

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON AGENCY REORGANIZATION AND REFORM

February 19, 1991Hearing Room D 3:30 p.m.Tapes 25 - 26

MEMBERS PRESENT:Rep. Clarno, Chair Rep. Hugo, Vice-Chair Rep. Katz
Rep. Clark Rep. Jones Rep. Brian

VISITING MEMBER:Rep. Cease

STAFF PRESENT: Susan Browning, Committee Administrator Scott
Kaden, Committee Assistant

MEASURES CONSIDERED:HB 2428 - PI Deputy Superintendent, WS

WITNESSES:John Lattimer, Legislative Fiscal Office Program Reviews

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TAPE 25, SIDE A

006 CHAIRPERSON CLARNO: Calls the meeting to order at 3:36 p.m..
Addresses the business of the committee. Introduces John Lattimer,
Legislative Fiscal Officer.

026 JOHN LATTIMER: General overview regarding his program reviews.
Discusses the role of the Joint Legislative Audit Committee. -
Differences between Performance Audits and a Program Evaluation. 1.
Performance Audits require auditors, trained to follow the GAO audit
book. (We are not required to follow the yellow book standards,
although we do when possible.) 2. Performance Audits are costly because
they must go into great detail and must use primary data whenever
possible. 3. Performance Audits usually look at efficiency and
effectiveness. Program Evaluations address other issues, a much broader
review which includes establishment of agency goals. Program evaluators
will examine the appropriateness of the program design. - Differences
between a Program Evaluation and Program Review:

1. Program Reviews examine cross-cutting issues - how programs are
established across state agency lines, how they are organized and
governed. They examine duplication but generally do not evaluate the

programs. 2. Program Reviews are the pre-study for the Program Evaluation. The Reviews have recommendations, but they don't tell you what ought to be done. - State government must establish means of measuring its performance. Establish expectations, set goals, and measure the performance of the agencies involved. - We also noted that data is not properly kept by the agencies. - We just completed a program budget for children. We found 239 programs spending over \$1 billion, and that did not include "basic."

219 REP. CLARK: That did not include "basic?"

220 JOHN LATTIMER: That is correct. Those programs were in 38 different state agencies. That, by itself, is not necessarily bad. But it suggests that we might have better coordination. - Continues with the overall discussion. - We must have better data bases. We must have better organization of the data bases. Joint Data Processing Committee has been asked to look at a statewide policy on telecommunications and information processing. - We recommend that we do not buy any additional data processing systems that don't have open architectures (speak to other state agencies). Upgrading existing systems is much cheaper than replacement, and so this problem will not be easy to tackle.

294 REP. KATZ: I have been thinking about requiring outcome statements for the programs. If someone wants to start a program and there is no means for measurement of outcomes, then we shouldn't fund it. Has any state ever done this sort of thing?

308 JOHN LATTIMER: Not precisely, but they try to get at it in various ways. The real problem is the organization of the state. The way this state does accounting is a very good example. We have many systems of accounting. It takes a lot of time and money to reconcile those accounts. The large problem is the organization of state government. Any change to the system is very expensive, that is why we have to concentrate on the policy which will guide us over the long term.

337 REP. HUGO: Private industry can have a long term plan to implement a change over. Our planning, by law, cannot exceed two years. This precludes efficiency. No private industry is comparable to the Legislature, but this is because of our biennial budget system.

356 REP. JONES: With regard to the accounting and computer systems, we have major planned renovations within our agencies. We have major considerations continuing and these considerations will not address the communication problems. Does the Committee now have a handle on approving or requiring those renovations?

379 JOHN LATTIMER: Our Data Processing Committee would like to have more cooperation. I don't know what happened before, but the Committee would like to meet during the session to address these concerns.

404 REP. HUGO: When was the Data Processing Committee established? 1977? 1979? This committee isn't effectively dealing with technology, and they don't have the money to implement the technology irregardless.

411 REP. JONES: Isn't that only part of the problem? Part of this issue involves the agency not bringing their suggestions to the committee. During the session, there is nobody keeping track of the systems.

