Aviation Division are also part of DMA, but are not discussed in this committee report. The major functions of DMA are to direct the 6,000 National Guard employees, and to provide contracted land and buildings for the National Guard.

Annual state resources for DMA are about 30 funded employees, with a total net budget of \$1.7 million. Another 38 state employees are directly funded by the federal government. These numbers distort what is really a \$70 million annual operating budget, 97 percent of which is funded by the federal government. The committee quickly realized that the single greatest efficiency of DMA is to facilitate this 40 to 1 leverage of cash flow into the state.

The committee reviewed prior studies, interviewed at all levels, toured major work locations, and sought internal and comparative data sources. The results should not be construed to be an in-depth study or an efficiency analysis. However, the committee found concrete ways to improve efficiency and effectiveness.

FINDINGS

Most management issues identified by the committee either fall into one of the categories discussed by the Commission on Government Productivity's cross-departmental committees or come under the purview of federal military standards and policies. Efficiency and effectiveness are measured annually by the Office of the Inspector General. The other major source of opportunity for increased efficiency is in the role of DMA as a landlord.

The Department of Military Affairs is probably a rare state agency in that the income it generates far exceeds its cost to the taxpayers. The lack of budgeted resources in recent years could be attributed to misunderstanding of the economic impact of the department. This organization clearly stands ready to provide more effective use of state funds.

- A. **Disrepair of National Guard armories:** General care for these facilities is poor by almost any standard. But the problem is particularly embarrassing since Colorado has already contractually agreed to maintain these buildings, and has already been compensated by the federal government for such agreement.
- B. **Replacement of armories,** in order to maintain economic benefits: Every time an armory is built, the federal government matches one state construction dollar with three federal dollars. In addition, each building houses a major ongoing federal payroll, which becomes an economic multiplier within the local community.

- C. **Major economic development**, by seeking expansion of the federal guard commitment in Colorado: As the national active-duty military forces are reduced, the guard and reserve staffing levels are increased for reasons of security and economy. Colorado can take advantage of this apparent trend by doubling its federal guard allocation over the next eight to 10 years. But Colorado cannot seek 6,000 more federal jobs until it starts acting responsibly for the 6,000 it already has. The impact could be enormous (about \$100 million per year).

RECOMMENDATIONS

- A. Improve the facilities management.
- B. Analyze replacement decisions. The committee favors approval of armory-replacement proposals.
- C. Expand the National Guard commitment in Colorado.

DEPARTMENT OF NATURAL RESOURCES

BACKGROUND

Considering the limited time and resources available to examine the 10 Department of Natural Resources (DNR) divisions and the executive director's office, the committee relied primarily on personal interviews to gather information. The interviews focused on division management, plus selected former DNR officials and constituent groups. Also examined were budgets, a number of previous studies, and written material such as memos, reports, statutes and legislative proposals.

The research resulted in a list of more than 75 ideas and potential opportunities for productivity improvement. From that list the committee selected six issues which appeared to have the greatest potential benefit, and which reasonably could be evaluated in the limited time available. Some of these issues can be resolved within the department and within current statutory authority. For some other issues, new legislation will be needed. Many other ideas for productivity improvement have been communicated directly to operating staff in the process of the committee's investigations.

The committee suggests that a continuing program of DNR internal reviews and audits would bring productivity benefits through continuing constructive examination of division programs, people, organization, and services.

FINDINGS

- A. **Management and Authority.** Eight of the ten DNR divisions are Type 1 agencies. While the committee is convinced all are strongly dedicated to fulfilling their agency mission, there is an absence of the consistent coordination and consolidation needed for the most effective, well-managed DNR organization. If the Governor is to realize his objectives for responsive and cost-effective government, he must have unequivocal authority to implement the necessary changes, and effectively to manage and direct government agencies within the necessary statutory constraints.

The current structure dates back to the Administrative Organization Act of 1968, in which the Legislature consolidated 138 agencies into 20 principal departments. The objective was to create a more responsive, effective organization. Statutory direction was very broad and general. Boards and commissions were continued as Type 1 agencies, without change in their substantial latitude for independent action.

