

Senate Inter-Governmental Operations Committee
Senator Lloyd Smucker, Chair
Strategies and Challenges in Streamlining State Government
March 15, 2011
10:00 am to 12:15 pm
Hearing Room #1, North Office Building

Chairman Smucker and distinguished members of the Committee, it is my pleasure to be here with you today to offer some short testimony and answer some of your questions when it comes to reorganizing state government.

In my current role as President of the Harrisburg Regional Chamber and Capital Region Economic Development Corporation here in the state capital, we work extensively in and around state government on both legislative issues and on economic development issues. We do a significant amount of work with the Department of Community and Economic Development and never pass up an opportunity to offer input into new programs and initiatives of the Department or other statewide economic development initiatives.

I am here specifically today to share some of my experiences from 16 years ago when the old Pennsylvania Department of Community Affairs (DCA) was dismantled and most of the functions were moved into what was then the Department of Commerce to become DCED as we know it today. I served as Deputy Secretary for Programs from the beginning days of the Ridge Administration in early 1995 and had the additional responsibility of serving as Acting Secretary of the Department for its final few months until Act 58 of 1996 was passed in late June of 1996.

Governor Ridge believed that Community and Economic Development were not separate functions and that some money could be saved by consolidating Departments while improving service to Pennsylvanian's. The Governor had announced his intention to do this in March of 1995 stating he would like to have it accomplished for the 1996-97 fiscal year, essentially giving us about 16 months to develop a plan, work with the General Assembly in passing legislation and having a Department ready to operate July 1 of 1996. It was obviously easier to roll one department into another, rather than creating a new agency or trying to merge departments.

In examining this from a business model, one department would be acquiring the other. It seemed fairly straight forward however unlike the private sector that may have to convince stockholders, we had both stakeholders and the bureaucracy of state government to deal with.

One of our goals was to cut the size of government, which we believed would include cutting about 100 positions from the roughly 250 person agency. It was easy to cut positions for which there were duplicate services: Personnel, Budget, Administrative Support, Secretary and Deputy Secretary for Administration. However when it came to reorganizing other program areas of DCA for transfer to Commerce we ran into a real challenge. Civil Service

Let me say that I fundamentally agree with core principles of the Civil Service System, public service, performance based and non-political. However what we discovered was a rule driven rather than a performance driven mechanism that seemed to us at the time was designed to maintain the status quo, rather than to improve the performance of government. Personal evaluations were more of a mechanical process than a tool to measure performance or to help employees improve.

We worked on dual tracks for much of our time at DCA both operating a Department and working on a plan for dismantlement. We got to know our staff very well. We had some truly excellent employees and a large number of very good employees. We had a few bad employees. We had staff that openly worked in opposition to our plan, sometimes during business hours and other times on their own (which they were entitled to do) hoping to maintain the status quo. We had staff that stepped up to the challenge of change and offered some great insight and suggestions for the plan.

When it came time to make the cuts, for those under Civil Service which was the majority of the Department, we had no choice but to cut based on seniority. We lost some talent I wish we could have kept and kept some talent I wish we could have lost. But we followed the rules.

After the cuts were made, I served as Deputy Secretary with DCED, but found myself spending an inordinate amount of time in Civil Service Court justifying one individual at a time why they we furloughed. I can't remember how many of these actions were filed, but I believe it to be in the 20 to 30 ranges. After defending our actions and winning the first few, we still had to continue with additional hearings. We finally made the decision to offer small amounts of money to settle and drop the case with the attorney representing most of the plaintiffs. It was about \$1,000 per case, which was far less expensive than the time in both preparation and court by myself, DCED legal staff and other DCED personnel.

The other challenge to the process of Departmental consolidation was the political process. We met with most of the members of the Senate and 117 House members. Some of our staff would get information to members of the General Assembly we were meeting with in order to derail the process. We probably could have dismissed some of the staff, but the personal system in state government sometimes seems like it assumes management is wrong, we believed it was best to keep focused on the outcome, rather than small battles along the way.

There are many other thoughts I could share and wish I had kept a journal during that period of time. But my experience was a reminder that Government is not business and processes such as Departmental consolidations and mergers are major efforts that require everything from a fundamental understanding of the Departments, its mission, goals and programs. A willing to examine the way everything is done and how it may be done better. It requires communication with stakeholders, who believe they will be impacted by change.

I could go into more detail in moving the legislation through the legislative process, but it is enough to say the legislation passed and 16 years later DCED is once again reinventing itself with the budget unveiled last week.

Attachments:

**Ten Commandments of Implementing Change
(Conceptual framework for DCA Plan)**

Harvard School of Business, 1991

1. Analyze the organization and its need for change
2. Create a shared vision and common direction
3. Separate from the past
4. Create a sense of urgency
5. Support a strong leader
6. Line up political sponsorship
7. Craft an implementation plan
8. Develop enabling structures
9. Communicate; involve people and be honest
10. Reinforce and institutionalize change

Planned Implementation Schedule – DCA Dismantlement 1995-96

1. Data Collection through mid-May 1995
2. Conceptual program assignment & internal program structure evaluation by May 31, 1995
3. Conceptual Plan Completed and Meetings with Departments receiving programs by June 15, 1995
4. Meeting with Lt. Governor and Local Government Groups) largest constituency
5. DCA Bureau of Recreation & Conservation moves to DCNR – July 1, 1995
6. Delivery System development, including approximate personnel needs, assignments and actions
7. Development of draft enabling legislation – August 1 to September 1, 1995 including updated cost estimate and savings; circulate legislation for sponsors through September 20, 1995
8. Final Framework of Plan completed – September 30, 1995
9. Introduction of enabling legislation – October 1995
10. Continuation of delivery system “retooling” internally, on-going meetings with receiving agencies (L & I and Commerce) – final touches on other departmental budgets – October, 1995
11. Enabling legislation passed before Holiday recess (DID NOT HAPPEN)
12. Presentation of Joint Budget by Governor – February 1996
13. Final components of plan developed, including personnel, office logistics, plan for phase out of administrative personnel and other eliminated positions – March 15, 1996
14. Plan implementation July 1, 1996