THE VIRGINIA COMMISSION ON STATE GOVERNMENTAL MANAGEMENT--
AN ASSESSMENT

by

Martha Weaver Jones

Thesis submitted to the Graduate Faculty of the
Virginia Polytechnic Institute and State University
in partial fulfillment of the requirements for the degree of
MASTER OF URBAN AFFAIRS

APPROVED:

Alan Walter Steiss, Chairman

Ann D. Watts

Richard E. Zody

January, 1978
Blacksburg, Virginia

ACKNOWLEDGMENTS

I would like to thank Dr. Alan W. Steiss for his guidance and assistance as Chairman of my thesis committee and Dr. Ann Watts and Dr. Richard E. Zody for their comments and advice as committee members. I would also like to thank the individuals whom I interviewed for their assistance in providing me with information. Special appreciation goes to my husband for his support and understanding as I prepared this thesis and to for her skillful and conscientious efforts in typing the final manuscript.

TABLE OF CONTENTS

Chapter

Chapter

VI. Continued

CHAPTER I

INTRODUCTION

The Commission on State Governmental Management was created by Virginia's General Assembly on March 20, 1973, to study the management of state government and to prepare means for improving governmental efficiency and effectiveness. The formation of the Virginia Commission is a reflection of the renewed interest in state government reorganization that has been generated throughout the country. During the past decade more than twenty states have engaged in some type of reorganization activity.[1] Underlying this concern with structure and function is a move toward strengthening the role of states in the federal system by improving their governmental capabilities. As a result, Virginia's effort at modifying state government to accommodate increased responsibilities merits attention not only for its impact on the Commonwealth but for its implications for other states as well.

The Commission on State Governmental Management has officially set March, 1978, as the completion date for its efforts. With the end of the Commission's tenure in sight, the intent of this analysis is to examine the accomplishments of the Commission in instituting a more rational system of planning, budgeting and management; to suggest reasons for the degree of success that has been achieved; and to identify some of the problems which remain to be addressed. This analysis has been developed to assist Virginia officials in evaluating the impact of the

Commission's work and to aid other states which are considering changes in the structure and processes of their governments. To this end, particular attention has been devoted to defining the set of constraints and opportunities that existed for improving the effectiveness of Virginia state government to aid in evaluating the Commission's work.

THE CHANGING ROLE OF STATES IN THE FEDERAL SYSTEM

The role of state government in the hierarchy of governmental functions has varied over the years. In the 1930's, the noted scholar Luther Gulick went so far as to declare states "not only as dying, but for the most part dead so far as being effective partners in the federal system was concerned."[2] States have been criticized for their ineffectiveness, their lack of responsiveness to social problems, their antiquated structures and processes--in short their inability to address current and pressing problems. In the late 1940's, Robert Allen noted the "default" of the states in meeting governmental responsibilities and the response of the federal government in filling this void:

> Since 1930, state government has dismally failed to meet responsibilities and obligations in virtually every field . . . Through its inadequacies, defects, and failures, state government created a void that had to be filled by some responsible governing force . . . The only governing force capable and willing to step into the breach was the federal government. It came forward when state government proved incapable of meeting its obligations to protect the welfare of its people. That is why the people are increasingly turning to the federal government, why the localities are doing so, and why the states are, too.[3]

The diminished role of the states continued into the 1960's, marked by an increasing bypass of the states in direct federal aid to localities and the growth of federal involvement in provision of public services.

The need for revitalization of state government has been argued on several bases. As one former top administrator in Virginia government noted, the states must become more involved in policy development and provision of services because, ". . . the experience of the 1960's demonstrated that the federal system is weaker for the abdication of any level of government, federal, state or local from its proper role and responsibilities."[4] In addition, the very diversity of culture, economics and politics among states has been advocated as justification for increased state involvement in governmental services and programs, particularly in weighing the necessary 'trade-offs' involved in allocating resources and decision making:

> . . . state government is emerging in a new role; as the policy instrument through which national, and possibly also international, policy can alone become effective. This is particularly true in such major areas as the environment, energy, and land-use planning in which . . . costs need to be weighed against benefits . . . These 'trade-offs' can best be made on the local level, since conditions differ from area to area and only the intimate knowledge of local conditions, which is available at the state level, can effectively find the balance which is fair, appropriate and equitable in a given situation.[5]

To keep pace with the demands of an increasingly urban population and to respond to the challenge of strengthening their role in the governmental hierarchy, it has been necessary to expand beyond the regulatory and enforcement activities long associated with state governments. In the 1970's most growth in governmental employment occurred at the state and local level--federal employment accounted for only one out of every twenty newly created public jobs.[6] Revenue sharing, increased reliance on state administration by the federal level, and the strengthening of state capabilities have served to counter the trend of declining influence. Both cities and local government are exerting pressure upon the states, as well, requiring assistance in financing programs and in intergovernmental coordination.

The Council of State Governments noted the extent of increases in state government:

> The fiscal, social and political environment in which governors conduct affairs of state has changed drastically during recent decades. State expenditures increased more than six fold, revenues about five fold and employment more than doubled between 1948 and 1968.[7]

With the expanded role of state government and the demand for more and better services has come a proliferation of agencies, boards and commissions. This growth has not always resulted in organizational structures or processes that are conducive to efficiency or effectiveness.

To stem the pressures of demands, the constraint of resources, and the gap between public expectation and performance in government, states have been faced with finding additional sources of revenue and/or improving the management of governmental operations. Many states have undertaken government reorganization in search of a solution to these problems. Principles common to these reorganization efforts are:

(1) the grouping of agencies into broad functional areas;

(2) establishment of relatively few departments to enhance span of control and to pinpoint responsibility;

(3) delineation of single lines of authority to the top; and

(4) administration of departments by single heads, removing boards and commissions from administrative functions.[8]

With the political appeal of reorganization efforts in promoting economy and efficiency, the availability of federal funding for studies, the successes demonstrated in a number of states and the publicity generated at the federal level, it is not hard to predict that governmental reorganization will continue to be a topic of interest to the states.

THE VIRGINIA COMMISSION--AN OVERVIEW

Like other states, Virginia has sought to improve the functioning of its government, not only to keep the cost of services within the limits dictated by budgetary constraints, but to improve the quality of public services as well. Responsibility for effectuating these improvements has been placed with the Commission on State Governmental Management.

Although not the first study group to attempt reorganization of the Commonwealth's government, the Commission has taken a more systematic and comprehensive approach to state problems than had been attempted in the past. The Commission has not been content with simply altering the structural configuration of state agencies, but has systematically addressed the fundamental processes of state government. Outlining the problems which led to recognition of the need for reorganization, the Commission found that:

> . . . changes in structure, processes and systems are needed to permit Virginia to adequately respond to changing circumstances. The present organization does not match its purposes and has not been adapted to modern circumstances. It would be impossible to compute the precise costs attributable to cumbersome mechanisms resorted to for coordination under the present structure or to missed opportunities for effectiveness and efficiency. Virginia state government needs a more rational arrangement of work, a process that will improve analysis and decision-making and a clearer assignment of responsibility and authority.[9]

The Commission has nearly completed a five-year study of the executive branch of Virginia government and has developed a number of recommendations which have been implemented to varying degrees at this time. Although not without opposition, the efforts of the Commission have resulted in the initiation of a more integrated management and decision-making system--a system that promises to improve the procedures for allocating resources and encourage increased accountability for performance in state government. The degree of success and also the particular failures that the Commission has experienced are best explained through examination of the problems it was called upon to address, the constraints imposed by historical and contemporary circumstances, and the Commission's method of approaching these problems. This type of analysis provides a useful background for suggesting the difficulties that Commission reforms may face in implementation and for preliminarily assessing the impact of the Commission's work on Virginia government.

ENDNOTES

[1]Joan E. Ehrlich, "State Executive Branch Reorganization," The University of Virginia Newsletter 51 (March 1975): 25.

[2]T. Edward Temple, "The Virginia Cabinet: A Preliminary Assessment," The University of Virginia Newsletter 50 (November 15, 1973): 9.

[3]Robert S. Allen, Our Sovereign State (New York: The Vanguard Press, 1949), p. xxix.

[4]Temple, "The Virginia Cabinet," p. 9.

[5]Peter F. Drucker, Forward to Many Sovereign States by Dan W. Lufkin (New York: David McKay Co., 1975), p. vii.

[6]Commission on State Governmental Management, Management of Virginia State Government: Tentative Recommendations of the Commission (Richmond, Va.: 1975), p. 1.

[7]Virginia G. Cook, The Governor--The Office and Its Powers (Lexington, Ky.: Council of State Governments, 1972), p. 1.

[8]George A. Bell, Reorganization in the States (Lexington, Ky.: Council of State Governments, 1972), p. 2.

[9]Commission on State Governmental Management, Management of Virginia State Government, p. 5.

CHAPTER II

EARLIER ATTEMPTS AT REORGANIZATION IN VIRGINIA

Virginia's history over the past sixty years is replete with periodic efforts to streamline state government. The record consistently shows that reorganization has been no easy task, with many recommendations and plans accomplishing little in terms of implementation. As James Latimer, a reporter and long-time observer of state government, has noted: "Either the state government defies reorganization or it just won't stay reorganized."[1] The record of these past reorganization efforts provides a perspective for gauging the work of the present Commission and is noteworthy for the recurrence of issues and problems in Virginia government.

The apparent lack of success in past attempts at reorganization is not for lack of a variety of approaches--from small gubernatorial staff efforts to major "blue ribbon" committees of legislators, businessmen, and citizen leaders of the Commonwealth. The most common approach, however, has been the formation of a study commission, often established at the request of the Governor in conjunction with an outside consulting firm. These many efforts often found their success dependent upon the degree of support given by the General Assembly in implementation. Table 1 provides a summary of major reorganization efforts preceding the Commission on State Governmental Management.

GOVERNOR BYRD AND THE NEW YORK BUREAU OF MUNICIPAL RESEARCH

One of the most significant government reorganizations in Virginia began in 1926, when at the urging of Governor Harry S. Byrd, the New York Bureau of Municipal Research was hired to prepare a comprehensive reorganization study. In the ten years preceding Governor Byrd's inauguration, state expenditures had risen from $8 million a year to the level of $33 million a year. A 1924 Commission on Simplification and Economy of State and Local Government had recommended consolidation of over ninety agencies into twelve administrative departments, but the General Assembly failed to adopt the recommendation.[2] With the interim growth in state spending and the precedent of the 1924 study behind him, Byrd was able to use executive reorganization as an effective campaign issue, gaining the support necessary to carry out a study.

The consultants issued their report in 1927 under the direction of Luther Gulick. Their major recommendations were to:

> (1) reduce the number of elected officials, making the Governor head of administration; (2) consolidate agencies into administrative departments with heads directly responsible to the Governor; (3) restrict boards and commissions to advisory rather than administrative roles; and (4) strengthen financial planning, accounting and control.[3]

Governor Byrd placed these recommendations in the hands of a select citizen's group headed by businessman and supporter William T. Reed. The Reed Commission considered the consultant's report, but developed its own recommendations. The reorganization plan which was adopted in 1927 at a special session of the General Assembly[4] included the short ballot and consolidation of agencies, but disregarded other aspects of the Bureau's recommendations--particularly those reducing the power of the boards and commissions which headed nearly two-thirds of state agencies. Governor Byrd was able to effectively utilize the prestige of the New York Bureau and its report in obtaining the short ballot, yet insulate other areas from reform by routing recommendations through this citizen's committee. The Reed Commission's deference to special interests led to a number of administrative absurdities such as a trinity of three independent commissions dealing with Conservation, Game and Fishing loosely banded together as a "department."[5] Perhaps the Virginia experience contributed to Gulick's condemnation in the 1930's of the states for their lack of effectiveness.

AN EXPERIMENT FAILS--THE PRICE ADMINISTRATION (1938-1942)

Under Governor James H. Price, responsibility for continuous study of executive reorganization was placed with the "Fiscal and Administrative Planning Unit" of the Division of Budget. This experiment was funded in 1935 by a grant from a private foundation which also established the Virginia Legislative Advisory Council as a research body for the Governor and the General Assembly.[6] The foundation was interested in testing the hypothesis that administrative and organizational self-analysis as a part of the budget process could be successful.[7]

While a number of the Planning Unit's recommendations were implemented through executive order and budgetary controls, those requiring approval by the General Assembly were rarely implemented. Price's proposals became involved in political cross-fire between the Governor and the General Assembly.[8] James Price was one of the few Virginia Governors between 1930 and 1970 not supported by the powerful political organization of the former Governor Byrd, even though members of the

"Byrd Organization" dominated the General Assembly and occupied the positions of Lieutenant Governor and Attorney General while he was Governor.

The Governor's proposals were channeled through the Committee to Study the Reorganization of Certain State Departments and Agencies, a committee formed by the General Assembly in 1940 and headed by one of Byrd's closest friends and political supporter, Delegate E. Blackburn Moore.[9] In considering Price's recommendations, this study group indicated in its report to the General Assembly that it "subordinated possible theoretical desirability of the proposals to political necessity and made no recommendation concerning changes which it did not regard as practical under conditions existing in Virginia."[10]

For this reason, the Moore Committee's recommendations were limited in nature. One legislator voiced his concerns with the shortsightedness of its approach:

> The Commission . . . has made as thorough a review as could be made within the limitations of a small appropriation. Its recommendations are helpful and constructive--so long as we remember that reorganization must be a continuing process, and that we should watch with care the creation of agencies without properly integrating them into our present scheme of things.[11]

This advice went unheeded, however, and the Fiscal and Administrative Planning Unit did not continue beyond the administration of Governor Price. The succeeding Governor, Colgate Darden, had Byrd's support and did get some recommendations passed that might be traced to Price's efforts--most notably the formation in 1942 of the state personnel system.[12]

GOVERNOR TUCK AND THE BURCH COMMISSION -- CONSOLIDATING STATE AGENCIES

Governor William Tuck (1946-1950) proposed a reorganization study as one of his main inaugural recommendations. In response to the Governor's suggestion, the General Assembly authorized the formation of a citizen's study group and the employment of a professional consulting firm, Griffenhagen & Associates. The reorganization commission was headed by Thomas Burch, a former congressman.

Citing the Burch Commission's report in his opening address to the 1948 General Assembly, Governor Tuck noted the need for increased coordination in state government:

> For the past two decades, the absence of a complete and comprehensive program for the development of a logical organizational structure . . . has resulted in more than fifty departments and agencies, not including the numerous examining boards. These agencies are virtually autonomous and independent and are not coordinated.[13]

Therefore, it proposed the reorganization of state government into eleven operating departments, three support and three gubernatorial staff departments and strongly recommended that a "management engineering" section be established in the Division of Budget to conduct future studies of management and operations.