416 REP. DERFLER: This is very frustrating for me to sit up here and

listen to this testimony. We certainly need to start someplace . . . possibly we should start with information systems. Maybe that is an area where we can streamline the systems we are fighting with here.

429 JOHN LATTIMER: The Legislature's duty is to try and establish the policy that you want the Executive Branch to pursue, so that you can go beyond the two year limitation. I don't think policies in this field have ever been established very clearly. "We have never given the Executive Department the clear authority to do some of the things we are now talking about doing in the Data Processing Committee." We don't give them the authority to control the agencies, to keep them from going out on their own and developing their own systems.

450 REP. DERFLER: Are you suggesting the Executive Department doesn't have the authority to do the things they need to do to make the system function?

453 JOHN LATTIMER: I think they might argue that they don't. I think they would argue that they have never had the necessary authority to do what they need to do. That might mean they didn't have the "political authority" or the actual legal authority. I am not here to make a judgment on that issue.

463 REP. DERFLER: Have they ever come to us with this problem and asked for help?

464 JOHN LATTIMER: They talked to us during the last interim. We asked them about their shortcomings and they came back with a whole series of discussion papers and requests. We never got through the list of their concerns, and that is why they want to meet with us during the session. Whether it can wait until the next interim, I do not know. If we want to get started with this quandary, I feel we should start right now.

487 REP. DERFLER: What is the function of the Executive Department to run the system? If they don't come to us with their problems or suggestions, then we are at a loss for which direction to go. It should be their function to come to us and tell us what they need in order to make the system work.

TAPE 26, SIDE A

034 JOHN LATTIMER: I think they will. If you were to ask them to testify in front of this committee, they would come and tell you about the many problems that they face.

035 REP. HUGO: Who are "they?"

036 JOHN LATTIMER: The Executive Department.

037 CHAIRPERSON CLARNO: We will be hearing bills from the Executive Department. We will be sure to ask them about these problems.

038 REP. KATZ: This is a naive question, but isn't that the Governor's function? The Legislature cannot run everything.

042 JOHN LATTIMER: In a strict sense, it is indeed the Governor's function to administer the laws as established by the Legislative Assembly. That is why I think this body needs to do a better job of establishing the policies that they want Executive to follow. For example, look at all the programs established for children. In the

past, we have used age as a category for these programs. We suggest that the Legislature look at the use of age as a criteria. Many of the programs out there should be delivered regardless of age.

056 REP. DERFLER: If we made that sort of decision, what do you think would happen? Would it be carried out?

057 JOHN LATTIMER: It is very difficult to give clear policy direction to the Executive branch because everyone has a different view as to what that policy should be. We need to give policy direction because we are running out of resources. What I am suggesting is to take these program reviews and use them to understand the programs that currently exist and then use the process to begin to pull them together into some sort of cohesive state policy.

075 REP. DERFLER: Yes, but the Executive Department is here year-round. I don't think they have come to us with their problems and possible solutions. Why haven't they made suggestions?

078 JOHN LATTIMER: I think that is due to a variety of issues, including bureaucratic inertia. Many times, we accept policy set at a federal level in order to receive the federal dollars. Now that the federal government is stepping out of domestic policy, state legislatures across the country are facing many problems associated with the pull out of the federal government.

090 REP. KATZ: It is a process issue for us, as a legislature. How do we institutionalize these questions into the agencies? The staff must think in terms of the same questions, more people must be involved in the process. Why did we lose the Student Retention Issue (SRI)? We didn't like the Department of Education, so we put it in the Department of Human Resources. That is why I lost that battle. We need to institutionalize the process.

114 JOHN LATTIMER: I don't know if you have looked at the Program Budget for Children, but we have organized the 238 children's programs in this report. People look at how we have organized and say "Geez, that really makes sense." These categories are only on paper, though. Instead of using age, we have provided broad topics. With regard to Rep. Derfler and Rep. Hugo, there is nothing really in it for the agency to come in and say, "Hey, there is a better way." This will only happen when the dollars have been cut off.

