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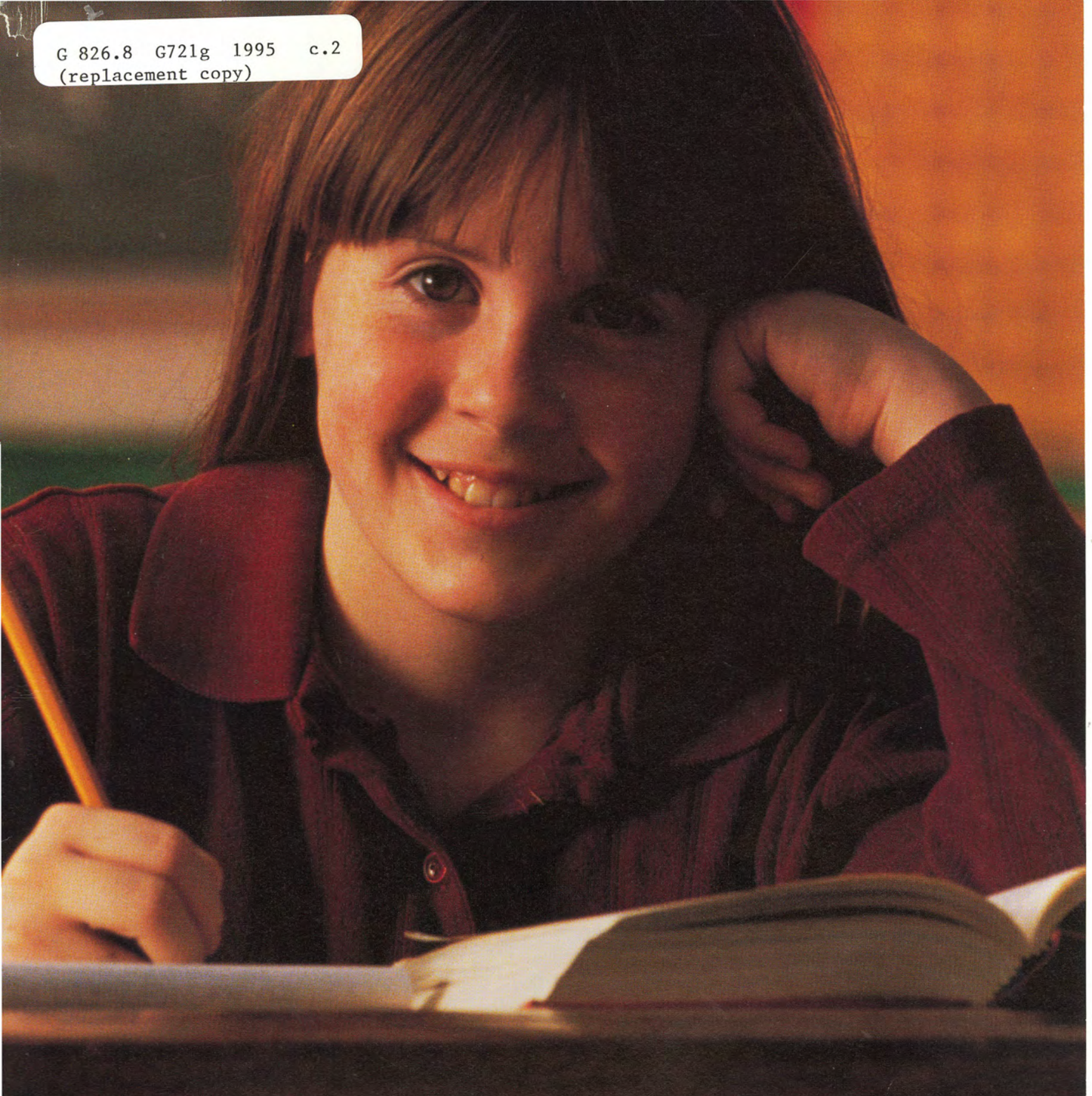

A Government As Good As Our People

Report of the Governor's Commission on Government Performance. State of Oklahoma

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A Government As Good As Our People

Report of the Governor's Commission on Government Performance

State of Oklahoma

December 1995

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A Government As Good As Our People

What we cherish most about Oklahoma is the people. People who go out of their way to help. . . people who are genuinely friendly. . . people who are sensitive to their neighbors. . . people who are willing to accept others and their differences. . . people who care deeply about their families, homes and communities. There are none better.

The government of Oklahoma should, by all rights, be as good as its people. After all, the state was settled by men and women determined to improve their lives. And, as Oklahoma moved from territory to statehood, populists created a Constitution designed to give the people more of a say in public decisions and activities.

History, however, has proven otherwise. Today most Oklahomans feel out of touch with a state government that has annual revenues of $7.4 billion; a workforce of 41,000; a 50,000-word Constitution; and some 23,500 sections of rules and regulations.

Even more important, no one is satisfied with the results. We don't want an Oklahoma that is:

- 48th in employment growth
- 45th in per capita earnings
- 40th in management of state government resources
- 35th in the percentage of population completing high school
- 6th in the number of people living in poverty

This state can do better—much better. And it must, because we want our children and grandchildren to stay here, to find good jobs, to participate in our progress and to share the joy of a good life in this good place.

We know what Oklahomans can do when we set our minds and hearts to the task. Now we have the chance to prove it, by rethinking the way the state works and changing government to make it as good as our people.

Better Oklahoma Government

Governor Frank Keating set the ball in motion in 1995 when he created the Governor's Commission on Government Performance to "look at all of state government, analyze how it works and how we can make it better." The Governor appointed business and community leaders from across the state and asked us to be bold in outlining a plan for Oklahoma's future.

"We want to make Oklahoma better—better than it was and as good as it can be," the Governor told the members of the Commission. This Commission couldn't agree more. So, on behalf of all Oklahomans and the state's future generations, we accepted the challenge to look for ways to make our government all that we expect and deserve.

The Commission spent much of 1995 examining the major issues facing the state and debating alternative solutions. We worked in partnership with 50 fine state employees on the Governor's Performance Team and with national consultants. Each group played a key role in the process.

PUBLIC SECTOR EMPLOYEES. Fifty of the state's best and brightest employees volunteered to analyze government operations and performance. As members of the Governor's Performance Team, they traveled through the nooks and crannies of government, asking tough questions: "What do you do? Why do you do it? Is it worth doing? Is government the best way to do it? What are the alternatives?"

We cannot overestimate the value of their contributions to this effort. The members of the Governor's Performance Team energetically gave of their talent, their institutional knowledge and their sincere wish to see their state government work better and cost less. The Team's professionalism and commitment to improving government laid the foundation for our recommendations—and gave us a new appreciation of Oklahoma's public employees.

NATIONAL CONSULTANTS. KPMG Peat Marwick LLP provided the technical assistance required for a project of this scope. Based on their experience and knowledge of best practices in other states, they were able to help us answer the big picture questions: "What are the most successful public and private sector organizations doing? How do we compare? What can we learn from their experience? What can we expect from the future?" This analysis led us to think in innovative ways about how government could work better.

PRIVATE SECTOR VOLUNTEERS. The members of the Governor's Commission on Government Performance brought together diverse, nonpartisan perspectives—corporate executives, entrepreneurs, professionals, ranchers and community leaders from Woodward to Lawton, Davis to Stillwell—with a common commitment to improving our state. Under the leadership of Chairman Ed Farrell, we followed the development of recommendations

designed to improve the management of the state and the quality of Oklahomans' lives. That perspective caused us to ask:

- What are our values?
- What is our vision of Oklahoma in the 21st century?
- How can our government improve customer satisfaction?
- How can Oklahoma's government perform better for less?
- How do Oklahomans help make it a reality?