Consolidation of the state agencies into the seventeen recommended departments was approved by the General Assembly. These departments were:

Governor's Office:	Secretary of the Commonwealth Division of the Budget Division of Personnel
Support Staff Departments:	Accounts and Purchases Treasury Taxation

Direct Service Departments:

- Agriculture and Immigration
- Alcoholic Beverage Control
- Conservation and Development
- Public Education
- Labor, Industry, and Employment Security
- Health
- Highways
- Military Affairs
- Professional and Occupational Registration
- State Police
- Welfare and Institutions[14]

Rather than initiate the staff unit of management consultants, Governor Tuck chose to appoint a staff assistant to study organizational matters. This staff assistant worked on implementation of the reorganization plan in 1948 and 1949.

PROGRESS IS MADE WITH DIFFICULTY

An unusual situation occurred while Governor J. Lindsay Almond was in office (1958-1962). During this time, both the Governor and the General Assembly created commissions to look into reorganization. In what was termed "a political tussle between Almond and the Byrd-Godwin-Moore faction of legislators, the General Assembly established its own Commission for Economy in Governmental Expenditures, while Governor Almond appointed twenty businessmen and professionals to form a Commission on Reorganization of State Government.[15]

Not surprisingly, the General Assembly gave the recommendations of the Governor's study group a less than enthusiastic reception when its report was issued in 1961. The chairman of the group, business executive Erwin H. Will, reflected on the limited impact of its recommendations and concluded that: "Maybe we will have to have some more studies to help us along."[16]

An instance where a study group recommendation was later passed by the General Assembly was the creation of the position of Commissioner of Administration. The General Assembly's own commission reached conclusions similar to those of the Will group, recommending the position to reduce the administrative burden placed on the Governor. While Mills Godwin gave little support to this administrative concept as a member of the Assembly, the first Commissioner of Administration was appointed during Godwin's first term as Governor in 1966. Carter O. Lowance, who was already executive assistant to the Governor, was appointed to the position. The legislative mandate creating the Commissioner's position outlined the following duties and responsibilities:

> The Commissioner of Administration shall supervise the Division of the Budget, the Division of Personnel, the Division of Planning and the Division of Engineering and shall coordinate their activities with those of other divisions and agencies . . . In addition, the Commissioner shall exercise such powers and perform such duties as may be delegated to him by the Governor to execute the management functions of the Governor . . .[17]

Thus, the precedent was set for providing the Governor with an officially designated administrative assistant, although it is debatable how much Mr. Lowance's functions actually changed as a result of his appointment.

THE GOVERNOR'S MANAGEMENT STUDY (1970)

Problems in state government led to recognition of the need for yet another reorganization study in 1970. The number of state agencies and the cost of government have always been cited as reasons for initiating such studies. However, the past decade of growth in Virginia's government and the increasing demand for services made deficiencies in the state's management system acutely apparent.

Changes in the state's leadership precipitated renewed interest in reorganization as well. Linwood Holton was elected in 1969 as the Commonwealth's first Republican Governor of the century. In his campaign, Holton called for a study to identify means for improving management and operating procedures and reducing the soaring cost of state government. The Governor's Management Study, Inc. (formed by Governor Holton upon taking office) made many specific recommendations to promote government economy and efficiency.

Support for the study was obtained from business and professional groups in the state both in donated manpower and funds totalling $500,000. With a consulting firm as project manager, teams of businessmen and professionals conducted a twelve-week study of state government operations. An executive committee of nine remained intact some several years to oversee implementation of the group's recommendations and an Implementation Coordinator was appointed by Governor Holton. Governor Holton was able to implement many of the operational changes recommended by the study group through executive action.

The most controversial proposal of this study group undoubtedly was the creation of five Secretarial posts--similar in intent to the Commissioner of Administration--to administer the functional areas of Finance, Education, Human Affairs, Commerce and Resources, and Transportation and Public Safety. The General Assembly (having a substantial Democratic majority) formed a legislative commission to review proposals in the Governor's Management Study which required legislative action. This commission reviewed major proposals, recommended which should be approved and then dissolved. However, the commission did not address itself to long-range issues and problems--particularly the need for improved role definition and management support for the proposed Secretarial positions. Although the commission recommended passage of the Secretarial bill, questions still remained both in the Legislature and state agencies as to the advisability of this new management level. Indeed, the Secretarial bill was passed by a narrow margin and the positions continued to generate controversy at the time the Commission on State Governmental Management was formed.

RECURRING ISSUES AND PROBLEMS IN VIRGINIA'S REORGANIZATION EFFORTS

Virginia's reorganization efforts have been characterized by their limited impact in alleviating management problems in state government. Studies and the implementation of their recommendations have proceeded in a fragmentary, piecemeal fashion. Often, well-intended proposals have become the focal point for political battles in the Legislature and with the Governor's office.

Problems recognized by the New York Bureau of Municipal Research in 1927 still remained in Virginia government in the mid-seventies. The need to reduce the number of agencies reporting directly to the Governor, the need to consolidate agencies along functional lines, the need to delineate lines of authority and responsibility and to improve effectiveness and accountability have been major themes in Virginia's efforts and those of other states as well. While there will always be the need to alter governmental structure and processes to fit new demands, Virginia's sporadic efforts at reorganization unnecessarily perpetuated many of the root causes of management problems in its government.

Dr. Weldon Cooper, in his position as executive assistant for reorganization under Governor Battle and as Director of the Institute of Government at the University of Virginia, has been a continuous observer of the state's reorganization process. In determining the success of the various reorganization efforts, he concluded ". . . the record is clear that reorganization efforts under this arrangement were in direct proportion to the Governor's zeal in supporting the proposals and in prodding the legislature to action."[18]

Certainly, strong gubernatorial support is needed to make changes of significance to the executive branch. In addition, the history of reorganization attempts in Virginia clearly indicates that the support of the General Assembly is crucial in instituting changes in state government. In the absence of such support, no amount of enthusiasm on the part of the Governor can bring about statutory changes. Former Governor Colgate Darden, while recognizing the strength of gubernatorial initiative, nonetheless concluded that "the real power lies with the legislature. If you get a recalcitrant legislature, they're going to hold the governor in check."[19]

Virginia's General Assembly has consistently refused to grant reorganizational powers to the chief executive. In the 1969 deliberation over constitutional revision, a measure was rejected which would have allowed the Governor to make reorganization proposals that would become law barring legislative disapproval. Clearly, the Legislature intends to maintain control over reorganizational matters, and any study arrangement that hopes to successfully institute change in the organization of state government must adequately address itself to this fact.

TABLE 1

MAJOR REORGANIZATION ATTEMPTS IN VIRGINIA STATE GOVERNMENT PRIOR TO THE COMMISSION ON STATE GOVERNMENTAL MANAGEMENT

Governor in Office	Study Group/Agency	Major Accomplishments
Harry S. Byrd (1926-1930)	New York Bureau of Municipal Research	the short ballot and consolidation of state agencies into twelve administrative departments
James H. Price (1938-1942)	Fiscal and Administrative Planning Unit (of the Division of Budget)	recommendations led to formation of the state personnel system in 1942 under Governor Darden
William Tuck (1946-1950)	Burch Commission	consolidation of state agencies into eleven operating departments, three support and three gubernatorial staff departments
J. Lindsay Almond (1958-1962)	Commission on Reorganization of State Government	recommendation to create the position of Commissioner of Administration was adopted by the General Assembly's own study commission and passed in 1966
Linwood Holton (1970-1974)	The Governor's Management Study, Inc.	recommendation to form the Secretarial positions was passed and many specific management improvements were instituted in state agencies

ENDNOTES

[1]James Latimer, "History Haunts Virginia's Reorganization Study," Richmond Times-Dispatch, 29 November 1970, sec. C, p. 1.

[2]Leslie Lipson, The American Governor from Figurehead to Leader (New York: Greenwood Press, 1968), p. 89.

[3]New York Bureau of Municipal Research, Organization and Management of the State Government of Virginia (Richmond, Va.: Commonwealth of Virginia, 1927), p. 7.

[4]Lipson, The American Governor, p. 90.

[5]Ibid., pp. 108-109.

[6]Ibid., p. 228.

[7]Weldon Cooper, "State Reorganization: The Virginia Experience," The University of Virginia Newsletter 46 (March 15, 1970): p. 27.

[8]Ibid., pp. 26-27.

[9]Latimer, "History Haunts Virginia's Reorganization," p. 1.

[10]Va., General Assembly, House, Report of the Commission to Study the Reorganization of Certain State Departments and Agencies, House Document No. 4, 1942, p. 5.

[11]Ibid., (Supplemental Statement) p. 20.

[12]Latimer, "History Haunts Virginia's Reorganization," p. 1.

[13]Va., General Assembly, Senate, Address of William M. Tuck, Governor, 21 January 1948, Senate Document No. 16, 1948, p. 5.

[14]Ibid., pp. 6-7.

[15]Cooper, "State Reorganization: The Virginia Experience," p. 27.

[16]Latimer, "History Haunts Virginia's Reorganization," p. 1.

[17]Virginia Acts of Assembly 1965, c. 55.

[18] Cooper, "State Reorganization: The Virginia Experience," p. 27.

[19] Margaret Scott, "Virginia Gives Its Governor Power," Roanoke Times, 9 October 1977, sec. F, p. 1.

CHAPTER III

PROBLEMS IN STATE GOVERNMENTAL MANAGEMENT--IMPETUS FOR ACTION

Central to every reorganization effort in Virginia has been the intent to bring economy, efficiency and/or increased effectiveness to state government. Pressures for more and improved services and the increased role of the states in the hierarchy of governmental functions have made the need for change acutely apparent. Although these pressures have impacted state governments throughout the nation, Virginia's need to increase governmental responsiveness and effectiveness was compounded by its record up until the mid-sixties as a low tax and limited service state.

In the decade from 1960 to 1970, state spending in Virginia increased by 190.5 percent, while personal income in the Commonwealth increased by 129 percent.[1] These figures reflect the necessary "catching up" that took place in the sixties. During the first Godwin administration (1966-1970), there were significant increases in the numbers and types of services provided by the state, particularly improvements in the educational system. While a number of previously untapped revenue sources--such as sales taxes--were identified and tax collection procedures improved during this period, "the availability of minor and relatively painless adjustments to produce revenue windfalls appears to be exhausted or virtually so."[2] In an early report, the Commission on State Governmental Management concluded:

If the Commonwealth is to provide additional services or perhaps even to continue the present level of services during this period of inflation, it faces the following choices:

1. uncover new revenue sources (although there appear to be few, if any, of significance);
2. increase taxes;
3. curtail marginally-effective programs; or
4. restructure the organization and processes of state government to increase productivity.[3]

Given these choices, any alternative which would prevent an increase in taxes is preferable both to the general public and to state leaders dependent upon popular support for election. Unfortunately, the task of restructuring Virginia government to obtain increased productivity and more effective use of resources continues to be a long and difficult one. Thorough revision of the state's management, planning, and budgeting systems is required to adequately address root causes of problems in Virginia's governmental operations.

PROLIFERATION OF AGENCIES AND ASSOCIATED COSTS

Since reducing the number of state agencies and their associated costs evokes a great deal of public support, it has been a much heralded aspect of government reorganization. Pruning the state's organizational tree is often a central concern to reorganization efforts in keeping with the pursuit of economy in state government; such organizational reductions would seem a straightforward means of reducing costs. Unfortunately, neither the problem nor its solution is this simplistic. Certainly a countervailing force is needed in state government to balance the propensity of both the Governor and Legislature to create new entities to address emerging issues and problems. However, the pressures of interest groups, the mandates of the federal government, and public demands for increased services provide impetus to the creation of more agencies, departments and commissions. Often reorganization and the much heralded reduction in the number of state agencies exist only on the newly drafted organizational chart submitted with the reorganization report. The sources of pressure and the strength of well established patterns of operation soon crumble the neatly arranged ordering of state government envisioned by committees and consultants. In the past sixty years, Virginia's government has seen a series of consolidations and restructuring with only fleeting positive effect.

Linwood Holton's interest in reorganizing state government was in remedying what he termed "the poorly planned, haphazard and piecemeal" growth of state government.[4] The idea also gained him support in his bid for election. In his campaign, Holton estimated that as much as $75 million could be pared from state annual operating costs.[5] In its report, the Governor's Management Study counted in excess of 150 departments, agencies and institutions in the executive branch, noting that state personnel increased by 80 percent in the sixties, while the population of Virginia rose by only 16.8 percent.[6] The Governor's Management Study, initiated by the newly elected Holton in 1970, resulted in a savings of roughly one-third of its projected amount.

While the Governor's Management Study instituted some savings, the need to bring costs in line with resources still remained three years later when the Commission on Governmental Management was created. Governmental costs and the number of state agencies still continued to increase.

FRAGMENTATION OF RESPONSIBILITY

The sheer number of agencies in itself would not necessarily be a significant problem, except that adequate management controls and clear lines of responsibility were lacking. The Commission on State Governmental Management noted:

> . . . Virginia State Government is so fragmented and complex that it is difficult to fix responsibility and accountability. To remedy this situation, state government must devise ways to provide leaders who can be held immediately responsible for the action and policy of the government, alike upon its legislative and executive side.[7]

State government in Virginia was growing at a rapid pace, with the formation of new agencies, boards and commissions to address increased areas of responsibility. As a result of a period of rapid adjustment, analysis was needed to devise a more rational and effective organizational arrangement and procedure for state operations. Indeed there was concern over duplication of effort among state agencies and the cumbersome coordinative methods which the unwieldy arrangement of state government necessitated. The Commission cited many problem areas:

> In addition to fragmentation in the environmental and land use areas, there are many other problem areas, such as aging, drug abuse, alcoholism, law enforcement, transportation, juvenile delinquency, adult education and automated data processing, to name a few, where a deplorable lack of coordination and consistency exists at the state level.[8]

State government lacked clear lines of authority for assuring program results. The establishment of boards and commissions to coordinate interagency efforts proved ineffective and served to compound the problem.

EXCESSIVE ADMINISTRATIVE BURDENS

With the growth of state government in size and complexity came increasing administrative burdens upon the Governor and his chief assistant for administration. In describing the extent of this burden, the Governor's Management Study reported that three-quarters of the state's 150 agencies and departments reported directly to the Governor:

> . . . The creation of the office of Commissioner of Administration served to lighten the Governor's direct burden in staff functions such as budgeting, personnel, and planning. However, the burden of the Commissioner of Administration has become almost intolerable because of the necessity for him to interface his staff responsibilities with other numerous departments and agencies of the state.[9]

Those striving to improve management and accountability often assume that the creation of a separate agency reporting directly to the Governor will be more responsive to a pressing problem and will ensure gubernatorial attention. In actuality, the excessive number of agencies reporting directly to the Governor serves to fragment his efforts and prevents the type of management and policy oversight that the Governor should ideally provide.

VAGUENESS OF THE GOVERNOR'S MANAGEMENT POWERS

The office of chief executive of Virginia is regarded by many as one of the strongest in the country. Certainly, the list of gubernatorial powers is formidable. In Virginia, the Governor serves as chief budget and personnel officer, has appointment and removal powers (which were strengthened still further as a result of the Commission's recommendations), and may exercise item veto or executive amendment powers in returning legislation to the General Assembly.[10] The Governor's powers are both of a formal and informal nature, defined by the state constitution and statutes and derived from the prestige of the office and the power of persuasion.