141 REP. JONES: When you talk about age as being the proper criteria, we didn't do any of this by design. The federal government sends their money in relationship to age of recipients. We really didn't do any of this by design. How do we fix it? How do we keep it from happening again? I really don't have the answers.

155 REP. DERFLER: Communication is the problem. How can we get basic communication amongst the agencies, in hopes of building a better understanding amongst the agencies?

164 JOHN LATTIMER: Indeed, that is a place to start the process. The programs are delivered through a mechanism which hasn't been looked at for a long period of time. The management infrastructure of this state needs a thorough review.

183 REP. CEASE: I think we are forgetting the role of the constituent groups. A lot of the programs we have today were created for a reason.

The biggest issue that you have to overcome, in order to change any of these units, is the constituency out there who works with the departments to resist this sort of change.

198 REP. HUGO: Doesn't private industry have the ability to compartmentalize or structure their activities so cleanly that there is no overlap? That is sort of a rhetorical question.

206 JOHN LATTIMER: The private sector has a very different approach to organization. First of all, they have a bottom line. They do not provide the same sort of services that are provided by the state. They are driven by the costs of what they do, whatever that is, to reach that bottom line. In times of economic squeeze, they eliminate the excess very quickly.

214 REP. HUGO: I beg to differ. They select their clientele. They eliminate their unprofitable clientele and expand their clientele in "good times." We cannot select our clientele. Take a look at the drug and alcohol situation. What do you think about that topic? Can we have consolidation in this area?

228 JOHN LATTIMER: Please don't get me wrong. I am not here to suggest that you need to combine all these programs under one agency. That is not what I am trying to say. We do need some policy which guides the way these programs are delivered.

236 REP. KATZ: I am on the Drug and Alcohol Council. The first thing we did was prioritize those who are served. The young were the first on our priority list. If there was any extra funding, then we helped to direct those funds. It was a nightmare because some of the programs didn't even know who they served.

252 JOHN LATTIMER: If I might add one thing, I would suggest we try harder to have an impact on our clientele. We have to stop our clientele from shifting gears and going to other agencies. Drug and alcohol really isn't a good example because they are doing a fairly good job in that respect.

266 REP. HUGO: How about Corrections and Department of Education . . . how are they doing with drugs and alcohol? The system was not designed to be efficient. That is frustrating to us and I am sure it is frustrating to you as well.

271 JOHN LATTIMER: I have never used the word efficient, just effective. The question is "Are they effective?" At this point, we do not know because we have no way of measuring what they are doing. People float into the system and float out, especially in the employment and training arena.

285 REP. BRIAN: Discussion of private industry vs. state government. The thing is the decision making process. The decisions will be made. It is just a matter of who will be making them. We get mixed signals back with regards to the various programs and so that clouds the situation. We really do not receive good feedback. - Secondly, it is difficult for governments to change. Governments do not shift money well. We never cancel any programs, even the highly unsuccessful. We should be able to prioritize, if we ever get the proper data. As we try in good faith to create services for people, we know their effectiveness varies a lot. Yet, we never hear back from those people. We don't hear about the failures.

316 REP. KATZ: When we create a program such as the Oregon Youth & Children's Commission (\$5 million), and build a grass-roots constituency in 36 counties, you try to shut that program down! It is very difficult to shut down. You have no way of measuring the program. These programs get institutionalized, and people don't even ask the question "Is it doing what it is supposed to do?"

349 REP. BRIAN: We have to recognize the animal. Who creates the policy options here? We have to consider our options. We come to town for six months, shotgun "hero" bills, do good and eradicate evil and go home. If it is our responsibility to set policy, who helps us frame it? Who provides us with policy options to debate?

367 REP. KATZ: That is a very good question.

370 REP. CLARK: There is nothing in this state which parallels what you see at the federal level with regards to think tanks (i.e. The Brookings Institute, etc). No one is doing long-term thinking. We don't have think tanks at the local level. - Isn't it more accurate to compare government to the non-profit private sector? If money could be made doing it, somebody would be doing it and government would not have the burden. I tend to believe that . . . with a couple of exceptions. I am not trying to bash bureaucrats here; I am just saying we have locked ourselves into a set of assumptions about what it takes to provide services.