The committee finds no clear, consistent statutory definition and authority over boards, commissions and Type 1 agencies by the principal department, or through that department by the Governor. Under the present system, Type 1 agencies are very difficult to manage and control. Any management or control by the executive branch must come through negotiation and consensus instead of through clearly and appropriately defined lines of management authority.

- B. **Land Board Reorganization.** The Land Board should be reorganized to become consistent with other DNR boards and commissions.
- C. **Colorado's Water Programs.** In the arid state of Colorado, water is an even more sensitive issue than land. Several agencies of state government are involved. Developing a full understanding of the complex water issues and how agencies relate to those issues is far beyond the scope of this committee's investigation.

Nevertheless, the committee believes that overall effectiveness could be improved and has identified three major areas for further study:

- The Colorado Water Resources and Power Development Authority was established in 1981. It is an independent political subdivision which was set up to finance certain water projects. Except for its bonding authority, it appears to duplicate the role of the Water Conservation Board.
 - The Division of Water Resources and the Water Conservation Board have issues needing to be examined in the areas of authority, staffing and overlap of responsibilities.
 - The Water Quality Control Division in the Department of Health inevitably is involved along with DNR agencies in many water issues. Consolidation of water agencies could be beneficial to productivity.
- D. **Enhanced Role for DNR Minerals Agencies.** DNR's three minerals agencies have been the target of several severe budget and program cutbacks in recent years, to the point where agency effectiveness is questionable.
- E. **Division of Wildlife.** The committee believes there are real opportunities for improving productivity and cost-effectiveness in the division. It is the largest DNR agency, and its programs are generously cash funded by license fees. This has led to a certain laxity and loss of focus in division administration.
- F. **Fees and Fee Structure.** DNR agencies collect fees for a large number of permits and services. The fee structure generally is set by statute. Many of the fees are too low or otherwise inappropriate for the costs incurred in providing the services.

RECOMMENDATIONS

- A. To rectify the **management and authority** problem relating to Type 1 agencies, introduce new legislation, under the leadership of the Commission on Government Productivity. The proposed Administrative Organization Act of 1989 should incorporate the following points:
- Reaffirm the intent of the 1968 act, as stated in C.R.S. 24-1-101.2. Define and *expand* the role of the executive director, providing clear and unequivocal authority to manage the department and its divisions. This should include his direct participation in each board under his jurisdiction and authority to appoint and manage division directors.

- Define and *limit* the role of boards and commissions generally to rule making, counsel and adjudication of disputes, all in consultation with the executive director.
- Define the role of division directors to manage division activities under supervision of the executive director and within written rules approved by the board.
- Incorporate other changes needed to improve the manageability of state government.

Implementation of these changes will do much to create the organizational environment within which the executive branch can effectively manage state government. The professional staff will have the authority, opportunity and obligation to meet and achieve sound objectives for productivity and efficiency. More importantly, the executive director and the Governor will have the means and authority to demand and get excellent performance and cost-effectiveness.

- B. Reorganize the **Land Board** along the lines suggested in Recommendation A to make it consistent with other DNR boards and commissions. The present three-person paid board should be replaced with a six-person appointed board. The board also should be removed from day-to-day operations, and the professional staff should be reorganized into a new Land Division under a division director reporting to the executive director.
- C. Conduct a comprehensive study to recommend changes in **Colorado's water programs**. The study should be initiated by the executive director, together with the agencies and constituencies involved, and it should address the following subjects:
 1. Role duplication between the Colorado Water Resources and Power Development Authority and the Colorado Water Conservation Board. The committee suggests consolidating the programs and activities of the authority into the Water Conservation Board. If the authority's bonding authority is to be continued, the committee suggests that role also can be fulfilled by the Conservation Board. Eliminating one agency can produce immediate cost savings.
 2. Specific issues relating to the Division of Water Resources and the Water Conservation Board:
 - Clarification and definition of the DNR executive director's authority and direction over both divisions, and especially over the state engineer in the Division of Water Resources, where there is no commission to provide continuing rule making and policy guidance.
 - Verification of the staffing levels in both divisions, analyzing current and future needs, and the appropriateness of the organizational structure and mission.
 - Examination of questions concerning the overlap of responsibilities between these divisions and consider the possible benefits of combining them.
 3. Possible consolidation of all state water agencies into a single DNR division.