Together, we took a comprehensive tour of Oklahoma's state government to find the answers. Along the way we:

- Interviewed key state officials, managers and employees
- Collected plans, budgets and other relevant data
- Studied earlier reviews of state government
- Visited field operations
- Compared Oklahoma to what worked—and what didn't—in other states
- Documented findings and analyses
- Arrived at consensus on the recommendations outlined in this report

What did we find? *A state that can do better— and a state that has all the resources in place to do so.* A state whose citizens are no longer willing to accept "good enough," and are ready to face the inevitable disruption of change. A state blessed with natural advantages—abundant land, water, wood, energy—and the finest people anywhere.

Now it is time for us to use these resources to address the fundamental problems built into our government: structural limitations, diffused accountability, cumbersome systems, costly processes and services that do not satisfy customers' needs.

A Shared Vision

For all of our diversity, the people of Oklahoma share a common heritage and common aspirations. We are people of the land, with deep roots here. We are survivors who have learned to adapt to changing circumstances and disparate cultures. We are people of integrity, with a high regard for our families and our neighbors. We are proud of our communities and our state.

Still, we've known for a long time that Oklahoma can do better. Governor E. W. Marland expressed our sentiments 60 years ago: "Oklahomans deserve better government. If the people will they can have better government."

The Commission believes that *in order to move forward, Oklahoma must set its sights on a common destination.* We must recognize that we are competing not just with Kansas, but with Korea; not just with Texas, but with Taiwan; not just in agriculture, but in microelectronics; not in the industrial age, but in the age of information. We need a clear vision to steer us through this present upheaval and turn our challenges into opportunities for a better future.

In this, the members of the Commission found that our similarities were much more profound than our differences. Ultimately, we share a vision of a 21st century Oklahoma.

- An Oklahoma where citizens—both individual and corporate—prosper in a global economy
- An Oklahoma noted for high levels of education and achievement
- An Oklahoma that helps people preserve their dignity and develop self-sufficiency
- An Oklahoma where government acts wisely and prudently to serve the common good
- An Oklahoma where our young people want to live, work and raise families
- An Oklahoma where generations live together in diversity and harmony

Our vision encompasses not only what we need to do but who needs to do it. We are determined to see Oklahoma achieve these goals on Oklahomans' own terms, preserving what we hold most dear:

- Our sense of community, unmatched in other parts of the country
- The richness of cultures which creates a true "melting pot"
- The high quality of our natural environment
- The shared values which bring us together
- The character of our people

Principles For Achieving Our Vision

Our values are the core of Oklahoma's strength and our future. We want to make sure that we hold on to them, for the sake of our children and theirs. Toward that end, the Commission expressed several principles to guide us as we assessed recommendations made by the Governor's Performance Team. These seven principles form the rationale behind all that follows.

Oklahoma State Government Exists to Serve Our People.

The state should approach every program and activity from the customer's point of view, continually asking whether the user is satisfied. Are employers and employees satisfied with workers' compensation? Are travelers satisfied with the condition of the highways? Are parents and students satisfied with educational results? Do our citizens feel safe? Whenever we can't answer "yes" to these questions, it is time to change. This may sound simple, but it demands a whole new mindset: one in which agencies, managers and employees realize that they are in a service business and that their objective is to serve their customers.

Customer service is difficult—if not impossible—to provide if the right hand doesn't know what the left is doing. We are convinced that when employees see the whole, rather than just the part they're involved in, they can better serve the customer and be more responsible to the taxpayer.

Oklahoma State Government Can Be Better Than It Is.

Oklahoma, like other states, is facing the challenges of slower growth in revenue, pressing needs for services and increasing citizen frustration. What government is going through right now is, in fact, very much like what business has been facing over the last few years: a very competitive market where prices are going down, but consumers expect quality to keep going up. Successful businesses have found that the only way to add quality and value is to do things more cooperatively. That's exactly what government needs to do.

Doing better depends on individual effort and a partnership of the public and private sectors.

While it is government's responsibility to help people help themselves, government simply cannot—and must not—try to do it alone. Individuals must take responsibility for their own actions. We are convinced that all Oklahomans would prefer the dignity of standing on their own two feet to being dependent on government.

Doing better will require significant change.

Reengineering government is not just about doing things better, faster or cheaper. It's about making sure government is doing the right things in the first place. In the business world we have seen some restructuring that is too short term in focus: as a result, it doesn't change the operation, but merely cuts people—and those who are left are doing more of the same work in the same system.

That is not what we need in Oklahoma. Instead, public leaders must take the long-term perspective and apply the quality principles we use in reengineering our businesses. That means rethinking the way things are currently done, from top to bottom.

Improving the way government works is the best way to improve our results.

To get better results, government must get better at using its human resources and its physical resources. The Commission has seen how effective the state's employees can be. However, we have found that the tools and procedures the state provides them are often unwieldy, rigid, costly and too slow to meet customers' needs. To improve these services, we must look at what other public and private organizations are doing and adapt their success to our unique needs.

The goal is what is best for our state.

This Commission believes that Oklahomans have a chance right now to make a difference that will be felt for years to come. Why? We have a renewed sense of pride and respect for ourselves; a Governor with the desire and ability to make the right changes; a Legislature with the willingness to follow the lead of the people; an increasingly global economy challenging us to do things differently; and advances in technology creating new possibilities. Even more important, the people are ready to do what is best for Oklahoma.

This effort represents a beginning.

The Commission recognizes that change is difficult and resistance inevitable. But the majority of Oklahomans overwhelmingly want change for the better, and the time to do it is now. Therefore, *we see our report as a call to action*. Ultimately, it is what gets done that counts.

A Business Plan for Our State Government

The recommendations outlined in the following pages reflect our original charge from Governor Keating. He asked for three things: that we come up with the very best answers for the state; that we arrive at our conclusions independent of any political official, including him; and that we not feel tied to what exists now, but be bold in thinking of what could be.

This is, therefore, an independent document. The Commission delved into the process of reengineering Oklahoma state government with an eye toward better government—nothing more, nothing less.

Our conclusions are based on the detailed analysis and documentation papers of the Governor's Performance Team. These 50 state employees conducted their work in teams, focusing on seven areas critical to our future:

- Major opportunities
- Education
- Health and human services
- Transportation
- Public safety
- Statewide financial systems and technology
- Statewide personnel systems

In each group, the team identified opportunities to improve service delivery and government efficiency, analyzed current operations, benchmarked them against "best practices" in other public and private sector organizations, assessed alternatives and recommended strategies for improvement. The Commission followed the development of 29 issue papers (see page 70) written by the Governor's Performance Team and used our personal experience in our businesses, in our communities and in not-for-profit organizations to evaluate them.

Our Commission's conclusion is that we must run government in a more businesslike way. Toward that end, we have developed a comprehensive "business plan" for our state. The plan lays out clear goals, necessary actions, responsibilities and fiscal impacts in six key areas:

1. Build in accountability for results.

Oklahoma is a "weak-governor" state, with more elected executive officials than most. This design attempts to give the people more of a say in government. Unfortunately, it hasn't worked that way. The state's unusual structure has diffused accountability so that no one is truly responsible for results, and the people of Oklahoma feel that their government is not working for them. We would do better to strengthen executive leadership, hold organizations accountable for results and measure performance.

2. Focus on serving the customer.

Oklahoma state government exists to serve its "customers"—the state's citizens and taxpayers. In the midst of the bureaucratic grind, however, agencies and individuals too often lose sight of the ultimate goal. We need to improve the services that touch people's lives, as well as inject a healthy dose of competition into state activities.

3. Give our employees the tools they need.

The state's employees are our most valuable asset. Rather than making the most of their skills and talents, however, the state tends to erect obstacles in the form of rigid systems, policies, procedures, rules and regulations. We need to change these systems to help our employees do their jobs.

4. Invest in technology.

To become a major player in the 21st century, Oklahoma state government will have to become a better manager and user of technology. While this change will require a substantial investment, it will quickly pay dividends in terms of responsiveness to citizens' needs, productivity of state employees, prudent use of public resources and a revitalized economy. We should begin now to build a state that supports "electronic commerce" in the public and private sectors.

