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INNOVATIONS IN AMERICAN GOVERNMENT: ARE THERE LESSONS TO BE LEARNED

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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INNOVATIONS IN AMERICAN GOVERNMENT: ARE THERE LESSONS TO BE LEARNED

WEDNESDAY, SEPTEMBER 6, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Biggert, and Turner.

Staff present: J. Russell George, staff director/chief counsel; Earl Pierce, professional staff member; Bonnie Heald, director of communications/professional staff member; Bryan Sisk, clerk; Elizabeth Seong, staff assistant; George Fraser, intern; Michelle Ash and Trey Henderson, minority counsels; and Jean Gosa, minority assistant clerk.

Mr. HORN. A quorum being present, the hearing of the Subcommittee on Government Management, Information, and Technology will come to order. One of the continuing goals of this subcommittee is to encourage reforms that will make the Federal Government more efficient and effective. Today, we will examine three State and local programs that have been honored for being uniquely successful at both of these objectives.

These programs are among 25 semifinalists selected by the Innovations in American Government Awards program. This grant-issuing program is funded by the Ford Foundation and administered by the Harvard University Kennedy School of Government, and the Council for Excellence in Government.

The 25 semifinalists are now competing for the program's 10 top awards, which include $100,000 grants to each winner. Each of the remaining 15 semifinalists will receive grants of $20,000. The selection will be made next month.

The semifinalists were selected from 1,500 applications submitted by Federal, State, and local government agencies. All of those selected have demonstrated originality and effectiveness in providing important public services.

Today, we will examine the factors that led to the success of these programs and whether those factors might be applied to similar Federal programs.

We welcome each of our witnesses, and look forward to your testimony.

I now turn for an opening statement to the ranking member, the ranking Democrat, Mr. Turner, the gentleman from Texas.

[The prepared statement of Hon. Stephen Horn follows:]

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"Innovations in American Government: Are There Lessons to be Learned?"

Opening Statement
Chairman Stephen Horn (R-CA)
Subcommittee on Government Management,
Information, and Technology
September 6, 2000

A quorum being present, this hearing of the Subcommittee on Government Management, Information, and Technology will come to order.

One of the continuing goals of this subcommittee is to encourage reforms that will make the Federal Government more efficient and effective. Today, we will examine three State and local programs that have been honored for being uniquely successful at both of those objectives.

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The 25 semi-finalists are now competing for the program's 10 top awards, which include $100,000 grants to each winner. The remaining 15 semi-finalists will receive grants of $20,000. The selection will be made next month.

The semi-finalists were selected from 1,500 applications submitted by Federal, State, and local government agencies. All of those selected have demonstrated originality and effectiveness in providing important public services.

Today, we will examine the factors that led to the success of these programs, and whether those factors might be applied to similar Federal programs.

We welcome each of our witnesses, and look forward to their testimony.

Mr. TURNER. Thank you, Mr. Chairman. It is good to have our witnesses here this morning.

There is no doubt that the Innovations in American Government Awards program is an outstanding effort jointly sponsored by the Ford Foundation and the Harvard University Kennedy School of Government, and the Council for Excellence in Government.

This effort is the kind of thing that we need more of today. I have always believed that government can be as efficient and as effective as the private sector if we are willing to take the necessary steps to make that possible.

This program, as I understand it, awards funds to various governmental entities where there has been shown to be a positive improvement in government management or government innovation.

We all know that we live in a day when we have to make government smaller and more effective in order to not only save taxpayers' dollars, but to create the kind of government that the American people deserve.

This program attempts to encourage government to make the right choices in terms of priorities, to encourage greater involvement by employees of government, to improve management policy, and to focus more on results. These are things that our committee, under Chairman Horn's leadership, has attempted to accomplish over the past year, and we hope that we can continue to be a part of the effort to bring greater efficiency to government. So we appreciate the witnesses coming today.

I wish all of the awardees could be here to share with us their programs. But we are very pleased to have these outstanding examples brought to us in the three witnesses before us.

So thank you, Mr. Chairman. I look forward to hearing from each our witnesses.

[The prepared statement of Hon. Jim Turner follows:]

STATEMENT OF THE HONORABLE JIM TURNER
GMIT HEARING: "INNOVATIONS IN AMERICAN GOVERNMENT: ARE THERE LESSONS TO BE LEARNED?"
SEPTEMBER 6, 2000

Mr. Chairman, I want to thank you for holding this important hearing. Today, we are here to review the Innovations in American Government Awards Program. Although we are only going to hear from three of the 25 finalists, all 25 should be commended for their efforts. In addition, I would like to commend the Ford Foundation, Harvard University's Kennedy School of Government, and the Council for Excellence in Government, for their leadership in promoting efficient, effective government.

The Innovations in American Government Awards Program recognizes creative governmental initiatives that address vital public needs. By promoting a national dialogue centered around successful government programs, we are able to celebrate innovative problem-solving in the public sector.

These awards highlight that there is a positive and important role for government to play even as the desire to shrink the size of government continues. Therefore, we must make sure that our smaller government is as effective and

efficient as possible. Governments must make the right priorities, encourage employee involvement, be better managed, and focus more on results.

The federal government, and in particular this Subcommittee, may want to use innovative programs, such as those receiving the Innovations in American Government Awards, as models for federal government reforms. I know that I often review creative localized government reforms for possible government-wide initiatives. Therefore, I also want to encourage innovators at all levels of government to enter this competition in the future and share their best practices.

Although the Program originally focused on innovations in state, cities, towns, counties, tribal governments, and special districts, in 1995, the Program was expanded to incorporate innovations in the federal government. This addition demonstrates that important innovations are being made at the federal level and those innovations also should be acknowledged.

Today, we do just that. We acknowledge and encourage creative programs at all levels of government that are responsive and cost-effective. I look forward to hearing from the finalists from Baltimore County, the State of Minnesota, and the State of Illinois.

Mr. HORN. Thank you very much. And we will now have panel one begin. And you probably know from previous presentations before this subcommittee, we are an investigative subcommittee, so we do swear in all witnesses even though they bear good deeds. So if you will stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note all three witnesses have affirmed the oath.

And we begin with Mr. Gaberman. Barry Gaberman is senior vice president of the Ford Foundation.

Mr. Gaberman.

STATEMENTS OF BARRY GABERMAN, SENIOR VICE PRESIDENT, FORD FOUNDATION; GAIL CHRISTOPHER, EXECUTIVE DIRECTOR, INNOVATIONS IN AMERICAN GOVERNMENT AWARDS PROGRAM, KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY; AND PATRICIA McGINNIS, PRESIDENT AND CEO, COUNCIL FOR EXCELLENCE IN GOVERNMENT

Mr. GABERMAN. Thank you, it is a pleasure to be here with you today. What I'm going to try to do is trace very briefly the history of the Innovation in American Government program, and in doing so, highlight four objectives of the program under the categories of recognition, replication, learning and visibility.

In the early 1980's, it was common to hear increasing expressions of doubt in the United States about the ability of government at all levels, as well as those in government to perform. As a foundation, we could have chosen to support those studying and analyzing this failure to perform and thereby perhaps add to our understanding of the problem.

However, we knew that there was much that was productive going on in government, but the accomplishments remained hidden, not only from the American people, but also from the broad number of public managers who would benefit from knowing about them. What we decided to do instead was not to study and analyze failure, but to highlight and recognize success.

Staff from the Ford Foundation began working with the Kennedy School to design an awards program. The first objective of that awards program was recognition of innovative achievements in State and local government. We in the Kennedy School established a national selection committee to select the award winners. The program made its first awards in 1986. Each carried a grant of $100,000. As the program matured, we add $20,000 awards for the 15 finalists each year who did not become winners.

In 1995, the program was expanded to include Federal agencies. To date, the program has recognized 225 innovative programs. They have received $15.9 million in Ford Foundation grants. And still, after 14 years, the submissions to the program each year average over 1,500 applications.

While the awards provide recognition, it is important to note that they also target replication as an objective. Each of the $100,000 grants are to be used by leaders of the winning programs for replication and getting the word out about the innovations and their results.

That this is working can be seen from the fact that fully 85 percent of the models represented by Innovation Awards winners have indeed been replicated.

The committee may find it interesting to know that this approach to supporting innovation and promoting excellence is working elsewhere in the world. In fact, in 1988—1998, the Foundation began support of an awards program honoring contributions in the governance of American Indian Nations. This is administered by the Harvard Project on American Indian Economic Development.

The third objective of the awards program was to promote learning about innovation. To capture the lessons of best practices in government innovations, the Foundation has funded the Kennedy School's work, developing case studies and classroom materials for public managers. And to spread those lessons throughout the country, we have sponsored conferences on innovation throughout the country. As a result, in some places, the formal teaching of public management has shifted from teaching based on failure to teaching from positive examples.

The fourth objective of the innovation program is visibility. This is important to help convince the public that government is capable of responding to critical, emerging social and human problems. The program has done precisely that for 14 years, discovering a wealth of productive innovation that has exceeded our expectations and strengthened our commitment to the program. But while we have sought to publicize what is being achieved, word has not yet reached the broadest American audience.

To call public attention and enhance visibility more directly to accomplishments, the Foundation, working with the Council for Excellence in Government, formed in 1997 a coalition of 34 prominent business and civic organizations whose leaders share our concerns. It is called the Partnership for Trust in Government. The partnership includes corporations like IBM and Tenneco, independent groups like the Girl Scouts and the League of Women Voters and media organizations like Discovery Communications and Good Housekeeping Magazine.

Partners have agreed to use their own communication and other resources in a sustained program to put before their members, customers, employees, and stakeholders stories and examples of good government. By doing so, they will help to restore the balance between healthy criticism and trust.

A final word about the Ford Foundation's commitment to these programs. We know that the quality of government matters a great deal. Government sets standards, protects the weak, provides services, and projects a vision for us all. At a time when it is often fashionable to see not-for-profit and for-profit organizations as alternatives to government, it is important to show that government can work effectively and efficiently on its own and in creative partnerships with the other two sectors of society.

Thank you very much.

Mr. HORN. Thank you.

[The prepared statement of Mr. Gaberman follows:]

THE FORD FOUNDATION

TESTIMONY BY
BARRY D. GABERMAN, SENIOR VICE PRESIDENT

"INNOVATIVE AND EFFECTIVE GOVERNMENT PROGRAMS"

PRESENTED TO THE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

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Statement by
Barry D. Gaberman, Senior Vice President, The Ford Foundation
before the Subcommittee on Government Management, Information, and Technology
of the Committee on Government Reform and Oversight
September 6, 2000

My colleagues and I are pleased to be with the Committee today to speak about Innovations in American Government -- an awards program of the Ford Foundation administered by the John F. Kennedy School of Government at Harvard University in partnership with the Council for Excellence in Government. This is the second time we have been honored by being asked to appear before the Committee. We all have a stake in effective government and we see innovation in the public sector as a contributor to that effectiveness. As such, it deserves the widest possible attention and support by lawmakers and citizens.

I would like to briefly trace the history of the Innovations in American Government awards program, and in so doing highlight four objectives of the program under the headings of recognition, replication, learning, and visibility.

In the early 1980s, it was common to hear increasing expressions of doubt in the United States about the ability of government, at all levels, as well as those who served in government, to perform. As a Foundation we could have chosen to support those studying and analyzing this failure to perform and thereby perhaps add to our understanding of the problem. However, we knew that there was much that was productive going on in government. We saw imaginative,

efficient, responsive government programs that were producing quality results. Things were being accomplished in often innovative ways. But the accomplishments remained hidden, not only from the American people, but also from the broad number of public managers who would benefit from knowing about them. What we decided to do was not study and analyze failure, but rather to highlight and recognize success.

Staff from the Ford Foundation began working with the John F. Kennedy School of Government at Harvard University to design an awards program. The first objective of the awards program was recognition of innovative achievements in state and local government. In 1985, Ford made the first grant to the Kennedy School for the awards program and we and the Kennedy School established a national selection committee of distinguished people in public life, public policy, education, and journalism to select the awards winners.

The program made its first awards in 1986. Each carried a grant of $100,000. As the program matured, we added $20,000 awards for the 15 finalists each year who did not become winners. In 1995 the program was expanded to include federal agencies. To date, the program has recognized 225 innovative programs, which have received $15.9 million in Ford Foundation grants. And still, after 14 years, the submissions to the program each year average over 1,500 applications.

While the awards provide recognition, it is important to note that they also target replication as an objective. Each of the $100,000 grants are to be used by leaders of the winning programs for replication and getting the word out about the innovations and their results. That this is working can be seen from the fact that fully 85% of the models represented by Innovations awards winners have indeed been replicated. For example, the Police Homeowners Loan Program of Columbia, South Carolina, a 1993 winner, has been adapted in over 70 municipalities or agencies nationwide. More than 250 courts now operate video-recording systems modeled after the Kentucky effort, a 1988 winner. This confirms our conviction that people in public life are hungry for good ideas that have been tested by experience.

The Committee may find it interesting to know that this approach to supporting innovation and promoting excellence is working elsewhere in the world as well. Inspired by the Innovations awards program in the United States and with Ford Foundation help, the Asian Institute of Management in the Philippines, and the Getulio Vargas Foundation in Brazil have been running their own awards programs for a number of years already. And there are newer efforts starting or in the planning phase in South Africa, India, and Chile. Finally, in 1998 the Ford Foundation began support for an awards program honoring contributions in the governance of American Indian Nations. This effort is administered by the Harvard Project on American Indian Economic Development.

A third objective of the awards program was to promote learning about innovations. Societies learn in many ways how to improve themselves. One approach is to identify best practices. To capture the lessons of best practices in government innovations, the Ford Foundation has funded the Kennedy School's work developing case studies and classroom materials for public managers. And to spread those lessons throughout the country, we have sponsored conferences on innovation at Duke University and state universities in California, Minnesota, Texas, and Washington, as well as in New York City and Washington, D.C. As a result, in some places the formal teaching of public management has shifted from teaching based on failure to teaching from positive examples.

Several themes or lessons stand out when you look at 14 years of award-winning government innovations in the U.S. and elsewhere. Winners have been effective because they clarified objectives; stripped off encrusted ways of working; used technology for greater, faster access to information or services; forged strategic alliances often with nonprofit groups that extend government's reach and make new resources available; and emphasized outcomes instead of processes. All of the winners have responded with human ingenuity to the permanent challenge of making government work better.

In each case, a person or group of people had the insight and confidence to acknowledge that things weren't right and to start something new. This takes courage, persistence with trial and error processes, and dedication to public

service. All of this is happening. It goes far to explain the Foundation's commitment to the Innovations program, and hope that we can help make governmental innovation more common.

The fourth objective of the Innovations program is visibility. This is important to help convince the public that government is capable of responding to critical, emerging social and human problems. The program has done precisely that for 14 years, discovering a wealth of productive innovation that has exceeded our expectations and strengthened our commitment to the program. But, while we have sought to publicize what is being achieved, word has not yet reached the broadest American audience we had in mind. And the low level of public confidence and belief in government that has been amply documented persists. The long-term implications of this for the health of any democratic system are clear.

To call public attention and enhance visibility more directly to accomplishments in government, the Foundation, working with the Council for Excellence in Government, formed in 1997 a coalition of 34 prominent business and civic organizations whose leaders share our concerns. It is called the Partnership for Trust in Government. The Partnership includes corporations like IBM and Tenneco, independent groups like the Girl Scouts and the League of Women Voters, and media organizations like Discovery Communications and *Good Housekeeping* magazine. Partners have agreed to use their own communication

and other resources in a sustained program to put before their members, customers, employees, and stakeholders stories and examples of good government. By doing so, they will help to restore the balance between healthy criticism and trust.

A final work about the Ford Foundation's commitment to these programs. We know that the quality of government matters a great deal. Government sets standards, protects the weak, provides services, and projects a vision for us all. In these ways, government affects our lives in practical terms over and over each day. And most importantly, government also has a critical role in protecting the core values and freedoms that Americans value so dearly. The less well recognized reality is that our government -- our country -- depends on the creativity and hard work of people and programs like those who win our awards to achieve these lofty goals. All of us are in their debt. Thank you.

Mr. HORN. And we now move to the second presenter, Ms. Gail Christopher, the executive director, Innovations in American Government Awards Program, Kennedy School of Government, Harvard University.

Ms. Christopher.

Ms. CHRISTOPHER. Good morning. I would like to thank Chairman Horn and the members of the subcommittee for inviting me to testify. It is indeed a pleasure and an honor.

In my testimony, I'll briefly elaborate on the selection process: how we come to select these outstanding programs; what are some of the themes that we found, those themes which resonate throughout the winners this year; and some of the important lessons that may be of valuable insight to this community.

The selection process involves whittling down the 1,500 applications to 100 semifinalists. That process engages 30 to 40 teams of faculty and public sector leaders from Harvard University and other universities.

After that first round of evaluations, there is a second round. The second round also consists of teams of leaders who evaluate the applications. Those that make it through the second round produce our slate of 25 finalists.

Finalists are then subjected to an intensive site visit. An extensive report is prepared on the site visit, and as you heard earlier, the 25 finalists are then allowed to make presentations at an event here at the National Press Club in Washington in October. From that group, 10 winners are selected.

The 10 winners receive the $100,000 prizes, and as you know, the 25 finalists all receive $20,000 grants.

We are excited by the fact that each year we continue to get a high number of applications. In the last year, we introduced the capacity to apply electronically, or on-line, and we are noting that over half of our applications are submitted electronically.

We found—and this was expressed in a prior hearing; Professor Alan Altschuler, who was then the faculty director for the Innovations Program, has found that there are some themes that seem to permeate the winners. What are they?

The first and perhaps most important and relevant is accountability for outcomes—not just a focus on process, but on results and outcomes. Responsiveness to citizen input is another key theme; competitiveness as a stimulus for performance improvement; and in terms of regulatory agencies, new roles for those agencies so that they work in partnership seeking voluntary compliance, but not giving up their role of oversight and regulation and enforcement.

Those themes were noted in 1997 and here, 3 years later, they still resonate with the programs for the year 2000.

I find it interesting to note that those are also themes that we find in this performance-based era of governance. And there may be some interesting lessons to look for at the intersection between the performance-based governance movement and innovation: How important is innovation to the success of that process?

But we can also find that there's organizational change, that government agencies, the outstanding programs, are finding new ways to engage employees, frontline employees; new ways to hold contractors and consultants accountable, not just forever process, but

for outcomes. And the programs that you will hear about in the next panel will illustrate that very clearly.

We've asked ourselves, what is the challenge that we face in terms of the Innovations Program itself? And I think we are concluding that our biggest challenge now is to be more creative in using today's technology to monitor and assess the overall impact of the Innovations Programs. To find ways to be more supportive of innovators in the second phase of their process, if you will, after they are recognized as winners; how do we bring them together as communities of innovators so that they can have a greater influence on others around the country who are struggling with the same issues?