In his role as chief executive, the basis for most of the Governor's management powers is found in the constitutional provision that he "take care that the laws be faithfully executed."[11] The Commission on State Governmental Management concluded that a clearer delineation of these powers was needed:

> The Take Care Clause is too vague to provide a clear definition of the Governor's authority, particularly since what is to be faithfully executed is determined by the General Assembly. His constitutional appointment and removal power is illusory since it does not apply to agencies headed by boards and commissions unless the General Assembly chooses to make it apply.[12]

The Governor's Management Study made similar remarks in 1970 concerning the vagueness of the Governor's management powers. Indeed, William Zimmer (the president of a large corporation and head of the Study's Executive Committee) concluded that:

> . . . when measured against the executive authority necessary to adequately manage and control a business operation, the allegedly strong executive authority of the Governor of Virginia appears fictional. In truth, his powers with those departments headed by boards is either informal, the power of persuasion or prestige of office, or indirect as chief budgeting and personnel officer or through his appointment and removal powers.[13]

Undoubtedly, informal power can constitute a significant means for the Governor to direct the course of state government.

> The existence in Virginia for most of this century of a cohesive political organization which controlled a substantial number of elective and appointive offices, including the Governor's office, obviated the need for reliance upon explicit legal authority in most instances.

> Consequently, the problems which may arise as a result of the gap between the perceived responsibility of the Governor and his actual legal authority were not generally observable until the last decade.[14]

The election of a Republican Governor in a state dominated for decades by the Democratic party and one in which the Legislature was still predominantly Democratic, highlighted the "informal nature" of much of the Governor's purported power in management and emphasized the need for statutory delineation of gubernatorial powers.

INCREMENTAL BUDGETARY PROCEDURES

In addition to the problems of an unwieldy organizational structure and fragmentation of authority and responsibility, the state budgeting system did little to reduce or control the mounting costs of governmental operations. Traditional budgetary procedures such as those operative in Virginia in the early seventies tend to foster an incremental approach to budget making. The tendency in Virginia (though by no means an established policy) was to allow an agency to increase its annual budget by a given percentage. This increase was then further compounded by the addition of new programs and agencies. While department heads appropriately viewed themselves as advocates in obtaining budgetary increases for their agencies, objectives and priorities were unclear. Therefore, many budgetary decisions were left to be made at the highest levels with little or no fiscal management responsibility exercised at the agency level. These deficiencies often culminated in budget requests that far exceeded projected resources.

When the Commission on State Governmental Management began its work, this overrun in requests was such that the Commission was ". . . startled to discover that as late as mid-November, 1973, agency requests exceeded expected revenues by about $900 million--less than two months before the Governor had to submit his budget to the General Assembly."[15] Unfortunately, the type of budgeting system in use did not provide adequate information to make effective budgetary cuts based on a system of priorities--requests were not keyed to programs or results, and there was no systematic process for the identification of long-range goals and objectives.

THE SECRETARIAL SYSTEM--IMPROVED MANAGEMENT FOCUS OR ADDITIONAL LEVEL OF BUREAUCRACY?

When the Governor's Management Study proposed the creation of the Secretarial posts--called Deputy Governors in its reports--the intent was to provide the Governor assistance in administrative matters, acting as his "executive management team." The positions were likened to the role of executive vice presidents in private industry, with the Commissioner of Administration as the top staff executive. They were to be delegated powers and responsibilities over the agencies assigned them by the Governor in the areas of Finance, Education, Human Affairs, Commerce and Resources, and Transportation and Public Safety.

The members of the Governor's Management Study clearly recognized that the creation of these positions did not represent a sufficient solution to the state's management problems, in and of itself. However, the study group argued that some measures were immediately necessary to stem the haphazard growth in state government, insisting that the Deputy Governors would be in a position to monitor the state's operations and suggest further organizational changes as necessary. Anticipating the controversial nature of the proposal, the study group stated:

> There will be those who will be critical of the concept of Deputy Governors outlined above, saying that it serves as a superficial solution to Virginia's organizational needs without attacking the problem more basically through a drastic and complete restructuring of the present myriad units and their divergent lines of reporting and responsibility. If the more basic approach were taken, it is believed that the pattern of history would be followed and the partial implementation of a sound study might do nothing more than cure some of the existing fragmentation and serve as another stepping stone for future increments to units of government. Control is needed now and badly.[16]

It is clear that the General Assembly's Implementation Commission held certain reservations concerning these positions, as outlined in its report issued several months before the bill establishing the Secretarial positions was passed.

> The commission finds that "restructuring" is too broad a term. What is intended by this recommendation, and what is contemplated in the commission's approval, is to provide the Governor with five additional positions that would operate in every way similar to that of the Commissioner of Administration. However, the titles should be Secretary . . . There is to be no change of function in any Department, Division, Agency, or Institution, Board or Commission. There is not to be established any consolidated function such as a Department of Transportation, and no additional authority for the Governor is intended or implied.[17]

The bill creating the Secretarial positions passed by a narrow margin--one vote in the Senate. The measure which passed established six Secretaries (making the Commissioner of Administration a Secretary as well), assigned the agencies under each Secretary's purview, and directed that the Governor could delegate such duties and responsibilities as necesssary for these officers to assist him in his administrative tasks. The stipulation also was added that the Governor's nominees must be approved by the Legislature.

While the General Assembly, in creating the Secretarial positions, had heeded the urgings of Governor Holton and the Governor's Management

Study, there were a number of objections to the move--objections that remained one year later when the Commission on State Governmental Management was established. Some legislators had complained that the establishment of these positions gave the Governor too much power. This objective could be legitimately countered, however, by the argument that the need for stronger managerial controls was so great that it outweighed whatever risk that the Governor might abuse his power.

The other primary objection was that the positions were inadequately considered and that the delineation of duties and responsibilities was too vague. At the time the bill was passed, Senator William Hopkins proposed that a more thorough study be conducted, and Delegate James Thompson urged that the reorganizational measures be passed only as an experiment, subject to evaluation at the end of Governor Holton's term in 1974. While neither of these alternative measures was adopted in 1972, support for further study of state management processes gained momentum as it became apparent that the Secretarial positions, as instituted, were not the panacea to Virginia's management deficiencies.

It is not surprising that the Secretaries encountered problems as they took office and attempted to define their role in state government operations. As Edward Temple, the Secretary of Administration under Governor Holton, recalled: ". . . nowhere in the statutes . . . is there a detailed delineation of the Governor's management responsibilities. It has been necessary, therefore, for the Governor and the Secretaries to define the parameters of their management role through practice and agreement."[18] The novelty of the offices, the lack of precedent, and the vagueness of the Governor's own managerial powers hampered the Secretaries in any large scale improvements in the operations of state government. Additionally, executive orders setting forth the duties of the Secretaries further impeded management improvements, as they did not delegate significant responsibilities, but cast the Secretaries in a staff or advisory role. Holton empowered the Secretaries to:

(1) Employ personnel needed to perform their assigned duties and to request temporary assistance from any state agency;

(2) Effect program coordination, both in intra-office and inter-office, in order to assure consistent and effective state action;

(3) Prepare for and recommend to the Governor program proposals for legislative action, including priority recommendations for each office; and,

(4) Establish a procedure for each office to provide direct, expeditious decisions on behalf of the Governor (recognizing the responsibility of each agency head to the Governor).[19]

Since the Secretaries lacked any real responsibility for the performance of the agencies placed under them, they assumed a coordinative rather than decision-making function. In interviewing those individuals who served under Governor Holton, the Commission on State Governmental Management determined that none of the Secretaries felt the budgets of agencies placed under him were his responsibility.[20]

The reluctance of Governor Holton to delegate sufficient management authority to the Secretaries may be better understood in the context of the many sources of resistance to strong secretarial powers. Many state agencies have come to enjoy considerable autonomy in their operations. The imposition of an administrative level between these agencies and the Governor understandably was a difficult concept to implement. Recalling the opinion of the General Assembly's Implementation Commission (that there should be no change in the functions of any unit of government as a result of the Secretarial positions), it can be seen that resistance to changing familiar patterns of operation were to be found not only within the bureaucracy, but in the General Assembly as well. As a consequence, it would appear that Governor Holton chose the "most politically feasible route"--to proceed slowly in developing the role of the Secretaries.

Certainly the disparity between expectations for the Secretarial system and the means granted to attain them was a reflection of the controversy and ambivalence surrounding the positions. Widespread criticism was leveled at the Secretarial system, labelling it another layer of bureaucracy. In all fairness, the Secretaries faced a number of obstacles to effective performance and were given less than a year to define their roles when the Commission on State Governmental Management was formed. Yet it was apparent, given both the vagueness of the Governor's own managerial powers and the limited management responsibilities assigned the Secretaries, that there was little prospect the arrangement would provide the type of management improvements envisioned by the Governor's Management Study. Indeed, the resultant system interposed a layer with no real authority between the Governor and those responsible for program results and therefore could well pose more problems than improvements for state government management.

PROBLEMS IN STATE PLANNING

State planning in Virginia has made several transitions in its brief history in an attempt to establish its role in state operations.

Planning was reestablished as a statewide activity in 1964 after a period in which economic development was the dominant "planning" model, and the Division of State Planning and Community Affairs was formed in 1966.[21] Upon implementation of the Secretarial system, state planning was reorganized along functional lines to provide support staff to the Secretaries. Despite these changes, state planning lacked impact in Virginia--the wide gulf between planning and decision-making processes reflected basic flaws in the state's management systems.

The Commission on State Governmental Management adopted a broad definition of planning as a significant component of an integrated management system. Planning was defined as:

> . . . the organized and continuous interaction of goal definition, problem analysis, policy development, program design, resource allocation and performance evaluation with coordination at all stages imposed on all participating levels and units of government.[22]

State management as a whole suffered from the lack of long-range goals and objectives and a systematic process for formulation and consideration of alternatives. These elements could have been supplied through effective planning. However, comprehensive state planning in Virginia was a relatively new concept and many obstacles barred its success. The Commission, while praising specific accomplishments of the Division of State Planning and Community Affairs, nonetheless viewed its operations as a failure, concluding:

> Its failures, like those in most other states, are traceable in large part to the lack of a clear concept of the role of a state planning agency at its inception, and the application of unrealistic legislative requirements at the time of creation. . .[23]

Thus state planning suffered from inadequate definition of its proper role and function. The tendency to place major new programs under the Division whenever there was uncertainty as to their proper location served to further confuse the role of the Division and to detract from its planning efforts.

LIMITATIONS ON ANALYSIS AND EVALUATION IN STATE GOVERNMENT

Decision makers in Virginia--both the Governor and legislators--often lacked the information necessary to make effective decisions and had no means for assessing the performance or effectiveness of state operations. Though the Governor had staff support, the state's management information system was fragmented and incomplete, the planning and budgeting systems were poorly linked, and both budgeting and post-auditing were concerned with fiscal compliance rather than effectiveness or output. If state leaders did indeed desire to eliminate gaps and duplication of effort among its agencies or to curtail marginally effective programs, they lacked the basis to do so effectively.

When compared to Legislatures in other states, Virginia's General Assembly ranked fourth from the bottom in terms of support staff prior to formation of the legislative oversight agency in 1973. Time limitations also constrained the extent to which Assembly members could weigh budgetary requests and consider the mass of legislation before them. Thus the General Assembly operated at a disadvantage in formulating alternatives to gubernatorial proposals.

Formation of the Joint Legislative Audit and Review Commission improved the Assembly's ability to oversee state operations through the addition of support staff for analysis. However, the demands placed on legislators still leave little time available to consider and address issues. While lengthening the legislative session is one means to resolve this problem, the move would run counter to the desire to maintain the "citizen legislator." Clearly, some resolution of this dilemma must be obtained to meet the ever-increasing tasks and responsibilities placed with the General Assembly.

MANAGEMENT PROBLEMS--A SUMMARY

Virginia's government had undergone significant changes in a short time, both in its growth in response to expanding functions and as a result of the Governor's Management Study and the partial implementation of its recommendations. However, the state found itself ill-equipped to make the decisions necessary to stem the mounting costs of operations while maintaining needed services. Although the Secretarial system was established to aid in state management, it was placed in the context of a management system that was inadequate to accommodate increasing state responsibilities. In the midst of controversy over these top administrative positions, it became apparent that a careful examination of the state's entire management system was in order.

ENDNOTES

[1]Governor's Management Study, Inc., Survey and Recommendations (Richmond, Va.: Commonwealth of Virginia, 1970), p. 168.

[2]Commission on State Governmental Management, Management of Virginia State Government: Tentative Recommendations of the Commission, (Richmond, Va.: 1975), p. 4.

[3]Ibid., pp. 4-5.

[4]James Latimer, "History Haunts Virginia's Reorganization Study," Richmond Times-Dispatch, 29 November 1970, sec. C, p. 1.

[5]Ibid.

[6]Governor's Management Study, Inc., Survey and Recommendations, p. 168.

[7]Commission on State Governmental Management, Second Interim Report: Recommendations on the Roles of the Secretaries, (Richmond, Va.: 1974), p. 4.

[8]Ibid.

[9]Governor's Management Study, Inc., Survey and Recommendations, p. 168.

[10]Rowland Egger, "The Governorship of Virginia, 1776 and 1976," The University of Virginia Newsletter 52 (August 1976): 48.

[11]Constitution of Virginia, Art. V, Section 7 (1971).

[12]Commission on State Governmental Management, Staff Documents: Executive Management Responsibilities (Richmond, Va.: 1976), p. 235.

[13]The Virginia Bar Association, "Address by William L. Zimmer," Proceedings of the Eighth Midwinter Meeting and the Eighty-first Annual Meeting (Richmond, Va.: Keel-Williams Corp., 1971), p. 34.

[14]Commission on State Governmental Management, Staff Documents, p. 235.

[15]Ibid., p. 3.

[16]Governor's Management Study, Inc., Survey and Recommendations, p. 171.

[17]Va., General Assembly, House, Report of the Governor's Management Study Implementation Commission, House Document No. 26, 1972.

[18]T. Edward Temple, "The Virginia Cabinet: A Preliminary Assessment," The University of Virginia Newsletter 50 (November 15, 1973): 9.

[19]Linwood Holton, Executive Order No. 21 (July 28, 1972).

[20]Commission on State Governmental Management, First Interim Report (Richmond, Va.: 1974), p. 8.

[21]Commission on State Governmental Management, Staff Documents, p. 411.

[22]Ibid., p. 423.

[23]Ibid., p. 421.

CHAPTER IV

FORMATION OF THE COMMISSION ON STATE GOVERNMENTAL MANAGEMENT

Although the Implementation Commission established to review the Governor's Management Study recommended that its functions be turned over to the Commission for Economy in Governmental Expenditures, this legislative group had not been active for several years. Instead, in view of the problems still confronting state government, Senator William Hopkins' proposal to conduct a more thorough study of the state's management processes generated renewed interest and support. On March 20, 1973, the Commission on State Governmental Management was created for the purpose of:

> . . . bringing about greater efficiency in State government by the reduction of the more than one hundred agencies to a reasonable and practicable number, the elimination of duplication and overlap, the establishment of clearer lines of authority, and undivided responsibility for particular functions of the State Government.[1]

Senator Hopkins was selected to chair the Commission.