5. MAKE "BEST PRACTICES" A WAY OF LIFE.

Oklahoma is not the only entity that maintains roads and bridges, disciplines offenders or collects revenues. The same functions and programs performed by our state government are performed by 49 other states, hundreds of other units of government nd thousands of companies. Instead of einventing the wheel, we should find the 'best practices"—what works elsewhere—and import those tools and techniques in a way that reflects the state's needs and values.

6. PREPARE OUR STATE AND OUR PEOPLE FOR THE FUTURE.

Education and economic development are more important—and more closely entwined—than ever before. A first-class education is the foundation that will prepare Oklahomans to compete in a global market, perform productive work and lead satisfying lives. Economic development is the mortar that creates a healthy business climate, which in turn produces good jobs, additional state revenues and widespread prosperity. If we want to improve our quality of life and provide opportunities that will keep our children here, this is where we need to start.

A word of explanation: this document is meant to be a broad overview for all of the state's various stakeholders. In the interest of clarity and brevity, we have summarized our recommendations—what must be done and who must do it—in the action plan at the end of this report.

A word of caution: just because you don't see something here doesn't mean we haven't considered it or that it's not important. We encourage you to consult the issue papers of the Governor's Performance Team, which provide in-depth background material and include many detailed recommendations that deserve serious consideration.

A BETTER OKLAHOMA DEPENDS ON YOU

Implementing these recommendations will require concerted action by the state's major stakeholders:

- Executive action by the Governor
- Legislative action by the Legislature
- Constitutional change by the people
- Operational and program changes by the agencies
- Judicial action by the judiciary or State Attorney General

Ultimately, however, *all of these changes depend on Oklahomans creating a climate that is conducive to change.*

For real change to occur, we must overcome our tendency to see government as somehow separate from us, a distinct culture that ordinary citizens cannot penetrate or affect. In today's world, government is too important to neglect. Good government attracts growth, which enhances job prospects and the value of our homes, businesses and professions. We have no greater investment—and we should be demanding more.

"OK" simply isn't good enough for Oklahoma any more. We ought to be great, with all that we've got going for us:

- Abundant natural resources
- Tremendous supply of energy
- Moderate cost of living
- Friendly neighborhoods and communities
- Compassionate, capable people

Yet the state's performance continues to lag behind our peers. In too many measures that will determine our future, Oklahoma falls somewhere in the middle or below.

We know we can do better. We have seen what we can do when we must. We have raised the bar. Now we must extend our reach.

This report points the way. The recommendations summarized in these pages represent the Commission's best understanding of what must be done to make Oklahoma's state government live up to our people. That's why this report is written to the people of Oklahoma. At the end of the day, you are the ones who have to get behind this effort and support those in government to do the right thing for our state.

Ultimately, government belongs to you. If it doesn't perform to high standards, your quality of life suffers. On the other hand, *you* decide who holds public office. *You* influence whether elected officials feel the pressure to change. *You* control the outcome of these recommendations. And *you* determine whether state government will be as good as you deserve.

BUILD IN ACCOUNTABILITY FOR RESULTS

It's ironic. The idea behind the system of state government Oklahoma created was to express the will of the people. But the system, as it has evolved, doesn't represent the people's will.

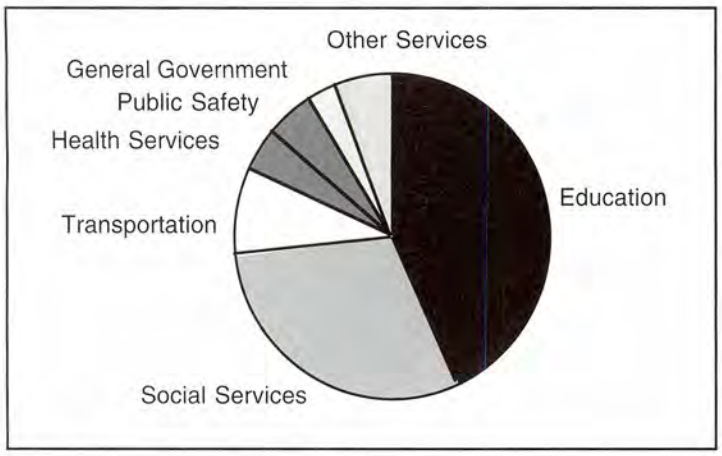
Because the authors of Oklahoma's Constitution feared the accumulation of power, they dispersed authority into many nooks and crannies throughout government. Since then, programs and functions have been added here and there, with little or no regard for the total picture.

The fundamental problem is that no one is in charge. Although voters elect a chief executive every four years and expect that executive to carry out an agenda, the Governor has little power to do so. That's because Oklahoma's structure produces one of the weakest governor states in the nation. The Oklahomans who wrote our Constitution in 1907 declared that the Governor would exercise "the Supreme executive power." Yet they diluted that power by grafting onto the executive branch a range of elected secondary officials—now numbering among the highest anywhere. Later amendments and statutes further reduced executive authority by creating an array of agencies, boards and commissions outside the Governor's immediate control. Often such reforms were intended to "take politics out of it." In reality, politics are just as much a part of government as when these reforms were instituted—perhaps even more so.

Oklahoma now has over 360 boards, commissions, standing committees, authorities, agencies and other state entities. Many critical state operations are controlled by boards and commissions without direct responsibility to the Governor, making it difficult to manage related functions and impossible to determine accountability for results.

This arrangement seemed to make sense when we put it in place, but the results are not all that we intended, as evidenced in our national standings. Oklahoma isn't a territory any more: it's a big business, with $7.4 billion in annual revenues, more than 40,000 employees and 360 divisions. Our state government is a huge operation that requires a strong executive. Unfortunately, the Governor of Oklahoma has limited authority over other senior executives and does not control the majority of the budget.

EXHIBIT 1: OKLAHOMA GOVERNMENT IS A BIG BUSINESS—SPENDING $7.4 BILLION ANNUALLY



Source: Executive Budget Information

Changes to this structure have been recommended time and time again. Any real change, however, will require constitutional reform. The state's Constitution, which was praised as an instrument of advanced democracy in 1907, has many elements which are more of a hindrance than a help in the state's development. This 50,000-word document is not only too complex and unwieldy to serve the people well, but it is also very difficult to change.

Ultimately, the issue is one of accountability. When responsibility is diffused, no one can be held accountable for results. American businesses have found that it is much more effective to give managers and employees responsibility to achieve defined goals and objectives, measure their performance and hold them accountable for results. By restoring executive responsibility, implementing performance-based budgeting and using other modern management tools, Oklahoma can focus employees on government's most important purpose—providing the highest quality services at the lowest possible cost.

A RATIONAL APPROACH TO GOVERNANCE

The Governor's Commission on Government Performance believes that the current structure impedes the state's ability to move ahead in an increasingly competitive economy and to improve the quality of life for our people. Until the basic structure makes sense, it will be impossible to achieve the efficiency and service delivery improvements so vital to our future.

The Commission concluded that the two major obstacles standing in the way of improving the efficiency and quality of state services are a complex, out-of-date Constitution and a weak "chief executive officer." Until we change these basics, other reforms will have little impact on the operation of government.

RECOMMENDATION: CHANGE THE "SINGLE SUBJECT" CONSTITUTIONAL REQUIREMENT.