We are very pleased to partner with the Council for Excellence in Government, which plays a key role in supporting the dissemination of the ideas and the replication of the programs throughout country.

Thank you.

Mr. HORN. Well, we thank you.

[The prepared statement of Ms. Christopher follows:]

Statement by
Gail C. Christopher, Executive Director
Innovations in American Government
John F. Kennedy School of Government
Harvard University
before the
Subcommittee on Government Management, Information, and Technology

September 6, 2000

Good Morning,

I would like to thank Chairman Horn and the Subcommittee members for inviting me to testify today on "Innovations in American Government: Are There Lessons To Be Learned?" I am Gail Christopher, Executive Director of the Innovations in American Government Program at Harvard's John F. Kennedy School of Government. The Innovations in American Government Awards Program identifies and promotes creative problem solving in the public sector through broad public recognition and monetary grants to innovative government programs. The program is funded by The Ford Foundation and administered by the John F. Kennedy School of Government in partnership with the Council for Excellence in Government. I must also thank The Ford Foundation for its leadership and commitment to honoring exemplary models of excellence in government innovation. The Council for Excellence in Government plays a key role in disseminating lessons learned about successful innovation and we are pleased to partner with them on the Innovations in American Government Program.

Since 1986, The Ford Foundation has given $100,000 grants to winners and $20,000 awards to finalists in the Innovations competition. Over the last fourteen years the Innovations program has become the nation's most prestigious public sector awards recognition. In the words of past winner Paul Evans, Commissioner, Boston Police Department during his 1997 testimony before the committee, "Innovations has become the premier public sector awards program. As such, it serves as a tremendous incentive for creativity and new ways of approaching problems. The program inspires government line staff and leaders to become more effective and more efficient in delivering services to constituents."

It would be helpful to briefly describe the process by which winners and finalists are chosen.

Each year, approximately 1,500 applications submitted by government jurisdictions across the nation are whittled down during three rounds of evaluations. In round one, from thirty to forty teams of experts make an initial assessment and reduce the pool to one hundred semi-finalists. The criteria are novelty, effectiveness, significance and potential for replication. Experts include faculty from Harvard and other universities, as well as public sector leaders and managers.

Round two provides additional screening by a second group of experienced policy makers, scholars and public managers. Twenty-five finalists are selected and announced

to the public in August. These twenty-five models of government innovation receive $20,000 grants and earn the right to proceed to the third round.

Round three begins with an intensive site visit by policy experts and faculty from Harvard University. Finalists then make public presentations about the merits of their programs to the National Selection Committee during hearings held at the National Press Club in Washington, D.C. The National Selection Committee is a balanced group of twelve to fourteen individuals who have positions in government and political life, as heads of public policy schools, as leaders of nonprofit civic organizations, and as journalists.

This elaborate selection process has been finely tuned over the last decade and now produces truly awe-inspiring examples of public sector leadership, creativity, efficiency and effectiveness. Many winners also reflect a deep understanding of the complexity of public problems. As a result they offer a more holistic approach to dealing with a broad range of issues from land use planning to social service delivery. In 1993 the Texas Child Care Management services won for its consolidation of day care programs for Texas kids. A 1999 winner, Continuum of Care, the U.S. Department of Housing and Urban Development provided a national push to get homeless service providers to work together to provide a broad range of homeless services, from crisis intervention, to job readiness, to long term housing placement.

The grants or monetary awards are given to programs for the purpose of replication and dissemination of their Innovations. In this way, The Ford Foundation strives to accomplish three important objectives of the program:

(1) to promote formal and informal learning about government innovations;

(2) to spread those lessons throughout the country; and by so doing

(3) to help assure the American public that government is capable of responding to critical, emerging social and human concerns.

Eighty-five percent of the models represented by Innovations award winners have been replicated.

What lessons has more than a decade of Innovations Award program implementation revealed? Which lessons might hold promise for assisting congressional oversight and decision-making, and be of particular value to this subcommittee? In his 1997 testimony, my predecessor, William Parent shared insights from Alan Altshuler, then faculty director of the Innovations program and current research advisor. He emphasized that despite the uniqueness of each program, certain themes permeated recent award recipients. These themes were:

(1) accountability for outcomes;

(2) responsiveness to citizen input;

(3) competitiveness as a stimulus for improved performance; and

(4) a new role of regulatory agencies as effective catalysts for voluntary compliance, even as they continued their traditional enforcement against non-cooperators.

He indicated that Innovative programs reflected what was then considered a new service imperative: namely, that the public, having learned in the private marketplace, routinely expected convenience, courteous service, continuous service improvement and a wide variety of options, ideally at no extra costs. Managerially, the programs demonstrated the central challenge of innovations – to unleash the energy talent and creativity of public employees in the service of agency missions – while persevering, indeed enhancing democratic accountability.

These themes also underpin the ongoing movement towards performance-based governance. The Government Performance and Results Act of 1993 has now been implemented for seven years. GPRA hold great promise in helping Congress and the executive branch ensure that the federal government provides the results that the American people expect and deserve. The high performance and results-focused orientation of many Innovations winners may be instructive during this critical era of transformation in government.

Three years later, as we enter a new millennium these themes still resonate among this year's finalists. Programs show the how-to of tapping and sustaining creativity of the employees, contractors and consultants, in support of results based on clear and well-

defined missions. Performance-Based Contracting, the new approach to foster care placement being pioneered by the Illinois Department of Children and Family Services is a fundamental shift away from focusing on process towards results when it comes to measuring the effectiveness of foster care.

Organizational cultures are changing as part of the experience of innovating, bringing new concepts of mission and new relationships between organizational levels and stakeholders. Maryland's Smart Growth and Neighborhood Conservation initiative is a revolutionary way of thinking about the impact of infrastructure investment on the land and city. It is based on the conviction the government has for too long invested in sprawl to the detriment of downtown areas.

Most encouraging, programs are also helping to broadly reshape policy systems to engage elected officials, heads of agencies and other governing groups in creative approaches to persistent, complex and large-scale public problems. The Veterans Administration's National Center for Patient Safety isn't just a program, it is on the front edge of a new way of thinking about medical systems and how these systems impact patient safety, and it will likely have influence far beyond the VA system. Lobbyists-On-Line, another 2000 finalist, is part of Wisconsin's continuing effort to make state government more transparent and accountable to citizens. It institutionalizes openness through technology.

Year 2000 Innovations, as you will hear from the second panel, may represent an emerging trend in public sector innovation. There is a growing focus on the realm in which programs operate – in the government itself and the assumptions, rules, regulations, incentives and conventions that drive or thwart progress. There is less focus on individual programs, and more on fundamental shifts in how governments frame and approach problems. This type of innovation, a more holistic approach, may in the long run, be more sustainable than advocacy for isolated programs.

These lessons bring new challenges to the Innovations program and to those who believe that government's creative solutions to public concerns are of the utmost importance. We are challenged to find more effective ways to apply today's technology advances to monitor and measure the impact of innovations on outcomes, public policies and resource decisions. We are also challenged to engage a broad and diverse set of stakeholders in the ongoing monitoring and feedback process.

Finally we are challenged to explore the intersection between government performance, (particularly the outcomes and implementation of the Government Performance and Results Act) and innovation. Surely innovation and performance-based governance are parallel tracks which in the distant horizon may appear to become merged toward one common goal – a more effective government and healthy democracy. New York's Center for Court Innovation, a 1998 winner, represents an attempt to build a laboratory for innovation directly into the system, thereby moving "beyond demonstration projects, to fostering new ways of the thinking about courts and justice."

One of this year's finalists, the Minnesota Board of Government Innovation and Cooperation is an excellent example of the relationship between innovation and high performing governments. The Board believes that the public sector must be more receptive to change – overcoming a perception often held by state and local officials that the safest course of action is to continue conducting business as is has always been. Through the Board's competitive grants, the State shares the financial risks of pioneering new and improved public services. Lessons gleaned from a limited number of winners and proposed rules modifications are then used by the independent board and local leaders to determine which rules or laws need to be changed to enhance the abilities of all local governments to implement the improved service model or approach.

Lisbeth Schorr, journalist, author and a member of the Innovations National Selection Committee reminds us that, "It is powerfully prevailing systems that create obstacles to the spread of effective programs and institution." This year's winners reflect a deeper understanding of the necessity of changing systems and the core perceptions and conventions upon which these systems were built. In the words of Christopher Mihm, Associate Director of Federal Management and Workforce Issues at the U.S. General Accounting Office, "The cornerstone of federal efforts to successfully meet current and emerging demands is to adopt a results-orientation. Adopting a results-orientation will require a cultural transformation for many agencies." This entails innovation as it is emerging today – new ways of thinking and doing business.

In summary, Mr. Chairman, insights from the Innovations in American Government Program, particularly from this year's slate of finalists have the potential to help congress and the executive branch address the challenges that agencies face as they become high performing organizations. These challenges include:

- articulating a results-orientation
- coordinating cross-cutting programs and embracing more holistic approaches to achieving critical outcomes
- showing performance consequences of budget decisions and resource allocations
- showing how front-line workers and their daily operations contribute to results, and
- building the capacity to gather and use up-to date performance information.

I thank the chairman for the opportunity to participate in the hearing and I thank all the witnesses for sharing their time and insights with us today.

Mr. HORN. And next is Patricia McGinnis, the president of the Council for Excellence in Government.

Ms. MCGINNIS. Thank you, Mr. Chairman, and thank you Mr. Turner.

We at the Council for Excellence in Government very much appreciate the commitment of this subcommittee and committee to improving government performance and focusing, as you said, not only on getting better results, but also on having a government that connects more directly with the citizens that it serves.

The Council for Excellence in Government is a nonprofit, nonpartisan organization whose members are business leaders who have served in government and are committed to improving its performance and also increasing public understanding, involvement and confidence in government.

Because innovation is such a key element of excellence in government, we are delighted to partner with the Ford Foundation and the Kennedy School in this award program. Our role began in 1995 when the Federal winners were added.

I'd like to just take a moment to thank and commend the Ford Foundation for its sustained commitment to fostering innovation in government, not only in this country but around the world. Barry did not mention the various programs that have been initiated, particularly in developing countries around the world, which have had so much impact. And to say what a pleasure it is for us at the Council to work with Gail Christopher and her very creative colleagues at the Kennedy School to analyze and find these trends in innovation.

The Council's role is to work with the winners and finalists in their effort to promote replication of the innovations and to help communicate these success stories to the American public. We do that by helping to organize conferences, working to publish books, writing case studies, creating Web sites; and also, as Barry Gaberman said, we've worked with the Ford Foundation to organize a coalition of 34 businesses and civic organizations that use their communications mechanisms to try to get the word out about these innovators and other successes in government, and they range from IBM to MTV, so you can imagine what a pleasure it is to work with this diverse coalition.

I want to mention two books that have come out of the Innovations Program, in particular, which the Council has copublished with Brookings, that talk about the value of innovation. The first one is called "Making Washington Work." It was edited by Jack Donahue, who is a professor at the Kennedy School, and it includes 14 case stories of Federal innovations winners. And when Alan Altschuler was the faculty director of the Innovations Program, he and I put together the forward to this book and we tried to think about what the innovators had in common. What it is about these teams of people that make them so successful? And I just want to read you a passage.

The designers and managers of these programs started with profound commitment to a mission anchored by clear conceptions of purpose. They were flexible and ingenious about the means of accomplishing their goals. They stretched their minds and resources to use whatever tactics—interagency and public-private partnerships, new information technologies which we are seeing more and more of, performance measurement, market incentives, employee and citizen participation, whatever ap-

peared likely to yield better results. They displayed habits observed among innovators everywhere, in the private no less than the public sector.

They were committed, they were willing to take risks in the service of their mission, they were courageous and their stories are likely to prove fascinating not only to those who are currently charged with public responsibilities, but for those who are preparing for careers in public service.

A second book that we also copublished with Brookings and was written by Kennedy School Professor Malcolm Sparrow has just been published in the last few months, called "The Regulatory Craft," has also drawn on Innovations winners to analyze what's likely to work best in the regulatory arena. So I will leave you copies of these books.

Innovative government programs such as the ones you're going to hear from this morning are helping to reverse a tide of public cynicism. As you know, for several years now, the Council has worked with pollsters Peter Hart and Bob Teeter to analyze attitudes toward government. Our 1999 poll shows that 30 percent of the American people trust the Federal Government to do the right thing all or most of the time, substantially above the low point of 21 percent in 1994, but we've got a long way to go to achieve the 74 percent which was the high point in the 1960's.

I would settle for something around or above 50 percent. That seems like a good balance between skepticism and trust to me.

I want to mention a finding in the poll that interests us and I think will interest you, and that is about the attitudes of young Americans. Young people are less connected; they feel less connected to government than their elders, but at the same time, they seek the potential of government in a much more positive way. They see the role of government as more important in the future.

And this may surprise you, we've seen trends over the years that more and more young people in the 18 to 29 age group are interested in government service. Our 1999 poll found that 43 percent said they would be very likely or fairly likely to consider a government job sometime in their careers. This was up from 40 percent in 1997 and 36 percent in 1995. But the challenge for government here is to recruit young people in a more creative way and to offer them jobs in which they can innovate and make a difference, like the three innovators you're about to hear from.

So I want to thank you again for your outstanding and longstanding leadership in this area. There's clearly a lot to be done. We appreciate very much your "Dear Colleague" letters to bring these programs to the attention of others, the hearings you have held; and we look forward to working with you to acquaint the other authorizing and appropriations committees with these examples of excellence in government.

Thank you, Mr. Chairman.

[The prepared statement of Ms. McGinnis follows:]

Statement of
Patricia McGinnis
President and CEO, Council for Excellence in Government
before the
Subcommittee on Government Management, Information, and Technology
of the Committee on Government Reform and Oversight
Congress of the United States
House of Representatives

September 6, 2000

Thank you Mr. Chairman.

I am Pat McGinnis, President and CEO of the Council for Excellence in Government. The Council partners with the Kennedy School of Government and the Ford Foundation in the Innovations in American Government Awards program.

I would like to thank and commend the Ford Foundation for its sustained commitment to fostering and spreading innovations in government, not only in the United States but also around the world.

I would also like to say what a pleasure it is for us at the Council to work with Gail Christopher and the very creative and insightful staff and faculty at the Kennedy School to identify these innovations and then to see in them important lessons for others to follow.

I deeply appreciate the Committee's commitment to strengthening government performance and your recognition of just how important innovation is, not only to improve performance but also to connect government to the people it serves in a more accountable way.

The Council for Excellence in Government is a nonprofit, nonpartisan organization whose members are leaders in the private sector who have served in government.

We have two main goals:

- To strengthen results-oriented leadership and management through hands on-work with people in government; and, more broadly,

- To raise public understanding of government and increase public involvement and confidence in government.

Because innovation is so central to excellence in government, we at the Council are delighted to join with the Kennedy School in selecting and spreading these examples of creativity and results.

The Council's role in the Innovation program is to work very closely with the winners and finalists in their efforts to promote replication of their innovations and to communicate these success stories to the American public. We identify existing forums and create new platforms for communication to support winners and finalists in their replication and communication activities. Working with the innovations winners, we host conferences, publish books, write case studies, and create web resources that help spread these programs to other government organizations.

Two books in particular, which the Council has co-published with the Brookings Institution, highlight the value of innovation in government.

First, Making Washington Work, edited by Kennedy School professor Jack Donahue, presents 14 stories of federal innovations winners. These stories clearly show how innovative federal government programs focus on performance and results, often infusing emerging information technologies into the solution. Professor Alan Altschuler and I described the attributes of innovations winners in the foreword to the book, Making Washington Work.

We said, " The designers and managers of these programs started with profound commitments to a mission. Anchored by clear conceptions of purpose, they were flexible and ingenious about the means of accomplishing their goals. Never forgetting their mission assignments or the need for approval from higher levels when they ventured very far from established routines, they stretched their minds and resources to use whatever tactics – interagency and public-private partnerships, new information technologies, performance measurement, market incentives, employee and citizen participation – appeared likely to yield better results. They displayed habits observed among innovators everywhere, in the private no less than in the public sector. They were committed. They were willing to accept risks in the service of mission. They were courageous. Their stories are likely to prove fascinating and instructive to others currently charged with public responsibilities or preparing for careers in public service."

A second book, The Regulatory Craft, by Malcolm Sparrow, also a professor at the Kennedy School, takes a thoughtful look at innovative and effective efforts to reform regulatory and enforcement practices at the federal, state, and local level. He draws upon the example of several Innovations Award Winners and analyzes what is likely to work best and why. They have in common a problem-solving approach which focuses on results, rigorous measurement and new systems of accountability.

As a follow up to the book, the Council created www.regulatoryreform.org, a web-based resource for practitioners in the regulatory and enforcement fields, and is holding a conference on September 22nd for that community.

In the past three years, many of our Innovations case studies have been used by the Council in leadership conferences for presidential appointees and nominees. These case studies also provided material for the Council's sixth *Prune Book*, upcoming this fall, which will examine what it takes to succeed in Washington's top appointed jobs.

Over the years, we have learned that the successes exemplified in these case studies of innovation are contagious. More than 85% of the successful approaches of innovations winners have been replicated elsewhere or have influenced legislation that has spurred similar programs.

For example:

- Wisconsin Works: Wisconsin's pioneering work on welfare reform, a 1999 Innovations winner, led other states and the federal government to try new approaches to creating jobs and reducing welfare dependency.

- Boston's Operation Cease Fire, a 1997 Innovations winner has become a widely replicated model for reducing youth gun violence.

- Project Access, a 1998 Innovations winner from Buncombe County, North Carolina, enlisted the support of medical providers to provide free medical care to the uninsured. Picking up on the success of Buncombe County, the Bureau of Primary Health Care at HHS is now working with communities all across America to create public-private partnerships aimed at ensuring access to affordable health care by all who are uninsured.

- Minnesota's Charter School experiment, one of this year's finalists, has inspired other states and communities to try new approaches to education.

These and other innovations are helping to reverse a tide of public cynicism. For several years now, the Council has been working with pollsters Peter Hart and Bob Teeter to assess public confidence in government. Our 1999 poll showed that 30% of the American people trust the federal government to do the right thing all or most of the time, substantially above its low of 21% in 1994. But we have a long way to go to achieve the 75% level of trust that existed in the mid sixties.

Of particular interest is what these polls tell us about the attitudes of young Americans. Young people feel less connected to government than older generations and at the same time they are more likely than people of any other age to believe that government will play a more important role in the future. Among those in the 18-29 group, interest in government service has risen steadily since 1995; in our 1999 poll, 43 percent said they would be very likely or fairly likely to consider a government job at some time in their careers, up from 40 percent who said that in 1997 and 36 percent in 1995.