423 JOHN LATTIMER: I think Rep. Hugo said it best. In the public sector, it is very difficult to select your clients, or who you work for. We cannot decide who to do business with. It is very difficult for you to set policy and not have a court interfere with your policy decisions. - But deal with the basic organization and delivery of these programs, and I admit this is not a "sexy" task. We have a tendency to work only when there is a bill in front of us. That bill may contain only a small piece of the whole picture.

457 CHAIRPERSON CLARNO: Rep. Brian, are you satisfied with those comments . . . with regard to your question?

465 REP. BRIAN: Yes, I am.

468 REP. JONES: When you get into the private sector, who is publicly regulated (like a utility), they are required to serve . . . similar to our situation. At times, they do pull away and stand back from the situation. Because we are here for a short time, we are dealing in a crisis mode and cannot take the time for long-term planning. The Oregon Progress Board, I feel, is a glimmer of hope. We need to deal with long-term as well as short-term. It ought to be a part of our process.

TAPE 25, SIDE B

047 REP. KATZ: Rep. Jones is absolutely correct. The same is true for the Audit Committee. Without this committee, you wouldn't have Mr. Lattimer sitting here with his numerous reports which stimulates this sort of discussion. Maybe link this (Agency Reorganization) Committee with Audit Committee for the interim. Before you and the Ways and Means Committee put a dime in any program, maybe you should serve as the last stop, the watch dog of these issues. We must force Ways & Means to deal with these tough issues.

068 JOHN LATTIMER: With regard to that point, I have instructed my staff to do that very thing. The Co-Chairs have instructed the Chairs of the Subcommittees to do the same thing. We have asked the committees to insure that the agencies come in with a clear mission, and how the dollars will help accomplish their mission. We are also asking how, in fact, they do measure outcome of their mission. We measure activity, but we really don't measure effectiveness. We are highly compartmentalized. . . our committees are compartments, our agencies are compartments, etc.

087 REP. HUGO: In 1857, the state functioned as a committee of the whole, where the committees went away and did their deliberation and reported back. The process at the origins was terribly inefficient, but terribly productive. We not only deliberate, but we also decide on the policy.

097 JOHN LATTIMER: Lots of legislatures do not operate the way we do, in the sense that they allow amendments on the floor. This dramatically changes the process. I have watched this process and it is not pretty. But, it changes the process. The way we organize the assembly does have an impact on the way we operate.

108 REP. HUGO: Remember the comment "We have found the enemy and the enemy is us." The agencies are not the real problem; we just delegate too much.

115 REP. BRIAN: You mentioned that your staff reviews these agencies when they come in. You review their mission, and link their budget to their mission.

118 JOHN LATTIMER: Yes, that is what we try to do. Is it very difficult to do much given the time restraints we operate within?

123 REP. BRIAN: Is that examination being done any differently this session than in prior sessions?

125 JOHN LATTIMER: Only to the extent that we are trying to pay more attention to the linkages. The problem is that it is very hard to do given the hurry-up process that we operate within. It will take time to institutionalize those types of approaches.

129 CHAIRPERSON CLARNO: Rep. Brian and Rep. Clark will have questions and then we will let you go. We do have a work session which must follow your testimony.

133 REP. BRIAN: How much detail do you get into when you review the agencies? I feel these small items (publications and travel) will end up costing the state millions.

140 JOHN LATTIMER: The staff, as well as the members, get into a great deal of detail. We are reducing those types of items in every budget. You will see that as they come across.

146 REP. BRIAN: What percentage are the cuts . . . in terms of the line-item?

147 JOHN LATTIMER: In some cases, it will be 100%. In others, it will depend on the type of the program. If you have to travel in order to do the agency work, then that will be taken into account.

153 REP. CLARK: You mentioned earlier the strings attached to some specific programs. Sometimes the enemy is not us, but U.S. is the problem. How often do you run up against something that we would like to do, yet cannot do because of a federal requirement? Is it half the time or two-thirds of the time?