Generally speaking, the Constitution can be amended in two ways: the Legislature can call a Constitutional Convention—as required by law to be brought to the people for a vote every 20 years—or specific subjects can be put on the ballot for a vote, based on either legislative initiative or

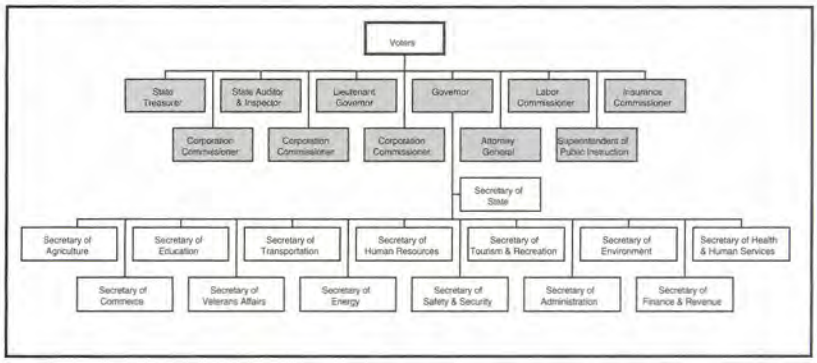
an "Initiative Petition." In practice, however, there have not been regular Constitutional Conventions and the state's strict interpretation of the "single subject" rule, which allows only one subject to be included in an initiative to revise the Constitution, has presented difficulties in effecting reforms in a coordinated manner.

Recommendation: Reduce the number of elected executive officials to strengthen executive leadership and improve management.

Oklahoma has a "plural executive" form of government. We elect 11 state officials—the Governor, Lieutenant Governor, Attorney General, State Treasurer, Superintendent of Public Instruction, Insurance Commissioner, State Auditor and Inspector, Labor Commissioner and three Corporation Commissioners—far more than neighboring states and almost twice the national average. It may seem as though the more elected officials, the more voice the people have. The truth is that the large number of elected officials results in inconsistent public policy.

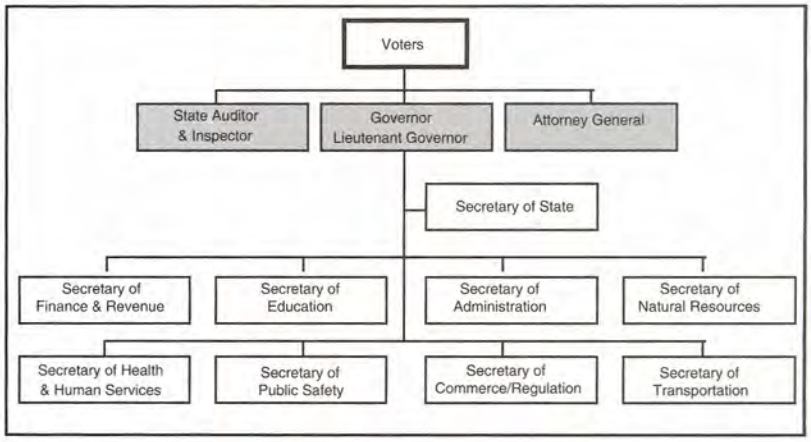
While other states have been moving toward reducing the number of elected officials, Oklahoma has bucked the trend. The total number of elected executive officers in the 50 states dropped a whopping 42 percent—from 772 in 1972 to 446 in 1992—at the same time Oklahoma actually *added* the position of Labor Commissioner.

Exhibit 2: Current Structure of Oklahoma's Executive Branch



Note: Shaded areas are current executive branch elected offices

Exhibit 3: A New Model for Executive Accountability and Effectiveness



Note: Shaded areas are proposed executive branch elected offices

This Commission believes that there are good reasons to follow the lead of other states in this regard. First and foremost, reducing the number of elected officials will empower the Governor to be accountable to the voters for management of the executive branch. In addition, this shift will minimize friction among elected officials and ensure that agencies' public policies are consistent, effective and strategic.

Certain positions, such as the State Auditor and Inspector and Attorney General, require a high degree of independence and should remain elected offices. Other positions—such as the Superintendent of Public Instruction, Insurance Commissioner, Corporation Commissioners, Labor Commissioner and State Treasurer—should be changed to appointed positions. In addition, the Governor and Lieutenant Governor should run as a team to provide a unified approach to managing Oklahoma state government.

RECOMMENDATION: STRENGTHEN THE CABINET STRUCTURE TO FURTHER CLARIFY EXECUTIVE AUTHORITY AND ACCOUNTABILITY.

Study after study, from as far back as 1928 to as recently as 1990, has called for fundamental change to improve the effectiveness of Oklahoma's state government. The primary recommendation? To provide the chief executive officer more authority to manage state government.

Despite this common refrain, the chief executive's ability to manage state government remains severely limited by the huge number of boards, commissions and agencies that operate without direct responsibility or accountability to the Governor. For example, while the Departments of Education, Higher Education and Human Services consume $2.6 billion—more than 66 percent of the state's budget—those responsible are essentially outside the Governor's sphere of influence.

What we have is a situation where the chief executive officer presents an executive budget and major executive agencies promote their own competing interests; where the chief executive officer can call a meeting and key managers do not have to come. It is no way to run the state's largest business.

Furthermore, the state's fragmented organization and management processes lack clear lines of authority and accountability, producing an unresponsive, duplicative and costly state government. We were amazed to discover, for instance, that there are eight different agencies and boards with responsibilities for the regulation of the state's oil and gas industry, and seven agencies responsible for activities related to water, land and environmental management.

The Commission believes that the state would do better with a strong cabinet comprised of offices that reflect the entire interests of the state. Cabinet secretaries would be appointed by the Governor and confirmed by the Senate. Cabinet secretaries should be responsible for implementation of both statutory duties and the Governor's policies, as follows:

- Secretary of Administration
- Secretary of Commerce and Regulation
- Secretary of Education
- Secretary of Finance and Revenue
- Secretary of Health and Human Services
- Secretary of Natural Resources
- Secretary of Public Safety
- Secretary of State
- Secretary of Transportation

Boards and commissions best provide policy direction and oversight, rather than direct operational and administrative management. Members of these boards and commissions would,

for the most part, be appointed by and serve at the pleasure of the Governor.

Reengineer Organization and Staffing

Like any large organization, Oklahoma's state government can benefit from applying modern management and reengineering principles. These principles are designed to increase productivity, streamline work processes, optimize staffing levels and improve services to the organization's customers.

The Commission emphasizes that reengineering is not about eliminating positions to get quick-fix financial savings, but about rethinking work from top to bottom. It is not about moving organizational boxes on a piece of paper, but about focusing on how the work can be done better. It is not about automation, but about designing new processes that take advantage of technology. Reengineering is, above all, a powerful tool that can help the state restructure work, eliminate unnecessary activities and fulfill its mission.

Recommendation: Reengineer state government functions to improve productivity and service delivery.

We believe the big answers to improving state government lie in restructuring and reengineering the organization to focus employees on service delivery. Following the lead of the nation's most successful public and private organizations, Oklahoma must streamline its organization and operation. That means assessing the relevance of each agency to the state's mission, grouping related functions to minimize administrative costs, avoiding fragmentation among departments with similar missions and establishing clear lines of authority to increase accountability.

When the Governor's Performance Team applied these guidelines to agencies that represent the majority of the state's budget, they found many opportunities for improvement. While we recognize that any specific action will require thorough investigation of financial and service implications, we believe it is appropriate that the state consider:

- Creating a strong Secretary of Health and Human Services to coordinate all related activities in a single system accountable for results and prepared for the inevitable challenges ahead
- Restructuring the governance of education to provide an integrated approach across all systems that is led by a strong Secretary of Education accountable to the Governor
- Consolidating the activities of the Oklahoma Department of Transportation and the Oklahoma Turnpike Authority into a single transportation organization
- Centralizing oversight and management of the state's technology resources
- Consolidating the Oklahoma Employment Security Commission, the Department of Labor and Workers' Compensation Court into a single labor and employment agency
- Removing the Oklahoma Wheat Commission, Soybean Commission and Sheep and Wool Commission as state agencies by accelerating the sunset dates from July 2000 to July 1997

- Consolidating the Office of the State Treasurer with the Office of State Finance to create a single agency responsible for financial oversight
- Abolishing the Department of Tourism and Recreation and integrating its functions with related existing agencies

RECOMMENDATION: REDIRECT STAFF RESOURCES TO MEET THE STATE'S MOST PRESSING NEEDS.