The challenge for government is to recruit young people in a more creative way and to offer them jobs in which they can make a difference in the public interest.

There are many reasons why Americans express a lack of confidence in government. Our research shows that government performance does matter. Americans are concerned about wasteful spending and promises not kept. They perceive a government that charts its own course and is unaccountable to the people it is supposed to serve.

Many of the innovations being recognized in this year's group of finalists are rising to meet that challenge. These programs are working to increase the productivity of government and to achieve the kinds of results that people expect and demand from federal, state, and local governments.

I am delighted that you have invited three Innovations finalists to testify today. You will hear how these state and local programs are getting significant results from their employees and the programs they administer, whether it is through gain sharing or performance-based contracting.

Mr. Chairman, this is an exciting time to be working in and with government. On a wide variety of fronts, governments are changing the way they do business. Whether it's in the way they produce goods and services, in the way they manage and motivate their employees, or in the way they use information technology --- change is in the works.

And I believe that the best is yet to come. Thanks in particular to advances in information technology and e-government, I think we are on the verge of changes that are virtually revolutionary in scope. But technology alone is not the answer. We need leadership in government, leadership that is not afraid to innovate: the kind of leadership that you will hear from the next panel.

Mr. Chairman, there is still much to be done – to spread innovative practices as widely as possible, to intensify government's focus on results, and to increase public participation and trust in government. I want to commend this Subcommittee for the work it has done over the years to promote innovation and excellence in government.

The hearings you have held, and your "Dear Colleague" letters announcing the annual results of the innovations award competition have been invaluable in that respect. I particularly want to thank you, Mr. Chairman, for your longstanding and outstanding leadership in this area.

We would welcome your help in sharing the results of Innovations Award Winners with the authorizing and appropriations committees. These success stories can be very helpful in their design, funding, and oversight of federal programs.

Thank you again for this opportunity to testify today.

Mr. HORN. Well, we thank you for all the fine work you're doing. Are those soft covers or are there any hard covers on those books?

Ms. MCGINNIS. They're all soft.

Mr. HORN. I would suggest that you give the ranking member a set. The staff on their side, the staff on our side and thank you for presenting them to us. If anybody is going to do that around here and use them, it's going to be this team here, on a bipartisan basis.

Let me ask now, have any Federal programs won awards? I saw where HUD was involved. And if so, which ones are Federal in this round? Do we know yet?

Ms. MCGINNIS. Actually we can provide you with a list of the 25 public programs, and it includes five Federal finalists.

Mr. HORN. It includes five, OK. What I want from this panel and from the next panel, which are living some of these problems, this subcommittee is very concerned about the qualitative and the quantitative measurements that an agency can utilize in order to know if they're on the right course.

Are they implementing this properly? Are those who are the clientele gaining benefits in an effective way? What can you tell us from all of these experiences now, the three of you that have gone through a lot of these? What can you tell us about quantitative and qualitative measurements, and what's your best success story, particularly at the Federal level?

Ms. MCGINNIS. Well, let me start while Gail is—Gail is the new executive director of this program, and let me start with the last part of your question.

I actually think in terms of quantitative measures one of the greatest success stories at the Federal level has been the Food and Drug Administration's work to accelerate the drug approval process. They were able to cut in half the average time that it takes to approve new drugs and cut down substantially more than that the time it takes to approve drugs for cancer and AIDS and other more emergency-oriented drugs.

And they did this with the help of the Congress, naturally.

Mr. HORN. I was going to say that the Congress beat them over the head, I think, on this one.

Ms. MCGINNIS. The Congress beat them over the head. The industry beat them over the head and legislation was passed, but what they were able to do went beyond that. They reengineered this entire process to produce gains that would have exceeded expectations given the additional funding that was provided through the PDUFA program; and actually that case is described in "Making Washington Work," so you can take a look at it.

Mr. HORN. Great, look forward to seeing it.

Any other thoughts at this point on the Federal programs, quantitative and qualitative, and what works? And if not, tell me what works on the local level that the Federal Government ought to apply.

Ms. CHRISTOPHER. It is a blend of both—we recently convened over 250 past winners in the area of health care innovation and the Bureau of Primary Health Care was a partner in that process. Many of those who gave their stories, the local and the Federal examples, talked about the quantitative reductions in hospitalizations for things like diabetes complications as a result of giving more

preventive and primary care and engaging physicians in a volunteer capacity to increase access to health care.

As I spoke earlier, our challenge is to work more on the back end to monitor the long-term impact of these efforts so that we have more quantifiable data to report. It is clearly a challenge that we face. The focus on results, however, is an important factor in the evaluation process and all those programs that do win, they show us some quantitative indications of effect or results in the process.

Mr. HORN. Any other comments?

Mr. GABERMAN. Well, I think one way you can think about this is in terms of the replications themselves. The premise is that if in fact it's an effective program, it does get picked up and get replicated. And I think we all have favorites of one kind or another. I like, just for the common sense and simplicity of it all, a program that was a winner in 1993, and it was the Police Homeowners Loan Program in Columbia, SC. And the nature of that program was to provide loans to police officers to renovate and purchase homes in inner-city communities as a way of stabilizing those communities.

Well, that's been picked up and has now been replicated by over 70 municipalities and agencies throughout the country. So that's one indication of a benchmark that shows some success.

Mr. HORN. One last point on the books you have and the Plum book caught my eye. Mr. Turner and I and the committee have moved legislation through the House, now in the Senate and about to go to the President, in terms of transitions in the Presidency. So I assume that book would help us a lot.

Ms. MCGINNIS. Yes, the Plum book actually has drawn on these innovations cases as well. What we've looked at is what it takes to succeed in the top appointed jobs in Washington and we commend your legislation. We very much hope that it passes and that it provides the opportunity for a more thoughtful and organized transition and some orientation of new appointees.

Mr. HORN. Well, we'll sure make good use of your books, I'll tell you that, because if the President's appointing various Cabinet positions, independent office positions, our basic idea has been, say, go see the budget examiner, go see the GAO relevant person, go see the Inspector General, etc. And if you can put that in a context, why we would be very appreciative of that.

I now yield to the gentleman from Texas, Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman. I've had an interest, along with the chairman, in trying to move the Federal Government into a greater utilization of information technology, our belief being that the private sector is moving faster than the public sector and, in particular, that the Federal Government has lagged. I even have introduced a bill trying to put a greater emphasis on information technology by urging the creation of a Federal chief information officer with the power to do cross-agency initiatives in the area of information technology.

I'd really like to hear each of your views on the need for the greater use of information technology in the Federal Government, and particularly whether or not you view that there exists a need to emphasize that to a greater degree than perhaps the Federal Government has in the past.

Ms. McGinnis, do you have any thoughts on that?

Ms. MCGINNIS. Absolutely. As you may know, this is a very high priority for the Council for Excellence in Government. And we have seen in the Innovations winners over the years a growing trend in the use of information technology to achieve results.

I think in terms of looking at excellence and what it takes to improve performance, that information technology offers in some ways the greatest potential to leap ahead and accelerate change. Obviously it's going to require leadership, but this, as a leadership and management tool, I think is unparalleled. And we can see examples in the private sector of amazing cost savings, of improvements in efficiency, and improvements in communication and interaction.

So this has the potential not only to improve performance and results, but I think very importantly to improve the way government interacts with and relates to the people it serves. We have actually just completed another survey with Peter Hart and Bob Teeter on the potential of e-government which we are going to be releasing in just a couple of weeks, and I'll be glad to share those results with you. They are very interesting in terms of the way people see the potential, and we've also surveyed government leaders and institutional customers as well. So I look forward to sharing that with you, and I agree with you that this has tremendous potential for innovation and improvement performance.

Mr. TURNER. From your own personal knowledge, do you have any examples of perhaps States that have been a leader in using information technology? Some time I get the impression that some of our States have done a much better job moving forward than the Federal Government has.

Ms. MCGINNIS. Yes, I think in States and localities, there have been substantial leaps forward, in part because the nature of the work, the services they provide, is more direct and more, in some ways, like the private sector. The role of the Federal Government in many ways is more complex and varied.

But I'll give—a couple of examples come to mind right here close to home. The State of Virginia has done a wonderful job in terms, for example, of offering the renewal of driver's licenses on-line. We had a conference on government performance just a couple of months ago, and when the budget director from Virginia described this process, the whole room broke out in applause because there are people all around the country who can see the benefit to them in terms of time and savings to being able to conduct these transactions on-line. And there are other States which are working similarly to provide those direct services.

Mr. TURNER. Ms. Christopher.

Ms. CHRISTOPHER. Yes, I couldn't agree more with Ms. McGinnis. This is an important aspect of reform or change in governance. One of our five Federal finalists this year is the Occupational Safety and Health Association, and their program is interactive software assessors. It's interesting that as we did our work to find out about this program, the industry, the private sector, is one of its greatest supporters. It provides 24-hour access to the regulations and the information that businesses need to be in compliance. And so this is one example of increasing customer satisfaction and also overcoming some of the barriers that exist between sectors by providing more access using information technology.

We hope to see more applicants from both the Federal and the State level. We changed one of our categories on the new application from technology to E-governance to be consistent with where things are going. One State that has been recognized nationally is the State of Washington for its innovations in terms of E-governance. The newest directions in the technology, the application of portals I think holds a lot of promise, particularly for the Federal Government in that it provides the opportunity to move beyond the categorical and sort of "silo" approach to government. It provides opportunities to cross over barriers and promote more communication and interaction between agencies around outcomes and problems that will require partnerships and multiple agency applications.

I think E-governance is clearly the greatest challenge that we face, and I strongly commend and support your efforts to push for an acceleration of our pace in reaching that goal to become a truly technological advanced government.

Mr. TURNER. Mr. Doberman.

Mr. GABERMAN. Well, you know, one of the things that's a problem for people is the entry costs in terms of technology, and not being absolutely certain in terms of what they're going to get for benefits. And one of the award winners in the State of New York in 1995 under the Center for Technology in Government actually provided a way that local agencies and State agencies could try various applications in a university-based setting to see what, in fact, seems to work for them, before they had to make the actual up-front investment. That struck me as a pretty creative and innovative way of going about it.

I think this applies not just to the Federal Government, to local governments, it applies to the not-for-profit sector as well. And just as a brief aside, in 1979, before the major revolution in the workplace, the Ford Foundation had something in the neighborhood of 800 staff to put out some $100 million in a budget. In 1999, the Ford Foundation had about 600 staff to put $800 million out. And I think it's that revolution in the workplace in terms of the technology that allows us to be so much more efficient, so much less costly in terms of our overhead and so much more of the money to get out to our grantees.

Mr. TURNER. Thank you. Thank you, Mr. Chairman.

Mr. HORN. We thank you. Let me just close on this panel with a couple of questions. One of the things we find when the Federal Government often has a grant program, let's take COPS as an example, that the first few years, everything is going great. The Federal Government is paying the bills. What happens the third, fourth year? What can you tell us? Has that been also a problem for the Ford Foundation? That it doesn't—it doesn't stay and move and they just give it up after that time? What's your experience been?

Mr. GABERMAN. I could quickly say that this program in particular, which would be fair to call a signature program for us, has two very important lessons. Lesson No. 1 is right on the point you're making, and that's the value of sticking with a project over time. It has been 14 years now, and if you listened a little bit to the description, this program has evolved. It started out with largely an

awards program at State and local government. It's added the Federal component. It's added recognizing not just the $100,000 winners, and it's added a component with the Council on Excellence in Government into trying to get the message out.

So we've learned over time and we would not have learned had we not been willing to stick with it. So there's a real value there.

The second thing I might add that's a particularly helpful lesson for us is about the strategy of programming. Very often when conventional wisdom pushes you in one direction, it's useful to ask what the contrary intuitive part of that might be. And when this program started, conventional wisdom would have had you study failure. It would have had you write another book, commission another study, and you would have learned something, and it might have been quite good work.

But the fact was that all over the country there were terrific examples of success. And the counterintuitive part was to say let's not highlight the failure, let's highlight the success. And I think that's at the heart of this. And it has been a technique that we've been able to apply to other programs, to look at that counterintuitive aspect of programming strategy.

Ms. CHRISTOPHER. What we found, particularly in this year's programs but also in prior years, is that the focus is on not just the particular isolated programmatic approach, but it's on a new way of thinking about solving a problem. And we are finding that it's probably easier to sustain and promote this change in thinking, this change in practice, it's probably easier to do that than to support isolated programs.

So we are excited about what we are seeing that these programs are now not just saying we can solve a problem, but we can also introduce a new concept or a new way of thinking about how a problem should be addressed.

Welfare reform, for instance, or the capacity to move people from welfare dependency to employment, one of our earliest winners in the State of Illinois, suggested that the approach needed to be comprehensive. It was a new way of thinking. That was almost 10 years ago, and today we find that this kind of thinking is present in many of the innovations in terms of welfare reform.

This year's program that deals with a new approach to foster care placement, supporting accountability for outcomes, reducing the amount of time that the children spend in the system, this is a new way of thinking about what foster care should be held accountable for and it is this kind of innovation for systems change that is emerging as result of these innovations, and these are the kind of things that we want to promote and foster nationally.

Ms. MCGINNIS. There is no question that innovation has to be continuous. And by focussing on some of the systemic issues that you have chosen to focus on today, that is, measuring performance, focusing on results, I think that enables you to look at how these programs are doing. And if one programmatic approach is not working, others could be substituted as long as the accountability is there.

A particular design of a particular program shouldn't go on forever. I mean, there is the introduction of information technology and new approaches should be welcomed. So we would like to see

more flexibility in the way programs are managed and administered. But a stronger focus on accountability for specific results. And that's the message of the innovators over the years.

Mr. HORN. Let me ask you, have you had a chance, either at the Kennedy School or with your council, Ms. McGinnis, on terms of looking at your programs and looking at the performance and results law of the Federal Government and what we are doing annually with Federal agencies, is there something you can give to us at the Federal level based on your experience that maybe we aren't doing right, being Congress not doing it or the executive branch not doing it? Or have you had a chance to make those comparisons or has somebody gotten their doctoral dissertation and put them out on that for a year or so? I know the Ford Foundation would be very willing to help them. Anyhow, have we learned something that we can use that we are missing?

Ms. CHRISTOPHER. I will draw from my experience with the innovations programs, but also with my experience with the National Academy of Public Administration and the Alliance for Redesigning Government. I think there needs to be more emphasis on genuine stakeholder input in the planning process. We observed at the Academy, and I think this is reflected also in the Innovations winners, that the grass-roots or frontline workers must feel ownership and involvement and total engagement in the new vision, in the mission that's created. And when somehow the process of the strategic planning and the performance planning becomes a paper process that doesn't engage and thoroughly involve all of the stakeholders, or at least the employee stakeholder, it is less effective.

What we have found is that many of the innovations programs are able to provide incentives, be they monetary or recognition or other creative strategies, that will engage employees with a real sense of pride and ownership in the process. And I think if there is a lesson to be learned at this early stage of the implementation of the Results Act is that we do need to be more assertive and aggressive in the outreach and the documentation that the engagement has particularly taken place, that it has not been sort of a paper exercise.

Mr. HORN. Well, that is very helpful. Any other thoughts?

Ms. MCGINNIS. Mr. Chairman, we at the Council have looked at the strategic plans of many agencies, and this year we actually conducted sessions with 10 agency leaders, and some of our principals who are from the private sector, to talk about their strategic plans in an interactive way. One thing that I've noticed about the plans is—and I think this is a problem, both within the executive branch and in the Congress—the goals and objectives and priorities among the many goals and objectives are not clear in many plans. There are very few that have taken this step.

And in the executive branch, a problem that we see is that often this process of setting goals and objectives and doing the planning and reporting is not as central to the strategic planning and management of the whole agency as it could be and should be.

This is—in the Department of Transportation, on the other hand, which we have seen as one of the best plans focussing on priorities and measurable objectives and really using the Government Results Act process as a way of managing and bringing together the

various transportation modes within the Department, we would like to see that approach used more broadly in the Federal Government.

In the case of the Congress, I think the Results Act, which is a very logical management tool, needs to inspire congressional committees to be more clear in their own goals and objectives in writing legislation. There is a lot of confusion and conflict, when you look at the statutes, that those in the executive branches or the executive branch are working with. So there's a need for clarity on this side as well.

The other thing that we see is that this as a management tool needs to be used more actively by the authorizing committees when they're actually designing legislation, and by the appropriating committees when they're deciding which programs to fund and how.

So it is a terrific tool which is not yet being used as fully either in the Congress or the executive branch as I think we would all like to see.

Mr. HORN. Well, thank you for that, because we certainly agree with you and we've urged our authorizing colleagues and our appropriating colleagues to meet their counterparts, Presidential appointees. Don't let's have staff do it; let's sit down and eyeball each one of these things. Otherwise, we're not taking it seriously.

Ms. MCGINNIS. That's a great idea.

Mr. HORN. We thank you very much and we will now move to the second panel, and that's Mr. Antony Sharbaugh, the director, office of human resources, gainsharing program of Baltimore County, MD; the Honorable Allan Klein, administrative law judge, government innovations and cooperation board of the State of Minnesota; and Mrs. Biggert the vice chairman will come and introduce Mr. Jess McDonald, director Illinois Department of Children and Family Services.

If you will stand and raise your right hand.

[Witnesses sworn.]

Mr. HORN. The clerk will note that all three witnesses have affirmed. And we will begin in the order that we have put it in the agenda. And that will mean Mr. Sharbaugh, the director, Office of Human Resources, Gainsharing Program of Baltimore County, MD.

STATEMENTS OF ANTONY SHARBAUGH, DIRECTOR, OFFICE OF HUMAN RESOURCES, GAINSHARING PROGRAM OF BALTIMORE COUNTY, MD; ALLAN KLEIN, ADMINISTRATIVE LAW JUDGE, GOVERNMENT INNOVATIONS AND COOPERATION BOARD OF THE STATE OF MINNESOTA; AND JESS McDONALD, DIRECTOR, ILLINOIS DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Mr. SHARBAUGH. Mr. Chairman, Mr. Turner, I come here as the director of the Office of Human Resources for Baltimore County. I have been charged by our county executive, Dutch Ruppersberger, with ensuring the success of the Gainsharing Program. I would like to thank the committee, the Ford Foundation, the Kennedy School of Government, and the Council for Excellence in Government for the opportunity to make some brief remarks about our program.

Gainsharing can be defined succinctly. Empowered frontline employees streamline bureaucracy to improve productivity. Some examples: A street lighting crew in Baltimore County leads 10 other local jurisdictions to challenge a Maryland power company. The company proposes a tariff that would virtually eliminate competition in the area of street lighting and cost our local government an additional million and a half dollars per year.

Building custodians solicit help from a recycling staff to promote the cost savings and environmental benefits of hand dryers over paper towels.