- D. Conduct a critical re-evaluation of the **roles and missions of the Colorado Geological Survey, the Division of Mines and the Mined Land Reclamation Division**. Although the minerals industry of Colorado is diminished from the peaks of the early 1980s, it continues to be an important contributor to the state's economy. Appropriate funding support should be provided to assure viability for state programs necessary to the support of the industry. Consideration should be given to a minerals-conservation levy, which could provide an appropriate continuing source of funding. This would be patterned after the conservation levy, which now provides primary funding for the Oil and Gas Commission.

To develop the critical mass needed for effective management and to maximize economical use of resources, we suggest considering the consolidation of the Geological Survey, the Division of Mines and the Mined Land Reclamation Division into a Minerals Division.

- E. Build a more responsive and cost-effective **Division of Wildlife (DOW)** through implementation of the Type 1 reorganization described in Recommendation A above. Because of the size and importance of DOW, the committee invested a substantial amount of time with that division and identified several areas where revenue, cost and productivity improvements can be made.
- F. Conduct an extensive re-evaluation and updating of **fees**. Where state-issued permits confer upon the permit holder some unique and commercially valuable rights, the committee recommends the state charge an additional premium to recognize the added value conferred.

To keep such fees current, the committee recommends legislation be adopted to authorize DNR and its agencies to review and revise fees periodically, within guidelines established by the Legislature. Possibly, this could include some form of legislative "sunset" review.

Implementing the committee recommendations will improve the productivity and effectiveness of the DNR organization and its divisions. Building a stronger, more cohesive organization will produce intangible benefits in terms of job satisfaction, teamwork, improved planning and commitment to common goals. The changes also will make available real and tangible cost benefits, through reduced costs or other changes.

DEPARTMENT OF PERSONNEL

BACKGROUND

The Personnel Committee coordinated and shared its responsibilities with the cross-departmental Human Resources Committee. Pervasive, systemic problems were referred to that committee and are discussed in its report. The executive director of the Department of Personnel is a member of both committees, and she is also a member of the Commission on Government Productivity.

Because the Human Resources Committee's recommendations promote major functional and strategic changes, this report should be read in the context of those recommendations and should be perceived as an addendum to the Human Resources report.

The Colorado Department of Personnel and its systems have been a continual target of study for years. This committee's initial review produced few insights that had not already been offered at various times during the last decade. The issue today is clearly one of implementation, not examination.

In light of that situation and because of the probability that the proposals of the Human Resources Committee will have a substantial impact on the current activities and priorities of the department, this committee did not pursue a detailed analysis of individual systems and procedures. Instead, the committee strongly advises the vigorous pursuit of more generic issues that can, in a very positive manner, impact the current delivery systems of the department and are crucial to quality implementation of recommendations of the Commission on Government Productivity.

The State Personnel Board is an integral part of the state's human-resource systems, specifically in the arena of rule making and appeals. It is a separate legal entity with its own budget and small staff. Its current relationship with the Department of Personnel is cooperative and mutually beneficial. During the first weeks of this study, the Personnel Committee solicited input from the board. The committee's failure to provide a more extensive examination is not intended to minimize the role of the board. As ultimate direction is clarified and implementation proceeds, a revisitation of this issue merits consideration.

FINDINGS

- A. **Internal Management Systems.** The department is relatively small (73 appropriated full-time-equivalent positions) and has the smallest budget of any department in the state. The management group responded positively to suggestions of conducting regular meetings for the purpose of refocusing on their mission statement and the objectives of their own "New Directions" initiative. Excessive attention to fighting the daily alligators which confront them has stalled their desire and efforts to "drain the swamp."
- B. **Employee Data Base.** Securing reliable data was frustrating to this committee. The actual number of all state employees is a reasonable approximation. While there are exact

numbers for classified employees, outside the University of Colorado system, the number of "exempt" employees is not centrally maintained. There is no centralized data base.

The number of dollars spent on training and education is equally elusive. Although paragraph 24-50-122 of the Colorado Revised Statutes states: "State funds shall not be expended for the training of employees in the state personnel system without the approval of the state personnel director," training dollars are frequently "hidden" to avoid the Joint Budget Committee axe. (State-of-the-art personnel data bases can track training costs.) An effort to analyze the activities of decentralized personnel people by function produced ambiguous results. The annual "Personnel Staff Summary" reports from agencies were fraught with inconsistent entries.