The Governor's Performance Team adopted an accepted organizational model for change, supported by modern management principles, and applied it to 12 agencies representing 84 percent of the state's budget. The analysis *identifies 5,700-6,900 excess positions, the elimination of which would result in millions of dollars of savings.* The potential first year financial impact could be as high as $200-250 million, growing to $1-1.2 billion over five years.

EXHIBIT 4: THE ORGANIZATIONAL MODEL FOR CHANGE—ORGANIZATION AND STAFFING STANDARDS

Category	Benchmarked Standards
Management Layers	One-to-one reporting relationships are eliminated. A recommended number of management layers ranges between four or five, with a target maximum of six for unique organizations.
Span of Control	Recommended span of control is one manager per ten staffers, and in some instances higher. For highly technical and policy sensitive positions, a one-to-five span of control is recommended.
Clerical to Total Staff	Recommended clerical staff level is 15% (or less) of total staff.
Vacancies	Non-shortage vacancies that have been open for more than six months should be eliminated. Generally, long-term vacancies demonstrate that the agency has successfully reengineered the processes associated with those vacancies.
Consolidation and Merging of Units	Consolidate units with small numbers of employees into larger more efficient units.
Eliminating Work through Process Reengineering	A reengineering of work processes should be accompanied by a 10% to 25% reduction in tasks performed.
Central Office Staff	The largest percentage of reductions should be at the central office rather than service delivery level.
Skill Levels of Management	Managers in a reengineered work setting must learn to accept more responsibility, be given more flexibility and eliminate unnecessary work.

Source: KPMG

Our intent is to identify maximum savings while preserving the organization's capacity to fulfill its mission. We understand that "one-size-fits-all" standards need to be adjusted for particular circumstances but believe the standards represent reasonable targets.

We urge the Governor and agency heads to pursue potential savings and performance improvements by applying the successful experience of other large organizations. There are many good examples of how to examine mission and purpose, to map work processes and to better apply human and technological resources. We believe that identified staff reductions could be achieved through attrition and turnover over a reasonable period of time. In situations where attrition and turnover is insufficient to absorb displaced personnel, other options should be provided for retraining, job reassignments, outplacement services and severance pay.

RECOMMENDATION: REDUCE RULES AND REGULATIONS TO SIMPLIFY STATE GOVERNMENT ADMINISTRATION AND CUT COSTS.

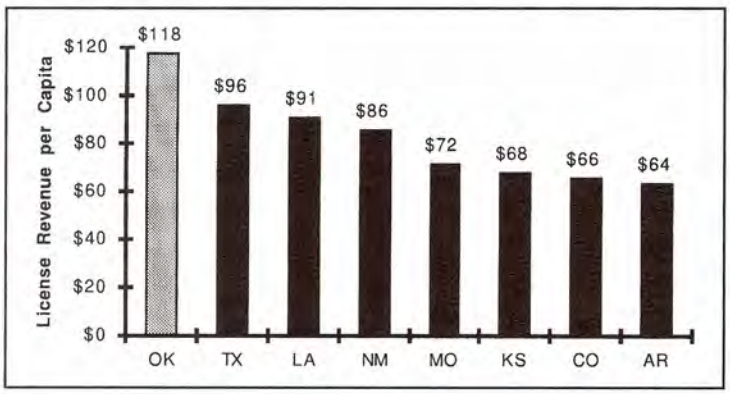
The maze of rules and regulations affecting state government—and Oklahoma's citizens—has grown to 23,500 sections covering 35,000 typewritten pages.

Let's simplify these rules and regulations so that people can understand them. Let's improve citizens' access and understanding of Oklahoma state agencies by eliminating unnecessary rules and start with a moratorium on new rules and regulations, except where mandated by federal law or public safety.

Recommendation: Reduce the cost of the state's professional and occupational licensing boards.

In 1994, $16.7 million in licensing fees were collected. The state ranks seventh in the nation in the amount of revenue per capita derived from licenses—which may place us at a cost disadvantage. In 1994, $1.9 million was passed to the state's general fund—in effect further "taxing" workers and professionals to subsidize general government operations.

Exhibit 5: Oklahoma's Licensing Revenue Is Much Higher Than Our Neighbors'



Source: U. S. Department of Commerce, Bureau of the Census, "State Government Tax Collections," 1991

In Oklahoma, 38 separate agencies, boards and commissions in nine cabinets regulate and license occupational and professional licenses. The inevitable duplication adds unnecessary costs for administration, license processing, records storage and retrieval and complaint tracking and investigation. All fees of non-appropriated professional and occupational licensing boards should be directed to improving services and reducing costs for customers. Cabinet secretaries should undertake internal efforts to consolidate similar functions, simplify licensing processes and reduce costs.

Improve Accountability and Performance

The original budget law, enacted in 1919, suggests that the Governor make a state budget for presentation to the Legislature. Planning was not a requirement of the budget process and is still not a requirement today. Agencies request funds in a "line item" format. As a result, Oklahoma has no comprehensive plan for its fiscal future.

Problems with the state budget process became apparent earlier in the century, when the state accumulated a $59 million deficit from 1929-1941. At that point, the people of Oklahoma amended the Constitution so that the Legislature could appropriate no more funds than those projected by the State Board of Equalization. This action resulted in a "balanced budget" one year at a time—but did not address or control outstanding obligations beyond that year.

Since 1919, the role of the Governor in the budget process has been statutorily amended and reduced. Removed from the original legislation was the provision making the Governor the state's budget officer; the requirement for public hearings by the Governor on any estimates within his or her

budget; the requirement for the Legislature to submit to the Governor detailed estimates of all changes in the legislative budget; and any legal obligation of the Governor to submit a budget to the Legislature based on his or her own conclusions or judgment. In 1994, the Legislature amended the budget law to develop a "program budget" initiative and established a Joint Legislative Committee on Budget and Program Oversight, which appears to place even more authority in the hands of the legislative branch.

We believe there is a better way. First, Oklahoma must have a plan to address the challenges of the future. Next, the state should implement a true performance-based budget, beginning by involving the chief executive officer in the process. Finally, we should redefine the state budget law to provide the appropriate checks and balances.

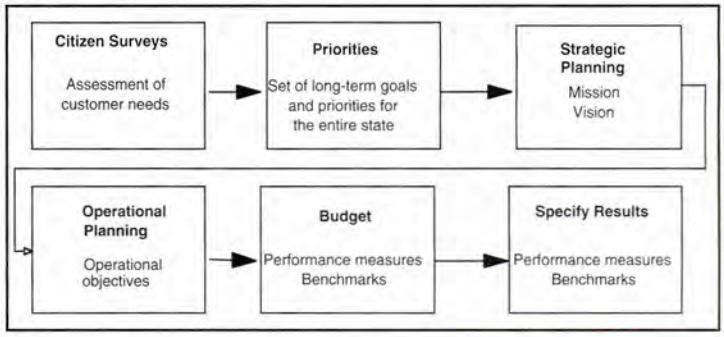
Recommendation: Implement a performance-based budgeting and management system.

Oklahoma's current budget process is not adequate to meet the challenges of today, let alone tomorrow. Among the limitations:

- By law, the state budgets one year at a time; there is no requirement that the budget be tied to long-term or short-term planning
- The state is not required to plan, target and budget resources for specific policies or purposes
- Specific spending constraints and limitations within appropriations bills are minimal or nonexistent
- The deliberations of conference committees, where most of the budget action takes place, are not easily accessible or well documented
- Agency budgets are still submitted in line-item format, documenting what inputs are required, rather than what outcomes are expected

Other states are doing something radically different: 34 are initiating some form of performance-based budgeting and 21 are tying that process to some kind of performance measurement. We think it's time for Oklahoma to join the crowd. By implementing true performance-based budgeting, we will be able to assess customer needs, develop plans to address them, translate performance measures and benchmarks into the budget and specify results.