A team of tradespersons research and identify the inefficient use of high priced drywall and recommend a cost-effective solution.

Gainsharing helps employees to realize that their efforts can make a difference. It encourages them to become proactive; to not only identify problems, but to offer solutions. Without gainsharing, the examples cited would not have occurred. The program is more than an alternative pay for performance system. It is a catalyst for a culture change, a change toward participatory management.

A variety of factors led us to develop this program. With a population approaching 800,000 and flattening tax revenues, we were faced with an increasing demand for services and limited resources to meet them. Compounding this dilemma, many employees had been laid off, the morale of those who remained was low. Some of the best and brightest were jumping ship. Most employees believed that they had no control over their jobs, their careers, or their future.

We looked for a strategy that could potentially reduce government costs, raise competence, promote efficiency and independent thinking, and please taxpayers with the potential of improved service.

Our program recruits frontline employees to save money, improve customer service, and boost morale. The strategy calls for workers to voluntarily participate in management and accept responsibility for major reforms. In exchange for crossing management's line, employees split any generated savings with our county. For the first time in a major suburban government, managers share power with frontline workers to improve the system.

The program starts by retraining supervisors and administrators. Once they understand our focus, small teams of employees are selected by their peers. These teams are supported by the facilitators, generally frontline workers themselves, steering the teams to maximize their potential. The teams work independently with few restrictions to the scope of their ideas. They have the authority to enlist management's assistance when needed. They research cost savings proposals, evaluate them, determine feasibility and package proposals persuasively for presentation to top county administrators.

The team goal is to save money by bringing its knowledge, insight and experience to bear on problems. Whatever a team saves is divided equally with the administration for 2 years. Moreover, the teams exercise authority over the payouts determining who should be rewarded or excluded, and assume discretionary power normally reserved for management.

Many benefit from gainsharing. The citizens receive better service. In the short run, employees receive cash when their proposals are proven. In the long run, they profit from the process, learning team skills and experience autonomy over their jobs. Management wins from this alliance, as the organizational impetus moves from an authoritarian to a cooperative principle. Employees now create solutions, not problems. They become shareholders, understanding how waste and poor quality directly affect their security and income.

Our program has been well received, and its by-product has been a positive press with mention in the Wall Street Journal, the Washington Post, and inquiries from State and local governments across North American. The Gainsharing Program can confidently be duplicated in any jurisdiction. Many of its guiding principles adopted wholly or in part from Total Quality Management, have a proven track record of adaptability. Team problem solving has been successfully exported to private and public institutions across our country.

The program overcomes many budget limitations. While there are startup investments, it pays its own way producing long-term savings that are initially shared with the employees, but then continue unencumbered. Gainsharing has a built-in mechanism to diffuse employee resistance often encountered in experimental strategies. It does not force employees to change. The program is voluntary. It builds on the enthusiasm of a few and grows naturally in its success.

There are obstacles, of course. The program demands commitment from both the political administration and management. It requires that genuine leverage be ceded to participating workers. They must be given access to organizationally knowledgeable managers who are often reticent to share authority. These managers may feel threatened. Care must be taken to show them that they still add value to the organization; however, their roles have changed from simply telling the employees what to do to guiding and encouraging each employee to develop their potential. Unions can be won over by involving them early in the process and seeking their input throughout the program, especially in a review capacity.

Our Gainsharing Program builds on the successes of many existing practices by combining them into a unique package. It is not TQM or Group Dynamics tripped out in new clothes, but rather a major innovation applied to a large county government. It is an effort that calls on the skills and commitments of hundreds of employees and makes demands on administrators as well as frontline workers and is redefining the scope of everyone's position in the new organization. Thank you.

Mr. HORN. Thank you very much.

[The prepared statement of Mr. Sharbaugh follows:]

Gainsharing in Baltimore County, Maryland
Testimony of Antony Sharbaugh, Director of Human Resources, Baltimore County
Before the U.S. House of Representatives
Subcommittee on Management, Information and Technology as part of the
Government Reform Committee
September 6, 2000

Mr. Chairman and members of the subcommittee, my name is Antony Sharbaugh. I am the Director of Human Resources for Baltimore County, Maryland. Baltimore County is located on 610 square miles surrounding Baltimore City. The County operates under the home rule charter government. It represents 800,000 citizens, employs 7,000 who are represented by 5 bargaining groups. The government has an operating budget of $1.7 billion and a capital budget of $1.4 billion in the budget year 2000. I have been requested by our County Executive, C.A. Dutch Ruppersberger to ensure the success of the Gainsharing program. My remarks today will focus on Baltimore County's Gainsharing program.

IMPACT OF GAINSHARING

Empowered front-line employees streamline bureaucracy to improve productivity. Baltimore County's street lighting crew united and led ten local jurisdictions to challenge the local Power Company. This company tried to pass a tariff that would not only virtually eliminate competition in the area of street lighting but would cost Baltimore County alone approximately $1.5 million dollars extra per year. Building Maintenance custodians solicited the help of recycling division specialists to promote the cost savings and environmental benefits of hand dryers as compared to paper towels. A team of tradesman researched and identified the inefficient use of higher priced dry wall and recommended a cost-effective solution to upper management. A roofing crew was no longer satisfied with allowing inoperable equipment to stop them from meeting their own production goals.

Gainsharing helps employees to realize that their actions can make a difference. It encourages divisions to work together with other divisions as well as opens lines of communication between front-line employees and top-level executives. It encourages front-line employees to become proactive versus reactive and present not only problems to management but solutions as well. It encourages employees to pursue appropriate corrective action when lack of tools hinder their ability to work productively. Gainsharing is a continuous process improvement program that encourages its participants to continually think of ways to improve their jobs. Without Gainsharing, the initiatives cited above would not likely have occurred but instead status quo would have prevailed. Gainsharing is more than just an alternative pay for performance reward system that puts money in the hands of front-line employees. Baltimore County's Gainsharing program is the catalyst for a culture change in Baltimore County Government. A change toward participatory management where employees work with other employees, divisions work with other divisions, and everyone works together as a team for the betterment of Baltimore County

government. Private industry has been moving in this direction for a long time, realizing that this is the style that will enable them to compete in the new global economy. Baltimore County also would like to continue to provide the highest quality service for the citizens of the County.

PROBLEM

What led us to Gainsharing? With its population topping 700 thousand this decade and its flattening tax revenues, Baltimore County was faced with increasing service demands and limited resources to meet them. Compounding the problem, some employees had been recently laid off, the morale of the remaining employees was low, and many of the best and brightest had jumped ship for fear of losing their positions down the road. In fact, most employees believed that they had no control over their jobs, careers, or futures.

SOLUTION

Surveying the situation when he took office, the County Executive, C.A. Dutch Ruppersberger, went to the private sector to find a remedy. In Gainsharing, he found a strategy that could potentially reduce government costs, raise competence, promote efficiency and independent thinking, and please taxpayers with the potential of improved service.

Baltimore County's Gainsharing program recruits frontline employees to save money, improve customer service and boost morale at the local government level. The strategy calls for workers to voluntarily participate in management and to accept responsibility for major reforms. In exchange for crossing management's line, employees split the savings generated with the County -- seeing a real return on their investment. For the first time in a major suburban government, managers share power with non-management workers to improve the system.

As it's been redefined in Baltimore County, Gainsharing is based primarily, on current management techniques. It uses Total Quality Management principles and team building strategies to transform frontline workers into problem solving strategists of a pay-for-performance program that will ultimately build a more responsive, and responsible, local government work force.

The program starts at the top by retraining supervisors and administrators. When they understand Gainsharing's new focus and support front-line empowerment, small teams of employees are then selected by peers and brought together. These teams develop cost-savings proposals, evaluate them, determine their feasibility, and package them persuasively for approval by the County Executive. Employee teams need support through this process and they are helped at every stage by facilitators, the Gainsharing staff, and in-house experts in budget, law and management.

Facilitators (generally frontline workers themselves, trained in group dynamics) become part of the team, steering them to maximize their potential. But the teams work independently with few restrictions to the scope of their ideas. They have the authority to enlist management whenever they require. And they research and draft proposals, submit them to a technical advisory group of

managers for review and suggestions, and prepare a presentation for final review before executive action.
The team goal is to save money by bringing its specialized knowledge, insights, and experience to bear on problems. Whatever they save is divided equally with the administration for two years. Moreover, they exercise authority over the payouts, determining who should be rewarded or excluded and assuming discretionary powers normally reserved for management.

PROGRAM BENEFITS

When Gainsharing teams produce winning ideas, everyone benefits: citizens, public employees, and administrators. Citizens are guaranteed service equal to, or better than, past performance and taxes are controlled despite increases in market costs. In Baltimore County, for instance, two offices trimmed more than $600 thousand from their operating budget during the first year. Taxes have not been raised during the current administration and preliminary indicators suggest that citizens have been satisfied.

Employees benefit directly from Gainsharing. In the short run they receive cash when their proposals have proven themselves. In the long run they profit from the process, learning team skills and experiencing a degree of autonomy over their jobs. Moreover, they have the opportunity to reverse the outsourcing trend. Today, participation is creating a management-employee partnership and has helped reestablish a sense of job security lost during downsizing.

Management wins from this alliance too, as the organizational impetus slowly moves from an authoritarian to a cooperative principle. Employees now create solutions instead of problems; they become pro-active versus reactive. Employees become shareholders in the government understanding how waste and poor quality directly affects their security and income. Elected officials win when campaign promises are kept, services are enhanced, taxes do not rise, and policy gets good press. In Baltimore County Gainsharing has been well received and its byproduct has been a positive press, including citations in the Wall Street Journal and the Washington Post as well as inquiries from sixty-five government bodies and institutions across the country, including the Wharton School.

REPLICABILITY

Baltimore County's Gainsharing program can confidently be duplicated in any jurisdiction. Many of its guiding principles, adopted wholly or in part from Total Quality Management, have a proven track record of adaptability. Team Problem Solving, which relies on shared management responsibility and the input of frontline employees, has been successfully exported to private and public institutions across America.

In addition, this program overcomes many budget limitations. It makes no claims of being cost-free; there are start-up investments. But Gainsharing pays its own way, producing long-term savings that are initially shared with employees and then continue unencumbered.

Replication is also feasible because Gainsharing has a built-in mechanism to defuse employee resistance often encountered in experimental management strategies. It does not force employees to change; the program is voluntary -- building on the enthusiasm of a few and growing naturally with its successes. Its guiding principle (power sharing) gives followers a chance to be leaders, to make command decisions, and to earn money through performance. Gainsharing breaks down traditional organizational barriers.

OBSTACLES

There are obstacles, of course. The program demands commitment from both the political administration and management to succeed in any government organization. Gainsharing requires that genuine leverage be ceded to participating frontline workers; they must be given direct access to organizationally knowledgeable managers who are often reticent to acknowledge shared authority.

Another potential obstacle to the program is a unionized work environment. Baltimore County has five unions representing its employees. One union argued against the gainsharing program in their Gainsharing Position Paper dated March 29, 1996. This union believed that because the program had not been bargained and because gainsharing savings should be split with some percentage of the savings going to the benefit of all employees that they would *not* support the program in it's current form. However in Janauary of 1998, in the President's Column of their newsletter the president of this union cheered the program as follows:

> "Another positive in 1997 was the expansion of the gainsharing process. As many of you know, we were originally against the program when the original projects were launched. Having had an opportunity to be a part of this year's Review Committee, I now have a different view. The proposals submitted by the employees involved demonstrated what we have said all along. The people in the field, the front-line employees know their job best. They know what works and what doesn't, and they know how to work efficiently. The boost in morale was evident in every single participant. The proposals were so good even the County Executive remarked, "This is a great example of how Baltimore County can compete with private industry and outperform the competition."

The key to union cooperation has been to involve them early in the process and keep them abreast of program events. Participation in the final Review Committee allowed them to see first hand the benefits to the employees of the program.

Middle management can also be a significant obstacle to the program. Some middle managers feel very threatened by sharing their responsibility with the front-line. These managers earned their positions by being good at what they did and had also earned the privilege of telling others what to do. Front-line employees sharing in their management responsibilities threaten their position. Careful attention must be given to include middle management in the program. Most specifically care must be taken to show these managers that they still add value to the

organization; however, their roles have changed from simply telling their employees what to do to guiding and encouraging each employee to develop their potential.

Another significant obstacle to the program is the perception by fellow employees that this is just another management fad that will go away once the next administration comes in. Because of this, follow through is very important The reputation of the program and acceptance by the employees depends on them seeing real results due to their efforts and by keeping any and all commitments and promises that were made. Once employees see that this is a program to be taken seriously that gets results and helps them, they begin to believe in the benefits and to participate.

These are *not* insurmountable problems. In Baltimore County, for instance, Gainsharing has worked because the County Executive prepared the groundwork for the program, politically and administratively.

SIGNIFICANT ACHIEVEMENTS OF GAINSHARING

By multiplying the effectiveness of managers and empowering employees, Baltimore County has found a way to save tax payer dollars, $1.4 million over a 4-year period as well as to pay substantial dividends to front-line employees.

Dietary workers from the Bureau of Corrections developed, proposed and launched a plan to trim $155 thousand from their budget. Their program, begun in July of 1996, produced measurable results after a year and each of the thirteen employees involved in the proposal received checks for $5 thousand.

At the same time, maintenance workers from Recreation and Parks made innovations that cut their budget by more than $75 thousand. They too received checks ranging from $45 - $800.

Both groups demonstrated greater efficiencies and in the case of the Recreation and Park's proposal, citizen satisfaction measurably increased as complaints dropped with better service.

With its potential demonstrated, the Gainsharing pilot was then extended to the Department of Public Works where five hundred employees, from engineers to field crews, formed nine design teams generating proposals. In the fall of 1997, less than four months after they began, the front-line employees suggested viable ways to save $200 thousand from the Department's operating budget and almost a half million dollars from their capital budget.

Their suggestions have since been approved and were implemented in early 1998.

Participation in the Gainsharing program was then expanded to three more departments, the Department of Permits & Development Management, the entire Department of Recreation & Parks, and the Office of Human Resources. These departments formed nine more teams and all are hard at work on new proposals. All indicators suggest that the framework of the Gainsharing program is sound and the preliminary results validate the initial investment in the program.

CONCLUSION

Baltimore County's Gainsharing program builds on the successes of many existing practices by combining them into one unique package. It is not TQM or group dynamics tricked out in new clothes, but a major innovation applied to a large county government across the board. It is an effort that calls on the skills and commitment of hundreds of employees, makes demands on administrators as well as frontline workers, and is redefining the scope of everyone's position in the organization.

Mr. HORN. We now move to the Honorable Allan Klein, administrative law judge, Government Innovations and Cooperation, Board of the State of Minnesota.

I found that a rather fascinating operation. Are there similar offices in other States than Minnesota?

Judge KLEIN. Not that I'm aware of.

Mr. HORN. It is a very unique operation.

Judge KLEIN. Thank you. It is a joint executive-legislative operation which has some members from the legislature and some from the executive branch, and I'll describe in a moment what it does. But, Mr. Chairman, members of the committee, my name is Allan Klein, and I am here not because I'm the best representative of our group perhaps, but because I'm the sole remaining member of the original board that first met back in 1993. And as you know, seniority has its benefits.

When I was listening to the first panel speaking, I realized that the easiest way to understand the Minnesota board is to view it as a miniature version of the Innovations program. Barry Gaberman talked about four objectives being recognition, replication, learning and visibility. And I realized that those were the objectives of the Minnesota board as well because we fund projects and then we publicize them to encourage replication. The similarities between the two programs are striking.

The Minnesota board of Government Innovation and Cooperation is designed to enable and empower local government units such as counties, cities, towns, school districts, special purpose districts, etc., to overcome barriers to innovation. And the overall goal is to promote the mindset, much as Ms. McGinnis spoke of early on, promote the mindset that government can try new things, and that the State does encourage them to try new ways and, indeed, will help them legally and finally to try new ways.

The barriers to innovation are well-known. There are laws and rules that often mandate what must be done and how it must be done. Often they prevent any other way of doing things.

Second, there are risks with innovation. There are startup costs. Where is the money going to come from? And there are political risks as well. Will your opponent remind you of the failures during your administration? And the easiest way to avoid these risks is just do things the same old way as they have been done in the past. You know it works, and you can't be criticized for spending money on something that doesn't work.

There are three ways in which our board attempts to overcome these obstacles. First of all, we offer financial grants to local units of government to help them plan and execute innovative ideas. These work like seed money, or as some now say, "Ventura capital" investments, so that the locals can have the money for the startup costs. A good example of this is a joint State-county and city vehicle repair facility which is described more fully in my written statement.

Second, the board is empowered to grant waivers to State statutes and rules that are obstructing local governments from trying new ideas. Often we have statutes and rules that not only tell locals what to do, but also tell them how to do it. We all know of cases where government officials have told us that they could have

achieved the same outcome so much more cheaply or so much more effectively if they could have used a different method to get there. And we offer flexibility by granting waivers to statutes and rules to let the locals test their ideas on a pilot project basis.

If we find that their plan does work better than the old one, then we go to the legislature and encourage the legislature to change the statute, or we go to the agency and encourage the agency to change the rule to allow for the better method. That's the second tool that we use to encourage innovation.

The third and final method is a traditional one, it's to encourage and help fund the actual merger of cities and towns or school districts or other units of government. Now merging two cities or towns is a complex undertaking. I don't have to tell you it's complex politically. But I can also tell you that it is complex financially and complex legally. Just studying and presenting all the various questions and answers before the decision is made is a task that stops many mergers in their tracks. The board helps fund consultants, for example, to identify issues and propose solutions even before the decision has been made. And if the merger does proceed, then the board will help fund the myriad costs actually incurred by the two local units of government as they undertake actual implementation.

So those are the three methods that we use to encourage innovations. We make startup money available through grants, we help work around statutes and rules by granting waivers, and we encourage and help fund mergers.

And the point of all of this is to get across the idea that it's OK to try new ways, and it's the goal of the State to help local units of government find better ways to deliver those services.

The Minnesota board would be happy to explain any of these programs more fully to persons from other States or the Federal Government who might want to consider them. And I think at that point I'll close. There are some examples in my written statement of all the various types of things we've done.

One thing I might just mention, Representative Turner asked earlier about information technology. And there's an example in my written statement of a waiver which we granted to Hennepin and Ramsey Counties. Now those are the two largest counties in the State, the cities of Minneapolis and Saint Paul. They are the counties that have the most significant populations of undereducated persons. And as you may know, the Federal Government mandates that every 6 months, medical assistance recipients verify the fact that they are still eligible for medical assistance in terms of their income.

And prior to our waiver, roughly 25 percent of the medical assistance recipients in those two counties temporarily lost their benefits because they failed to return their forms. We would send them out a form, they should fill it out and they should return it. But as high as 25 percent of the people did not return it. They lost their benefits. This caused not only problems for them when they needed medical services, but it also caused problems when they had to reapply and get requalified.