- C. **Centralization/Decentralization.** The decentralization of the personnel system in the 1970s was less than carefully orchestrated. Evolution from then until now has left residual inconsistencies and inequities. While contracts between the Department of Personnel and decentralized departments exist on paper, they are devoid of performance expectations. Compliance standards are ambiguous, reviews are too infrequent and sanctions for non-compliance with rules and guidelines have never been imposed. Examinations that have not been validated are in use and there is opportunity in the selection process to skew the results in favor of a particular candidate.
- D. **Total Compensation.** Past studies have frequently addressed the need to consolidate independent and fragmented responsibilities for salary and benefit administration. They have suggested thoughtful options and underscored the advantages of a total-compensation approach.
- E. **Implementation.** Viable proposals from the many studies that have been done of the Department of Personnel over the years remain unimplemented for numerous reasons, often due to lack of appropriations. Funding of such studies and audits, when the recommendations are accepted but not implemented, has led to a waste of the effort and money expended. The lack of attention to implementation has also had a negative impact on employee morale and performance.

RECOMMENDATIONS

- A. Conduct regular monthly management meetings to refocus on the mission statement and the objectives of the department's own "New Directions" initiative, to ensure that intentions approach reality. Team involvement in the prioritization of activities is essential to maintaining progress.

Managers reacted positively to a general discussion of this concern, leading the committee to believe that an unexploited capability exists. It remains to be choreographed by responsible leadership. Restructuring internal management systems, improving intradepartmental communication and cultivation of a team synergy are priority issues. Immediate efforts should be made to consciously pursue a *team* approach to the coordination and orchestration of the statewide personnel system. Without it, the challenges of implementing the committee's recommendations may seem overwhelming to the professional and support staff and may have severe ramifications on the timely achievement of quality results.

- B. Revise the format of the annual "Personnel Staff Summary" reports, to make them useful as a predictive tool rather than descriptive reports. The executive and legislative branches of state government need more timely and reliable human-resource data than they now enjoy. Private-sector management would be severely hampered by such unavailability of basic facts but would be unrelenting in its efforts to acquire them. Both an immediate effort and longer-range plan to secure a centralized, integrated personnel data base are musts.
- C. Revisit, refine and rearticulate philosophy. The Department of Personnel must recover from the past frailties of previous administrations and reclaim the driver's seat for the state personnel system. Proactive strategies for ensuring consistency and compliance should be systematically designed, communicated and implemented. More centralized monitoring and control should be exercised over critical functions such as testing and classification. This is possible if the department will undertake a concerted effort to extricate itself from the operational minutia with which it is constantly confronted. More of its talent must be deployed on those essential activities that accelerate its efforts to recapture its intended role as the strategic center for the state's human-resource-management functions.
- D. Support current legislation which would revise the state government's compensation approach. The committee also suggests that the Department of Personnel painstakingly develop a *detailed* strategy and achievable implementation plan in order to professionally execute this new responsibility. A well-designed plan may help ensure passage of the legislation, induce cooperation, invoke confidence, enhance credibility and improve the timeliness and quality of the results.
- E. Require a cost/benefit analysis when new studies requiring funding are proposed to determine whether it would be more cost-effective to address the still-unimplemented recommendations of previous studies. Dollars could then be more wisely allocated on a basis of immediate and beneficial impact on the management of the state's human assets. The private sector itself should, perhaps, be less willing to provide resources for reviews and more enthusiastic in its support of assistance for implementation.

DEPARTMENT OF PUBLIC SAFETY

BACKGROUND

The Department of Public Safety (DPS) is responsible for highway safety; assisting law-enforcement agencies in crime investigation; training law officers and firemen; improving all areas of the administration of criminal justice; and developing and executing programs for disaster mitigation, preparedness, response and recovery for the State of Colorado. All of these activities are authorized by Colorado state statutes.