Exhibit 6: A Performance-Based Accountability Model



Source: KPMG

Implementing such a system will require significant legislative changes. The Legislature should consider replacing or revising current law to:

- Make the Governor clearly accountable for presenting a balanced executive budget proposal, including a consolidated balance sheet that accurately reflects the true value of the state's assets and liabilities
- Give the Governor explicit authority to develop group productivity incentive programs, propose and justify performance measures for all executive agencies

- Require all state agencies to undertake customer surveys to establish desirable outputs and outcomes, establish standards and develop performance measures
- Require the Legislature to hold public hearings on appropriations measures, include performance measures in all appropriations bills and periodically audit the performance of state agencies against these measures

Address the Crisis of Unfunded Liabilities

Even if the state executes the rest of the Commission's game plan, a dark cloud hangs over the fiscal future of the state. The problem is that we have knowingly made obligations in excess of our ability to pay. There are six agency-managed pension funds which cover teachers (OTRS), firefighters, public employees (OPERS), police, law enforcement employees (OLERS) and judges.

The state's six pension funds have a combined unfunded liability of over $5.3 billion. That translates into a potential obligation of over $1,600 per man, woman and child in Oklahoma—and the figure is growing. The largest unfunded liability is approximately $4 billion for OTRS, followed by $645 million for OPERS and $468 million for firefighters.

Similarly, the state has granted supplemental health insurance benefits improvements to its retirement programs without fully considering the fiscal implications. These long-standing practices, combined with various structural inefficiencies, have been very costly to the state, while not meeting the needs of employers, employees or taxpayers.

Recommendation: Take immediate steps to address the unfunded liability problem.

When it comes to funding its pension systems, the state is behaving much like a consumer with a large credit card debt. We started out in the hole, with a teachers' system that was not funded properly from the beginning. Then we continued to "buy" benefits with the expectation of paying for them in the future. Rather than drawing down the debt, however, we let it continue to grow. At the present time, we are not taking action to control how the balance is increasing or how we're going to pay for it.

The Commission found that the state's $5.3 billion unfunded liability has not received the attention it deserves, largely because to some it is unclear who is legally responsible for ensuring that the pensions are properly funded. We believe the first step in addressing this issue is to determine whose debt it is. Toward this end, the Governor should seek an Attorney General's opinion on whether the state is responsible for the unfunded liability accumulated in the past.

Once we establish accountability, the state can deal with the underlying problems inherent in these systems. On the revenue side, we can no longer

rely on the sources—especially taxes on energy production—we relied on in the past. We should ensure the current and future integrity of the system by mandating that the state's current employer and employee contributions at least cover "normal costs"—that is, the amount of money required today to pay for tomorrow's benefit promise.

On the expenditure side, the state must better control its costs. We can no longer afford some of the habits we have gotten into, such as promising benefits improvements in lieu of salary increases, without providing funding; making decisions on the basis of ad hoc Cost of Living Adjustments, without actuarial assessment; giving the pension boards the responsibility for managing these funds, without the corresponding authority; and providing costly supplemental benefits to some, but not all, employees.

Instead, we need to take immediate steps to adapt the best practices of the private and public sectors to our employees' and taxpayers' needs. That may mean making Cost of Living Adjustments part of the actuarial assumptions used to define normal costs, requiring state pension systems to disclose the system's funding ratio and implications of plan termination, redefining existing benefit plans, reducing or eliminating supplemental benefits where possible, and beginning to make the shift from defined benefits to defined contribution programs.

FOCUS ON SERVING THE CUSTOMER

Although Oklahoma state government is the state's largest business, it has a very different bottom line. Its business purpose is not to make a profit or grow its market share, but to provide services that would otherwise not be delivered to the state's "customers"— that is, our citizens and taxpayers.

In the midst of the daily grind of government, however, it is all too easy to lose sight of the ultimate goal. Agencies begin to advocate for their own continuation, employees seek to satisfy their superiors, special interests consider their own priorities and bureaucrats get blinded by the weight of "the way it's always been done." The customer, meanwhile, gets lost in the shuffle.

The results can be seen in the common schools, where parents cannot choose the education they deem best for their child. . . in the human services delivery system, where those who are least able to jump the hurdles face a bewildering maze of offices, locations, requirements and paperwork. . . in the workers' compensation program, where costly provisions act as barriers to business and still fail to protect employees. . . and in myriad other interactions that do not satisfy the needs of customers and taxpayers.

While the state's citizens and taxpayers might once have accepted the status quo, now we are demanding change. Having seen our businesses and families adapt to the challenges of the 1980s and 90s, we are asking government to do the same.

One important way the state can make this shift is by injecting competition into the system. In fact, we believe that the best way to make public agencies respond to the needs of their customers is to make resources available and let the customers choose. Like other enterprising governments, Oklahoma can use a wide range of approaches to make dramatic gains in everything from filling potholes to running prisons and teaching schoolchildren.

Competition is part of the new mindset required to make Oklahoma state government more businesslike —which means providing customers with the highest quality services at the lowest possible cost. That's what government is all about.

Offer More and Better Choices in Common Education

Over half of government expenditures in Oklahoma are for education: that alone would suggest that the Commission had to look at this issue. But education isn't just about money—it's about our children and our future.

Oklahoma, like every state and local government, is seeking better ways to prepare children and young people for the challenges of the next century. No single answer exists. However, it is clear to us on the Commission that a greater involvement of parents and those closest to the students represents a pathway to a better educational system.

We believe that introducing widespread academic choice—and thus creating a competitive market-place—is the fundamental foundation upon which the future of Oklahoma's educational system should be built. Enabling parents and children to make informed decisions about which school to attend will transform the system as we know it and raise system-wide performance to a new level.

There is no doubt that what we are suggesting here is controversial. Still, we believe it is essential that Oklahoma open up the debate for rational discussion and implement these or other reforms that will accomplish the same results.

Recommendation: Give educational consumers a choice of schools.

School districts around the country are realizing that not all students learn best in the traditional classroom setting. Many are reallocating funds and revamping the school environment to improve educational performance.

We propose that Oklahoma go a step further and set the stage for educational improvement through the use of *academic choice*—that is, the combination of universal open enrollment with state-funded school vouchers. Academic choice would allow parents to make informed, rational decisions as to where their children will be educated, choosing from all public and private options.

In implementing a system of choice, we should improve the alternatives available through the public system. Other states are exploring options including:

- Charter schools, which enable an autonomous organization to contract with a school to offer public education at a rate no higher than the state's per pupil expenditure; they are managed by a governing board of administrators, parents, teachers and community representatives.
- Magnet schools, which offer choice among public schools. Originally designed to promote integration, they are now being used to provide specific cores of study—mathematics, science, drama, foreign language—as well.
- Open enrollment, which allows the family to determine the school in the district or the state that will best accommodate the needs of the student; funding follows the student.

The Commission believes that Oklahoma would do well to adopt these innovative strategies for our state. We encourage the Legislature to consider allowing the formation of charter schools. The schools' accountability should be tied to student performance, and the state or local agency that issues the charter should have the flexibility to cancel or non-renew a contract with a charter group based on results. As a further caution, the state should sunset charter schools after three to five years to trigger automatic review before a contract is renewed.

Magnet schools are a good first step toward school choice. The Department of Education should continue to offer support to districts choosing to implement them. At the same time, the state should investigate open enrollment on a statewide basis. We believe that the competitive market of open enrollment will identify schools offering better curricula and could provide the impetus for school improvement and competition.

If academic choice is to be implemented, steps must be taken to better resolve the disbursement of state funds; assess and communicate school performance; develop initiatives to adapt to the potential loss of school revenue; and determine the annual state per student funding, recognizing that the amount offered for academic choice does not have to be the full value of the state per pupil funding.

Improve Delivery of Health and Human Services

The health and human services system serves *all* Oklahomans, providing everything from temporary cash assistance to restaurant inspections, medical technician licensing, immunizations and health care for those who can't afford coverage. Although most citizens aren't aware of it, the system touches every one of us in some way.