IMPETUS FOR LEGISLATIVE ACTION

Given the history of Virginia's reorganization efforts, the situation of state government in 1973 could be viewed as the inevitable result of still another study commission whose recommendations had been only partially implemented by the General Assembly. The record affirms the Legislature's desire to control government reorganization, and its reluctance to accept primary direction in these matters from the Governor or his study commissions. However, there were additional problems that made further study unavoidable. The Governor's Management Study group never intended its report as a comprehensive study of the many facets of governmental management. Instead, the analysis centered on specific cost saving procedures and operational changes which could be expediently implemented. The Governor's Management Study concentrated its efforts over a period of only twelve weeks, and ". . . lacked sufficient time to consider in detail the nature of the Governor's duties and the functions of this office in relation to the many agencies of the executive branch of State government."[2]

It could readily be argued that a study of the structure and functions of the executive branch would be properly conducted through the Governor's office--in fact, the Governor's Management Study had envisioned the Secretaries as assisting the Governor in this task. However, a number of factors precluded this alternative. At the time the Commission was formed, Governor Holton had only nine months remaining in his term. As the Governor is prohibited by the State Constitution from succeeding himself, there would have been an unavoidable loss in continuity had responsibility for a comprehensive study been placed in the Governor's office. Also, while the Secretarial positions had been created by the General Assembly at the urging of Governor Holton, these positions remained controversial, and the Governor lacked the necessary support in the Legislature to effect further changes. As has been amply demonstrated in the Commonwealth's history, the Legislature holds the key in deciding which proposals are ultimately approved and implemented. Therefore, it can be seen that a Commission formed by the General

Assembly and comprised of influential legislators would have an increased likelihood of seeing its recommendations implemented. In the legislation creating the Commission on State Governmental Management, membership was extended to include four gubernatorial appointees as well as seven members of the House of Delegates and four members of the Senate.[3]

THE CHARGE TO THE COMMISSION

The Commission's mandate is notable for its specificity on some matters and its vagueness on others, reflecting the issues foremost in the minds of the legislators, as well as the generalized hope that this study commission could effectuate much needed management changes. The General Assembly directed the Commission to study the following issues:

(1) the extent of the demand upon the Governor's time by the executive agencies and what techniques and devices, including the Secretaries of various functions, he has employed or might use to have such demands met at a lower level;

(2) the extent to which the establishment of the positions of the Secretaries has reduced demands upon the Governor, how this can be made more effective;

(3) the extent to which functions and responsibilities are vested in the office of the Lieutenant Governor in the several states;

(4) the extent to which such functions and responsibilities should be vested in the Lieutenant Governor of the Commonwealth of Virginia;

(5) the extent of the dual nature of the services performed by the Lieutenant Governor and what, if any, changes are required therein;

(6) what further changes in the structure of the state government can be made that would lead to more effective management procedures consistent with a responsive and responsible state government, free of such instances as having more than ten agencies involved in narcotic control;

(7) what steps other states have taken to bring about more efficient and more effective government and the success or lack of success which has been had, and the extent to which the successes can be adapted to Virginia and applied here; and

(8) such other matters in connection with the structure, scope and functions of the executive branch and officers thereof . . . as appear appropriate in connection with major features of this study.[4]

The enabling legislation also required a report on the initial findings of the Commission no later than October 1, 1973, and set October 1, 1974, as the date for the Commission's final report to the Governor and General Assembly. Additionally, the Commission requested and was granted a clarification of its original mandate to specifically include examinations of the roles of both the Attorney General and the State Corporation Commission.

Given the wide range of issues to be addressed, the Commission quickly realized that a longer time frame would be required to formulate the necessary recommendations and to allow adequate time to present them to the General Assembly. As a consequence, the Commission was granted several extensions, allowing for continuation of its endeavors through March of 1978.

COMMISSION ORGANIZATION, STAFF, AND PROCEDURES

In order to address the many aspects of state governmental management before it, the Commission divided its membership into three principal subcommittees, each responsible for a specific area of analysis. The Subcommittee on Budget and Management Systems considered improvements to the planning, budgeting, information, and personnel systems of the state. The Executive Management Subcommittee examined the role of the

Governor, the Attorney General, the Secretaries, and the various boards and commissions. Organizational arrangements were addressed by a Subcommittee on Government Operations. While a subcommittee had been formed specifically charged with examining the many questions raised by the General Assembly mandate concerning the role of the Lieutenant Governor, its work was concluded early in the Commission's endeavors.

Care was taken to minimize the staff size and budget. The Commission hired a small professional staff, relying on analysts from state agencies and consultants for assistance within specific areas. An estimated total of $450,000 in state funds and $250,000 in federal funds (from the Department of Housing and Urban Development) will be expended over a five-year period in support of the Commission's operations. As Patrick McSweeney, the former Executive Director of the Commission, explained, "We didn't want the size of the staff to become an issue in itself as it had in other states."[5]

In contrast with the stereotype image of governmental committee endeavors, the approach and attitude of the Commission's members in conducting their studies is noteworthy. Meetings were held over two- or three-day periods, with presentations being made by experts for a full day before issues were decided. Willard Lemmon, Vice Chairman of the Commission, reflected on the effectiveness of this procedure in fostering an openminded assessment of issues and alternatives.

> At our very first meeting, the Chairman asked each of us to comment on what we expected to have the commission achieve. I recall that my statement was to try to find ways to make government more responsive to Virginia citizens and, at the same time, efficient enough to be able to afford to supply the services really needed. I recall that I heard one businessman member whom I had just met whisper that he was

> tired of cliches. Yet most of us after . . . the hardest study commission work many of us had ever done, are using almost the same terminology. We have all had some radical changes in our thinking over that period. Certainly some things that I originally felt have almost gone to the exact opposite pole.[6]

Each year, the Commission has been responsible for presenting a slate of recommendations in the form of bills or resolutions for consideration by the General Assembly. The procedure used in formulating these recommendations allowed input from many sources in addition to the reports of staff and consultants. The political judgment of the Commission members also was fully utilized in developing these recommendations. Although a majority of members in favor was sufficient to accept a recommendation, a vocal minority often could block a proposal or table it pending further study. "We knew that if an item drew that much opposition from our membership, it was sure to fail in the General Assembly."[7]

During the formulation of recommendations, the Commission received inputs from the Governor through his Secretaries, particularly the Secretary of Administration. The Commission also held public hearings across the state at the end of each year to receive public comment upon the proposals that had been formulated before taking them to the General Assembly.

In making recommendations to the Legislature, a sponsor for the necessary legislation was enlisted by the chairman of the subcommittee originating the proposal. The effectiveness of this thorough screening process and the initiative of members in supporting legislation to implement the Commission's recommendations has been demonstrated by the acceptance of nearly all of the proposals brought before the General Assembly. A word of caution is in order, however, as the screening process acted to filter some of the more controversial issues, leaving them to be addressed in the final legislative session of the Commission--1978.

ENDNOTES

[1]Virginia Acts of Assembly 1973, c. 432.

[2]*Ibid*.

[3]*Ibid*.

[4]*Ibid*.

[5]Interview with Patrick M. McSweeney, "700 Building," Richmond, Virginia, 27 July 1977.

[6]W. L. Lemmon, "The Work of the Commission on State Government," speech to the Board of Directors of the Virginia State Chamber of Commerce, Fredericksburg, Virginia, 23 July 1976.

[7]Interview with W. L. Lemmon, Johnston Road Office Building, Marion, Virginia, 8 August 1977.

CHAPTER V

ACTIONS OF THE COMMISSION: THE FRAMEWORK FOR IMPROVED MANAGEMENT

In devising recommendations for improved public management, the Commission adhered to the roles and relationships among the branches of state government defined by Virginia's Constitution. Central to the analysis was the realization that a democratic system, based upon a separation of powers among governmental branches, is not designed for absolute efficiency but to provide a system of checks and balances to preclude the arbitrary exercise of power. This separation of powers is not only desirable, but necessary in the opinion of the Commission since:

> Constitutionally and practically, the General Assembly cannot administer the laws. Efforts to do so will be counter-productive. The General Assembly meets for relatively short sessions each year. Indeed, there is much sentiment (as expressed during the 1974 session) that it should return to biennial sessions . . . They constitute a body of 140 delegates and senators. Even standing committees cannot manage state government between sessions.[1]

Within the constraints of such a system, the Commission examined elements of the executive branch with the intention of improving its effectiveness and efficiency by addressing basic systems, processes, and structure.

The Commission argued that management responsibility should be vested in the Governor's office, since he is viewed by the electorate as responsible for the administration of state government--whether he is given adequate statutory power or not. While the General Assembly has ultimate responsibility for policy making and exercises reserve power over administration, the Commission concluded: "Nevertheless, not all policy making can be done by legislators. Much discretion must necessarily be left to the executive branch to 'fill in the blanks' left by the General Assembly."[2] For this reason, the Legislature must provide clear policy guidelines and exercise oversight in ensuring compliance.

In formulating its recommendations, the Commission drew from the concept of management by objectives as outlined by Peter Drucker; "Public service institutions . . . particularly need objectives and concentration of effort on goals and results--that is management."[3] While fully recognizing the difficulty of goal setting in a representative democracy, nevertheless, the Commission concluded: ". . . to the extent that Virginia state government is unable to devise specific goals and objectives, we must live with a lack of direction . . . and resultant waste of energy and resources."[4]

The Commission recommended that the General Assembly concentrate delegated responsibility in the Office of the Governor--and by devising clear lines of responsibility and a performance-oriented management system to encourage accountability for results. Through the reorganization of the planning, budgeting, and management systems of the state, the Commission sought to provide a framework in which elected officials could more effectively carry out their role of setting goals, making major policy decisions, and overseeing state operations.

EFFICIENCY AND EFFECTIVENESS: A MORE COMPREHENSIVE APPROACH

In translating the mandate given by the General Assembly, it is fortunate that the Commission adopted a comprehensive and systematic approach to the problems of state government. Like many states, Virginia had long suffered the effects of well-intentioned but fragmentary analyses of problems in governmental operations and the partial implementation of what plans and programs were devised to improve them. While these attempts may have remedied immediate problems, they often perpetuated the root causes unnecessarily.

Although the Commission attended the familiar goal of promoting economy and efficiency in state government, the greater emphasis was placed on developing sound processes for allocating resources and for managing and evaluating state operations. In taking this position, the Commission noted:

> An organization and management study . . . does not properly begin with attempts to improve efficiency. It begins instead with an analysis of the purpose and goals of the organization. What is ultimately expected from all the resources channeled to state government? What do the people and their elected representatives want from state government in the way of end results? Why are present activities being undertaken as they are? Unless such analysis precedes consideration of efficiency and economy pressures the result may be as Peter Drucker has observed, "beautiful engineering of work that should not be done at all."[5]

By dealing with the underlying causes of structural and management deficiencies, rather than merely addressing the symptoms, the Commission hoped to avoid the shortcomings of previous reorganizational efforts.

By keeping the analysis primarily at a conceptual level, the Commission also sought to minimize controversy with the agencies of state government. As the Director of the Commission explained in an early memo to members, this strategy had several advantages:

> . . . rather than concentrate on particular examples of ineffectiveness, I believe the Commission would be wise to assume that it can develop general recommendations . . . If we attempt to come up with a "parade of horribles" demonstrating where agencies have overspent or mismanaged their affairs, we will unnecessarily antagonize . . . and may find that our assumptions are difficult, if not impossible to validate. We may also miss the point. Instead, I would urge that we examine the underlying causes and concentrate on the processes of management . . .[6]

In recognition of the need for a systematic and comprehensive analysis of Virginia's management problems, the Commission set its own objectives as follows:

(1) To make state government more productive, cost-effective, and efficient;

(2) To make state government more accountable and responsive;

(3) To improve the quality of state services;

(4) To clarify assignments of authority and responsibility;

(5) To enhance state government's adaptability to change;

(6) To improve communication systems and decision-making;

(7) To improve the state's planning, policy analysis, and program development capability;

(8) To foster a more positive management attitude with greater emphasis on results and program accomplishments.[7]

THE GOVERNOR AS THE CHIEF EXECUTIVE/ADMINISTRATOR

In making recommendations, the Commission viewed the Governor's powers from the perspective of his constitutional role as chief executive of the Commonwealth. Therefore, it sought to affirm or clarify this role by requesting statutory confirmation of the powers necessary to provide executive management over state operations. The Commission outlined the rationale for its recommendations on the office of Governor in the following manner:

> Even though every Governor must rely upon his informal powers, particularly his power to persuade, the formal powers and duties of the office should be more clearly defined:
>
> 1. to heighten accountability by setting clear legal duties instead of relying on vague expectations;
> 2. to reduce the possibility of governance by whim or personal preference;
> 3. to make the Governor's performance more visible and direct; and
> 4. to provide him the tools most likely to accomplish the results and perform the tasks expected of him when he is elected.[8]

To effectively administer state operations, the Commission recommended that the Governor be formally empowered to formulate and administer all policies for the executive branch, including resolution of policy and administrative conflicts among agencies, subject to the state constitution, state law, and the reserve power of the General Assembly to overrule him. The Commission further recommended that, in submitting the executive budget, the Governor be required to include his corresponding policies, goals and objectives, and priorities, thus giving legislators improved information for allocating fiscal resources and establishing a basis from which to evaluate the performance of state agencies. These recommendations were adopted by the General Assembly, along with provisions for initiation of a program budget system by fiscal year 1978.

Although it is often assumed that the Governor is the primary spokesman for the state in dealings with the federal government, the Commission identified a need for clarification of respective roles in connection with federal funding sources to circumvent situations in which administrators made policy and financial decisions that should be in the purview of elected officials. To demonstrate this need, one Commission member cited an incident in which the Council on Criminal Justice decided, without consultation with the Governor's office or the Legislature, to switch federal funding to cover new programs, leaving the state to bear the complete cost for the continuance of existing programs. "To make the situation worse, we found they had every legal right under the statutes then in effect to do just what they did."[9] In accordance with the Commission's recommendations, therefore, the General Assembly enacted legislation setting forth the Governor's authority to coordinate all official contacts with the federal government.

In the 1977 legislative session, the Governor was authorized to appoint all administrative agency heads in the executive branch to serve at his pleasure, subject to confirmation by the General Assembly, for a term coinciding with his. The heads of the Commission on Game and Inland Fisheries, the Council on Higher Education, and the Virginia Supplemental Retirement System were excluded from the Governor's appointive powers, however. In arguing for stronger gubernatorial appointment powers, the Commission maintained it would strengthen the position of both the Governor and General Assembly:

> As a matter of constitutional law, legislative bodies cannot remove appointed officers and employees in the executive branch . . . This recommendation will focus responsibility in the Governor for administrative efficiency and effectiveness . . . All administrate heads will be confirmed by the General Assembly . . . which is not now the case. The change obviously puts the General Assembly in a much stronger control position.[10]

The Commission emphasized the importance of the legislative review of all appointees in the confirmation process as a safeguard to assure the appointment of well-qualified individuals.