And somebody in Hennepin County came up with an idea. They realized through their experience that most of these people were on

fixed incomes, and most of them got their only money from Social Security. They did not have outside investments or anything like that. Wouldn't it be possible to somehow electronically verify the amount of their Social Security payments, compare it with the limits for medical assistance, and the vast majority of them were still going to qualify, and thereby we could eliminate the problem of this every 6 months sending out the form but not sending it back in?

And so we granted them a waiver from a State rule that said you had to use the form, and instead allowed an electronic verification of their Social Security benefits. It worked out to be tremendously successful, avoided all of these people losing their benefits every 6 months, and now the legislature has authorized any county in the State to try this system. So there is an example of where information technology was put to work to solve a really basically human problem of simply not getting the forms returned on time. But with that, I'm going to stop. Thank you.

[The prepared statement of Judge Klein follows:]

MINNESOTA BOARD OF GOVERNMENT INNOVATION AND COOPERATION

Program Summary

Minnesota state and local officials are under intense public pressure for permanent tax relief. At the same time, citizens are demanding more and better public services, including smaller elementary and secondary class sizes, more affordable housing, relief for struggling farmers, better roads and mass transportation systems, affordable prescription medicine for seniors living on fixed incomes, and a variety of services to help people escape from a life dependent upon public assistance (affordable housing, child care, job training, etc.).

The Board of Government Innovation and Cooperation helps local officials meet the dual challenges of permanent tax relief and more and better public services. The Board focuses on improving both the efficiency and effectiveness of public services. The Board eliminates wasteful duplication of services by multiple levels of government and enhances public sector collaborations to reduce the overall costs of services. The Board recognizes the public sector must be more receptive to change - overcoming a perception often held by state and local officials that the safest course of action is to continue conducting business as it has always been done.

Short History of the Board

The Board of Government Innovation and Cooperation is an independent state agency created by the Minnesota State Legislature. The Board's authorizing legislation is *Minnesota Statutes* § 465.795 to 465.88. The authorizing legislation was passed in 1993 (*Laws of Minnesota, 1993,* Chapter 375, Article 15) and became effective July 1, 1993.

Minnesota State Senators Ember Reichgott Junge and John Hottinger were the primary legislative advocates for the creation of the Board. The Citizens

League, a non-profit public affairs research and education organization in Minnesota, is also credited with formulating the recommendations upon which the Board's waiver and exemption authority are based.

In June, 1992, the Citizens League released a report entitled "Results For Citizens, Options for Officials." The Report was prepared by the "Committee on the Organization of Local Government Services: Goals and Structures," a volunteer research committee. The Report recommended a results-based model for delivering local services, rather than continuing to rely upon the current regulatory approach to service delivery. It suggested that local governments should be "encouraged to focus not only on doing things right but on doing the right thing." The Report recommended that local officials be freed from prescriptive statutory and regulatory requirements dictating how a service is to be provided, and be allowed the flexibility for developing their own processes for achieving the desired service outcomes. The League Report also recommended providing local governments with incentives to improve service outcomes.

Senators Junge and Hottinger used the Report's recommendations to supplement their own ideas for an initiative to encourage local officials to improve the quality of public services. Senator Junge used her experience as promoter of two earlier initiatives focused on improving K-12 education outcomes. Senator Junge advocated legislation to promote the consolidation of Minnesota school districts and to authorize publicly-funded Charter Schools within Minnesota. The school consolidation initiative formed the basis for the Board's efforts to facilitate county, city and township mergers. The Charter School legislation is similar to the Board's waiver and exemption authority insofar as Minnesota Charter Schools are exempt from many of the rules and regulations that often result in excess costs for public school districts; Charter Schools are instead held accountable for educational outcomes. Senator Hottinger, a practicing attorney, helped frame the waiver and exemption statutes in a manner that would likely withstand constitutional challenges and avoid the state's cumbersome administrative rulemaking process.

	BOARD MILESTONES
7/93	Organizational meeting of Board members convened by State Auditor

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7/93	Organizational meeting of Board members convened by State Auditor
9/93	Board approves operating procedures governing its activities; Board announces first round of competitive grants and begins accepting pre-applications

12/93	Board scores 99 grant pre-applications - applicants given discretion on whether to submit final application; Board approves first waivers and hires Executive Director
2/94	Board receives 41 final grant applications and awards 16 grants totaling $750,000
5/94	Board's legislative initiative approved: grant scoring criteria established in statute; waiver & exemption authority extended to rules/laws governing non-profits; additional funds appropriated and Board authorizes second round of grants
5/95	Legislature gives Board discretion over aid awards for local government mergers - addresses concern that aid not be an entitlement; legislature enacts first laws based on successful waivers/exemptions; Legislature addresses constitutional concerns about exemptions to law granted by Board - requires legislative review of all exemptions; additional funds appropriated; first regional forums hosted by Board
5/96	Legislature approves blanket extension of all 1995 exemptions granted by Board
5/97	Legislators suggest successful grantees use savings to repay grant - scoring criteria amended giving applicants bonus points for agreeing to repay grant; repayments fund future awards; 1996 exemptions extended; additional funds appropriated; Board authorizes 4th round of grants; second series of regional forums begin
4/98	Board awards 4th round of competitive grants - 7 of 13 grant recipients agree to a contractual repayment clause if project is successful; 1997 exemptions extended
2/99	Statewide conference co-sponsored by Board to promote replication of Innovations
7/99	Funds appropriated; fifth round of competitive grants; 3rd series of regional forums
11/99	Pioneer Institute announces Board winner of 1999 Better

	Government Competition

3/00	Legislature expands Board's authority - authorizing special purpose district mergers
6/00	Board awards sixth round of competitive grants - 7 of 12 grant recipients agree to a contractual repayment clause if project is successful;
8/00	Ford Foundation/Kennedy School announces Board as Finalist for the Innovations in American Government Award for 2000.

Through the Board's competitive grants, the State shares the financial risks of pioneering new and improved public services. By authorizing waivers of administrative rules, and limited exemptions from enforcement of procedural laws, the Board removes State-imposed barriers to improved public services. The Board also streamlines the process for merging local governments, thereby capitalizing on economies of scale in the delivery of public services.

Competitive grants are available for local governments to develop and implement innovative public services and service delivery systems. The grants require collaboration between multiple levels of government and/or non-profit service providers. Grant recipients document their processes and performance outcomes as a means of promoting the replication of the innovations.

The rule waivers, and exemptions from enforcement of procedural laws, eliminate perceived barriers to more efficient delivery of public services. The waivers and exemption enable local officials to focus on service outcomes without having to adhere to state rules and laws prescribing how those outcomes are to be achieved. By granting the waivers and exemptions for a limited number of local governments, the Board minimizes the risks associated with the proposed modifications to the rules or laws. If a waiver or exemption results in more efficient or effective services, without any unintended consequences, the Board and local government officials work together to advocate that the rule or law be changed, allowing all local governments to implement the improved process. While a few Minnesota state agencies are able to waive their own rules, the Board, which includes members of the executive and legislative branches of government, is able to waive rules promulgated by all agencies. The independence of the Board helps ensure a more objective review of waiver requests.

Board Stakeholders

The Board of Government Innovation and Cooperation serves local officials and citizens of all 87 counties, 853 cities, 1,792 townships 346 school districts, and hundreds of special purpose districts in Minnesota. All local governments are eligible for grants, waivers and exemptions from the Board. Counties, cities and townships, and environmental special purpose districts may use the streamlined merger process.

Non-profit organizations are a secondary population that are served by the Board's waivers, exemptions and grants. The Board may grant waivers or exemptions for non-profit organizations if a portion of the costs of the services provided by the non-profit are paid by a local government. Non-profits are often co-applicants with local governments for the Board's competitive grant programs. These non-profit organizations may help implement pilot projects funded by the Board.

All local government leaders and citizens benefit from the Board's programs and services. The direct beneficiaries of the Board's waiver and exemption programs include the citizens of the 63 local governments that have either received a waiver or exemption from the Board, or received a more favorable response from a state agency after having applied for a waiver or exemption. The Board's grant programs have directly benefited the citizens of 292 local governments that have participated in the 96 pilot projects funded by Board grants. The Board's local consolidation initiatives have directly benefited the citizens of 17 local governments that have participated in seven Board-facilitated consolidations thus far.

The direct beneficiaries of the Board's waivers, exemptions and grants do not fully account for all of the local governments that are "served" by the Board's programs. For example, the Board has awarded grants to the statewide associations for counties, cities and school districts. Therefore, all 87 counties, 853 cities and 346 school districts have benefited from the Board's grant programs. Waivers and exemptions that have resulted in changes in state law have benefited all local officials and citizens in Minnesota.

In addition to the opportunities and benefits provided by the Board's waivers,

exemptions and grants, the Board facilitates regional forums for local officials, legislators and citizens. These forums bring elected and appointed officials from all levels of government together with concerned citizens for an evening to discuss opportunities for improving the effectiveness and efficiency of public services. In 1999, the Board facilitated nine regional forums which were attended by approximately 350 state and local officials. The Board regularly publishes articles in local government association newsletters and presents at statewide conferences, informing local officials about the opportunities that exist through the Board. In 2001, the Board will be a co-sponsor of a second statewide conference promoting innovation in the delivery of public services.

Board Successes

Members of the Board and Board staff are frequently asked "What is the single most important achievement of your program or policy initiative to date?" Thanks to the Board's waivers, exemptions, and grant programs; state and local officials are now able to focus on achieving desirable service outcomes, rather than continuing to adhere to prescriptive rules and regulations dictating how a service is to be delivered. Cultivating this change in mindset is the Board's most important achievement.

By giving an independent Board the ability to waive rules that were written by other state agencies, and grant exemptions from enforcement of procedural laws, local officials are now able to ask, "what if...." When local leaders ask themselves that question, they create the possibility for change and improvement. As awareness of the Board's waiver and exemption authority increased, local administrators began encouraging front line employees to suggest service delivery alternatives, even if those alternatives were inconsistent with state rules and laws. Local government employees, who are frustrated with the prescriptiveness of rules and laws, now have the opportunity to demonstrate how the delivery of a specific service can be improved. Likewise, the independence of the Board has helped change the culture within state agencies that regulate local services. State agency officials are now more receptive to new ideas for achieving desired outcomes. If state agencies continue to rigidly enforce their rules and laws, local officials may now appeal to the Board for the flexibility necessary to try new ideas.

Consider how this change in mindset helped one local school district continue

a Teenage Parenting Program, thereby helping young mothers earn high school diplomas. The Program provided child care services while the mothers attended classes. When Minnesota Department of Human Service (DHS) staff learned of the program, they threatened to "shut the Center down" because it was not licensed as a child care center. While the services were provided in district buildings and supervised by district staff, the Center did not meet all of the prescriptive DHS requirements. When the district applied to the Board for a waiver of specific licensing requirements, DHS inspectors quickly intervened, offering to grant variances from their own rules. A district official wrote to the Board, "I have absolutely no doubt that your intervention resulted in this turnaround by DHS ... thank you on behalf of those teenage mothers who will now be able to earn their high school diploma and have the dignity and success that goes along with that milestone."

The Board's grants have also empowered local officials to explore new ways of achieving service outcomes, thereby creating models for improving the efficiency and effectiveness of public services. By providing grants for collaborative efforts between multiple governments and non-profit service providers, the Board has helped eliminate "turf wars" over which level of government should deliver a specific service. Local government associations that were initially skeptical about the Board's ability to overcome barriers to intergovernmental collaboration are now sold on the Board's success. In 1999, over 250 local officials attended a Board-sponsored conference focused on replicating innovations in the delivery of local services. Plans are currently underway to hold another conference tentatively titled "Bright ideas In Local Government" to be held in January 2001.

Measures of Board Success

The three most important measures of the Board's success are:

1. the success of pilot projects resulting from grants and waivers awarded by the Board, as measured by the dollars saved and the improvement in the quality of services delivered;
2. the number of local government consolidations facilitated by the Board; and
3. the feedback from clients, as measured by responses to surveys mailed to local officials and evaluations used after statewide and

regional forums that are sponsored by the Board.

The Board has received over five hundred applications for competitive grants, awarding a little over five million dollars for 92 pilot projects. The actual and projected savings achieved by the these projects totaled nearly fifteen million dollars, including seven million dollars in recurring annual savings. Grantees are required to document their savings to demonstrate the cost effectiveness of the projects to local governments that are interested in replicating the successes. On June 6th, the Board announced 12 additional grant awards totaling over $700;00 selected from 90 applications received for consideration ($5.956,000 in funding requests ere received).

The Board has approved 49 of the 86 requests for waivers/exemptions that it has received. Of the 49 waivers/exemptions approved, 25 have resulted in new state legislation, thereby enabling all local governments to benefit from the improved service delivery model. Sixteen projects are continuing to be evaluated; five projects did not warrant statewide implementation. Sixteen of the 36 waiver/exemption requests that were not approved exceeded the Board's authority (e.g. federal rule); the Board declined to approve three requests. The remaining 17 waiver/exemption requests were withdrawn by the applicant after the specific state agency enforcing the rule offered to allow the applicant to proceed without a waiver from the Board.

Minnesota has an inordinate number of small city and township governments. In an effort to capitalize on economies of scale, Minnesota has encouraged mergers of small units of government. During the 23 years preceding the Board's creation, there were a total of five local government mergers. The Board's locally-driven, flexible merger process, and the ability of the Board to offset some of the short-term financial barriers to local government mergers, has stimulated renewed interest in mergers. During the past six years, the Board has assisted seven successful consolidations and is actively working on five more potential consolidations. The success of the Board's merger process has prompted the 2000 Legislature to expand the Boards authority to approve mergers and reorganizations of environmental special purpose districts (e.g. stormwater management, drainage districts, watershed districts, soil and water conservation boards, etc.) as well.

Significant Contributors to the Success of the Board

The eleven members of the Board, which include the State Auditor, the Commissioners of Finance and Administration, two Administrative Law Judges, and six Legislators, deserve significant credit for their commitment to program development and implementation. Many of these individuals are "statutory" members of the Board and this responsibility has been added to their current full time responsibilities. Board members score all grant pre-applications and final applications, and the Board collectively decides which waiver, exemption and merger planning grant requests will be awarded.

The local government associations, including the League of Minnesota Cities, the Association of Minnesota Counties, the Minnesota School Boards Association and the Minnesota Association of Townships are the Board's strongest advocates. Board staff routinely appear at conferences sponsored by these organizations. The Executive Director of one local government organization, who initially opposed the Board's authorizing legislation, is now one of the Board's strongest allies. He recently commented, "I never thought this would work. I told the author it was a bad idea and would result in pork barrel grants to key legislative districts. I am now eating crow. The Board's waivers and exemptions have forced all state agencies to be more flexible in the enforcement of their administrative rules. The grants have funded pilot projects throughout the state that would never have happened without state assistance." All local government organizations credit the Board with establishing a real partnership between the State and its local governments in the delivery of public services.

Finally, the Board has been fortunate to have attracted top notch staff personnel. Since all of the Board members have other, full time responsibilities, almost all of the day-to-day work of promoting the Board's goals is performed by the Board staff. And since the staff is so small – only two persons – there is no room for poor performance. Luckily, the innovative "outside the box" nature of the Board's work has attracted creative people who have been willing to make an *extra*ordinary effort. The Board's two staff members are responsible for the regular activities of the Board, including tracking waivers, exemptions and grants; providing technical assistance regarding waivers, mergers, and grants; facilitating regional forums and other extensive public speaking engagements; and disseminating information about

successful pilot grant and waiver/exemption projects.

Len Inskip, a columnist and editorial writer for the *Star-Tribune* - the largest newspaper in the state - is one of the Board's ardent supporters. In columns and editorials written about the Board, Inskip has noted that the Board "is showing how a relatively small amount of seed money can help local governments explore creative new avenues toward greater effectiveness. Those avenues include expanded intergovernmental cooperation and redesigned services." Inskip has described the Board as "one of state government's most creative endeavors in recent years." Inskip has also characterized the Board's operations as being "about as nonpolitical as any at the Capitol."

Board's Current Operating Budget

The Board is funded entirely by a state general fund appropriation. For the current biennium, the Board received an appropriation of $2,032,000. Of the Board's $2,032,000 biennial budget, $1,720,000 is used to fund the Board's competitive grants and for aid payments to local governments that agree to merge. Approximately 15 percent of the budget is used for administrative expenses, including the salaries and benefits of the Board's two staff members.

Some of the innovative pilot projects funded by the Board's budget include:

- merging the city police and county sheriff departments in Rock County into a single agency;
- implementing a sentence-to-serve program, using non-violent offenders to cut, split and deliver firewood for households with wood heat that qualify for state and federal low income energy assistance, thereby serving more low income households;
- establishing an electronic information network serving all 87 county attorneys, the State Court Administrator, the Attorney General, and other judicial agencies, helping to provide information and data to county attorneys so that individual county attorneys do not have to "re-invent the wheel" on a wide variety of court filings and legal briefs. This system will also give county attorneys better access to criminal histories of individual defendants.

The Board's administrative budget also supports the Board's waiver, exemption and merger programs. A combination of waivers and exemptions that were recently approved for Ramsey County provide an example of the benefits of the waivers and exemptions.

- Minnesota's Consolidated Chemical Dependency Treatment Fund is used to treat low income, chemically dependent individuals. The Fund includes state and county dollars. State laws and rules restrict the use of the fund to licensed chemical dependency treatment services. Ramsey County sought waivers from the Board that would allow the County to use the fund for case management services. Relying upon the waivers, the County contracted with social workers to provide intensive management services (e.g. basic living and work skills, etc.) for 225 of the County's most chronic chemical abusers. The waivers dramatically improved the effectiveness of the County's Chemical Dependency Treatment Services, reducing average annual costs for the 225 clients from $1,858 per individual to $249 per individual - a savings of $362,025 per year. The average number of detox admissions for these 225 clients decreased from 3.25 admissions per year to 0.29 admissions per year. The percentage of the clients who were living independently increased from 45 percent at intake to 68 percent at case closing. Board staff monitored this project and will be recommending rule and law changes to allow for statewide implementation.

Principal Challenge Facing the Board

The Board's most significant challenge has been convincing certain state officials that the Board should be funded with state general fund appropriations. There exists an on-going need to convince some state officials in both the executive and legislative branches that the State should be responsible for funding a program that appears to only benefit local units of government. As pressure mounts to trim the size and scope of state government, the Board becomes an easy target for state budget cutters. While overall support for the Board's mission is strong, there are those who believe all efforts to improve the effectiveness and efficiency of local governments should be funded with local tax dollars.