168 JOHN LATTIMER: That is exactly how I wanted to end. Jobs Training program is one issue. Other states have confronted the federal government and won. Other states have pulled programs together, made it work, and told the federal government (politely) that they were going to do it differently. You have to tell federal government to put up or shut up. The states that have done this have not lost federal funding. On the other hand, you must be aware of what the federal government can do to you. But remember that you do have options.

218 REP. KATZ: But what you just described still doesn't respond to the issue of how one client can move into seven of those programs and get the services seven times from seven different providers. You can change the boxes, in terms of how you provide the service, but you have to deal with the true issues . . . confidentiality issues, the tracking issues, etc.

231 JOHN LATTIMER: That brings me back to the unsexy issues of organization and infrastructure issues. These are very difficult issues to handle, but you have to start somewhere.

240 CHAIRPERSON CLARNO: We appreciate your comments and hope that we can have you come back and speak with us. Closes informational meeting and opens the work session on HB 242 8.

(Tape 25, Side B) HB 2428 - PI DEPUTY SUPERINTENDENTS, WORK SESSION
Witnesses:Greg McMurdo

250 SUSAN BROWNING: Addresses the content of the amendments, both proposed by the Superintendent of Public Instruction.

261 CHAIRPERSON CLARNO: Do we have any questions on these amendments? Rep. Brian do you have any comments to offer?

263 REP. BRIAN: There is another option that I would like to bring back to the committee. It will not be easy and it will be sweeping in its implications. It may be a good thing to do, but it will not be easy. If the committee would like to accommodate the Superintendent on a more certain basis, then HB 2428 should be considered.

274 CHAIRPERSON CLARNO: You want more time in order to proceed further, possibly in another bill?

275 REP. BRIAN: It is not my intent to hold up this bill. There will be another bill. It is out in LC form and I purposely did not drop it because it is quite sweeping. I wanted to test the waters first (with Fred Miller). "I didn't want to just drop it, because it will have a ripple effect."

285 CHAIRPERSON CLARNO: I appreciate your efforts on this matter. I appreciate your help and your thoroughness. - Any other comments on HB 2428?

289 REP. HUGO: I am not going to support the bill because I don't understand why: 1.) Superintendent wants an unlimited number of

Deputies, 2.) Superintendent wants an unlimited number of Associates, and 3.) Wants an emergency clause when the Department's own Fiscal analysts say that they are not going to have any more deputies, increases in positions or salaries. - I just don't understand why we are doing this bill.

298 GREG McMURDO: I can understand the confusion. The emergency clause does not make this bill effective on passage, but instead on July 1st, in order to coincide with the new budget.

303 CHAIRPERSON CLARNO: Are there any other questions or comments?

304 REP. HUGO: Let me ask for the record, is it the intention of the Superintendent to hire or appoint any additional deputies?

306 GREG McMURDO: It is not the intention of the Superintendent to create any different salary range positions than we currently have.

307 REP. HUGO: Currently you have one deputy?

308 GREG McMURDO: That is correct.

309 REP. HUGO: When this bill passes, giving the Superintendent the authority, how many more deputies will there be, let's say on July 1st?

310 GREG McMURDO: If the reorganization plan goes as planned, there will be four Associates and three deputies, with one deputy being paid more than the other two. The salary effect will be neutral. All of this would have to be approved by the Ways & Means Committee. All positions, with the exception of limited duration positions, must have legislative approval. An unlimited number could not be created. This gives the Superintendent flexibility with these six positions.

321 REP. HUGO: Should this go to Ways & Means then . . . is your budget currently down there?

322 GREG McMURDO: Yes.

323 REP. HUGO: So this motion would be to move this bill to Ways & Means?

324 GREG McMURDO: It does not need to go to Ways & Means because it has no fiscal impact. I do not resist that, if you wish to send it there.

330 CHAIRPERSON CLARNO: Clarifies that we are in a work session and not a public hearing.

331 REP. JONES: What is the reason for the one executive officer and the one secretary for each Board or Commissions shown?

335 SUSAN BROWNING: Re-explains the Amendments. We are repeating the verbiage that is in the personnel rule as it is now. This is not new language.

