



To: AMC Membership
From: AMC Board of Directors
Re: County Innovation Legislation for 2011
Date: March 23, 2011

Background:

On **February 25** AMC convened a meeting of a small group of county staff, including administrators, Human Services Directors and Social Services Directors to create tangible framework that would allow counties to put Redesign principles into action in their own county. AMC asked the group to free themselves of any constraints in crafting the proposal in order to get the best ideas from the group knowing that they might need some further analysis and refinement before being introduced to the Legislature. A focus group meeting was held on **March 11** to introduce the framework to a broader group of AMC members and affiliates and solicit their feedback. Then on **March 18** the AMC Board of Directors approved the framework for legislative action during the 2011 legislative session, contingent upon support from the general membership during the AMC legislative conference. The proposal, titled the Minnesota Accountable Government Innovation and Collaborate (MAGIC) Act, is attached to this letter for your review.

Additional Considerations:

In general, the MAGIC Act has been positively received during all AMC meetings at which it has been discussed. However, AMC suggests that the following items (derived from comments offered by members during MAGIC Act discussions to date) garner special attention as the MAGIC Act moves through the legislative process:

- 1) The concept of the framework seems to have broad support within AMC and legislators have expressed strong support for the ideas the framework seeks to advance. AMC needs to build on the existing base of support by reaching out to affiliates and other interested parties.
- 2) AMC needs to consider reasonable parameters to ensure that counties do not take actions under the framework that would jeopardize the ability for other counties to continue to provide services.
- 3) Skeptics within counties are asking why the Legislature would expand local government flexibility. AMC needs to make a strong push to get the message out about how the framework might be used, what outcomes might be and provide reassurance to legislators and others that outcomes under the proposal would meet or exceed current programmatic outcomes, likely at a reduced cost.
- 4) This proposal is suggesting a fundamental shift in both the relationship between state and local government and a change in culture at the Legislature and within our county boards. We need to recognize that these concepts will require more than just a few minutes of discussion in order to gain added legislative support, AMC will need a strategic marketing plan behind this proposal to be successful.

Next Steps:

AMC will introduce the MAGIC Act to the full membership for the first time on **March 23** at the AMC legislative conference. After garnering full membership support, the MAGIC Act will be drafted into bill form and introduced at the Legislature. First committee action is likely to take place after the first of April after the committees finish their work on the budget. This would leave approximately seven weeks for AMC to navigate the committee process and receive approval on the floor of the house, senate and from the governor. While this timeline is surely challenging, initial support from key legislators suggests that an opportunity for success exists.

Minnesota Accountable Government Innovation and Collaboration Act (MAGIC Act)



The Minnesota Accountable Government Innovation and Collaboration (MAGIC) act is a practical application of the Minnesota Redesign Project which focuses on finding better ways to provide services for all Minnesotans through:

- Bold **local** leadership.
- Increased **collaboration**.
- Improved process **efficiencies**.
- Structural **changes** to the status quo.

Collective county support for and action under the Redesign Project banner has to date resulted in select opportunities to focus on the outcomes associated with innovative local government efforts instead of maintaining long-held fixations on the inputs that are ultimately a poor indicator of government effectiveness. As the next phase of progress in Redesigning government in Minnesota, the MAGIC Act unifies those various Redesign efforts through a holistic approach that incentivizes local government innovation to the fullest extent possible. Ultimately, the MAGIC Act creates a framework within which government will harness the creative potential of state and county professionals by encouraging them to create new business models that enhance the provision of government services in Minnesota in ways that can be tested, measured and replicated.

The MAGIC act has two major components, each designed to address a specific barrier to innovation under the current state supervised-county administered model of service delivery.

- 1) Implement the Cooley Doctrine which would allow counties to do anything for the health, safety and general welfare of the public that is not prohibited or prescribed by state law. Currently Minnesota operates under the Dillon Rule which prohibits counties from doing anything unless it is explicitly authorized by state law and replacing it with the Cooley Doctrine
- 2) Authorizes counties to receive waivers from current rules by adhering to a strict process that includes the submission of detailed business plan with clear outcomes and performance measures, a mechanism for state input and a reporting component to allow for adequate legislative oversight of this new framework and a methodology for sharing the results of the experiments in innovation.

This legislation will create an environment where state and county employees focus their energy on outcomes rather than processes and where decisions are made by local communities to the extent possible. This represents an important shift in philosophy that will encourage state agencies to act as technical advisors to counties who are investing resources to explore new service delivery systems. At the same time, county boards and employees will be required to accept a heightened level of accountability in exchange for the freedom to innovate.

PART I: Establish the Cooley Doctrine

The current state-county relationship is deeply rooted in the philosophy that counties are creatures of the state with the primary purpose of delivering state-supervised county-administered services. The “Dillon Rule” serves to cement that philosophy by preventing counties to engage in any activity that is not explicitly authorized by the state. This requires counties to seek enabling legislation when trying to develop new business models.