FINDINGS

- A. The team-leaders concept used by the executive director to pull together law-enforcement personnel for the Colorado Law Enforcement Conference held in October 1988 is commendable. This type of cross-coordination, increased understanding and interdepartmental cooperation has been needed for many years.
- B. The department is legislated to accomplish a complicated series of tasks ranging from law enforcement to emergency disaster preparedness. It is accomplishing most of these tasks through the dedication and hard work of a totally undermanned staff. This entire subject of manning is covered in detail throughout the committee's report.
- C. There is a definite need for a Criminal Justice Commission to be created to pull together the overlapping responsibilities of the judicial branch, Department of Public Safety and Department of Corrections.
- D. DPS must develop a set of departmental policies and procedures. Being a relatively new department and formed from bits and pieces of other departments, the divisions all tend to function independently. Central administration must be strengthened to provide support for all operational divisions.

RECOMMENDATIONS

- A. Transfer the amount of administrative support staff from the Departments of Highways and Local Affairs that provided support for the Colorado State Patrol, Colorado Bureau of Investigation and Criminal Justice Division to the Department of Public Safety and continue their support of these organizations. When DPS was formed and these agencies transferred, the necessary level of administrative support was not provided. The OSPB management-review team should do a further review of this issue and recommend the appropriate level of administrative-support staff.

- B. Adequately staff and fund the Division of Fire Safety to accomplish its statutory responsibilities. The staff can be provided by transfers from other departments with similar functions. Funding can be provided from a 0.1 percent tax on fire–insurance policies. With adequate staff and funding, a state fire code could be adopted, implemented and enforced to reduce the loss of life and property due to fires throughout the state.
- C. Transfer the Division of Highway Safety to the Department of Public Safety at an appropriate time or at least by the second quarter of 1990.
- D. Have the Department of Revenue and the Department of Public Safety form a joint committee to study the validity of the current mission of Ports of Entry Division as a revenue–collection agency or change this mission to law enforcement.
- E. Consider consolidating similar functions in DPS utilizing the quality management techniques of team leaders, operational managers and administrative managers. This will allow the executive director to focus his attention on pursuing policy issues with the Governor and Legislature while accomplishing his departmental goals through delegation to his staff.
- F. Ensure that the Legislature adequately funds the hazardous–material program it has mandated. The Colorado State Patrol is directed by statute to be the first line of defense should a hazardous–material spill, fire or disaster occur. The Legislature should fund the basic needs to this life–safety program or remove the mandate.

DEPARTMENT OF REGULATORY AGENCIES

BACKGROUND

The Department of Regulatory Agencies is a collection of nine mostly independent (Type 1) divisions, plus one, the Division of Administrative Services, that supports the whole department. The study addressed each of the divisions with a broad but cursory look, then selected four divisions for more detailed study.

FINDINGS

- A. Although there do not seem to be any glaring cases of poor productivity, or unnecessary boards or commissions, some processes are in need of improvement.
- B. There is a need for improved telecommunications and electronic data processing tools. Telephone communication is hampered by insufficient lines, underutilization of existing features, and "telephone tag." Electronic data processing, although significantly improved in recent years, continues to trail behind similar applications in private industry.
- C. The Division of Insurance is fertile ground for the implementation of quality management. People are working very hard, but are frustrated by what they perceive as insufficient staffing and budget. Processes have opportunities for improvement and the management team is anxious to get started.
- D. In many areas, there are too many layers of management, and the span of control is significantly smaller than in similar organizations in the private sector. The ratio of managers/supervisors to non-supervisory personnel is 1:3.4. There are situations where an individual supervises just one employee. The Division of Savings and Loan has three levels of management with only 11 total employees.

RECOMMENDATIONS

- A. Implement quality management. Quality improvement efforts require very little real-dollar investment. In a limited effort at the Colorado Department of Revenue, \$61,000 was invested during fiscal 1986 through fiscal 1988. All but a few hundred dollars expended on training materials was for existing-personnel time in training and meetings, and for assigning a quality coordinator within the department. The savings were approximately \$885,000 or a nearly 15:1 payback over three years.

The savings were in the form of reduced person-hours expended on fixing errors, reworking documents, and performing functions that were eliminated through process simplification.

The savings were reinvested in continued improvement, reducing backlog, performing additional functions and workload, and improving customer service.