In 1995, Governor Arne Carlson proposed no funding for the Board. Focusing on the Board's grant and aid programs, the Governor's staff asked, *"why should we pay local units of government to do the right thing?"* With strong legislative support, the Board was funded. In deference to the Governor's Office, the Legislature agreed to a corresponding decrease in general purpose aid to local governments. In 1997, Governor Carlson included the Board's budget request in his budget. In 1999, the Board once again faced an uncertain future. After a difficult legislative session, the Board's base level budget was approved and signed into law.

The Board's mission is based on the premise that state government must work in partnership with - not against - local governments. While the Board's waivers, exemptions and grants will provide immediate benefits for the local governments that receive them, the successful pilot projects made possible by these initiatives have the potential to benefit all Minnesota local governments.

Other Challenges

Given the nature of innovation, not all pilot projects will succeed. There are economic and political risks for officials who experiment with new, untested ideas for improving public service outcomes. Unlike the private sector, where there are economic rewards for taking risks, there are few rewards for local officials who risk taxpayer dollars in an effort to improve public services. The Board's programs provide local officials with incentives for experimenting with new service delivery models, rather than penalizing them for well-intentioned efforts that fail to produce the desired outcomes. Regardless of how well intentioned the effort may have been, if an innovative approach to improve a locally-delivered service fails, local taxpayers will hold their officials accountable for the tax dollars spent on the attempt. If an innovative approach succeeds, the most the officials can hope to gain is the appreciation of the citizens and the satisfaction that their efforts helped improve public service outcomes. The safe course of action in administering public services is to avoid trying anything new or innovative.

The Board's waivers, exemptions and grants reduce the risks for local officials who are willing to develop and implement innovative strategies for improving public service outcomes. Since the benefits of successful pilot projects will be

felt throughout the state, it is appropriate that the State share the political and economic risks associated with projects that may not succeed. Local officials are much more comfortable trying innovative strategies if they can explain to their citizens that the initiative is supported by a state waiver or exemption, or that a state grant will offset a portion of the cost of the initiative.

In addition to the perceived need for the State to share the risks associated with pilot projects, the State directly benefits from efforts to improve local service outcomes. Minnesota spends over $1 billion per year on aids to local governments to reduce financial pressure on local property taxes. Rather than simply subsidizing local spending, the Board's programs focus on improving the effectiveness and efficiency of local services, thereby reducing pressure for additional discretionary state aid to local governments.

The Board also has difficulty tracking pilot projects that are replicated by other local units of government. While the Board aggressively disseminates information on successful pilot projects, we have no formal mechanism to account for how many of the 3,079 local governments actually replicate those projects. To date, we've relied on anecdotal evidence to demonstrate that the pilot projects are being replicated.

Replication Potential in Other States

To the best of our knowledge, the Board of Government Innovation is unique in offering multiple opportunities for replication of innovative ideas in the delivery of public services. No other state has established programs, or implemented policies, modeled on the authorizing legislation for the Board of Government Innovation and Cooperation. However, the Board's authorizing legislation could be, should be, replicated by all other states. Minnesota is not unique in the need to meet the dual demands for lower taxes and improved quality of public services. Minnesota is also not unique in having state rules and laws that are overly prescriptive in establishing "how" local services must be delivered, as opposed to establishing desired service outcomes and giving local officials the flexibility to determine how best to achieve those outcomes. Finally, Minnesota is one of many states that have hundreds of local governments that lack the economies of scale to provide effective and efficient services.

In addition to the opportunities for states to replicate the Board's authorizing legislation, many state and local governments could benefit from the pioneering efforts that have been made possible by waivers, exemptions and grants awarded by the Board. For example, there exists a federal regulation requiring states to verify the incomes of medical assistance recipients on a semi-annual basis. To comply with this federal requirement, Minnesota promulgated rules requiring medical assistance recipients to file semi-annual income verification forms with their county. In Hennepin County, Minnesota's most populated county, over 20 percent of the medical assistance recipients failed to file the semi-annual income verification form. Those individuals were disqualified from the medical assistance program and had to re-apply for benefits the next time they needed medical services. This re-application process was time consuming for both the individuals and county staff.

Hennepin County officials observed that most of its medical assistance recipients were senior citizens living on a fixed social security benefit. The officials suggested it would be possible to simply use electronic data on medical assistance recipients and match it with electronic data on social security benefits provided by the Social Security Administration. Wouldn't this process satisfy the federal requirement that income be verified semi-annually? If an individual began receiving another source of income, that income would become apparent during the required annual review of all individuals receiving medical assistance benefits. Federal regulations allowed for retroactive adjustment of medical assistance benefits. The Board granted Hennepin County's proposed waiver over the objection of the Minnesota Department of Human Services. Hennepin County proved its concept was feasible, and the State Legislature has now authorized this process for all counties willing to invest in the necessary computer software. How many other states are currently using income verification forms for verifying the income of medical assistance recipients living on a fixed social security benefit? Wouldn't this process work elsewhere?

Board Program Awards and Recognition

In November, 1999, the Pioneer Institute for Public Policy Research - a public policy think tank based in Boston, Massachusetts - designated the Minnesota Board of Government Innovation and Cooperation as the winner of its 1999 Better Government Competition. The Pioneer Institute received 145

nominations for its Better Government Competition. Staff from the Pioneer Institute had encouraged the Board to enter the competition. Pioneer Institute staff learned of the Board's mission through the Board's semi-finalist status in the 1999 Innovations in American Government Award program.

In addition to the national recognition received through the Pioneer Institute's Award Program and the Board's semi-finalist status in the 1999 and finalist status in 2000 Innovation's In American Government Award program; many of the pilot projects authorized by the Board have received national, state and local awards for improving the effectiveness and efficiency of public services. The following are examples of Board-sponsored projects that received recognition from various organizations.

The creation of Environmental Subordinate Service Districts for wastewater disposal is one Board- sponsored pilot project that has received national and state recognition.

- Environmental Subordinate Service Districts establish a common drain field for a cluster of lakeshore properties in a rural area. The common drain field helps protect surface water by locating the drain field away from the lake and providing effective wastewater disposal for residential and recreational properties that are too small to provide for their own drain field. The Cass County project has received two national Wal-Mart Leadership Awards, an annual Achievement Award from the Association of Minnesota Counties, a Partnership Minnesota Award for intergovernmental cooperation, and a Minnesota Surface Water Project Award from the Minnesota Water Planners Conference.

The League of Minnesota Cities have given its annual "City Achievement Award" to a number of pilot projects initially sponsored by the Board. These local award recipients include:

- five suburban cities for the development of a cooperative and uniform regional housing plan;
- the City of Norwood Young America for a successful merger of two cities;
- eighteen cities and seven counties for establishing a collaborative to share equipment, human resource personnel and policies, staff development activities, and central purchasing; and

- the City of Hutchinson for its participation in a Joint Vehicle Maintenance Facility - a facility shared by the city, county and state public works departments. The facility included an environmentally sound underground fuel storage facility and a single sand and salt pile.

In addition to recognizing the Environmental Subordinate Service District project, the Association of Minnesota Counties has given its "Annual Conference Award" to:

- Faribault and Martin Counties - two counties that used Board waivers to help fully integrate a wide variety of health, social service, mental health, income maintenance and correction services into a comprehensive community support plan; and
- Rock County - for participation in the merger of city and county law enforcement agencies.

Partnership Minnesota, an organization established to recognize and promote cooperation among federal, state and local government agencies, has recognized numerous projects funded by the Board with its annual Cooperative Public Service Awards. An effort to automate the Torrens property records of two counties, an innovative employment and training program to help individuals leave public assistance, and a successful effort to merge county and school social service worker positions into a single position throughout three counties are just three examples of Board projects that have received the Cooperative Public Service Awards.

The Board also has a history of positive media coverage:

- An editorial in the March 5, 1994, edition of the *Star Tribune* commended the Board's waiver authority. The editorial read in part, "reformers want government to be more customer-friendly and simultaneously more efficient. One way is to modify or eliminate unnecessary or burdensome rules. A new Minnesota board has begun doing that."
- On June 16, 1994, *The Public Innovator,* a bulletin published by the Alliance for Redesigning Government in Washington, D.C., ran a front page article entitled, "Prairie Home Deregulation." The article described the Board's mission and programs.
- The January 9, 1995, edition of the *Star Tribune* ran a feature story

entitled, "'Reinventing government' venture is praised as model." The article quotes Neal Johnson from the Alliance for Redesigning Government as saying, "It's a really unique effort. I'm not aware of anything like it in other states. I think it's tied to Minnesota's tradition of good government and innovative approaches on a lot of fronts."

- A series of columns by Leonard Inskip appeared in the *Star Tribune* during 1995 (½/95; 2/6/95 and 4/4/95) praising the efforts of the Board after Governor Carlson had proposed its elimination;
- In February, 1995, the Public Affairs program *Almanac* (KTCA Channel 2, St. Paul) featured a segment demonstrating the effectiveness of the Board's waiver program;
- An editorial in the April 5, 1995, edition of the *Saint Paul Pioneer Press* urged the Legislature to fund the Board. The editorial begins, "It's a tiny agency with just two employees...but in just two years, the Minnesota Board of Government Innovation and Cooperation has established itself as a strong and effective champion of greater efficiency in local government. Governor Arne Carlson is wrong to push for the board's elimination."

Over the past 20 months, the Board has continued to receive favorable media coverage.

- A February 9, 1999, *Star Tribune* column by Len Inskip reported on the February 3 - 4, 1999, statewide conference that was co-sponsored by the Board. The goal of the conference was to encourage local officials to be more innovative in the delivery of public services and to highlight examples of innovation that could be replicated. In promoting continued state funding for the Board, Inskip writes, "The board's value was readily apparent last week at a conference named 'Innovations: Bright Ideas in Local Government.' The Board...had an important role in organizing the conference; (it) also prepared a 50 page booklet summarizing 175 innovations submitted for the conference."
- An April 28, 1999, editorial in the *Star-Tribune* urging the Minnesota Legislature to reject a proposal to eliminate state funding for the Board. The editorial describes the proposal to eliminate Board funding as being "penny wise and pound foolish."
- A November 21, 1999, *Star Tribune* article about the Board's recognition as the winner of the 1999 Better Government Competition sponsored by

the Pioneer Institute. The article begins with the following assessment of the Board's situation: "It's getting to be an old story for the Little State Agency That Could: another national award, another struggle for survival."

- A February 29, 2000, *StarTribune* column by Leonard Inskip entitled, "What a difference a year makes for the state's Innovation Board." The column notes that there are four initiatives pending before the 2000 Legislature to expand the authority and mission of the Board of Government Innovation and Cooperation. While the Board still has its critics, the column notes that the Board is gaining more respect from state and local officials alike.
- A August 23, 2000, *Pioneer Press* editorial noting the Board's selection as a finalist in the Innovations in American Government Competition which noted the Board's support for innovative and cooperative approaches to finding solutions to common problems facing local governments.
- The August 23, 2000 issue of *Politics in Minnesota*, a "must-read" monthly for policy wonks and political junkies in Minnesota contained an article that the Board which has been the target of ... past ...partisan efforts to kill it for the past couple of years was about to bring honor ...to the state.
- An August 26, 2000, editorial in the *StarTribune* which noted that the Board received "well-deserved" recognition by its selection as a finalist in the Innovations in American Government Competition.

More telling than the coverage the Board has received in the major daily newspapers is the local coverage given to the regional forums the Board has facilitated throughout the state.

- A January 9, 1996, edition of the *Mankato Free Press* included an article on a Mankato regional forum. The article included a citizen's perspective of the forum, which read, "The heart-to-heart between local officials was enough to inspire gratitude in one regular citizen who stopped by. 'This is the most positive thing I've seen happen in this area in my lifetime,' said Ken Bunde, who probably attends more local government meetings than some elected officials. 'You're doing a wonderful job. Thank you.'"
- A September 14, 1999, edition of the *Golden Valley Sun Post* (www.wcco-tv.com/community/sun/ar.../new/) included a front page story

entitled, "A meeting of the minds." The article begins by noting: "'Communication' and 'cooperation' may be overused buzzwords these days, on the lips of politicians and government officials everywhere. But a real-life attempt to put them into action occurred Sept. 8, when 40 state, county and local government officials participated in a two hour forum at Crystal City Hall."

- A October 15, 1999, edition of the *Minnetonka Sun Sailor* (same web address as above) reported on a similar forum held in another region of the metropolitan area. The forum also gave local officials an opportunity to share their ideas and concerns with local legislators prior to the 2000 legislative session.
- A December 3, 1999, edition of the *Northfield News* reported that local officials in that area of the state used the regional forum to have an extended discussion of unfunded state mandates. "County Commissioner Heather Robins summarized concerns about mandates, saying, 'It's easy to say it shall be done, but legislators and staff are not sure who does it.'"

Conclusion

In his State of the State Address, Minnesota Governor Ventura declared:

"I want a smaller, more efficient government. I envision ... a more strategic and successful
state government working in partnership with -- not against -- local units of government...."

The members of the Board and the Board staff feel that the Board of Government Innovation and Cooperation has contributed, through our range of grant, waiver/exemption, merger and technical assistance programs, to assisting local governments to design and deliver local government services in a more effective and efficient manner. This serves to not only meet local needs but also to demonstrate that innovative and comparative approaches can, indeed be a successful alternative to "the go-it-alone" mentality of the early pioneer settlers of the state and of many communities to this day. Further, the Board has assisted other units of local government to replicate successful projects and to avoid the pitfalls and obstacles that confronted other cities, counties, school districts and non-profits. By sharing the

experiences of successful and not so successful pilot projects, the Board has offered an opportunity for shared learning amongst and between levels of government across Minnesota.

The model that the Board presents to state and local government officials in Minnesota could and should be adopted elsewhere. Local officials who have innovative ideas for improving the effectiveness and efficiency of local services need to be are encouraged to "take a chance" on new approaches to old problems and to design preemptive systems to deal with emerging challenges in local and state government. One successful approach has been demonstrated by the Minnesota Board of Government Innovation and Cooperation. Other states should be encouraged to follow this Minnesota example of better government.

Q & A FACT SHEET

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What is the Board?

- The Board of Government Innovation and Cooperation facilitates improved quality and efficiency in the delivery of services by local governments by providing incentives for innovation and cooperation and removing state-imposed barriers to more effective service delivery.

- The Board is a Minnesota state agency. Its eleven members include the State Auditor, the Commissioners of Finance and Administration, two Administrative Law Judges and six Legislators. It has two full time employees who administer three grant programs, a program of administrative rule waivers and exemptions from enforcement of procedural laws, and a program for assisting local governments that agree to voluntarily consolidate with neighboring governments as a means of improving their overall efficiency.

Why was the Board created?

- The Board was created to help government work better by eliminating wasteful duplication of effort and bureaucratic red tape that often frustrate local government officials, citizens and taxpayers.

- By supporting tax cuts, Minnesotans are not necessarily asking for an elimination or reduction in all services provided by state and local governments. They simply want our elected officials to make better use of their existing tax dollars. The Board was created to work with local officials to search for ways to continue to provide top quality public services while reducing the tax burden on citizens.

- The Board staff actively encourage other local governments to replicate successful service delivery models developed with Board assistance.

National Recognition Received

- The Board was selected as a finalist in 2000 and a semifinalist in 1999 as part of Innovations in American Government Award Program sponsored by the Ford Foundation and the Kennedy School of Government at Harvard University.

- The Board was the winner of the 1999 Better Government Competition sponsored by the Pioneer Institute for Public Policy Research in Boston, Massachusetts.

What Type Of Projects Has The Board Assisted?

- Over the past four years, the Board approved the mergers ofNorwood and Young America and Redwood Falls and North Redwood and has provided financial assistance to four additional mergers. It is actively working with community leaders and local government officials on six additional proposed mergers. During the 20 years preceding the Board's creation, only eight local government mergers had occurred.

- Rock County and all cities within the county are merging city and county law enforcement agencies to form a unified, county-wide law enforcement agency.

- The Itasca and Koochiching County Corrections and Human Services Departments have implemented a sentence-to-serve program, using non-violent offenders to cut, split and deliver firewood for households qualifying for state and federal low-income energy assistance. During its initial year of operation, work crews produced and delivered approximately 1,100 cords of wood to supplement the County Low-Income Energy Assistance Program and for commercial firewood sales. In addition to providing meaningful community service opportunities for offenders, these wood deliveries generated over $74,000 in net income to provide continued support for the program.

- Thanks to seed money from the Board, McLeod County, the City of Hutchinson and the Minnesota Department of Transportation collaborated on building and operating a single vehicle maintenance facility, instead of building three separate facilities. By constructing a single maintenance facility, the project saved taxpayers $500,000 in construction costs. The operational efficiencies will yield approximately $127,000 in savings every year. Furthermore, as a result of the consolidated salt, sand and fuel storage facilities, Minnesota's environment will benefit from this project.

Providing adequate environmental safeguards at a single site is more cost effective, and involves less environmental risk, than would be possible had the three governments gone their separate ways and built their own maintenance facilities. The Hutchinson facility is being replicated by the City of Hibbing, Saint Louis County and the Minnesota Department of Transportation. Other areas of the state are also expressing interest in the model.

- Minnesota local governments have a difficult time collecting past due debts. Recognizing the revenue lost due to uncollected debts, Dodge, Rice and Steele counties hired a professional debt collector. The Board assisted the counties with the collector's first year salary; a portion of the revenue collected is used to provide ongoing funding for the initiative. During the first 18 months, the counties collected $692,744 in past due debts.

- Every winter, Minnesota cities and counties spread millions of tons of sand on city streets. Every spring, much of this sand is swept up, requiring the cities to pay hefty fees to dispose of it in area landfills. With the assistance of the Board, Ramsey County and eleven municipalities within the county have cooperatively purchased state-of-the-art road sand and gravel recycling equipment. Using the equipment, street sweepings are screened and usable sand and gravel are extracted for use the following winter. The county and cities estimate this initiative has already saved them $1.74 million in reduced sand and gravel purchases and landfill disposal fees.

How Useful Are The Waivers And Exemptions?

The Board has the authority to grant waivers of administrative rules, and exemptions from enforcement of procedural laws, if local officials can suggest an alternative means of achieving the same or better outcome without adhering to the rule or law. The waiver program enables local officials and the state to test new ideas for eliminating bureaucratic red tape and reducing the burden of mandates on local governments. If a waiver is successful, the Board makes recommendations to the Legislature to enable all local officials to benefit from the new flexibility.