Early in its efforts, the Commission pressed for executive initiated reorganization. In 1976, it sponsored legislation that would empower the governor to submit plans for reorganization which would be enacted, barring disapproval by either house. These powers were similar in nature to those enjoyed by the President and by governors of thirteen other states.[11] As further justification for granting this power, the Commission argued:

> In recent years the Commission on Constitutional Revision, the Governor's Management Study, and the National Municipal League (in its Model State Constitution) have recommended that the Governor be given this authority. A group of eight agency analysts, who spent several months working for the Commission in 1974 also recommended such a change . . . The reason for executive initiated reorganization is that reorganization of the executive branch is properly a continuous activity rather than a disruptive once-a-decade effort. Many routine reorganizations are not accomplished because the legislature fails to identify them or ever get around to them.[12]

The Commission further argued that the system then in operation allowed a measure to die in committee without coming to vote and often precluded consideration of the plan as a whole by the entire Legislature.

However, objections to the executive initiated reorganization bill were raised by legislators who feared the measure would relinquish powers rightfully belonging to the General Assembly. In the measure which finally passed in 1977, the Governor's plans must be approved by each house, with each having the right to delete portions of the plan. Thus the fears of relinquishing too much legislative power were staved, but the bill enacted failed to significantly alter the situation which the Commission sought to correct.

OFFICE OF THE LIEUTENANT GOVERNOR

Although the Commission examined the office of the Lieutenant Governor, little resulted from this effort. The Commission observed that the duties assigned the Lieutenant Governor are primarily ceremonial in nature, providing little or no administrative assistance to the Governor. In a staff report to Commission members, it was recommended "that the office of Lieutenant Governor be abolished and that the constitution provide for a special election in the event of a vacancy."[13] The staff reached this conclusion after considering the two primary solutions offered to provide the Lieutenant Governor with management responsibilities: (1) to allow the Governor to delegate responsibilities to the Lieutenant Governor, and (2) to require their election as a team rather than separately as provided in the state's constitution. The staff criticized these 'solutions' concluding:

> . . . if the Governor is given a choice as to whom he will delegate important administrative tasks, he will almost invariably choose an appointed official rather than an elected one . . . leaving the Lieutenant Governor with little to do. The team election leads to no real popular choice of the man who will fill a vacancy in the highest office, should it occur. Political scientists argue that voters barely look at the candidate for Lieutenant Governor under such an arrangement.[14]

Apparently, support among the Commission's members was sufficiently strong to counter these staff recommendations, and instead the Commission attempted to strengthen the Lieutenant Governor's management role. Perhaps recognition of the political difficulty in abolishing the well-established position led the Commission to recommend election as a team, with the Lieutenant Governor exercising "those powers and duties which are prescribed for him by the Governor . . ."[15] The force of tradition ran in opposition to even these recommendations, as the measure was soundly defeated in the General Assembly. The most common reservation expressed by legislators was that Virginia already had a short ballot, with the Governor, Lieutenant Governor, and Attorney General being the only officials elected statewide. In this light, there was concern that whatever management efficiency gained would be outweighed by sentiments among the public that they were losing popular control of state government. Following the defeat of this proposal in the 1975 session of the General Assembly, the Commission did not pursue further questions of the role of the Lieutenant Governor.

THE SECRETARIAL SYSTEM

Since the controversy surrounding the Secretarial positions played an important part in the Commission's formation, considerable attention was devoted to studying this system. When the positions were created in 1972, there was general agreement that the Governor needed administrative assistance, though there was no consensus as to the form this assistance should take. In outlining its task, the Commission explained:

> The immediate task . . . is to decide upon the proper role for the six Secretaries--administrative officials now on the job who are hampered by lack of role definition and specificity in job description . . . They have never been delegated the power to act as managers.[16]

Once the Governor's own management powers were clarified, the Commission hoped to implement a system of management by objectives. The Commission argued that the Secretaries must be delegated authority over the agencies under their supervision--not to become involved in routine operational matters, but in order to oversee the processes of setting goals and objectives, formulating budgets, and assessing agency performance. The type of management role envisioned for the Secretaries was to complement the systems of policy planning and program budgeting also proposed by the Commission:

> Neither of these approaches can be truly effective unless the authority of the Secretaries is strengthened and more precisely defined. Critical to both program budgeting and management-by-objectives are explicit objectives, priorities, deadlines and assignments of responsibility for tasks. Both approaches require an analysis of goals, programs and problems that cross agency lines.[17]

In accordance with the Commission's recommendations, a bill was enacted making the Secretaries responsible to the Governor and requiring agency heads to make their reports to the Governor through the appropriate Secretary. Secretaries also were empowered to provide policy direction, resolve administrative, jurisdictional, and/or policy conflicts, and to direct the formulation of the budgets for the agencies placed under them.

Exceptions to the Secretarial range of powers were made in the cases of Administration and Finance, Education and Transportation. The Secretary of Administration and Finance has unique responsibility for reviewing and coordinating the plans and budgets of the other functional areas. The budget and policy making powers of both the Secretary of Education and the Secretary of Transportation were limited in the original legislation creating the positions and remained restricted even after Commission modifications to the Secretarial system. The State Council for Higher Education in Virginia remains responsible for developing policies and guidelines and for reviewing the budgets of the state supported colleges and universities, though the Secretary of Education has complete policy and budgetary powers in the area of cultural affairs. Within Transportation, the Secretary reviews and approves the budget of each unit under him with the exception of the powerful State Highway and Transportation Commission.[18]

BOARDS AND COMMISSIONS

In keeping with its objective of establishing clearer lines of authority and responsibility, the Commission examined the role of the more than 175 boards and commissions in the executive branch. The Commission urged adoption of recommendations to bring these bodies under the policy direction of the Governor, noting the potential for undue representation of special interest, given the statutory independence that some boards and commissions enjoyed. Although the Governor appointed the overwhelming majority of their members, the Commission noted barriers to effective policy direction over collegial bodies:

> A significant number, however, are _ex officio_ members, are nominated by special interest groups, or must be selected from a restricted list . . . At present the Governor's ability to direct the members of a collegial body on policy matters or to work through them on administrative matters depends more on informal factors than on the formal, statutory relationship . . . Independence can also result from federal funding arrangements, earmarked revenues, and constitutional limitations associated with the special fund doctrine.[19]

Following the Commission's recommendations, the General Assembly authorized the Governor to appoint members to all boards and commissions with few exceptions and to remove members for specific cause, i.e., "failure to carry out the policies of the Commonwealth as established in the Constitution or by the General Assembly or refusal to carry out a lawful directive of the Governor."[20] As terms for most board members are staggered, this measure would allow an incoming Governor to remove members whose actions were counter to his policy directives.

The Commission also argued that boards and commissions are not well suited to administrative or management roles, as this situation fragments the lines of authority and responsibility by making the agency head accountable to both a board and the Governor. Recognizing the contribution of citizens who serve on these boards and commissions, the Commission formulated a series of guidelines within which these bodies should function. At a minimum, every citizen board or commission should:

(1) serve as a public watchdog;

(2) provide a means of citizen access;

(3) publicize, educate, and work for public support; and

(4) advise the Governor, the appropriate Secretary, as well as the agency head on any matter affecting the agency.[21]

Should the Legislature adopt this set of guidelines in the 1978 session, it may still be necessary to rewrite the enabling legislation of each of the boards and commissions to bring them into conformance. The defeat of a bill in the 1977 session to bring Agricultural Commodity Commissions under closer supervision may bode ill for future reforms of boards and commissions with strong special interest supports, however.

Acting upon the Commission's recommendation, the General Assembly passed a joint resolution in the 1977 session, requesting the Governor to review the statutory grants of power to the various boards, councils, commissions, departments, and agencies to ensure their operations are within the broad policy framework established by the Governor and the General Assembly. In the same session, a bill passed prohibiting legislators from serving on boards and commissions in the executive branch other than those of a commemorative or honorary nature.

THE ATTORNEY GENERAL

Recommendations were formulated and passed by the General Assembly with the objective of clarifying the relationship of the Attorney General in providing the Governor with legal advice and service, while removing him from the formulation of policy. As pointed out in the findings of the Commission:

> The Governor is constitutionally charged with the duty to see that the laws are faithfully executed. The Attorney General must be in a position to render independent advice to the Governor and executive officers; however, the independence of the Attorney General should not extend to the point at which he and the Governor are pursuing conflicting policy directions with the officers and agencies of the Commonwealth caught in the middle.[22]

Since the Governor and Attorney General are elected independently and may have divergent political views, the possibility for conflict on policy issues is heightened. The Commission also called attention to the potential conflict when the Attorney General is required to represent consumer groups before the State Corporation Commission while also rendering legal services to this agency.

The measures adopted by the General Assembly in 1976 specified that the opinions of the Attorney General are only advisory and deleted the State Corporation Commission from the list of agencies for which the Attorney General provides legal services. Provision also is made in this bill for the Governor to appoint special counsel in cases where the Attorney General has a conflict of interest.

THE STATE CORPORATION COMMISSION

Established in 1902 as a regulatory agency, the State Corporation Commission (SCC) over the years has been granted (or has assumed) a number of executive functions handled in most states by agencies directly responsible to the Governor.

> Since 1902, the role of the SCC has been expanded far beyond that which was originally contemplated for it. It now has approximately 450 employees, 15 divisions, and a biennial appropriation exceeding $20 million. The General Assembly since 1902 has added over 53 new statutory duties to the original constitutional duties, giving the SCC the broadest jurisdiction of any state regulatory agency in the nation.[23]

In its recommendations, the Commission on State Governmental Management sought to separate adjudication from investigation and prosecution in keeping with the doctrine of Separation of Powers. The Commission, therefore, concluded that the SCC should devote its full attention to rate making, rate setting, and adjudicative activities, continuing "as an administrative court with sufficient staff to enable it to analyze the complex issues presented to it . . ."[24] However, the actual presentation of cases and the investigation and enforcement of laws and regulations should become the responsibility of various executive agencies.

To implement this separation of functions, and to improve the coordination of policies and activities presently split between the SCC and executive agencies, the Commission devised recommendations which would:

(1) abolish the SCC's public utilities and accounting divisions and replace them with a separate department of public utilities under the executive branch. The SCC would retain judicial overview to hear appeals of departmental actions;

(2) transfer the commission's public service taxation division to the Department of Taxation;

(3) create separate departments of banking, securities and insurance, but allow the SCC to hear appeals; and

(4) transfer the SCC's motor transportation division to the present Division of Motor Vehicles.[25]

These proposals will come before the General Assembly in the 1978 session. The outlook for their passage is dim, given the particular difficulty which organizational changes have faced in the legislature and the successful record of the SCC in resisting reorganization. A recent newspaper article offered the following insight into the controversy:

> While the staff and the subcommittee of the Commission on State Governmental Management believe the proposals would lead to greater governmental efficiency, the State Corporation Commission doesn't think much of the ideas. Commissioners Preston Shannon and Junie Bradshaw showed up at the 9/30/77 meeting of the Commission on State Governmental Management to suggest that the SCC should be left to its own devices. The proposals would slice away much of the administrative duties of the SCC. This has been tried before, as recently as two years ago, but the SCC has managed to drum up enough support from members of the General Assembly to reject reorganizational moves.[26]

PROGRAM BUDGETING IN VIRGINIA

The Commission on State Governmental Management made a number of recommendations which have resulted in a major overhaul of the state's planning and budgeting systems. A significant problem in managing governmental operations identified by the Commission has been the lack of adequate information to make sound policy decisions within a clearly identified set of priorities. By redesigning the budgetary process to link planning and budgeting, the Commission sought to institute a system in which decisions regarding the allocation of fiscal resources could be made within the framework of long-range goals and objectives for the Commonwealth.

To accomplish this end, the Commission recommended (and the General Assembly adopted in the 1975 session) a program budgeting system in which all appropriation requests for major programs are to be related to identified outputs (goals and objectives). This requirement should allow decisions regarding the allocation of resources among alternative proposals to be based on priorities. Under this approach, the impacts of budgetary cuts upon state programs and policies can be better assessed.

In making budgetary requests, the enabling legislation directs agencies to identify the major programs of state government, along with the costs associated to: (1) continue the present level of activities, (2) increase the workload, and (3) provide new or changed levels of service. Justifications are to be submitted with explanations as to whether the requested funds are discretionary or mandated by state or federal law.[27] For each program (and subprograms in some cases), agencies are required to provide appropriate performance measures (workload measures) and measures of effectiveness. In practice, efforts have been made to stage these requirements over several biennia rather than adopting the program budget format "whole cloth" in one budget presentation.

The framework developed for a more integrated planning and budgeting approach requires each Secretary to make budgetary decisions for functional areas based upon target amounts supplied by the Governor and to coordinate agency planning efforts toward these ends. To enhance the decision-making process, each Secretary was requested to submit policy issue analyses in conjunction with initial budget requests for the functional area under his responsibility. The Secretary of Administration and Finance is responsible for reviewing the budgets of other Secretaries and for ensuring coordination of the plans developed for the various functional areas.

Responsibility for establishing the basis for the program budgeting system was given initially to the Division of the Budget and the Division of State Planning and Community Affairs since both agencies had initiated exploratory studies regarding programmatic budgetary formats some years earlier. To provide improved support for the new planning and budgeting system, reorganization of the central staff agencies was recommended, and the General Assembly passed legislation in 1976 creating a Department of Planning and Budget, a Department of Management Analysis and Systems Development, a Department of Intergovernmental Affairs, and a Computer Resources Center. The former Divisions of the Budget and State Planning and Community Affairs were dissolved, with staff from State Planning and Community Affairs transferred to the various Secretaries, as well as to the newly formed Department of Planning and Budget. New positions were authorized within the Department of Planning and Budget to supplement existing staff in implementing a program budgeting system, and an extensive training effort was mounted by the Department of Personnel and Training to provide a broader understanding among agency personnel as to the objectives and procedures of a program budget.

ANNUAL BUDGET PREPARATION AND REVIEW

As the Commission was concerned with incorporating goals, objectives, and priorities into the budgeting system, the problem of more adequate involvement of incoming Governors in the budgeting process also was addressed. The biennial budget in Virginia reflects the fact that until the seventies the Legislature met only once every two years. Revisions to the budget are now made during the short session of the General Assembly held in the odd number years. As a consequence of the biennial budgeting process, however, the Governor has an opportunity to both plan and execute only one budget during his one-term administration. The biennial budget of the previous Governor has been completed for submission to the Legislature when the new Governor comes into office. Thus, the Commission noted:

> The newly elected Governor assumedly comes to office with a mandate from the voters which he should be able to incorporate in the budget in some thoughtful and orderly manner. Further, since he will be responsible for executing the budget following the appropriation by the General Assembly, he has a very legitimate interest in it.[28]

While the Commission recognized that some means were necessary to more effectively involve the Governor-elect, strong opposition to an annual budget was clearly recognized in the General Assembly. As the Commission observed, "Indeed, there is much sentiment (as expressed during the 1974 session) that it should return to biennial sessions."[29] An annual budget cycle would significantly increase the workload of the General Assembly during the short session (when delegates to the House must stand for reelection). As a consequence, the Commission did not provide any recommendations to this effect. Provisions were made, however, to grant each incoming Governor funds to cover a transition staff to aid his orientation to these fiscal matters and in other tasks, remedying the situation to some degree.