Delivering these services is one of the most complex and costly responsibilities borne by the state. The 17 boards and commissions that provide health and human services provide the largest function of government outside of education, consuming roughly one-quarter of the state's budget. For the purposes of this study, we focused on eight major health and human services agencies, which together employ 18,000 workers—45 percent of the state's workers.

The Commission found that the people who staff these agencies genuinely care about the people they serve, but are caught in a bureaucratic web that gets in the way of the high quality services their customers deserve. If we are to achieve our goal of helping Oklahomans live healthy, self-sufficient and productive lives, we will have to reengineer these processes, redesign the service delivery model and shift our emphasis to the front lines, where customers are actually served.

RECOMMENDATION: CO-LOCATE HEALTH AND HUMAN SERVICES AND MAKE THEM MORE ACCESSIBLE, FRIENDLY AND EFFICIENT.

Oklahoma's current health and human services system is not well designed to meet the complicated, interrelated needs of families. The location of related services in multiple locations is inconvenient for customers and inefficient for caseworkers. Cumbersome procedures require excessive documentation, resulting in lengthy waiting times. Complex and conflicting eligibility rules discourage customers from seeking help and place an undue burden on caseworkers. The lack of technology makes it difficult to get needed information and to measure outcomes.

Parallel and separate services are no longer working for the people they are intended to serve. We need to reorganize these pieces into an integrated whole focused on the needs of individuals and families rather than individual programs and funds. We believe Oklahoma can take advantage of alternative delivery systems used by other states to build a model health and human services system here.

This new model should be based on proven management techniques that help organizations achieve more customer-focused results:

- Gearing resources toward the front lines
- Clearly defining client responsibilities
- Taking a "whole client" or case management approach to service
- Shifting the emphasis from prescription to prevention
- Employing integrated technology
- Involving the community in decisions

Change of this scale needs to begin at the top, with a strong cabinet secretary who has the authority to manage these diverse functions and is accountable for results. The cabinet secretary should serve as a central coordinating authority, charged to improve services to the state's customers by creating a system-wide strategic plan, implementing outcome measures, coordinating budgeting and funding decisions and forming reengineering teams to develop action plans for customer-focused services.

The cabinet secretary should consider requiring agencies to co-locate offices, where feasible, to improve services and reduce costs. Our analysis indicated that co-locating health and human services would save the state an estimated *$35-40 million* a year. At the same time, the secretary should conduct a comprehensive review of all current agency leases to identify opportunities where buying, constructing or leasing different space would be more economical.

RECOMMENDATION: MAXIMIZE CHILD SUPPORT ENFORCEMENT TO HELP FAMILIES BECOME MORE SELF-SUFFICIENT.

Aid to Families with Dependent Children (AFDC) is basically child support paid by the taxpayer. In Oklahoma that figure totaled $167 million in fiscal year 1994. Meanwhile, uncollected child support obligations amounted to more than $58 million—a tremendous loss to Oklahoma in the form of AFDC cost reimbursement, not to mention the financial drain on these families.

We found that the Child Support Enforcement Division is currently performing below the national average in terms of the ratio of dollars spent to dollars collected. By raising our standards to the national average and through increased efficiencies, we could collect an additional $13 million per year in payments and use this money toward reimbursing AFDC costs.

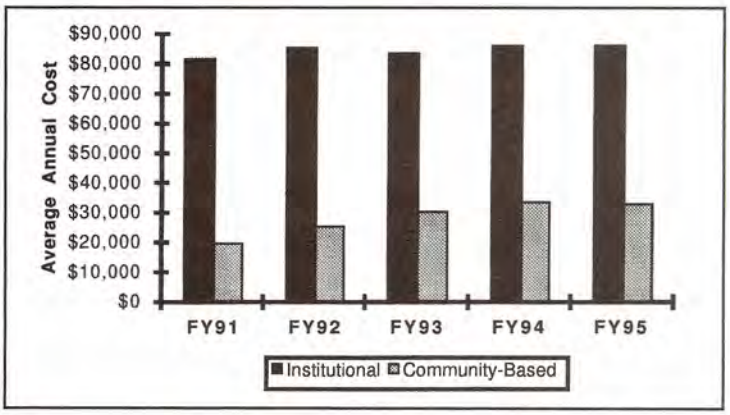
Our state must do better. The first step is to raise the state's performance expectation of contract providers to no less than the national average standards. Then we should make the voluntary new hires program mandatory and pursue efforts to establish a central registry as part of a comprehensive, computerized child support enforcement system.

Recommendation: Shift from Institutional to Community-Based Care, Where Appropriate, to Better Serve People in Need.

The state supports two systems to care for people with impairments, developmental disabilities or other special needs: institutional care and community-based care. Institutional care, while necessary and appropriate for some individuals, is often more costly, more restrictive and offers the least opportunity for a fulfilling life for the resident. Community-based or in-home care, on the other hand, allows people in need to live in less restrictive settings, with a greater chance for personal fulfillment.

In fiscal year 1995, the cost for institutional care of persons with developmental disabilities averaged roughly $87,000 per person served, compared to $33,000 for community-based care. However, there are insufficient community-based and in-home support programs to meet the demand, forcing families to choose institutional care. If the state could move more of the 600 remaining residents of facilities for the developmentally disabled to community-based care over the next five years, we would save an estimated $5.7 million per year. If we reduced our nursing home utilization rate to the national average, we would save an additional $11.6 million yearly in Medicaid funds.

Exhibit 7: Mainstreaming Costs Less Than Institutionalizing



Source: Oklahoma's DHS / Finance Officer for DDSD

The Commission suggests that the state identify and transition residents from these facilities who would be better served outside the institutional setting at an equal or lower cost.

Similarly, Oklahoma should extend community-based support as an alternative to nursing home care by expanding the ADvantage Program to areas of the state that can support it at a cost-effective level. For all potential nursing home participants and persons with developmental disabilities, the state should consider using a standardized assessment mechanism that effectively determines the appropriate placement of individuals entering and progressing through the continuum of care.

RECOMMENDATION: GET PREPARED FOR BLOCK GRANTS.

The federal landscape is changing quickly, and Oklahoma must be prepared to respond. A nationwide "budget curtailment," scheduled to begin in fiscal year 1996, will require the states to absorb a loss (or reduction in growth) of federal funds amounting to $6.7 billion. Oklahoma's share will be an estimated *$69 million.*

At the same time, Congress is restructuring state grant programs into four major block grants—education, Medicaid, employment and training, and welfare—to allow states more flexibility in management. Medicaid provides needed medical assistance for people with low incomes and resources, including the aged, blind and disabled. It is an important source of health care coverage in Oklahoma, serving more than one in 10 people. In 1993, these expenditures amounted to $1,200 per low-income individual—significantly below the national average of $2,000 and the lowest in the West South Central region.

To continue serving Oklahomans in need, the state must prepare now to address the changes to Medicaid being debated in Congress. Although specific provisions have not yet been decided, it is likely that reforms at the federal level will reduce the size of the program, cap its growth and provide the states with increased flexibility to redesign the program.

This is the time to develop and implement a coordinated plan with input from all related agencies to jointly explore linkages between block grants in welfare and Medicaid. In addition, the state should identify all allowable Medicaid and other entitlement reimbursable services to help offset rising health care costs. We believe the state should consider entering into a contingency-based contract to maximize revenues across all applicable agencies.

Oklahoma must also become more efficient in our management of Medicaid to ensure that the greatest amount of funds go directly to serving our customers. Our administrative costs as a percent of payments are currently 8.3 percent, compared to a regional average of 3.5 percent—$49 million more than if our administrative costs were at the regional average. The Department of Human Services and Health Care Authority must analyze administrative costs and identify methods to reduce costs by using technology and improved processes.

INJECT COMPETITION INTO GOVERNMENT

Competition can inspire higher levels of performance in government, just as it does in business. States, counties and cities are different, of course, in that they "own the market." Citizens can't decide to take their public business elsewhere unless they physically move to another location—where the same situation is likely to exist. Therefore, enterprising governments are taking steps to introduce competition into their operations in a variety of innovative ways.