- Minnesota rules and procedural laws required county mental health caseworkers to review and update the individual Community Support Plan for every client receiving mental health services every 90 days. The caseworker had to also assess the progress the client is making toward recovery every 90 days. Mental health professionals in Dakota, Ramsey, Washington, Stearns and Benton counties contend little progress was made

toward recovery from mental illness during a 90 day period of time. The time spent preparing the required paperwork is time that could have been spent working directly with the client. Furthermore, it may be counterproductive to inform the mentally ill person that he or she has made little progress toward recovery. Under waivers and exemptions granted by the Board, mental health professionals in these five counties were able to complete the necessary reports every 180 days, instead of every 90 days. In Dakota County alone, the waivers and exemptions allowed caseworkers to increase the number of clients served; the average time spent with each client also increased from 58 minutes per month to 83 minutes per month, thanks to the reduction in required reports and assessments. Thanks to these pilot projects, the law has now been amended to reflect the 180 day standard.

- Thanks to a waiver of administrative rules granted by the Board, Hennepin and Ramsey Counties electronically verify the income of fixed income medical assistance recipients, thereby eliminating the need for these individuals to complete an income verification form every six months. Prior to the waiver, 25 percent of Hennepin County's medical assistance recipients (350/month) temporarily lost their MA benefits due to their failure to return the form. The need for these recipients to re-apply for benefits was frustrating for the individual; taxpayers also had to absorb the cost of processing the re-applications.

- Minnesota's Consolidated Chemical Dependency Treatment Fund treats low income, chemically dependent individuals. The Fund is comprised of state and county dollars. State laws and rules restrict the use of the fund to licenced chemical dependency treatment services. Ramsey County sought exemptions and waivers from the Board that would allow the County to use the fund for case management services. Relying upon the exemptions and waivers, the County contracted with social workers to provide intensive management services (e.g. basic living and work skills) for 225 of the County's most chronic chemical abusers. **The waivers and exemptions dramatically improved the effectiveness of the County's Chemical Dependency Treatment Services, reducing average annual costs for the 225 clients from $1,858 per individual to $249 per individual - a savings of $362,025 per year.** The average number of detox admissions for these 225 clients decreased from 3.25 admissions per year to 0.29 admissions per year. The percentage of the clients who were living independently increased from 45 percent at intake to 68 percent at case closing. **Board staff continue to monitor this project and will be recommending rule and law changes to allow for statewide implementation.**

What Options Are Available For Voluntary Mergers By Local Governments?

The Board has the authority to approve a merger of two or more local units of government. The plans for the merger must be developed and approved by the governing bodies of both participating local units.

Who is eligible for the merger program?

Counties, cities, or towns that are willing to develop a plan to provide combined services and merge into a single unit of government. After presenting a plan to the Board, the local governments begin cooperative service arrangements. After a period of offering joint cooperative services, the governments merge into a single unit of government over the succeeding two-year period.

What are the requirements for a referendum?

The entities must conduct a referendum on the question of merging during the first or second year of cooperation, and after the plan has been approved by the Board.

What financial assistance is available to entities proposing to merge?

Small grants are available to assist very small government units wishing to study the feasibility for a merger. The Board may also provide assistance to the merging units of government to help overcome short-term financial barriers that often inhibit mergers from occurring. The Board determines the maximum amount of aid that may be paid based on the per capita population of the combining entities. The total aid payment to any entity may not exceed $100,000 per year over afour year period of time. The formula for determining the maximum aid payment is as follows:

Combined Population after Consolidation	Maximum Aid Per Capita, Per Year
0 - 2,500	$25
2,500 - 5,000	$20
5,000 - 20,000	$15
over 20,000	$10

How Do I Obtain More Information?

More information about the Board and its programs can be obtained from:

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Mr. HORN. Well, we thank you. That's a very interesting approach. A group of freshmen approached us last year and said once HHS, let's say, makes a waiver for one State, why shouldn't they make it for all States? Now, you made waivers in certain conditions. Should you make a waiver across the State?

Judge KLEIN. If it's successful. The whole point of these is pilot projects, to see if this new system works. If it does work, yes, then the agency should change the rule that says you must send in a form every 6 months and say you can either send in a form or use this alternative method. What we want to do is fund pilot projects, essentially, or make waivers for pilot projects and see if they work first.

Mr. HORN. Our Vice Chair, Mrs. Biggert, the gentlewoman from Illinois, is here, and I know she would like to introduce Jess McDonald, the director of the Illinois Department of Children and Family Services. The gentlewoman from Illinois.

Mrs. BIGGERT. Thank you, Mr. Chairman. It is really a pleasure to see the director of the Department of Children and Family Services, Jess McDonald, who I had an opportunity to work with for 6 years while I was in the State legislature, and can attest to the changes and the improvement of DCFS that he has made, not only in the adoption and child care issue, but the whole agency, and taking an agency that had some real problems and really making it one of the finest, I think, in the country.

And prior to DCFS, serving as the director of the Mental Health and Disabilities Agency, and then moving into DCFS. So I am excited to hear what he has to say, and having worked with him, I think, with him on the legislation that really established the best interest of the children. I think that was the starting point from which a lot of this went forward. And rather than the parents, but really what should be decided is the best interest of the children and moving to this. And then to your initiative on the permanency has really done so much for the State of Illinois. And a State that the agency is huge in comparison to other States. And it's like a microcosm all of its own. And what you have been able to do I really applaud you for, and welcome you here today.

Mr. MCDONALD. Thank you. Mr. Chairman and members of the committee, I'm Jess McDonald, director of the Department of Children and Family Services in Illinois. We have an expression: Illinois' child welfare system has gone from worst to first. And the lesson that we generally say to everyone else is: Don't go where we've gone.

There is no pleasure in having dramatic success if it comes at the expense of having years and years of not having the performance. The Illinois general assembly consistently was asking the questions how do you get better performance?

How do we get children cared for safely? How do we get the right decisions and right outcomes with regard to investigations around abuse, negligence; and how do we get kids into permanent safe homes as quickly as possible?

In the last 4 years because of the Illinois Permanency Initiative and supported by the Adoption and Safe Families Act and major reforms in Illinois, court reforms seeking accreditation for the entire system, lowering caseloads, we've managed to achieve over

21,000 adoptions from foster care; in addition another 5,000 guardianships. Our caseloads have dropped over 40 percent in just 3 years due to improvements at the front end and the adoption successes. But performance contracting was the engine behind—that led the change here.

We really need to introduce into everyone in the system that we had to focus on outcomes, we had to have clear strategies to achieve them, and those outcomes had to be the best interest of the children.

How do you get children into permanent settings? All the financial incentives at the Federal and State level would appear to keep children in care, to keep children in foster care and allow them to languish there. We had to figure out what were the obstacles. Performance contracting first had to sit around the table and look at the information around the system. Technology helped us look at the data on the system, the data on the agencies. We set aggressive goals for performance by agencies, public and private, and said the only thing that mattered is whether or not an agency could meet the goals on behalf of children. It wasn't public or private. It was performance that mattered.

We knew we had to invest in capacity. There had to be lower caseloads. There had to be assistance in adoptions. There had to be resources for unifications. And we put the investments in up front with the recognition that there would be savings within the same fiscal year. We had to align financial incentives so that agencies had an absolute incentive to move a kid to adoption or return them home safely, rather than to keep a child in care. And it made a huge difference in how agencies performed. Agencies that had no adoptions in 1 year had a 25 percent adoption and permanency rate the following year because they saw that they would not go out of business by getting children placed safely into adoption or reunification.

The performance contracting issues and initiative allowed us to make—to realize the promise of permanency legislation, of court reforms and of general improvements in case work process, but unless the incentives were aligned at all levels and that all managers in the public and private sector focused on performance, we were not going to get performance. People had to understand exactly where their agencies were.

The result actually was quite dramatic. In 2 years we saved over $40 million directly attributable to the performance contracting. The changes that were initiated years before when Mrs. Biggert and others were looking at reforming the child welfare system had resulted over a period of 5 years of around almost a half a billion dollars in savings and cost avoidance. But performance contracting was the engine for the change, and what we learned was that until you get people sitting around the table looking at the focus on outcomes, and looking at the obstacles, and building capacity to get results, and aligning incentives to get outcomes, and encouraging reinvestments to get even lower caseloads, you are not going to get the kind of results that I think every legislative body in every Governor's office demands out of the child welfare system.

More importantly, the children in this system and the families that are served by it need to make sure the system has the ability to deliver on the promises that have been put in place in statute.

Innovation in child welfare is not only possible, it is absolutely vital, and the Federal and State focus on outcomes demands new ways of doing business at all levels. That means at the Federal level we are going to have to look at why it is that our Federal financing, in fact, encourages long-term foster care; that, in fact, we do not encourage innovation because we limit the number of waivers, and we do not allow successful waivers to be replicated in other States. It is absolutely vital that at every level of government, especially in child welfare and human services, that innovation be encouraged. Thank you.

[The prepared statement of Mr. McDonald follows:]

Testimony before the Government Management, Information and Technology Sub-Committee of the House Committee on Government Reform

Wednesday, September 6, 2000

Illinois' Performance Contracting in Child Welfare

Jess McDonald, Director
Illinois Department of Children and Family Services

Every child deserves a stable and lasting family life. This basic principle of "permanency," endorsed as far back as the 1909 White House on the Care of the Dependent Child, has been a goal of public child welfare systems for most of this century. But it is only in the last few years that substantial progress has been made in bringing permanency to the lives of thousands of children who otherwise would have spent their childhood in foster care. I am happy to say that Illinois has led the nation in this trend for the past two years. We were recognized in both 1998 and 1999 by the White House's Adoption 2002 Excellence Award for dramatically improving the number of children moved to permanent homes.

It's my pleasure to be here today to discuss a program which has played a critical role in moving Illinois from one of the worst child welfare systems in the country to one of the best—Performance Based Contracting. Our status as finalists for the Ford Foundation's Innovations in Government Award provides Illinois with an important opportunity to demonstrate how government can be dynamic and smart in responding to the people it serves.

To understand Illinois' innovation in contracting for child welfare services, it is first important to get a sense of the challenges that faced the state's child welfare system during the mid-1990s.

The Crisis in Permanency

Although the commitment to permanency is a long-standing one, most states struggled in the early 1990s to make good on the promise. Foster care caseloads rose nationwide from 280,000 children in 1986 to 502,000 children in 1996. There were 6.9 foster children for every 1,000 children—the highest prevalence rate recorded this century.

In Illinois, the magnitude of the problem was much greater. There were 17.1 foster children for every 1,000—the highest prevalence rate in the nation. When I became Director of the Illinois Department of Children and Family Services in 1994, tensions were understandably high. Foster care growth was eating up far more of its fair share of state revenues. Workloads of 50 to 60 children per caseworker were commonplace, and there were routine calls to dismantle the agency.

It was obvious that change was long overdue.

Although the explosive growth in the Illinois foster care system ended in 1997, stabilization of intake was not enough. Our read of the situation was that our substitute care system should have been half its actual size in 1997. In the course of analyzing our caseload dynamics, we found children were staying far too long in substitute care. As a result, the median length of time entering children stayed in care had lengthened from 8 months in 1986 to 56 months in 1996. Addressing the permanency backlog became our top priority.

Investing in Permanency

Turning stable placements into legally permanent homes is no simple matter after years of inattention by the child welfare system. As with other states, the growth in caseloads brought with it an expansion of the level of child welfare services provided by the private sector. With so much of Illinois' child welfare system privatized, the renewed focus on securing permanency for children posed unique challenges. Longitudinal data collected by the Department showed that the rate of children exiting the system fell below the rate of new cases coming in system-wide.

No small part of the problem was inherent in Illinois' basic contracting structure. Contracts based upon a fee-for-child payment can undermine permanency because once the child welfare issues have been resolved and the child is discharged, an agency faces losing revenue unless the child is replaced with a new referral. This dynamic leads to the predictable practice of focusing the work on maintaining kids in care rather than aggressively pursuing permanency.

Performance Contracts sought to change this on two levels. First, the contracts made significant investments in activity that would support permanency—additional permanency focused staff positions; resources enabling providers to begin serving children more quickly upon placement; more resources for supporting children returning home to their biological parents; and the flexibility to use administrative funds to support different models of child welfare service provision. Second, and perhaps most importantly, the contract realigned financial incentives to secure accountability and reinforce the importance of achieving outcomes over maintaining children in care. Agencies were allowed to use superior performance in moving children to permanency as a way of lowering their caseloads, maintaining their contract level and financially enhancing their program.

This shift was accomplished through redesigning how agencies receive new cases for placement services. Upon the implementation of Performance Contracting in Cook County, all agencies were required to accept 24 percent of their caseload in new referrals. Added to this was the expectation that all agencies would move 24 percent of their caseload to permanency—an outcome expectation reflecting a nearly threefold improvement over the then system-wide average of eight percent.

The benefits and potential consequences were immediately apparent to contracted agencies. By exceeding the 24 percent benchmark in permanency expectations, an agency could secure caseload reductions without a loss in revenue. Falling short of the benchmark meant serving more children without a change in the contract level.

Turning the Trend in Permanency

The success of the Performance Contracting initiative is best evaluated using three important measures: the rise in adoptions, the rise in subsidized guardianships, and the rise in over all agency performance levels since the program's implementation.

As I mentioned earlier, Illinois' success in steadily increasing the number of finalized adoptions has brought the state a great deal of national attention. During state fiscal year 1999, more children were moved to adoption than in the combined previous seven-year period of 1987 through 1994. President Clinton's Adoption 2002 Initiative has now twice recognized Illinois as the nation's leader in securing adoptions for children. The stated goal of this initiative was for states to double the number of completed adoptions by the year 2002. Illinois managed to nearly pass this goal just in the first year, increasing the number of adoptions from 2,229 in state fiscal year 1997 to 4,293 in 1998. During state fiscal year 1999, Illinois again almost doubled the previous year's performance by finalizing 7,315 adoptions. Although Illinois posted just over 6,200 adoptions by the close of the state fiscal year on June 30, 2000, this represents a slight improvement in the overall adoption rate as the foster care population continues to shrink. In all three years, the majority of the increase in adoptions has been realized out of performance contracts.

Subsidized guardianship is a new permanency option in Illinois made possible through a Title IV-E waiver from the federal government. The waiver was conceived of and designed to create a permanency option for relatives committed to the long-term care of children placed in kinship care. The combined effect of this permanency option and performance expectations has been remarkable. During state fiscal year 1998, 1,276 children were placed permanently with relatives. During state fiscal year 1999, this number nearly doubled to 2,199 children, with an estimated 1,700 by the end of state fiscal year 2000. As with adoptions, the majority of these subsidized guardianships were realized out of performance contracts.

Prior to the implementation of the Performance Contracting initiative in Cook County relative care, the average permanency rate for agencies was just 6.7 percent. By the end of state fiscal year 1998, the system-wide average for relative care jumped to nearly 20 percent, with some agencies achieving results as high as 44 percent. This strong showing continued into the second year of performance contracting which expanded to traditional foster care in Cook County, and in a limited way, relative and traditional care in the rest of the state. During fiscal year 1999, system-wide performance in Cook County relative care climbed from 20 percent to nearly 30 percent, while the permanency rate for traditional foster care climbed from 14 percent to 24 percent. By the end of state fiscal year 2000, the system-wide average permanency rate for Cook County relative care contracts continued to improve to 34 percent while traditional foster care finished at 25 percent.

Since the implementation of Performance Contracting, the dramatic increase of children moving to permanency has been nothing less than stunning. The impact on Illinois' caseload alone is amazing—a 40 percent decline from a peak of over 51,000 children in care to nearly 30,000 in just three years.

As important as these gains are, the single most important accomplishment of Performance Contracting is the reinvestment made possible through consistent gains in permanency. These reinvestments support better service delivery for children and families in Illinois' child welfare system. For three consecutive years, the Illinois Department of Children and Family Services has used the savings generated by declining caseloads in Cook County relative care to fund contracted caseload reductions of 10 percent (state fiscal 2000) and now over 20 percent (state fiscal year 2001).

Ironically, when the Performance Contracting initiative was first launched for Cook County relative care in July of 1997, caseloads were funded at 25 children per worker—the highest caseloads in the state. By the end of the first year of the initiative (state fiscal year 1998) it was possible to lower the contracted caseload from 25 children per worker to 22 children per worker within existing spending levels. By the end of the 2000 fiscal year, average caseloads were lowered to 18 children per worker—now the lowest in the state. These gains were made possible because of two dynamics: the requirement that non-performing agencies give up contract-level and caseload; and the slowdown in new cases coming into Cook County for relative care placement.

As this population declines and is concentrated with performing agencies, the savings from the smaller contracted caseloads of non-performers become available for reinvestment. The structure of performance contracts allows capacity to be easily transferred from the worst performing agencies to the best performing agencies without additional cost. The success of these contracts made what would otherwise be an expensive and unwarranted move a reality. Lowering caseloads in this way is an investment in the future that will continue to support improved work in serving Illinois' children and families.

Sharing Our Lessons

Clearly, a child welfare system consists of more than just a contracting framework. Although child welfare financing plays a central role in how service providers target and secure specific outcomes, they are actors within a much larger system. Performance Contracting worked because Illinois had laid important ground work in making improved performance possible.

First, state laws had to be changed so that undue hesitancy about terminating parental rights was removed as a barrier to adoption. In 1997, the Illinois General Assembly passed comprehensive legislation ("Permanency Initiative"), which among other things, eliminated "long-term foster care" as a permanency goal, reduced permanency planning timelines to one-year, and directed the Department to engage in concurrent planning to help achieve permanency at the earliest opportunity.

It is also safe to say that these accomplishments would not be possible without the partnerships we have been able to forge with the Court. Under the creative leadership of the Presiding Judge of the Cook County Child Protection Division, the Cook County Juvenile Court has taken the lead establishing the legal groundwork for moving Illinois wards into permanent homes.

Finally, the Department supported a real partnership with private service providers. Conversations with providers have consistently emphasized sharing information on system performance, barriers to improving, and the on-going challenges inherent in serving a vulnerable population. By reaching consensus on outcomes and the importance of results, the Department has been able to steadily turn improved performance into investments which have supported the very infrastructure of the child welfare system.

While there is clearly more work ahead, I think Performance Contracting highlights the power in identifying specific outcomes and investing in strategies which make improvements a reality. Getting support for this kind of innovation at all levels of government can only create still greater opportunities for the future.

I appreciate this opportunity to talk about our work in Illinois. Thank you for your time.

Mr. HORN. The gentlewoman from Illinois would like to begin the questioning. Let's say 5 minutes for each of us, and we'll make a round until we get it done.

Mrs. BIGGERT. Thank you, Mr. Chairman.

Mr. McDonald, certainly it's such a laudable program. I just wondered if there's any unintended consequences resulting from your program? And second of all, are there any more improvements that need to be done to the program, and is that—is there still any impediment from the general assembly or from the Federal Government or whatever?

Mr. MCDONALD. Well, the greatest risk that people feared with performance contracting is that it would be—it would have the HMO look. In fact, the whole approach was designed to meet the requirements of children, and when you have a juvenile court that makes judgments about whether or not adoption is appropriate, it is virtually every case plan, every case decision was signed off on by the juvenile courts.