In addition to considering the formulation of the budget in the executive branch, the Commission devoted some attention to the process of budget review in the General Assembly. To allow the House Appropriations and the Senate Finance Committees an interval during which to examine the executive budget more carefully, the Commission recommended that a three-week break be interposed in the legislative session. However, the resolution necessary to initiate the process for a constitutional amendment to this effect was not passed by the General Assembly.

THE PERSONNEL SYSTEM

Recognizing the important contributions of state employees toward improving efficiency and effectiveness in governmental operations, improvements to the state's personnel system were considered by the Commission as well. A survey of state employees, conducted by a management consulting firm to aid the Commission in its analysis, revealed significant problems in the state's personnel system--a system that had received no major revisions since 1942. Some of the shortcomings perceived by employees are reflected in the following statistics:

23.5% of the respondents asserted that there is a great deal of waste on the job.
59.8% stated that their work could be done more efficiently.
18.5% felt that nobody cares whether they do a good job.
26.8% believed that inefficient workers often are kicked upstairs.
34.6% do not believe that good work is recognized and rewarded.
41.7% think that unsatisfactory employees cannot be removed.[30]

In addressing the problems within the state personnel system, the Commission recommended strengthening management analysis functions, placing increased emphasis on providing training for state personnel, and developing a system of employee performance evaluation. It also recommended that the pay level of state employees be brought into line with private industry. Several agencies initiated management by objective procedures, assisted by the Department of Personnel and Training. Responsibility for further study of these recommendations was delegated by the General Assembly to the Secretary of Administration and Finance. An outcome of this study is anticipated in the form of an Executive Order regarding a comprehensive personnel development program to be issued by Governor Godwin before he leaves office in January, 1978.

ORGANIZATION AND STRUCTURE

As can be seen from the breadth of its analysis, the Commission on State Governmental Management was not content with mere "box shuffling"--rearranging the organizational configuration of agencies. Instead, it sought to address the basic systems of state government. Within this context, however, analyses were made of the organization of state agencies to reduce the likelihood of duplication of efforts and to devise a structure more conducive to sound management. Eight analysts were drawn from state agencies to study the functions of all agencies and to devise an organizational plan based upon the major purposes/functions of state government. Utilizing the report of these analysts, the Commission made its own modifications and recommended organization of state government on the basis of seven functional areas (which also serve as the first tier of the program budget structure), each headed by a

Secretary. Explaining its rationale in organizing state government into major purpose areas, the Commission noted:

> The concept of major purpose clusters, which together represent a rational division of the whole of state government's efforts and concerns, is not only the most effective way to focus attention on gaps in service and duplication of effort, but also the structural arrangement most likely to encourage analysis of alternatives to accomplishment of broad objectives and consideration of the impact and dependence of one area on another.[31]

Under the Commission's reorganization plan, the areas of Administration and Finance, Human Affairs, and Education would remain. The areas of Transportation and Public Safety would be split, and the areas of Commerce and Resources would be divided with one Secretary for Natural Resources and another for Agriculture and Commerce.

In the area of Administration and Finance, in addition to reorganizing the central staff agencies in 1976, the State Treasurer and the Department of the Treasury, the Comptroller, the Department of Accounts, and the Commissioner and Department of Taxation were placed under the supervision of the Secretary of Administration and Finance. Also in 1976, the position of Assistant Secretary for Financial Policy was created to act as staff advisor on financial matters, oversee financial policy development and coordinate financial activities.

Within Human Affairs, the Commission called for substantial consolidation of agencies, noting that: "the programs of public welfare, public health, mental health and related social services cannot be treated independently of each other if Virginia is to respond efficiently and effectively to the true needs of her people."[32] This task of restructuring human services has proved difficult. The General Assembly rejected a measure in the 1977 session that would have allowed localities to adjust their human service organizations to suit their individual needs. In this same session, a joint resolution was passed requesting the Governor to study and evaluate the impact of the Commission's proposals to reorganize state level human resource agencies upon local agencies and to consider organizational changes at the local level. The Governor's recommendations are slated for presentation in the 1978 session.

Legislation separating the areas of Transportation and Public Safety was passed in 1976. The Commission has experienced significant difficulties in reorganizing Transportation, however. While recommendations were deferred in 1976 to allow the Governor's Council on Transportation to complete its study, no recommendations were agreed upon for 1977. The powerful Council of Highways and Transportation retains significant powers and maintains a bias toward highways over alternative modes of transportation. The Commission on State Governmental Management summarized the resultant problems as follows:

> Present institutions do not match our problems . . . A truly balanced transportation system begins with a consideration of the broad public interest, treating the interests of the fine modes as incidental and looking to other available alternatives and substitutes for transportation to satisfy the needs of the public . . . What logic is there in having the most efficient highway program if we have a poor transportation program . . .?[33]

Recommendations to reorganize Transportation may be forthcoming in 1978.

Although the functional area of Public Safety was separated from Transportation, several Departments more logically falling under Public Safety remained with Transportation, contrary to Commission recommendations. These departments are Emergency Services and Military Affairs. The Commission on State Governmental Management also recommended formation of an Enforcement and Investigation Department under Public Safety to consolidate the activities of state agencies in law enforcement. This measure failed in the 1977 session, but will be reintroduced in 1978.

The functional area of Agriculture and Commerce has far more agencies, programs, and discrete activities within its jurisdiction than any other. The Commission on State Governmental Management recommended dividing the area into Natural Resources and Agriculture and Commerce because:

> There are in reality two divergent goals, not one, in the present area. One goal is a sound economy. Another and frequently competing goal is the conservation and development of natural resources . . . Each concern is so important that it should be articulated by a high-level official to insure that the Governor himself is confronted with the strongest argument on behalf of each interest in the formulation of major policy.[34]

The bill to accomplish the separation was defeated in 1977, but will be brought before the Legislature again in 1978.

It can be seen that Commission proposals for the consolidation or transfer of agency functions have met with limited acceptance in the Legislature and have generated controversy among the impacted departments and agencies, as might be expected. Many of these organizational issues will come before the General Assembly in the 1978 session, in conjunction with a host of other measures. Given the level of controversy generated by these items and the number of them to be presented, chances for their success may be diminished.

LEGISLATIVE RECORD OF COMMISSION RECOMMENDATIONS--A SUMMARY

While most Commission-sponsored bills have been enacted by the General Assembly, a small but significant portion have been defeated or carried over. Table 2 provides a summary of the Commission's legislative program since 1973 and the status of each proposal.

TABLE 2

THE COMMISSION'S LEGISLATIVE PROGRAM SINCE 1973

1974

Joint resolution establishing the policy of the Commonwealth that its employees should be compensated at a rate comparable to those in the private sector in similar occupations, and requiring an annual report on this subject by the Department of Personnel and Training to the Governor and the General Assembly. (ENACTED)

A bill amending the legislation establishing the Commission to provide explicit authority for an analysis of the functions of the Attorney General and of the State Corporation Commission, and extending the Commission. (ENACTED)

1975

A bill vesting responsibility for the establishment of accounting systems in the Comptroller. (ENACTED)

A bill to confine the Joint Legislative Audit and Review Commission to post-audit activities. (ENACTED)

A bill to require that the Governor's budget be formulated and submitted in a programmatic format. This legislation requires: that major state programs be identified along with associated costs; that summary data of positions authorized and funded be shown; that all closely-related programs in an agency be grouped together within a single appropriation; and that any proposed increase in expenditure be set forth at the program level to show (1) cost to continue present level of activities, (2) cost to process increases in workload, and (3) cost related to new or changed services. In addition, a detailed and narrative justification must be included in connection with each of those categories (1, 2 and 3, above) with workload indices where practicable. As far as practicable for each program, there must also be a breakdown of the portions of the appropriation mandated by the federal government, necessary to avoid losses in federal revenues, mandated by state law, and discretionary. (ENACTED)

A joint resolution to amend the Constitution of Virginia regarding legislative sessions to the effect that all bills except emergency measures would have to be introduced during the first three weeks of the session and that thereafter the General Assembly would recess for three weeks so that the appropriate committees could proceed with an examination of the Governor's budget. (FAILED)

TABLE 2--Continued

1975--Continued

A bill to merge the positions of Secretary of Administration and Secretary of Finance into the new position of Secretary of Administration and Finance, also making him the deputy budget and deputy personnel officer of the Commonwealth. (ENACTED)

A joint resolution to amend the Constitution of Virginia to provide that the candidates for Governor and Lieutenant Governor run together as a team. (FAILED)

1976

A bill to reorganize the agencies in the Office of Administration and Finance, creating a Department of Planning and Budget, a Department of Management Analysis and Systems Development, a Department of Intergovernmental Affairs and a Computer Resources Center. (ENACTED)

A bill to create a Department of Personnel and Training and define certain personnel administration responsibilities. (ENACTED)

A bill to establish the position of Director of Support Services and require him to produce a plan for the reorganization of agencies providing support services. (ENACTED)

A joint resolution directing the Secretary of Administration and Finance to study the relationship between the Department of Personnel and Training and state agencies. (ENACTED)

A bill setting out the Governor's responsibility and authority to coordinate all official contacts on behalf of the Commonwealth with the federal government and other governments generally. (ENACTED)

A bill to make clear that the Attorney General's opinions are advisory only. (ENACTED)

A bill vesting the Governor with authority and responsibility for formulating and administering the policies of the executive branch, including resolution of administrative and policy conflicts between and among agencies. (ENACTED)

A bill to delete reference to the State Corporation Commission when referring to whom the Attorney General will provide legal service in civil matters and sets out when the Governor may employ special counsel. (ENACTED)

A bill to make the State Treasurer and the Department of the Treasury, the Comptroller and the Department of Accounts, and the Commissioner and Department of Taxation subordinate to the Secretary of Administration and Finance. (ENACTED)

TABLE 2--Continued

1976--Continued

A bill to clarify the role of the Secretary of Human Resources and transfer the Virginia Employment Commission to the list of agencies for which the Secretary is responsible. (ENACTED)

A bill to create the position of Secretary of Natural Resources. (CARRIED OVER)

A bill to create the position of Secretary of Agriculture, Commerce and Labor. (CARRIED OVER)

A bill to empower the Governor to initiate executive reorganization subject to disapproval by either house of the General Assembly. (CARRIED OVER)

A bill to make each Secretary subject to the Governor's direction and supervision and sets out the powers and duties of the Secretaries; i.e., to provide policy direction, to resolve administrative, jurisdictional or policy conflicts, and to direct the formulation of program budgets for their respective agencies. Directs that all reports to the Governor from an agency head be made through the appropriate Secretary. (ENACTED)

A bill to authorize the Governor to delegate his powers through a written executive order to any Secretary or officer in the executive branch. (ENACTED)

A bill to create the position of Secretary of Public Safety. (ENACTED)

A bill to clarify the role of the Secretary of Education. (ENACTED)

A bill to clarify the role of the Secretary of Administration and Finance, and creates an Assistant Secretary for Financial Policy. The latter appointed by and serving at the pleasure of the Governor. The Assistant Secretary acts as staff advisor to the Governor and Secretary of Administration and Finance on financial matters; oversees financial policy development; coordinates the financial activities of the several public authorities, agencies and institutions issuing bonds; and performs such other services as the Secretary may require. (ENACTED)

A bill to create a Secretary of Transportation. (ENACTED)

A bill to continue the Commission on State Governmental Management, appropriated $50,000, and add a new member from the House General Laws Committee. (ENACTED)

A bill to transfer the Division of Aeronautics and the Fire Marshal Division from the State Corporation Commission. (CARRIED OVER)

TABLE 2--Continued

1976--Continued

A joint resolution requesting the House and Senate Rules Committees to provide a system for the referral of legislation having an organizational impact. (FAILED)

1977

A bill to require more systematic supervision of the activities of agricultural commodity commissions. (FAILED)

A bill to clarify the role of the State Board for Community Colleges, eliminating its agency status. The Board will now serve as a governing Board of a statewide institution of higher education. (ENACTED)

A bill to provide that the Governor submit with his proposed budget a statement of his proposed policies, goals and objectives in the areas of (1) Administration of Justice; (2) Education, including intellectual and cultural development; (3) Individual and Family Services; (4) Resources and Economic Development; (5) Transportation; and (6) General Government, including telecommunications, energy needs, population, and urban development. (ENACTED)

A bill to establish the Department of Commerce, consolidating the activities of the Virginia Athletic Commission, the State Registration Board for Contractors and the Department of Professional and Occupational Regulation under the Department. The Office of Consumer Affairs in the Department of Agriculture and Commerce would also have been transferred to the Department, but the House amended the bill to exclude this aspect of the proposal. (ENACTED)

A bill to establish a Department of Enforcement and Investigation. (FAILED)

A bill to create the Department of Housing and Community Development, consolidating activities of the Office of Housing, the State Fire Marshal and the Department of Intergovernmental Affairs. It also transfers the responsibility for arson investigation to the Department of State Police. (ENACTED)

A bill to allow localities under an enabling statute to adjust their human services organization to suit their individual needs. (FAILED)

A bill to create the Department of General Services, consolidating the activities of the Division of Engineering and Buildings, the Department of Property Records and Insurance, the Department of Purchases and Supply, the Public Telecommunications Council, and the Division of Consolidated Laboratory Services. (ENACTED)

TABLE 2--Continued

1977--Continued

A joint resolution requesting the Governor to study and evaluate the impact of the Commission's proposals to reorganize state-level human resources agencies upon local agencies and to consider simultaneous organizational changes in the human resources area at the local level. (ENACTED)

A joint resolution expressing the sense of the General Assembly that the role of the State Board of Community Colleges is solely that of a governing board of a statewide institution of higher education. (ENACTED)

A joint resolution requesting the Governor to study the organization of Virginia's conservation, recreation and historic preservation activities and to present his findings to the 1978 session of the General Assembly. (ENACTED)

A joint resolution authorizing the House Roads and Internal Navigation Committee and the Senate Transportation Committee to study the transportation needs of Northern Virginia. Originally, the resolution called upon the Governor's Council on Transportation and the Commission on State Governmental Management to coordinate their studies, and set forth transportation policy guidelines to give common direction to the two studies. The House Roads and Internal Navigation Committee substituted for the original an entirely different proposal, which passed both houses.