- B. Engage in a formal agreement with the Joint Budget Committee and the Office of State Planning and Budgeting to allow the department to reinvest its savings in further improvement as it sees fit. The savings would be similar in form to those of the Department of Revenue, not cash.

The available human resources should then be used to further improve processes. A staged approach, properly administered with reinvested savings, would yield significant benefits in productivity and improved services. It is not practical to predict a dollar value of savings, although the Department of Revenue example demonstrates that the effort is extremely worthwhile.

- C. Upgrade electronic data processing and telecommunications tools to improve customer service and improve productivity. Electronic data processing plans in place need to be pursued aggressively with an emphasis on equipping administrative personnel and management with computer terminals connected to department and state systems. Approximately 10 percent (45) of the full-time-equivalent employees assigned to the department perform the function of secretary. With electronic mail and improved telecommunications equipment, fewer secretaries would be required. Customer service would be improved by better telephone access.

Telephone answering machines and electronic mail can be justified by the reduction in secretarial personnel, but improved communication would be the true benefit of the investment.

- D. Reduce the number of levels of management and increase span of control. The department should study its own organization to see where improvements can be made. As a minimum, when supervisory positions become vacant, they should be filled with non-supervisory personnel, increasing the span of control whenever possible.

DEPARTMENT OF REVENUE

BACKGROUND

The department's Two Year Plan is a formal, methodical productivity-enhancing program and is recommended as a model to be used by other departments within the state. Other examples of noteworthy progress are formal measurements of customer satisfaction and departmental focus on addressing customer concern, a nationally recognized statewide motor-vehicle-processing network, and a highly informative monthly newsletter entitled "REVENIEWS."

FINDINGS

The committee reviewed selected areas within the department and found the following:

- A. The facilities have been inadequate for many years. At least 16 studies over the last 12 years have confirmed this. In addition, much equipment within the department is in need of replacement.
- B. The budgeting process requires too much detail and too much time.
- C. The purchasing system is cumbersome and takes too long to procure departmental needs.
- D. A number of activities administered by the department do not generate revenue as their primary function or they duplicate activities of other departments. These include the Motor Vehicle Division, as well as numerous licenses and fees processed for other departments.
- E. The employee-compensation system is viewed as inadequate for proper recognition of performance.
- F. Training is quite informal in some areas. The department needs to review its training program and consider formalizing training where appropriate.
- G. The Drivers License Section of the Motor Vehicle Division charges an average of \$6.20 for drivers licenses, identification cards, etc. Cost to the division averages \$8.60 per document.
- H. There is no standard tax-audit procedure.
- I. The department has five stand-alone accounting systems, resulting in an extremely inefficient configuration. It is in the process of updating to provide a common data base. In addition, there are certain math checks which are not being performed, but which need to be checked routinely.
- J. Both the Secretary of State and the Department of Revenue maintain independent trade-name data bases.

RECOMMENDATIONS

- A. Establish accountability for facilities and equipment studies and postpone further reviews until existing recommendations have been acted upon.
- B. Immediately relocate the forms and cash processing (referred to as the "pipeline") activities.
- C. Provide adequate facilities for the department.
- D. Develop an equipment-modernization plan.
- E. Streamline the budgeting process and provide for strategic planning. (The Budget and Forecasting Committee has specific recommendations in this area.)
- F. Streamline the purchasing system. (The Purchasing Committee has specific recommendations in this area.)
- G. Eliminate the duplication of license and fee processing and conduct an in-depth analysis of the missions of both the Department of Revenue and the commission-proposed Department of Transportation to determine where the mission of the Motor Vehicle Division fits best in state government.
- H. Improve the employee-compensation system, review the training program and consider formalizing training where appropriate. (The Human Resources Committee has specific recommendations in these areas.)
- I. Increase the fee for drivers licenses and identification cards to cover the associated costs.
- J. Establish specific tax-audit objectives and audit mix by tax type. Also, consider adding more auditors to collect additional revenue and increase compliance.
- K. Accelerate the accounting-system update where possible. Needed math checks will be accomplished automatically in the new system.
- L. Combine the trade-name data bases now maintained by the Secretary of State and the Department of Revenue, to provide maximum efficiency and customer service.