344 REP. JONES: Why is that there? Why does the current language say one executive officer and one secretary for each board or commission?

349 REP. BRIAN: I think I can answer that question. Chapter 242.05 defines classified employees. #1 - 17 is a laundry list of positions that may be defined and treated as unclassified.

362 REP. JONES: Can I clarify a little further. This does not require that each board and commission have these positions. It just says that if they do have these positions, then that is what they are . . . isn't that correct?

367 REP. BRIAN: That is correct.

372 MOTION:REP. DERFLER moves to adopt the amendments to HB 2428, as written.

374 CHAIRPERSON CLARNO: Rep. Derfler has moved the amendments (hand engrossed by staff) including LC amendments, submitted by the Superintendent, to the bill.

378 REP. BRIAN: If I understood Mr. McMurdo's comment, the Dash two amendment takes effect on passage, when in fact you really want July 1st. Is that true?

381 GREG McMURDO: That is correct.

382 REP. BRIAN: We need to amend Dash two, hand engrossed Dash one is o.k.

386 GREG McMURDO: Yes, both to coincide with the budget and in case the unlikely would happen and you would find yourself here in September, when it would not coincide with the beginning of the next biennium.

390 REP. DERFLER: I would accept that as a "friendly amendment."

391 CHAIRPERSON CLARNO: Rep. Derfler has moved the amendments to the bill as amended by Rep. Brian's "friendly amendment."

403 VOTE:Hearing no objection, CHAIRPERSON CLARNO so moves the amendments to

the bill.

408 MOTION:REP. DERFLER moves HB 2428, as amended, to the floor with a "do pass" recommendation.

410 CHAIRPERSON CLARNO: Rep. Derfler has moved the bill as amended, with a "do pass" recommendation. Are there any questions?

413 REP. HUGO: The Department's budget is currently in Ways & Means. I am not sure what exactly is going on. It seems like somebody (E-Board or Ways & Means) must authorize more than one deputy. Don't you think so?

422 GREG McMURDO: No one needs to authorize this change in language. Ways & Means will have to bless our budget.

425 REP. HUGO: Does Ways & Means know that we are doing this? Does this effect your budget?

427 GREG McMURDO: This does not effect our budget. It does not increase or decrease . . . in fact it will decrease the overall budget.

430 REP. HUGO: Then it should go to Ways & Means to let them know that.

431 GREG McMURDO: I have no objection at all if it goes to Ways & Means.

433 REP. JONES: This would in fact increase a position even if your budget amount stays the same or decreases. Is it not necessary that Ways & Means be aware that you have been authorized by this bill to have an additional position?

442 GREG McMURDO: It is not necessary because we are not asking for additional positions. We are asking to rename existing positions. Again, I do not object it going to Ways & Means. This has zero fiscal impact.

449 REP. DERFLER: My impression of what we are trying to do is increase the control or flexibility of the Superintendent.

450 GREG McMURDO: To flatten out the organization. Exactly.

451 REP. CLARK: I would call the question.

452 VOTE: In a roll call vote, the motion carries with Representatives Brian, Jones, Clark, Derfler, and Clarno voting AYE. Representative Hugo voting NAY. Rep. Katz was excused.

469 REP. BRIAN: I don't care for the way this bill is doing what is probably necessary. There are other agencies who feel the very same way as does the Superintendent.

482 REP. HUGO: I checked with Verne Duncan, who is now the Dean at the University of Portland School of Education. I asked him if he had any problems with lateral changes and he said "no."

488 REP. DERFLER: Volunteers to carry the bill.

489 CHAIRPERSON CLARNO: Thank you for volunteering to carry the bill. - Are there any other matters for the committee to consider?

TAPE 26, SIDE B

023 REP. JONES: What will be the topic for next Thursday?

024 CHAIRPERSON CLARNO: Don Murray, of Don Murray & Associates, will give testimony on organizational design. He is a private consultant. - The work session is adjourned and the committee meeting is adjourned (5:08 p.m.).

Submitted by:

Reviewed by:

Scott Kaden

Susan M. Browning

EXHIBIT LOG

None