EXHIBIT 8: COMPETITIVE GOVERNMENT COVERS A WIDE RANGE OF ACTIVITIES

Asset Sale	Long-Term Lease Sale-Lease Back Sale-Service Contract or Lease-Service Contract
Contracting Out	The state enters into an agreement with a profit or nonprofit to provide goods and services
Franchise	Same as contracting out, except that users of the service pay the provider directly
Direct Competition	Government producers compete directly with private providers, enabling agencies to choose between in-house and private suppliers
Vouchers	Government pays for a service and gives to individuals redeemable certificates or vouchers to purchase the service in an open market
Public-Private Partnerships	Method of leveraging public resources with private enterprise, effort and investment
Service Shedding	Reduction of level of service or no longer providing service
Deregulation	Regulation of a service that is monopolized by government is eliminated to allow private provision of service
Grants and Subsidies	Government provides funds or in-kind contributions to a private organization to reduce the expense of providing a service
Volunteers	Volunteers provide all or part of a government service
Self-Help	Communities band together to take over a government service or asset

Source: "An Action Agenda to Redesign State Government," National Governors' Association

Competitive government is not one strategy, but many. It ranges from state-owned and operated, to state-owned and contractor-operated, to owned and operated by the private sector. All of these methods are designed to improve government's effectiveness and efficiency by focusing government's attention on the roles that only government can provide; putting the private sector to work for the taxpayer; giving employees incentives to act as shareholders; and inspiring constant improvement, no matter who does the job.

While other states have already taken action to harness the power of competitive government, Oklahoma does not have the necessary mechanisms in place to:

- Encourage agencies to be competitive
- Provide a single focus for competitive government
- Enable private entities to initiate bidding for service delivery functions
- Oversee performance of currently outsourced functions
- Identify the use, importance, value and disposition of real property assets
- Use competition to better develop, operate and maintain its infrastructure

The Commission believes that a systematic approach to competitive government is imperative for making our state successful in the world-class economy of the 21st century. All stakeholders should be involved in the effort, from the Governor and Legislature to business leaders, public managers, employees, cabinet members and citizens.

Recommendation: Establish a system to deliver competitive government.

An analysis of other governments further along the journey of competitive government indicates that a central organizational focus is required to make this shift. The Governor should be accountable for establishing policy, setting overall direction and implementing operational changes to improve customer service and reduce costs.

Competitive government administrative functions might be assigned to the Secretary of Finance and/or the Secretary of Administration, as deemed appropriate. In addition, responsibility should be established to determine the use, retention or disposition of real property valued at more than $25,000.

Oklahoma can realize significant cost savings through competitive strategies such as consolidation, franchising, out-sourcing or sale of state-owned assets. Decisions must be taken on the basis of a rational, consistent plan for evaluating opportunities and protecting government's customers.

A useful guide is the Competitive Government Review Model—created by the Governor's Performance Team and based on the models of Texas, Virginia and other states—to evaluate the potential for such functions. This would mean:

- Developing an effective system to identify and encourage opportunities for privatization
- Developing legislation to require review of vendor or agency proposals to privatize state services or sell state assets
- Allocating funds to provide the service at the best cost to the state
- Institutionalizing competitive government systems and procedures

The Governor's Performance Team applied this model to five government functions, the State Insurance Fund, Grand River Dam Authority, state lodges, nine state turnpikes and *Oklahoma Today Magazine*. While the determination of market value and the various methods of restructuring may be complicated, the state should seriously examine ways to realize better performance from consolidation, franchising, out-sourcing or sale. This should be done carefully on a case-by-case basis for all state assets and operations. The Governor and the Legislature should understand the financial impact on the state, as well as the impact on employees and citizens.

Redesign Workers' Compensation

No one is satisfied with the state's workers' compensation system. Businesses complain of the high costs, while employees express doubts about the system's ability to protect their health. The fact is, both are right: *workers' compensation net insurance costs ranked the fourth highest in the nation in 1994, while benefits received by workers ranked 34th.*

The problems with Oklahoma's workers' compensation system are not news. In fact, reforms were enacted in 1992, 1993 and 1994. While these

changes represent a step in the right direction, they have not had the desired result. A recent Department of Commerce survey found that out-of-state manufacturers still see Oklahoma's workers' compensation system and its regulation as the biggest impediment to economic development efforts here. Oklahoma's small businesses continue to rank workers' compensation as their greatest difficulty.

To attract and keep businesses in Oklahoma, the state must reduce the escalating costs associated with workers' compensation, including insurance premium costs, medical and legal fees, fraud and abuse of the system. To attract and keep a highly-skilled workforce, timely and adequate payment of legitimate workers' compensation claims is a basic necessity.

RECOMMENDATION: REDESIGN THE STATE'S WORKERS' COMPENSATION SYSTEM TO PROMOTE SAFETY, CONTAIN COSTS AND REDUCE FRAUD.

The obvious deficiencies of our workers' compensation system have a profound effect on existing businesses and workers, which in turn limits our ability to build the economy and provide high-skill, high-wage jobs. The Commission found that there are many reasons for these obstacles: benefits are not paid in a timely manner, provoking more injured workers to pursue litigation; the system pits employers against employees, despite the fact that both share common interests; the level of fraud is too high and the rate of recovery is too low; and the importance of safety gets lost in the process.

One of the underlying drawbacks of our current system is that the State Insurance Fund, a quasi-governmental agency designed to be the "insurer of last resort," has become the state's primary insurer of workers' compensation. The State Insurance Fund appears to have an unfair advantage that is resulting in the easing out of the private competition at a high cost to the state's employers and employees.

Oklahoma needs a new system that fosters cooperative solutions to both promote safety and contain costs. We can adopt the best practices of other states to better meet the needs of our customers—employers and employees—as well as businesses considering relocating here. Specifically, the state should consider strategies such as:

- Privatizing the State Insurance Fund to create a more responsive and business-like entity
- Replacing the Workers' Compensation Court with an administrative system for the delivery of workers' compensation benefits
- Eliminating lump sum payments
- Determining how to integrate medical payments due under workers' compensation and employer-provided medical plans
- Incorporating the best practices of other states to reduce rates, improve safety, prosecute fraudulent activity and ensure that injured workers are paid promptly

GIVE EMPLOYEES THE TOOLS THEY NEED

If there is one thing the Commission gained in our journey through state government, it's a new respect for the state's employees. Everywhere we went, we found bright, dedicated people doing their best to perform their jobs and serve their customers. Yet, to turn challenges into opportunities for a better future, Oklahoma state employees must be better led, motivated, rewarded, trained and equipped than they have been. Today they are trapped by many outdated and ineffective systems that put unintended roadblocks in the way.

Changing these systems—particularly personnel and purchasing—is essential. Why? These are the basics that turn the gears of government. If they don't work well, it doesn't matter how innovative or cutting edge the state's programs are, we will not achieve our goals.

On the other hand, if the wheels of government are running smoothly, the state's leaders can pay attention to what really matters to us. The better Oklahoma does the basics, the fewer resources it will take to run the machinery and the more we can put into the important things: improving education, assuring public safety, helping those who cannot help themselves, attracting business growth and building a better state for all Oklahomans.

While much of what government does is unique to government, how it operates the basic machinery to deliver services—how it hires and supervises employees, how it purchases goods and services, how it pays its bills—is similar to any large organization. This is one arena in which government can take a lesson from the private sector to meet the needs of its stakeholders.

Like business, government is finding the world in which it operates is rapidly changing. If we are to compete, the state will have to make a major organizational shift:

- From bureaucratic to entrepreneurial
- From control-oriented to customer-oriented
- From rigid to flexible
- From manual to electronic
- From preventing abuse to empowering employees

Making this shift is a formidable task, requiring both new business practices and a new mindset. Fortunately, the state of Oklahoma doesn't have to start from scratch. We can learn from the