DEPARTMENT OF SOCIAL SERVICES

BACKGROUND

The Department of Social Services has 1,362 employees and supports about 2,400 to 3,000 employees of the 63 Colorado counties, who administer the programs of the department. Those county employees are compensated under the state merit personnel system, where the wage/benefit levels and number of employees are established by the counties; their wages, however, are 80 percent underwritten by the state with little state control over the level of expenditure.

FINDINGS

The single most important conclusion of this committee is that efficiency improvement within the department, and probably in most other departments, requires basic, fundamental cultural changes in the way the legislative and executive branches manage the business of government, and consequently, this department.

- A. The budgeting/taxing process is non-productive and costly. The department operates on a budget of about \$1 billion annually. Eighty-five percent of the budget is funding of entitlement programs to serve the legally eligible population. The committee's review indicates that entitlement programs are routinely underbudgeted, for the apparent purpose of minimizing the "planned" expenditure, when it is known that greater costs will be incurred which are not discretionary and therefore must be funded supplementally.
- B. Administrative and program costs are duplicated between state and county authorities. Resolution of this problem demands a willingness to deal with (1) power-base questions and (2) acceptance of responsibility for tax-revenue generation. Rates for services provided by outsiders are set at non-competitive levels in order to satisfy line-item budget targets, with the result that services are either not provided — as in the Medicaid program, where many physicians refuse to participate — or more costly services are continued. For instance, some Residential Child-Care Facilities (RCCF) will seek out-of-state or private clients because RCCF rates set by the department are not competitive and department clients who could be placed in an RCCF remain in state-funded psychiatric care at a cost three to five times greater.
- C. Up-front short-term investment in improved management capacity will be required in order to achieve long-term productivity improvements. It must be recognized that such investment will not provide short-term benefits.

RECOMMENDATIONS

- A. **Establish a state-administered system.**

Administration of the state welfare system has been legislatively assigned to the county governments, resulting in differing levels of program interpretation, expertise and service

delivery. Ten of the Colorado counties account for 80 percent of the welfare caseload. Thus, in the smaller counties the administrative burden cannot be economically justified.

In 1985, a study conducted by the executive director recommended that the program be converted to a state-administered system with regional offices strategically located across the state. That recommendation, which anticipated annual cost savings of approximately \$5.9 million, is as valid today as then. (Savings do not include one-time implementation costs of buy-out and transition.)

Minimally, the aggregate cost to the taxpayers could be lowered by the reduction of county director positions and county business-manager positions. In addition, the state would have direct control over compensation levels. Undoubtedly, other efficiencies in personnel utilization, expertise and service delivery would be obtainable through a consolidation.

B. Clearly define the mission of the department to include upgrading and counseling of clients out of the welfare system.

Currently, the effort of county Social Services personnel is directed toward filling out forms rather than counseling/directing clients out of the welfare system. This situation results from lack of emphasis on counseling, lack of emphasis on cure as opposed to paying the bill, inadequate and uncoordinated information systems and long decision chains.

The committee recommends establishing the following programs:

1. Coordinated Information System. The department operates at least 10 separate software systems that do not communicate with each other. Annual maintenance costs of just three of those systems exceed \$3 million. The systems merely accumulate data and render payments. They do not correlate client needs to other available resources, such as employment services, educational opportunities, or other benefits to which the client may be entitled.

The committee recommends that the state devote the resources to develop an integrated management information system covering all department programs and tied into other resource data bases to facilitate counseling. In fiscal 1988, system-support expenditures were nearly \$16 million.

2. One-Stop Shopping. Application for benefits and related data management are separate for each program administered by the department. Thus, the same information is separately captured and entered into the process. For instance, committee personnel simulated the application process by "applying" for three programs — Medicaid, Aid to Families with Dependent Children (AFDC), and Food Stamps. To do so required completion of nine forms containing 31 pages of information. At least 75 percent of the information was repeated on each of the nine forms.

3. Progressive Welfare Elimination. The average state welfare client is:

— female with 2 children;

- qualified for at least four programs;
- not receiving child support;
- not a high school graduate.

Thirty-two percent of welfare clients entered the system as teen-agers, and 33 percent have been in the system at least two years.