The MAGIC act proposes to transform the state-county relationship into a collaborative model that enables counties to act as laboratories in which they can implement more effective models of service delivery in a responsible, measured manner. Overturning the Dillon Rule would not provide counties with relief from restrictions found in current rules or statute, but it would give them expanded room to innovate. For example, current state law prohibits counties from imposing their own income or sales tax, and counties would not be able to impose such taxes even if the Dillon Rule no longer applied. Ten other states currently operate without the Dillon Rule under what is known as the Cooley Doctrine, allowing counties to engage in any activity for the health, safety and general welfare of the public.

PART II: MAGIC Waivers

Moving from the Dillon Rule to the Cooley Doctrine would not alone maximize the innovation capacity of local governments around the state, thus resulting in the need for a second part to the MAGIC Act. The second component of MAGIC Act will create a framework that gives counties a clear process through which waivers from current state rules and statutes can be obtained so that counties can implement more innovative and efficient service delivery models. And since counties believe that the freedom to innovate must be accompanied by measureable outcomes, mechanisms to hold counties accountable for results would also be a part of any waiver proposal

The MAGIC waiver process contains five critical components designed to balance increased flexibility with requisite levels of transparency and accountability:

- 1) **Identify** the outcomes the county is seeking to achieve along with a timeline of no more than 24 months before a pilot project will be subject to legislative review
- 2) **Create** a detailed plan for how they will achieve those outcomes, including meaningful performance measurements to gauge success and failure
- 3) **Seek** input from affected state agencies by presenting the complete business plan to the executive branch allowing 30 days for agencies to submit comments
- 4) **Assess** the success or failure of the pilot project based upon its ability to deliver the outcomes identified at the beginning of the MAGIC process based upon the performance measures in the business plan
- 5) **Report** to the legislature and the executive branch on the results of each pilot project utilizing the MAGIC framework to allow policy makers to conduct a review

This process will tap into the creative energy and professional expertise of county staff that will be empowered to develop new business models. Additionally, the flexibility offered in the MAGIC Act will provide a strong incentive for counties to engage in outcome-based, performance management practices. The transformation of counties from service delivery entities to entities that deliver outcomes that maximize available resources offers significant improvements in service quality and efficiency that directly benefit Minnesota's citizens.

The Governor and state agency staff will be engaged as advisors on the front end of the process which will allow them to share in all opportunities to innovate. This shared innovation is a mechanism that ensures collaboration between state and local government.

Summary:

The MAGIC Act as is a significant and historic transformation from the current way in which the state and county provide services to Minnesotans. Counties will be held more accountable for their results, state agencies will be invited to innovate, not simply regulate, and the Legislature will ultimately be given the opportunity to evaluate each individual effort by a county so that taxpayers receive improved services at a better value rather than what the status quo currently provides.

Given the depth of the current state fiscal crisis and the long-term demographic trends that portend continued structural deficits unless significant transformations are undertaken, it is critical that the MAGIC act gets passed so as to enable counties to better provide services within this new fiscal reality. Now is the time to act so that all Minnesotans can soon begin to reap the rewards of more accountable, transparent and efficient government.

Supporting Legislation:

Accountability for decisions and results is an extremely critical component of successful implementation of the MAGIC act. Counties must be given enough autonomy that they can truly be responsible for the outcomes they deliver. AMC believes that the creation of a statewide strategic plan, coordination of IT development, data practices barriers and impediment to making local budget decisions must be addressed by the legislature in parallel with the MAGIC act.

- 1) The best designed service delivery system at the county level can only reach its maximum efficiency if it has guidance from a strategic plan at the state level. The legislature should, at a minimum, consider the creation of a strategic planning process beyond crafting of the biennial budget.
- 2) Give counties a seat at the table as OET and other state agencies develop new information systems: Information technology is a critical component to the service delivery systems of the 21st century. The inclusion of counties in the development process allows for better communication about needs, increased collaboration and better integration of county and state information systems. Counties and the state need to develop their IT systems in a coordinated fashion.
- 3) Make county boards the entity responsible for all data collected within the county: The current system makes county department heads the entity responsible for managing data collected within the county. This creates multiple data repositories which are a barrier to sharing data across programs and systems. Making the county board responsible for managing and collecting all data, with appropriate safeguards, provides for greater opportunity to streamline services across multiple systems and programs.
- 4) Repeal state statute interfering with local budget decisions including Levy Limits and MOE requirements: The key philosophy to the MAGIC act is clear accountability for decisions at both the state and local level. Levy limits are inherently in conflict with this philosophy by inserting the legislature in the decision making process by putting a ceiling on the amount of revenue a county can raise via the property tax. Conversely, Maintenance of Effort (MOE) requirements prevent counties from reducing spending, even if the same outcome can be achieved with fewer dollars.