Our rate of disruption, which is one measure of performance in adoptions, is low, has remained low. When you consider that we had a median length of stay of 5 years, we had kids that were sitting in foster care waiting for someone to ask the question, you know, do you want to adopt this child, do you want to be a family forever? So we have not found—and we are routinely researching the effects of our guardianship waiver and our permanency program generally, and we're finding no ill effects at all. As a matter of fact, we now have more kids in active adoption and guardianship cases than all of the foster care and residential care. And we've had growing support for our postadoption services.

There will be challenges in the child welfare system in the future to build appropriate postadoption services, but we have found that performance contracting and all the other reforms, including requiring the State system to be an accredited system, and our agency is now accredited, means that you have higher quality, but alongside higher quality you have to insist on better improvements in performance.

Mrs. BIGGERT. Thank you. As I recall, when we were doing the reform and the agency was at its worst, that there were kids falling through the cracks or being left in homes that were abused. Has there been a change in the case workers? Are they better trained, or is their outlook better? It seemed to be there was this negative feeling, or they were really down as far as what their jobs were about.

Mr. MCDONALD. Actually the philosophy at the time was the beatings will continue until performance improves. It doesn't lead to improved performance. Accreditation required us to change our ranks of supervision so that we had professionals in supervision. It provided for a major change in our quality improvement approach so that we would find problems quickly and make dramatic changes if necessary. Training was improved significantly. As a result, if you check with our staff now, you can ask the union, you can ask the private agencies, the work is more difficult than it's ever been, but the conditions are the best they've ever been.

The expectations in child welfare continue to increase. They are not diminishing because of, I think, necessary and appropriate pub-

lic scrutiny, but I think we're getting our safety results because the risk assessment program that the Illinois General Assembly put in place when you were there has resulted in a 60 percent reduction in subsequent reports of abuse, so seeing kids treated in a way in which they are allowed to stay at home without the risk—without a safety risk.

Mrs. BIGGERT. And how about with the relatives that have become the foster parents? Have there been any cases where—going back to the original parents?

Mr. MCDONALD. Well, actually the kinship care is an interesting problem. It is, in fact, the backbone of the Illinois foster care system. Illinois law gives absolute preference to relatives, and we provide the relatives—we encourage them to be licensed. Most of them are. Fifty-seven percent of our adoptions are to relatives and our Illinois law does not permit someone to just make a private arrangement in order to get increased resources. This is where we truly take protective custody and need to find homes.

We have found that the adoptions that are consummated through—and guardianships—through kinship care are stronger through regular foster care. There may, in fact, be an open adoption with regard to the parent, but we have not found any examples so far where the guardianship was—where they actually returned the child themselves to the parent.

Mrs. BIGGERT. I think that was always a concern that there might be that arrangement that would not be known where they were really going back to the original parents. So that's good to hear.

I think then, Mr. Klein, how can the Federal Government support programs such as yours? What can the Federal Government do?

Judge KLEIN. Well, this is a huge topic, but sometimes State programs are limited substantially by Federal rules and regulations, no question about it. And to the extent the Federal Government could offer some sort of a method to try pilot projects—a method that provided some sort of review of a waiver request that was perhaps independent and separate from the agency itself, that might be of some help.

In other words, EPA is one that I have some particular knowledge of just because I do much of my work in the environmental field, and they have some fairly strict rules that all States are required to follow, and there's very good reason for those rules. I'm not saying there isn't. But if you want to get a waiver from those rules, how can you do it? If you go to EPA, maybe you're going to run into some resistance, but if you had an independent place where you could go, like the Minnesota Board, for example, that doesn't have any sort of ownership of that rule, you might be able to foster more innovation.

Mrs. BIGGERT. Thank you.

Thank you, Mr. Chairman.

Mr. HORN. We thank you. And now turn to the ranking member, Mr. Turner, the gentleman from Texas; 5 minutes, 6 minutes.

Mr. TURNER. Thank you, Mr. Chairman.

Judge, just to followup on what you just said. I've served in both the State legislature in Texas and now here in Congress, and I'm

always struck by the stark differences in what you can do in a legislature versus here in the Congress. And we have a strong executive form of government in the Federal Government. The executive branch, whoever is in power, jealously guards it. And in the legislatures you more often see the possibility of doing the kind of thing that you apparently have successfully done in Minnesota.

I notice in looking at your board and its 11 members, 6 of the members of the board are legislators. I doubt you could ever pass anything like that—you can pass it through the Congress, but I doubt you can get it past a White House, no matter who is in charge over there, so we have a little more difficulty. And I can see how it was fairly easy to pass such an initiative with the legislators being the majority of the board.

But it does offer, I think, some challenge to us to figure out a way to do exactly what you mentioned a minute ago, and that is how do we allow waivers. I mean, the agencies at the Federal level can grant a waiver. In my experience, it might take you a year or 2 to get one.

I was curious when a local entity asked for a waiver from your board, what would be the average time it would take for you to review it, and what would you require in order to make a decision that you would grant the local agency a waiver?

Judge KLEIN. In response to the time period, it's about 90 days. When we get a waiver request, we immediately send it off to the agency whose rule is sought to be waived and say, we would like to have your input on this, and we would like to have that within 30 days. If they agree with the waiver, or if they negotiate something with the city or town, that may be the end of it. If they disagree with the waiver, we then set the matter on for a minihearing. I don't want to make that sound too formal, but essentially we get the board together, and we get the applicant and the agency to appear before us, and we give them about 20, 30 minutes, something like that, each, and then we ask questions, and we decide. And that's about it.

So I would say 90 days is approximately the time. That's for a contested one. Many of these things end up being negotiated. And I think there's something to be learned here. The mere existence of somebody who can grant this waiver over the objection of the agency causes the agency, I think, to be a little bit more flexible. Maybe the agency doesn't want us to grant a waiver, and so before we even get a chance to vote on it, the agency—has negotiated something with the party that preserves the agency's real concerns plus gives the party something of what they want. It's sort of a mediated settlement without any participation by us. But I think the mere presence of having somebody there who can do this causes the agency to be a little more flexible.

Mr. TURNER. Now, you have the authority to grant a waiver to one local governmental entity?

Judge KLEIN. Correct.

Mr. TURNER. You don't have the authority to grant it statewide or to a multitude of entities?

Judge KLEIN. No, because, again, getting back to the chairman's initial question, these are designed to be pilot projects essentially. And, in fact, what has happened sometimes is that we will grant

a waiver—in 1996, let's say, we grant a waiver, and the word gets around to cities and towns that, hey, finally somebody found a way around that problem. They come in the next year, in 1997, and we might have five applicants for the same waiver. And we will often say "no." We want to let this first one have some time to run, see whether it works or not, and then the solution is not to have us granting waivers to every city and town around, but instead to get the agency to change the rule.

And part of the benefit of having those six legislators on the board is that those six legislators know how to get the agency to change its rule, and if the agency doesn't do it, they'll do it for them.

So we try very hard not to grant repetitive waivers of the same thing. The idea is do it as a pilot project, and if it works, then change the underlying rule or statute.

Mr. TURNER. I notice not only do you have the authority to waive an agency rule, but I believe I read that you have the authority to waive a procedural law. Give us an example of what kind of law that means you can actually overrule? Have you done that? It seems like that is certainly an additional and unusual power for a State board to have.

Judge KLEIN. It is unusual, and as you can imagine, the legislature has put strict limits around how it is exercised. First of all, it has to be a procedural statute. It has to say something about how something is done rather than what gets done. Substance, we cannot waive. And, in fact, we have turned down a number of waiver requests because we perceive that what they're really asking for is a waiver from the substance of the statute, and we can't do that. We can do procedural waivers.

And there are other limitations, the most interesting one of which is that the statute specifies that the waiver must expire at the end of the next legislative session after it is granted unless the legislature chooses to extend it. And so what happens is we have every year a bill that we put before the legislature saying here are the waivers we have granted. Here are the ones which would still like to continue because the pilot project isn't done, and we either recommend that you do approve the continuation, or we don't recommend that you approve the continuation. But the control is always with the legislature, and if, in fact, the legislature doesn't act on that bill for whatever reason, the waivers terminate.

And I'm sorry to say that I can't off the top of my head give you a good example of a statutory waiver. I know there have been some. I just can't think of one off the top of my head.

Mr. TURNER. Thank you, Judge.

Thank you, Mr. Chairman.

Mr. HORN. You're welcome. And if you think of that, just write us a letter, and we'll put that in the record at this point.

[The information referred to follows:]

Pre-Admission Screening Prior to Entering Nursing Home

A Minnesota statute requires pre-admission screening for all individuals seeking admission to a nursing home. The purpose of the statute is to reduce medical assistance claims by placing those individuals who do not need a 24-hour nursing facility into a less expensive community-based care facility.

Through experience, Dakota, Ramsey and Washington Counties had come to realize that many of their screenings were for individuals who were being released from hospitals but were not yet ready to return home. These individuals generally spend less than 30 days in a nursing home. The counties sought an exemption from the statute to forego the pre-admission screening for individuals who were being released from an in-patient hospital, provided that a physician certifies his or her expectation that their nursing facility stay will be no greater than 30 days. If an individual ended up staying in the nursing home beyond the 30-day limit, then they would have to go through the screening process.

After negotiating the details of implementation with the State Department of Human Services, the Board granted an exemption from the statute on April 22, 1998. Based upon favorable results during 1998 and early 1999, the 1999 legislature extended the waiver until 2003, and directed the counties to present data whereby the legislature could determine whether or not the statute should be permanently changed for all counties in the state.

Temporary Waiver Pending Consolidation of School Districts

A Minnesota statute requires that each school district in the state must continue to operate a school with at least three grades. The serious decline in the farm economy and migration of families from rural areas has forced many school districts to consider consolidating with their neighbors. One of the obstacles to consolidation, however, is the requirement for voter approval and the need to adopt contingency plans in the event that the approval is not forthcoming. When the school districts of Belview and Redwood Falls began to plan for possible consolidation, they realized that if the consolidation vote failed, it might be necessary to enter into a cooperation agreement involving different

districts, which might require that the Belview school district operate only two grades. School officials contacted their local legislators seeking special legislation. But the legislators urged them to pursue a waiver from the Board in lieu of special legislation because they predicted that the voters would give their approval and, even if they did not, the Belview school would be in violation of the statute for only one or two years. The Commissioner of Education supported the proposed waiver as being both educationally and economically advisable, and the Board granted it. The issue of consolidation will be presented to the voters this November, so it is still unknown whether the waiver will even be needed. But the Board's action allowed the consolidation planning to continue with the security of knowing that there was a contingency plan should it fail.

Mr. HORN. I just have a few questions that you heard of the first panel.

What can you tell us about the qualitative and quantitative implementation of various programs? What's your experience? And did that seem to please the legislature? And I would be curious, Mr. McDonald, also the degree to which you changed the compensation that your staff had. And if so, how far down did you go in terms of managers and executives under your direction? Can you give us a feel for that?

Mr. MCDONALD. On the first part, the general assembly and the Governor's Office have been very pleased with the results in that we controlled a budget that was experiencing, you know, 20 to 30 percent annual rates of growth. We've been in essentially for the last 4 years a flat budget, but we've been able to make reinvestments from savings into improving work conditions. Agencies that operate in—public and private agencies—are able to reinvest the savings we give to them into better working conditions, and if they choose, they can increase salaries. So we give them a great deal of discretion.

Our own employees are governed by the State civil service system and payroll, but we tend to pay pretty well in terms of how are staff—how staff are recognized for compensation purposes in child welfare.

Generally speaking, on the issue of quality, one of the things we found from performance contracting is that the quality of services to children improve not just in terms of outcomes, but also in terms of—one of the issues is how often do foster children move. The myth was—not the myth. The reality was they were moved many, many times during the course of the year. That means they generally fail in school, and they have other problems. Stability issues in foster care improve dramatically. The movement was cut in half in the first several years of contracting, as agencies had the incentive to do the work right with every child if they were going to achieve the right outcomes.

Mr. HORN. Did you have major problems with the professional welfare workers who, as you say, the goal seemed to be just put them someplace?

Mr. MCDONALD. Well, we actually—we had some interesting discussions with the union. We explained that performance requirements were going to apply to everyone in the business. That included our own employees. And agencies that did not meet the performance bar would lose their contracts. And we said that would apply to our own staff. Caseloads would leave our own offices. That means we would actually downsize some of our own operations. We had—about a year and a half ago, we downsized teams, which is over 100 employees, in one of our offices because they didn't perform as well as other folks on behalf of children. The union that came in, instead of arguing about whether we could do that, they said, what do we have to do to perform better, because they understood the terms of the contract. And a number of agencies have lost their contracts because they did not perform well. The focus has been on performance on behalf of children.

Mr. HORN. Well, that makes a lot of sense.

Now, for your own administrators, did you sort of put them on a 6-month goal-setting or a 1-year goal-setting and relate the compensation to their achievement of that?

Mr. MCDONALD. Unfortunately we have very narrow frameworks with which we can do that, but to the extent we have a range of between zero increases and perhaps even career counseling to 5 or 6 percent increases, we've taken advantage of that. Where managers—not just managers, but supervisors and middle managers have contributed to good outcomes, we've used every existing leverage piece we have to reward them.

Mr. HORN. Have other States come to you and said, how did you do it? We would like to do it.

Mr. MCDONALD. Yes, we do get rather frequent calls about it. And I am going to be honest about this. We say, first of all, we had a long period of time of building a large problem. We say, the first thing is don't go there. Don't let your system slide into a serious state of disrepair. A lot of large urban systems are there and are going there, but they're also making recoveries. Nick Scarpetta in New York City is doing a marvelous job. In Cook County we've done a great job with the cooperation of courts and private providers. But we're saying every State is different in terms of the mix of laws, the mix of providers and so on, but the one thing that is common is that the expectation is now around performance and results, and that much of what we've been through is, in fact, an appropriate lesson for other settings.

Mr. HORN. Is the Governor trying to those similar procedures and outcomes in terms of performance and results?

Mr. MCDONALD. The Governor's Office has an Office of Performance Management, and that all State agencies are going through essentially performance reviews required to establish performance and outcome measures for their own organization. And it's no surprise that most of what government does is measured by process and activities and inputs as opposed to outcomes. This is changing the way that all State agencies are looking at doing business.

Mr. HORN. To your knowledge, is the State doing any of this in relation to the educational structures of State level and local level?

Mr. MCDONALD. Education is not under the Governor, but the general assembly and the Governor and the appointed State board of education has had a performance approach to education for quite some time. In Illinois, just like in many States, where people are looking at report cards and such, I think—and here I'm totally out of my league except that we represent 20 percent of the kids in the Chicago school system, and we know that unless there are improvements at a local level, they don't do well. And I'm held accountable for how well they do in education. So it takes some fairly creative approaches in education to deal with some of these problems.

Mr. HORN. I might add to some of the first panel, if you have anything to comment on that, just join us and take a microphone because I'm particularly interested in the education bureaucracies. They're overwhelming, and they have wrecked more school systems than I can think of in America. So I would just hope that some of your very fine grants that sort of hold a carrot out there would be applied to the public education system. I think the mayor of Chicago now in Cook County does have an office of education and cer-

tainly worked toward—he's willing to take responsibility. It sounds like a good idea.

Mr. MCDONALD. Mr. Chairman, they've made dramatic improvements in the last 5 years in the city of Chicago, and since the general assembly gave the mayor more authority over the school system and its leadership, there has been dramatic turnarounds.

Mr. HORN. What is the standard they apply to your foster care people, their attendance at school or what?

Mr. MCDONALD. Attendance is an issue, whether or not children read at grade level, whether or not their math is at grade level. And we routinely evaluate with the Chicago schools those issues. We have joint attendance initiatives because attendance is a huge issue with kids in foster care because of health reasons. We have about 35 initiatives with the Chicago public schools that deal with what is a huge problem in the schools as well as in the child welfare system.

Mr. HORN. How about the Federal Government? Is there any part of the HSS and Federal welfare that held you back from doing this?

Mr. MCDONALD. Well, I would say that one of the things that the committee may want to take a look at is the extent to which current Federal funding streams encourage innovation. In fact, in child welfare, 4(e), the Social Security title that funds adoption and foster care, tends to have disincentives to the right outcomes. It's really structured to keep kids in care. The waiver program that was put in place has restrictions of only 10 per year.

We have two 4(e) waivers for demonstrations. The first one is the guardianship waiver; has been highly successful, and almost no other State is able to replicate it. Frankly, they should permit replication because you would see dramatic improvements in other systems that are interested.

We submitted a third waiver, and we've been told we are the only applicant for a waiver in this last year, and we're in discussions that may go on for a while. But the fact of the matter is that there is a history of waivers working in welfare reform and in Medicaid reform, and I think they should be in all areas. The committee may want to look at what's been the story on innovation through waivers and how can you encourage a more flexible and speedier response by the Federal Government for requests by States to innovate.

Mr. HORN. It sounds like they've been supportive of that.

Mr. MCDONALD. They have been. They have been supportive of us, but we're not the only State with a child welfare system in trouble. If we've declared the foster care system in the Nation to be in trouble, then it would seem to me that there should be a sense of urgency around innovation.

Mr. HORN. Anybody want to add to this since I did open up education?

Ms. CHRISTOPHER. I would just like to say that the State of Kentucky was a winner of the awards program for its comprehensive reform focused on outcomes and results. And some of the factors that contributed to their success was the stakeholder engagement and a strong legislative and political base that allowed the reform to have longevity; that no matter who came into elected office,

there was a strong partnership and stakeholder support for this reform process. And teachers and schools and parents were all engaged around accountability for results in terms of student improvement.

This year one of our finalists is the Minnesota charter school legislation, and I'll note that the focus is on the legislation that enabled the charter school process. Again, it picks up one of those themes I mentioned of introducing competition into the system. Now, of course, this is a hotly debated question, but the fact is that when the competition is there, it sometimes stimulates more creativity within the system itself, and that's what we've found as we've looked at the charter school replication around the country. It's not only offering alternatives, but it's also stimulating better outcomes within the public school system itself.

Mr. HORN. That's very helpful. I'm glad we asked the question and you responded.

Does the gentlemen from Texas have any further questions?

If not, let me thank the staff on both sides that helped with this very interesting topic: J. Russell George, staff director and chief counsel; Earl Pierce, to my left, a staff member with responsibility for this hearing; Bonnie Heald, director of communications; Brian Sisk, clerk; Elizabeth Seong, staff assistant; George Fraser, intern, minority staff; Trey Henderson, counsel; and Jean Gosa, minority clerk; and our two faithful court reporters, Joe Strickland and Colleen Lynch.

We thank you very much. And with that we are adjourned.

[Whereupon, at 11:36 a.m., the subcommittee was adjourned.]

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