A resolution requesting the House Rules Committee to implement a system of referral for bills having an organizational impact. (AGREED TO)

A bill to create a Secretary of Natural Resources and a Secretary of Economic and Agricultural Resources. (FAILED)

A bill to empower the Governor to submit reorganization plans to the General Assembly. These plans must be approved by a resolution of each house, with each house having the right to delete portions of the plan. (ENACTED)

A bill to authorize the Governor to remove any member of a board, commission, or council for specified reasons. The Governor is required to submit a written statement citing causes for removal. (ENACTED)

A bill to authorize the Governor to appoint all heads of state agencies subject to confirmation by the General Assembly. The directors of the following agencies were deleted from this law: the Commission of Game and Inland Fisheries, the Council on Higher Education, and the Virginia Supplemental Retirement System. Also excluded are educational institutions and regional authorities and districts. (ENACTED)

TABLE 2--Continued

<u>1977</u>--Continued

A bill to prohibit legislators from serving on boards and commissions in the executive branch. (ENACTED)

A bill to authorize the Governor to appoint all members of boards and commissions subject to confirmation by the General Assembly. Those members elected by the General Assembly (e.g., Industrial Commission) and those elected under title 3.1 of the Code (e.g., the Apple Commission) are excluded. (ENACTED)

A bill to create a Department of Aviation. (FAILED)

A bill to allow the Commission on State Governmental Management to continue its work until March 31, 1978 and appropriates funds. (ENACTED)

A bill to transfer the Office of Recreation from the Department of Intergovernmental Affairs to the Commission of Outdoor Recreation. (ENACTED)

A bill to require the Department of Management Analysis and Systems Development to perform automated data processing services for agencies and to fix charges for these services as directed by the Governor or the Secretary of Administration and Finance. (ENACTED)

A joint resolution to request the Governor to review statutory grants of power to the various boards, councils, commissions, departments and agencies to insure their operation within the broad policy framework established by the Governor and the General Assembly. (ENACTED)

A resolution to request the Senate Rules Committee to implement a system of referral for bills having an organizational impact. (AGREED TO)

SOURCE: Commission on State Governmental Management

ENDNOTES

[1]Commission on State Governmental Management, Second Interim Report: Recommendations on the Roles of the Secretaries, (Richmond, Va.: 1974), p. 5.

[2]Commission on State Governmental Management, Management: Tentative Recommendations of the Commission, (Richmond, Va.: 1975), p. 12.

[3]Peter F. Drucker, "What Results Should You Expect? A User's Guide to MBO," Public Administration Review 36 (January/February 1976), p. 16.

[4]Commission on State Governmental Management, Staff Documents: Executive Management Responsibilities, (Richmond, Va.: 1976), p. 9.

[5]Commission on State Governmental Management, Management: Tentative Recommendations, p. 8.

[6]Commission on State Governmental Management, Staff Documents, p. 4.

[7]Ibid., p. 10.

[8]Commission on State Governmental Management, Management: Tentative Recommendations, p. 11.

[9]W. L. Lemmon, "The Work of the Commission on State Government," speech to the Board of Directors of the Virginia State Chamber of Commerce, Fredericksburg, Virginia, 23 July 1976.

[10]Commission on State Governmental Management, Seventh Interim Report: Priority Proposals for 1977, (Richmond, Va.: 1977), p. 4.

[11]George A. Bell, Reorganization in the States, (Lexington, Ky.: Council of State Governments, 1972), p. 16.

[12]Commission on State Governmental Management, Improving State Governmental Management: A Summary of Priority Recommendations, (Richmond, Va.: 1976), p. 12.

[13]Commission on State Governmental Management, Staff Documents, p. 154.

[14]Ibid.

[15]Commission on State Governmental Management, Fifth Interim Report: Recommendations on the Office of Lieutenant Governor, (Richmond, Va.: 1975), p. 1.

[16]Commission on State Governmental Management, Second Interim Report, p. A-33.

[17]Commission on State Governmental Management, Management: Tentative Recommendations, p. 15.

[18]Commission on State Governmental Management, Second Interim Report, p. B-6.

[19]Commission on State Governmental Management, Staff Documents, pp. 276-277.

[20]Commission on State Governmental Management, Seventh Interim Report, p. 5.

[21]Ibid., p. 6.

[22]Commission on State Governmental Management, Management: Tentative Recommendations, p. 21.

[23]Commission on State Governmental Management, Staff Documents, p. 305.

[24]Ibid., p. 303.

[25]"Study Group Noncommittal on SCC Reorganization," Roanoke Times, 2 October 1977, sec. C, p. 4.

[26]Ibid.

[27]Code of Virginia, Chapter 27, Title 2.1.

[28]Commission on State Governmental Management, Third Interim Report: Recommendations on the State's Budget Process, (Richmond, Va.: 1974), p. 15.

[29]Commission on State Governmental Management, Second Interim Report, p. 5.

[30]Commission on State Governmental Management, Sixth Interim Report: Recommendations on the State's Personnel Process, (Richmond, Va.: 1975), p. 2.

[31]Commission on State Governmental Management, Management: Tentative Recommendations, p. 28.

[32]Ibid., p. 32.

[33]Ibid., p. 15.

[34]Commission on State Governmental Management, Improving State Governmental Management, (Richmond, Va.: 1976), pp. 16-17.

CHAPTER VI

ACCOMPLISHMENTS OF THE COMMISSION: AN ASSESSMENT

In nearly five years of study, the Commission on State Governmental Management has undertaken a broad analysis of state operations and has formulated a number of recommendations which address not only the structural arrangement of state government but the management, planning, and budgeting systems as well. Most of these recommendations have been adopted by the General Assembly and form the basis for a complete revision of state management. Implementation has proceeded in a step-wise fashion as recommendations were formulated and enacted. As a result, a framework for the reorganized management, planning and budgeting system is now in place. Certainly, the implementation process and the final resolution of remaining issues by the General Assembly will shape the type of management systems which ultimately result from Commission recommendations. However, it is appropriate to evaluate the systems that have been developed to this point, and to look to the future in judging what the overall impact of the Commission's work may be.

Since the purpose of this analysis is to critically examine the accomplishments of the Commission toward improved state management, the management, planning, and budgeting systems developed through Commission recommendations will each be considered. Problems which have already occurred as well as those which might logically be anticipated will be addressed. Where possible, suggestions will be made for modification or improvement. Key factors or conditions essential to the success of the reorganized systems will also be identified. The Commission's achievements can then be evaluated in comparison with its own objectives.

This analysis will also provide a perspective on the Commission's work in terms of the historical and contemporary constraints and opportunities influencing the reform process. To this end, factors which have both limited and facilitated its success will be identified, and the implications of the Commission's work for state government in Virginia will be considered.

VIRGINIA'S MANAGEMENT SYSTEM

Clarifying lines of authority and responsibility and providing the necessary support systems for management have been major components of the Commission's effort to improve state management. In keeping with constitutionally defined roles, the Commission has focused responsibility for policy decision-making with elected officials and has better defined the Governor's management powers as chief executive. In its study, the Commission recognized the Secretarial positions as a potentially effective means to improve management controls, while reducing the administrative and supervisory burden placed on the Governor. Although the Secretaries lacked effectiveness when the Commission began its work, it was concluded that unclear definition of roles and responsibility and the absence of an integrated management support system were primarily responsible for this problem. Therefore, the Commission sought to strengthen the management powers of the Governor and the Secretaries and to restructure the management, planning, and budgeting systems to foster improved management practices.

The management system outlined throughout the Commission's recommendations incorporates aspects of both management by objectives (MBO) and a planning programming budgeting system (PPBS). Although planning and budgeting systems will be discussed separately in this analysis for the sake of clarity, they are nevertheless critically important elements of an integrated management system. The newly-implemented program budgeting system requires agencies to specify measurable objectives. In turn, the Secretaries have been given planning staff to aid them in analyzing issues, evaluating performance, and projecting resource requirements. With this information, the Secretaries are to decide among competing requests for funds and hold agencies to the objectives established in the budget process.

The Secretarial System

As envisioned by the Commission, the Secretarial positions are the key mechanism for disseminating legislative and gubernatorial policy to the operational level of state agencies. The success of the management system is dependent upon the Secretaries to provide coordination and evaluation of activities. From the following statement by Patrick McSweeney, outlining his perception of the Secretarial role in management, the formidable nature of their responsibilities is apparent:

> . . . the Secretaries provide an excellent mechanism for linking budgeting and planning. The creation of the Secretaries introduced some organizational sense to the disarray in the executive branch. They are responsible for developing comprehensive plans and policy recommendations for their respective areas; moreover, they are responsible for preparing comprehensive budgets. These

> two processes should be interlocking. Each Secretary has the broad perspective of a major purpose area . . . He can address a broad problem that cuts across agency lines, determine what activities of his various agencies need to be brought together . . . and coordinate those activities accordingly. His program response should be outlined in his comprehensive budget. Every agency head and program manager who contributes to that program should understand his role and the objectives he is expected to meet. The Secretary should stay out of the execution and implementation phase to the greatest extent possible. When there is variance from the plan, he should take corrective steps. Otherwise, he should devote his attention to further planning and analysis in other areas.[1]

Unfortunately, in assessing the Secretarial system as it now functions, it is doubtful that these officers as yet are fully equipped to take on the type of planning, management, and decision-making roles envisioned by the Commission on State Governmental Management. Although the Secretaries have been delegated responsibility for making budgetary decisions, they have lacked much of the information necessary to make effective choices among programmatic alternatives. Since powerful boards and commissions still draw up the budgets for a sizeable portion of the agencies under their aegis, the Secretaries of Education and Transportation are particularly limited in their exercise of management responsibility. Reforms to the state personnel system and the final configuration of some Secretarial areas remain to be addressed in the 1978 General Assembly. Additionally, the whole area of performance evaluation both for programs and for state employees has not as yet progressed beyond initial stages of implementation.

In order to provide management controls without overburdening agencies with another layer of bureaucracy, the Secretaries must be held to the difficult tasks of developing goals and objectives in their areas of functional responsibility, making policy and allocational decisions, and evaluating agency performance. Surely their task will be easier once the necessary elements of the management system become operational. No doubt the partial nature of the management support system and the time and difficulty involved in implementing system changes have hampered their effectiveness.

Implementation of all elements of the management system recommended by the Commission is essential if the Secretarial system is to fulfill its potential for improved state operation. The final resolution of organizational and administrative structures and the extent of revisions actually made to the personnel system will undoubtedly affect state management.

Structural and Administrative Reorganization

The structural rearrangements proposed by the Commission allow related activities to be grouped for improved management and coordination. However, these organizational considerations have been among the most controversial items in obtaining legislative endorsement. Reorganizational proposals for the area of Transportation have met significant difficulty even in formulation. The proposal to reorganize Commerce and Resources into two Secretarial areas (one for Agriculture and Commerce and one for Natural Resources) was defeated in 1977, but will be reintroduced by other legislative sponsors in 1978. Reorganizational proposals slated for presentation at the 1978 session in the area of Human Resources are encumbered by federal requirements, and by wide discrepancies in administration and policy among agencies. In all likelihood, reorganizational issues will continue to generate controversy and resistance. As one Commission member remarked, "I've been constantly amazed that everyone looks at our report and says 'That's great, but my agency is unique.' Every special interest group wants to maintain its own set-up."[2] The process of shifting and/or combining functions in several important areas unfortunately has been left until the end of the Commission's tenure. In light of the differences of opinion which exist, it is unlikely that reorganizational issues will be resolved before the Commission dissolves in March of 1978.

The task of redefining the role of boards and commissions in agency administration, if accomplished, will be a long process, extending beyond the Commission's tenure. Even if the General Assembly adopts Commission guidelines confining these bodies to advisory roles (except in the case of the boards of the state institutions of higher education), it may still be necessary to revise the enabling legislation of agencies to bring them into conformance. The ability of the Secretaries to administer the agencies assigned to their functional areas will be undermined so long as a conflict in administrative responsibility exists with boards and commissions. As a recent newspaper article pointed out, the task of revising the duties of these collegial bodies is neither smooth nor easy: "The State's powerful highway lobby helped gut a bill giving more powers to the transportation Secretary. The highway department has always been like a kingdom of its own and some powerful interests want it to remain the way it is."[3]

The Capacity of State Government Personnel

Virginia's present personnel system poses a barrier to improved state management. Revision is clearly needed in a system when over one-third of state employees view the merit review as a perfunctory process having little relation to actual performance.[4] Based on a study of Virginia's personnel system conducted by management consultants, the Commission concluded that major revisions were needed in the area of employee evaluation:

> While management can usually define direct or consequence measures of productivity for major organization units, it has made little, if any, effort to determine similar measures for individual job performance. In none of the 17 agencies in which personal interviews were conducted did there appear to be a significant concern in this area. In fact, some agency heads and their principal associates appeared startled at the idea that individual productivity should be an important factor in evaluating employee performance.[5]

Unless major changes are made in the way employees are evaluated and unless there is significant and ongoing management training for key state personnel (as also recommended by the Commission), the prospect of improved productivity is dismal at best.

Since employees are a major factor in increasing the effectiveness of state government and the quality of the services provided, a system which fosters positive attitudes and reinforces good performance is essential for management. Therefore, the success or failure of Commission instituted management reforms will in large part be determined by whatever progress is made toward "capacity building" within state personnel. A concerted effort must be made to increase professional skills and management capability. Responsibility for making further recommendations to revise the personnel system has been placed with the Secretary of Administration and Finance and a statement on revisions is anticipated from Governor Godwin before he leaves office. Even so, the importance of actually instituting significant changes in this area cannot be overemphasized.

Program and Agency Evaluation

Evaluation of program and agency performance is also an important aspect of management, providing a self-corrective element to the management system. As Peter Drucker emphasized, an essential element of management is:

> . . . the systematic appraisal of all services and activities in order to find candidates for abandonment. Indeed it is wisdom in a public service agency to put each service and activity on trial for its life every three or four years.[6]

At present, the mechanisms for program evaluation have not been fully developed and implemented. The multiplicity of responsibilities that currently exist for program and performance evaluation serves to illustrate the need for coordination among levels. The Secretaries, the Department of Planning and Budget, and the individual agencies all have responsibilities in this area. As oversight agency for the General Assembly, the Joint Legislative Audit and Review Commission now performs program and performance evaluations as part of its duties. This multiplicity of evaluative responsibilities holds the potential for conflict, particularly if the executive and legislative branches should engage in the evaluation of the same agency simultaneously. Hopefully, guidelines and criteria for evaluation would minimize these problems, although the question of how to measure effectiveness of government services still remains undecided both in theory and practice as yet.

Key Management Issues for the Future

From the preceding discussion of problems, it can be seen that further work is necessary to complete the management system recommended by the Commission--completion of organizational changes, redefinition of the function of collegial bodies, reorientation of the state personnel system, and development of a coordinated program evaluation procedure. In addition, aspects of the planning and budgeting systems require modification to better support management, as will be discussed in the following portion of the analysis.

A further point should be made. Just as the attitude and quality of state personnel are crucial to effective operation, the caliber of the individuals filling the Secretarial positions is a key variable in determining the success of the management system. Since each incoming Governor has appointment powers over the positions and in all likelihood an individual administrative style of delegating authority, obviously the Governor has a significant role in determining how well the management system performs. Interposing a level of supervision between the Governor and agency heads poses no simple task and will be of little effect if the Governor does not delegate responsibility to the Secretaries and strongly support them in their difficult job.

