



Remarks to Metropolitan Council Committee of the Whole

March 21st, 2012

On Behalf of the Association of Minnesota Counties

Background

In 1995, then state demographer, Tom Gillaspay, predicted the major problem we face in both the Metro and statewide: the chronic structural deficit.

The budgetary problems that began about five years ago are largely due to a structural problem exacerbated by a serious recession and slow recovery. Even if the economy begins to boom the structural problems will only be reduced, not eliminated. Don't get too excited about the projected budget surplus for the current biennium. Going into the 2014-2015 biennium, expect to see a new deficit of several billion dollars and expect to continue to see this in each biennium through at least 2025 -2030. We can't run away from this problem. We've already waited too long to deal with it. But waiting on political problems is a part of American culture. Because of our cultural distrust of government, and I single out no political wing when I say this, it is extremely hard for us to plan in advance for problems that are inherently predictable. If you don't think this correct, think about the problems looming in Social Security. We know how to fix them now without a lot of pain, but we can't seem to agree to a set of solutions.

The cause of the structural deficit is the change in demographics. As the baby boomers age, they will need more in public services. Most of them will have smaller incomes to tax than they have currently. The same problems that are driving problems with financing Social Security and Medicare will drive Medicaid costs – costs the state helps finance. Perhaps, most perplexing, is the fact that we spend more than 50% of all health care dollars on an individual during the last year of life. This may not provide much benefit to society or the individual other than to ease suffering. We will need to figure out how to manage this in an ethical way that works for society and individuals without bankrupting us. Fortunately for me, this problem is assigned to someone in a higher pay grade than mine.

What are Counties Doing?

For the last seven or eight years county governments in Minnesota have been thinking about these issues and what role counties might play in their solutions. The Association of Minnesota Counties believes that three policy options must be discussed in combination to create the basis for solving the structural deficits:

- We need to cut spending

The state needs to go through the painful exercise of evaluating programs and reducing or eliminating those that provide relatively low value added.

- We need to raise revenues

We can't cut our way out of this budgetary quandary. There will be a need for new revenues to shore up the system. Who pays and at what levels will be a difficult and contentious problem for the state to resolve.

- We need to redesign our state and local delivery systems

Even this won't be easy because it requires thinking about service delivery in ways that we will find unconventional and disruptive. New approaches to service delivery will need to be created and old methods destroyed. I personally think that we will need to disintermediate the process of service delivery as much as possible. That is customers, with suitable support, will make the service for themselves. Do you complain about needing to log into Amazon and then manipulating a keyboard at 10:30 PM to buy an e-book? You probably see it as a convenience. We need to start looking at government services in the same way. Some, such as managing permit and planning probably need very little human intervention. Others, such as meeting with a probation officer will still require face-to-face contact. We need to evaluate all parts of a job to make sure that those parts of the job that don't require human intervention are done by a machine or a less highly skilled worker.

This work won't be easy or particularly glamorous, but it is essential to making our public systems work more effectively and efficiently. Counties have been engaged in a number of projects to combine services across jurisdictions. In southwestern Minnesota Lincoln, Lyon, and Pipestone counties have done this for a number of years in Health & Human Services. A 12 county collaborative in southeastern Minnesota are developing a

common human services delivery system. Other examples of these strategies can be found at: http://www.mncounties.org/redesign/key_initiatives_summer_2010.htm

The Bush foundation funded an effort in the fall of 2011 to bring local jurisdictions together at six locations around the state. The goal was to get them to begin discussing how they can better cooperate in serving their constituencies. Several hundred local officials attended and begin to share problems and improve cooperation skills.

In my opinion, this Metro area is one of the most balkanized places I ever been in this country. We have a plethora of small cities which find it very hard to effectively and efficiently supply services to the constituents. The International City/County Management Association (ICMA) once looked at the question of what is an efficient local government size. Its conclusion is that the basic efficient size was around 75,000 people. I don't think many people in this area would advocate for forcibly consolidating jurisdictions to reach the efficient size, but I don't see why we can't just duck the political problem and achieve the goal by having operating agreements between jurisdictions that aggregate populations to efficient sizes. I think we will continue to live in smaller jurisdictions precisely because we like it that way, but I think people will also begin to see the necessity of working together to get efficiently sized operating units in local government.

Some Tools to Address the Problems

The fiscal stress will probably need to ramp up another notch before we hear citizens and officials began to delve into 'out-of-the-box' solutions. What is important is that the groundwork for these discussions gets laid down now so that when we get to the point where the situation is truly acute both citizens and officials are able to look into the toolbox and find enough tools to solve the extant problems.

Minnesota counties have been working at the Capitol to add a redesign tool to the toolbox. We call it the Minnesota Accountable Government Collaboration and Accountability Act (MAGIC Act). It sets out to do two things: provide counties with the same set of authorities that statutory cities have for solving community problems and to enable counties to engage in redesign experiments that permit the waiving of state imposed process rules. If experiments prove to be successful we hope that the state will permit any county to adopt the results of an experiment. As the federal constitution contemplated that the states would be 'laboratories of democracy' for the country we think that counties can be laboratories for the state government.

One of the chronic problems MAGIC can help us with is the slow cycle times governments work under. By the time we solve one problem, the solution may be immaterial. Jack Welch the former CEO at GE nicely summed it up when he observed in his book, *Winning*. He said that when you look outside your organization and see cycle times that are faster than you see inside of your organization, you may be seeing the beginning of your own organizational demise. In a world that is moving faster and faster, we need governmental solutions that can be developed, tested, and implemented quickly. Finally, to balance Jack Welch, I'll quote from Chairman Mao's *Little Red Book*, 'let a hundred flowers bloom – let a hundred schools of thought contend.' We will need numerous and pragmatic attempts at solutions to our problems to get a set that works. It will require, as Churchill said "blood, sweat, and tears".

If we do both these things: rapidly develop and test numerous solutions for our governmental problems, we may be able to help resolve some of the issues around the mass of problems that we are going to be facing during the next generation.

Jeff Spartz
Executive Director, AMC
21 March, 2012