The clients receive benefits valued at almost \$10,000 annually. To receive the same benefits in the work force, they would require a job earning more than \$20,000 gross annually. Thus, in order to provide the incentive for these clients to seek ways out of the system, programs must be established which will require (1) proactive earning efforts, and (2) phasing out of welfare benefits so that clients can always have more by working than by staying on welfare.

Given the levels of (1) redundant data-entry work and (2) system-support costs, it would seem to be conservative to assume that at least \$5 million annually could be saved in personnel and systems costs by implementation of an integrated system. (This does not take into account the investment that needs to be made for the development of an integrated system.) Placement of clients into the work force and off the welfare rolls would reduce program costs \$9,500 for each recipient participating in the four programs. Each 1-percent reduction in the caseload for those four programs would save \$2.7 million a year.

The committee recommends that the state establish a goal of reducing welfare participation by at least 10 percent over the next five years to achieve ultimate annual savings of more than \$27 million. The transition program must provide for education, training, child care and extended medical-care benefits.

4. Budget Process. Budgeting within the department is an end unto itself. The department consumes about 20 person-years in the budget process annually. That time is spent exclusively on budgeting, not measuring, reporting, or controlling. The process is replete with distrust between the department and approving authorities, a situation which creates game playing and budget by mandate.

The departmental budget contains 152 separate line items, some as small as \$500, and is inconsistent in magnitude and scope of items required to be included. For example, the budget contains a \$500 burial-expense item, but does not include \$160 million in food-stamp distributions. The time required from preparation to approval (18 months) is so long it renders the information potentially useless by implementation time or requires significant effort to update. The process is further complicated by lack of meaningful information from the Information System. (Specific cost savings should be achievable from improvements in the process, and the executive director has begun a program to integrate the long-range plan into the budget process.)

The single most important improvement that could be made would be replacement of the current adversarial budgeting relationship with a cooperative one among the department, the Governor's Office, and the Legislature.

An Example of Real-Cost Improvement Potential

Because state reimbursement rates applicable to Residential Child-Care Facilities (RCCF) have been set at non-competitive levels to satisfy budget restrictions, RCCF operators seek out-of-state clients, while state children are continued in more costly state psychiatric facilities.

	<u>(Approximate)</u>
RCCF-Requested Rate	\$2,500/Month
State-Mandated Rate	\$ 2,000/Month
Psychiatric-Reimbursement Rate	\$8,000-10,000/Month
Per-child cost difference	\$5,500-7,500/Month

The number of children in the more costly psychiatric facilities due to the unavailability of the significantly less expensive Residential Child-Care Facilities is estimated to be approximately 40 at any given time within state-managed facilities. Assuming the average length of stay is equal and a cost differential of \$6,500 per month, this equates to more than \$3 million annually. The problem this misplacement causes is not only financial. The child's treatment and ability to adjust to a normal life, in many cases, may be adversely affected.

The committee recommends that a joint study be done by the Department of Social Services and the Department of Institutions to identify placement decisions, court rulings, appropriate placement based on the child's needs, capacity of the system to accept placements and recommendations for rate changes.

5. Organization. Although an in-depth study of the organizational efficiency of the department was beyond the scope and resources of this committee, some points seem obvious. During the past seven years, five executive directors have served the department, each one establishing his or her own organizational structure. Even the best of managers need a period of time to become familiar with their scope of responsibility and just over a year in the job hardly provides an opportunity to make any substantive contribution. This position should require a mutual commitment of at least 36 months.

Additionally, this condition has resulted in a malaise among the staff of the department — an "I'll be here when the next executive director comes and goes" attitude pervades the organization. That attitude, coupled with a personnel system that provides no incentives and is economically capped out in such a way that it continually compresses salaries at the top, as well as a general perception that there is no training either in how to do a job or in opportunity for professional growth, results in a staff consumed with filling

out forms and justifying individual turf. Moreover, while the incumbent executive director is attempting to address skill/performance issues, she is unnecessarily inhibited by the state personnel system and its inherent problems mandated by long, difficult disciplinary processes and “bumping” rules.

The organizational structure may contain an excessive management layer and the process is such that even the simplest operating decisions are required, or perceived to be required, to be made at the deputy–director level. The committee recommends that an internal organizational review be implemented. It should be noted, however, that restrictions on selection of senior personnel would need to be removed in order for such a study to be effective.

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