

April 24, 2017

Mike Cortez, Esq.
Chief of Staff
Office of Senator Lisa Baker
Senate of Pennsylvania

Dear Mr. Cortez –

On behalf of Rick Russell and myself, please accept the below discussion points that will comprise our testimony at the May 1, 2017 Senate joint public hearing to consider the impact of the proposed consolidation of the Departments of Health, Human Services, Aging, Drug & Alcohol Programs into a unified Department of Health & Human Services. We thank you including us in this forum and would at all times be willing to answer any additional questions that arise from the below remarks.

Disclaimer

Neither Mr. Russell nor Mr. Black's remarks are intended to address the policy issues around the decision to merge these agencies. This is a matter for the legislature and the many stakeholders that rely on the programs and services offered by the existing agencies and programs. Our goal is to convey our practical experiences associated with the merger of two state agencies. Specifically, the then Departments of Commerce and Community Affairs.

Dave Black Background

David Black is the President & CEO of the Harrisburg Regional Chamber & EDC (Economic Development Corporation) that serves Cumberland, Dauphin & Perry Counties. He has been in this position for 16 years dealing with a variety of public policy issues, business related events and economic development projects. Prior to that, he served as Deputy Secretary at the Department of Community and Economic Development (DCED), Deputy Secretary and Acting Secretary at the Department of Community Affairs (DCA) where he was involved in the developing and implementing the plan to dismantle DCA and transition of functions to other departments, primarily the Department of Commerce, which became DCED. He has also served as COO of the Team Pennsylvania Foundation. Black served two terms as a County Commissioner in Clarion County.

Rick Russell Background

Rick Russell is a Senior Advisor to State Street Advisors, a Harrisburg-based government relations firm. Prior to working for State Street, Rick spent 16 years with the Hershey Company as Director of Global Government Relations focusing on issue advocacy in the Company's China, Malaysia and domestic markets. Specific to today's testimony, Rick served as the Legislative Liaison for the Department of Community Affairs and the Department of Community and Economic Development. In this capacity, Rick worked closely on the legislative and stakeholder processes around the merger of the Departments of Community Affairs and Commerce.

Historical Background

On March 1, 1995, Governor Tom Ridge announced his plan to eliminate the Department of Community Affairs, representing a different way of doing business. Ridge directed his Secretary nominee, William C. Bostic, to develop a plan to transfer DCA's programs to other state agencies, establishing a target date of June 30, 1996. Ridge stressed that DCA "customers" would participate in the dismantling of DCA stating, "We will listen to their ideas. They are the customers. They know what they need. And they know what works." He added, "We will not forget the human consequences that accompany government streamlining."

- DCA was created in 1966 and had 242 positions.
- The Department of Commerce had about 230 employees
- The initiative was not predicated on cost savings
- From the start, it was clear the active stakeholders would be from DCA
- Employees were a mix of union/non-union
- Employee profile was one of long-term state employment

Merger Process

- Stakeholder reaction to Governor's announcement was immediate, and despite the pledge of inclusiveness and input to the process, there were concerns and opposition.
- Before any "language" was drafted, a comprehensive outreach plan was developed in concert with both agencies and the Governor's press, policy and legislative offices.
- Given the "personal service" element of DCA that had come to be relied upon and the close nexus between local and state government, the DCA stakeholders were priorities.
- The specter of lay-offs, job losses and diminished services were a constant narrative that had to be addressed at a priority level. Union and civil service rules made it difficult to address directly. Employees fell in a variety of classifications including union, civil service and at will.
- DCA Executive Office staff traveled the state speaking, by request at stakeholder conferences which included all local government associations, Housing and Redevelopment Associations, Economic Development groups, county/township organizations, Community Action Associations, Weatherization providers and others.
- Initial stakeholder focus on the key Associations seeking their formal approval of concept, or formal expression of willingness to come to table.
- Regional offices were frontline, so a consistent message for them was critical.
- Upfront desire to lay-out (as much as possible) the status of each program moving forward.
- In the fall of 1995, a press conference was held to "roll out" the plan by the Governor and DCA. All local government associations stood in support of the plan. That also marked the start of the process to develop legislation.
- Legislative outreach was extensive:
 - Began early and continued throughout process
 - The plan envisioned substantive legislative input

- Consistent theme was concern about support for local government
- Language wasn't put in legislative form until Feb. 1996
- Although most stakeholders were on-board, the approval still an element of broader budgetary negotiations and a bargaining point for Caucus and Chamber priorities
- After the legislation was passed and merger was effective, the work continued – and arguably continues on the integration of the two departments. We did have some early wins where both “sides” of DCED worked on some community based projects.
- Savings were realized on the administrative support offices at DCA. Most of those individuals were moved to other departments in state government as their positions- budget, human resources, administrative support, along with Secretary, Deputy Secretary for Administration and related staff were eliminated those functions already existed in the Department of Commerce.
- One of the biggest successes has been the Governor's Center for Local Government Services, where downsizing took place, staff was reclassified, but service has been arguably improved.
- Additionally integration of loan programs from DCA were easily added to the Department of Commerce (DCED) loan portfolio.

Lessons Learned

- Stakeholders appreciated consistency of initial messaging
- Time was an ally
- The little details (office space, stationary, shared services) can become material, even with the merger of two small Agencies.
- Never under-estimate the political viability and connectivity of stakeholders
- Each department in state government has developed an organizational culture over time. Organizational “culture” is real, change touches people, not just org charts

In summary, our experience with the dismantlement of DCA, merger of programs primarily with the Department of Commerce creating DCED was enlightening. It was an exercise in public policy and politics from the local to the state level, with an occasional call from a Congressional office or Federal Agency official. It was a great learning experience that hopefully has left the Commonwealth's governmental structure in a better place than it was before.

We thank you for the opportunity to share our insight and look forward to answering your questions.

Sincerely,

David Black