THE PLANNING PROCESS

Prior to 1976, the Division of State Planning and Community Affairs (responsible to the Commissioner of Administration) was the staff agency with principal responsibility for state planning. When this Division was dissolved, the planning staff was transferred to the various Secretaries and to the newly-formed Department of Planning and Budget under the Secretary of Administration and Finance.

Planning in the State now operates at three levels--(1) planning in the individual agencies, (2) overseen by the Secretary of each functional area, (3) with the Department of Planning and Budget responsible for the coordination of various plans developed by the Secretaries and for plans that cross functional lines. In decentralizing the responsibilities for planning, the Commission adopted the premise that:

> . . . while there may be instances where planning must be performed at the Secretarial staff level, emphasis should be placed on delegating planning to the lowest organizational level where it can be done effectively and where relevant influences and factors from outside the organization can be addressed.[7]

Defining Roles in the Three-Tiered System

Defining the proper role for each level in the three-tiered planning process promises to be a long and somewhat arduous process. While the system poses certain advantages, it nevertheless increases the possibility for duplication of effort and/or confusion over responsibilities. For each level of planning to be effective, the top level planners must devote as much effort as possible to establishing a framework and guidelines under which the functional area and agency planners will operate. This type of coordination is crucial to avoid waste of effort and time-consuming redundancies and also to ensure that the elements developed at the three levels of planning will be compatible.

In the development of management information systems, for example, the need for advanced guidelines is apparent. With all three levels simultaneously engaged in the project, coordination is essential so that comparable information will be generated and transfers among the systems will be possible.

With a significant portion of the former State Planning staff now assigned to the Secretaries, it is important that these individuals be directed toward planning and issue analysis rather than the more operational duties of administrative assistance. To date, planning in most of the functional areas has been minimal. This situation may simply reflect the difficulties of operationalizing the management, planning, and budgeting systems all at once, and it is possible that some Secretaries do not have sufficient staff to meet the formidable expectations. In any event, the planning activities at the Secretarial level should be critically examined in order to remove any impediments that may exist.

If the reorganized planning system is to impact state government, each level must perform as designed. Ineffectiveness at any level will undermine all planning since the three levels are interdependent. Decentralization of planning will prove advantageous only if the system results in more and better information for framing decisions at each level of state government.

Linking Planning to Decision Making

The restructuring of state planning activities reflects a reorientation of purpose--a rethinking of the role of state of planning which has occurred not only in Virginia but in many other states as well. Underlying this change is the realization that state planning must form an integral part of the management and decision-making processes if it is to have effectiveness. Otherwise, plans formulated by the state planning agency have little likelihood of implementation. No matter how well conceived or comprehensive plans might be, unless they impact decision-making and budgeting they are of questionable relevance for State government. As Allen Schick concluded, "PPB Planning, Programming Budgeting failed because it was not incorporated into the central budget and program making processes of state governments. Where PPB was a vital part of the State's decisional process, its prospects were improved."[8]

The reorientation of planning, its subsequent decentralization and its merger with state budgeting are all significant changes which will require time for adjustment and modification before the components function smoothly together. Although improved linkages between planning and budgeting are often advocated in the context of budgetary reforms, the consolidation of the two previously disparate activities may lead to a temporary loss of identity, particularly for state planning. The types of concerns generally associated with planners and budget makers differ, posing some difficulty for integrating the two functions successfully:

> Planners tend to think of spending to meet needs, while budget staffs tend to think of cutting expenditures to meet available resources . . . Budgeting stresses the cost of doing all that government agencies want to do, while planning stresses the benefits that will accrue from doing it. Budget staffs sense that explicit regard for future objectives may intensify spending and political pressures, while planners favor explicit rationality . . . Budgeters traditionally view themselves as managers of governmental operations, while planners see themselves as appraisers of the state of the polity.[9]

Given the more established role of the budget agency in state government, planning may take a back seat to the pressures and demands of the budget preparation cycle in initial efforts at combined operation. There is a danger that preoccupation with budgeting may affect the analysis of long-range goals and objectives and policy issues detrimentally.

Responsibility for Issue Analysis

In the management system envisioned by the Commission, issue analysis should provide a linkage between the planning and budgeting process. As originally outlined, the Secretaries were to identify major issues and develop in-depth analyses of those issues selected by the Governor, incorporating these analyses into budgetary decisions. In turn, the Department of Planning and Budget should be involved with analyzing issues that impact more than one functional area. However, in practice there has been only limited participation by the Secretaries in implementing the system of issue analysis. The Department of Planning and Budgeting has been forced to take primary responsibility for identifying and addressing issues of importance to state operations. This abdication is unfortunate, as issue analysis should provide the Secretaries with a basis for making more effective choices among programmatic alternatives.

Issue analysis at the Secretarial level is essential, not only for making allocational decisions, but for coordination of agency plans as well. Selected state agencies were allowed to perform issue analyses in a pilot study for the program budgeting system. The results of the Virginia experience as well as those documented by the State of Vermont indicate that, as a rule, issue analyses by agencies lack a sufficiently broad perspective and concentrate on incremental modification of existing policy rather than on systematic formulation and consideration of alternatives.[10]

Secretarial positions were created to provide a level of analysis and coordination between the Governor and state agencies. If the Secretaries hope to serve this type of management function, issue analysis would appear a crucial step. Without analysis, it is unclear how differences among policy practices and conflicting objectives of the agencies within a functional area would be resolved.

THE BUDGETING PROCESS

Program budgeting is central to Commission proposals for improved management and decision-making processes in Virginia government. As conceived, the budgeting system will provide the Secretaries, the Governor and legislators with program costs, objectives, and workload and performance measures. This type of information should allow more informed allocational decisions. To date, however, the system is only partially implemented--in fact, it will be several biennia hence before all elements of the system are fully operational. Although the concept of a program budget to aid management and decision makers is sound, there are a number of problems and obstacles that must be surmounted before Virginia's budget process can begin to fulfill expectations for significant improvements.

Since passage of program budget legislation in 1975, there has been a struggle to meet the legislative mandate for implementation by the 1978-80 biennial budget. By recommending the tight implementation deadline and by incorporating specific requirements as to format and informational components of the budget document, the Commission sought to ensure speedy institution of the system. However, it is unrealistic to expect that a complete state program budgeting system could be developed and placed in operation in less than three years. The Commission may have utilized the nearly impossible time schedule as a strategy to divert efforts of state agencies from resistance to the task of compliance. In any case, the pressures for implementation have led to a certain amount of tension between the Commission and those charged with operationalization of the system (not to mention the tension in the operating agencies).

Transition Difficulties

Making the transition from an object of expenditure to a programmatic budget requires considerable analysis and system development work. Responsibility for performing the necessary background work was placed with the Division of Budget and the Division of State Planning and Community Affairs (and later with the reorganized Department of Planning and Budget). While State Planning and Community Affairs began developing the program structure, the Commission concluded that the Division of Budget did little during the first year it was assigned the implementation task:

> By the end of 1975, the Division of Budget had filled most of the additional positions authorized earlier by the General Assembly to support the new program budget process. Unfortunately, it does not appear that the Division devoted any significant resources to evolve smoothly into the new process. Specifically, there was minimal involvement by the Division in the development of parallel pilot program procedures or new appropriation and program structures. Most of the executive efforts in these projects came from the Division of State Planning and Community Affairs. Thus, the Budget Division did not effectively utilize the first year of the three-year transition period to program budgeting. That

> failure will in all likelihood prove to be most unfortunate as the 1978-80 budget is formulated.[11]

Given the many tasks which must be accomplished and the number of people in the central staff and operating agencies who must be trained in order to institute program budgeting, it is indeed doubtful that a program budgeting system could have been developed and implemented in the allotted time period. However, greater cooperation from the former Division of Budget would have hastened progress toward this end.

System Improvements Needed

The program budgeting system outlined in the 1975 legislation has come under criticism for requiring "too much too soon." As a result of time pressures and the numerous requirements to meet for the 1978-80 biennial budget, compliance with mandatory components of the system, in some instances, has been in form, but not in substance. For example, while detailed issue analysis was performed by the Division of Planning and Budget on five major issues of statewide significance, the process was never fully adopted by the Secretaries as a tool for making decisions among programmatic alternatives. The targeting procedure used for the 1978-80 budget provides a further example of following the form of program budgeting procedures while losing sight of the underlying purpose of the activity. In theory, the Governor is to give the Secretaries target amounts for their areas in line with his goals and priorities. In turn, the Secretaries are to prepare a budget package corresponding to the target (although requests for additional funding may be made and appended with justifications to the budget package). Even though the Governor and, correspondingly, the Secretaries have provided target amounts to guide the formulation of budgets, for the most part, this has been done in an incremental or "add-on" fashion. Gubernatorial targets and those of the Secretaries have predominately been a percentage increase over previous budget allocations. This occurrence may simply reflect the pressures of devising targets with no procedure for precedent other than incremental budgets of previous years. However, the fact remains that the targeting procedure and issue analysis have been poorly integrated with the program budget. Procedures must be improved if the system is to become an effective management tool rather than a series of perfunctory activities of limited value.

In addition to problems of timing, the budget legislation has been criticized for the decision packages that it mandated for submission (i.e., present level of effort, increased effort, and justification for new or changed programs). The notion of a budget target would be more effective if preparation of alternative decision packages were required using levels of both decreased and increased funding (i.e., through the adoption of procedures generally associated with Zero-Base Budgeting). While some change in the statute defining the budget process would be required, the type of information provided for decision-making would be considerably improved.

Certainly the system of program budgeting that has been developed for the Commonwealth of Virginia represents a significant improvement over previous input-oriented methods of budget formulation which often deemphasized effectiveness of performance. With certain modifications, the system can improve the quality of information provided to both the Governor and the General Assembly, allowing each to make allocational decisions based upon established policies, goals, and objectives. However, in implementing the system under a legislatively mandated timetable, problems may develop when legislators receive their first program budget in the 1978 session. Given difficulties--both avoidable and unavoidable--that have been encountered in developing the system, the first budget document will necessarily fall short of the expectations of many.

In reviewing the fate of PPB in state governments, Allen Shick noted the advantages and disadvantages of rapid implementation:

> A tight schedule does have the advantage of sustaining high interest during the critical early years and forces key personnel to use PPB outputs quickly rather than wait until the full system is nailed down. But as the sad events in many states show, an unreasonable timetable is often accompanied by fuzzy and unrealistic expectations about PPB.[12]

While the Appropriation and Finance Committees of the General Assembly have received briefings on the program budgeting system, other legislators may be inadequately prepared to utilize the new budget information effectively. Under these circumstances, one can only hope that the Legislature will be sufficiently patient to allow the system to be improved to meet its potential. As one study of budget reform in state government concluded: "What budget reform is and what it accomplishes depend to a large extent upon reaction of the legislature. Implementation should include careful consideration of the role which the legislature plays in the budget process."[13]

Legislative Review of the Budget

Given the key role of the Legislature in making final budgetary decisions, the importance of restructuring the review process should be clear. Unfortunately, the measure failed that would have provided for a three-week period during which the legislative committees could devote their full attention to consideration of the Governor's budget proposal. Although the Chairman of the House Appropriations Committee indicated that the General Assembly modifies only about ten percent of the executive budget, these modifications can be significant in their overall effects.[14] While it is commendable to develop a sound and rational process for formulation of the budget in the executive branch, these improvements will have only limited impact in the absence of an opportunity for equally sound decision-making in the legislative branch. In the remainder of its tenure, there is little the Commission can accomplish to improve the legislative budget review process in light of the ill fate of previous attempts. Hopefully, however, members of the General Assembly will take initiative in pursuing this matter.

ACCOMPLISHMENTS OF THE COMMISSION

The preceding discussion of attributes of the management, planning and budgeting systems highlighted problems and issues remaining to be addressed. Chapter V outlined the many areas of analysis which the Commission performed and the systems it sought to develop. From this background discussion of its intent, the problems the Commission was called upon to address and the outcome of its endeavors to date, it is possible to evaluate accomplishments and to project the likely impact of its work.

In its reorganization effort, the Commission set ambitious objectives for itself--particularly ambitious when viewed in light of the minimal success of preceding attempts in Virginia. These objectives cover the range of attributes which the Commission identified as significant areas needing improvement in the state government:

(1) to make state government more productive, cost-effective and efficient;

(2) to make state government more accountable and responsive;

(3) to improve the quality of services;

(4) to clarify assignments of authority and responsibility;

(5) to enhance . . . adaptability to change;

(6) to improve communication systems and decision making;

(7) to improve the state's planning, policy analysis and program development capability;

(8) to foster a more positive management attitude with greater emphasis on results and program accomplishments.[15]

Commission accomplishments will be weighted against each objective to determine how successful the Commission has been in instituting desired changes to state management.

<u>Productivity, Cost-Effectiveness and Efficiency</u>

Making state government more productive, cost-effective and efficient has been a recurrent theme in Virginia's reorganization attempts. Since this problem surfaces with regularity at least once a decade (and particularly at election time), it appears that past efforts have not succeeded as completely as might be desired. At this point, it is too early to determine the full impact of the Commission's work in promoting economy and efficiency. Certainly, the immediate size and cost of state government have not diminished. Instead, the Commission maintains that benefits will be accrued in future years as the systems put in place focus critical review on state agencies and their performance with an emphasis on identifying and fulfilling the major purposes of state government. Hopefully, such a system will increase productivity and reduce waste. The development of program budgeting and the push for program evaluation hold promise for achieving these ends. However, the relative success of these systems will be determined by the effectiveness of the evaluation process which is finally developed. The nature and extent of reforms to the personnel system (particularly in employee evaluation and training), and most importantly, by the reception and attitude of state legislators toward program budgeting and evaluation procedures.

Although the groundwork is laid for careful scrutiny of both proposed and ongoing programs, there is no mechanism _per se_ to check the propensity of Governors, legislators, or special interests to advocate new agencies. Unless the General Assembly does adhere to the type of oversight envisioned by the Commission, the further proliferation of special solutions to generic problems through the creation of new agencies is likely to continue. Oversight responsibilities require careful analysis of the outputs resulting from the allocation of funds--a capability that will require time, strong commitment, and good staff support to be attained. The quality of the program budgeting itself must also be improved.

Formation of a Department of Management Analysis and Systems Development may serve to improve the ratio of output to input of state agencies. If this new unit is successful in performing astute studies of management, in making recommendations for improvements, and in establishing its own credibility, it will provide an important mechanism for trouble-shooting problems and instituting self-corrective action.

Accountability and Responsiveness

The Commission's work has led to clearer delineation of lines of authority and responsibility by defining the management roles of the Governor, the Secretaries, and agency heads, and by focusing policy decision making with elected officials. Thus, the group or individual responsible may be more easily identified if a component of state government does not function well. Responsiveness should increase as a result of the Secretarial positions, if these key officials can be held to the difficult tasks of oversight and management by objectives. The Secretary for a functional area is able to devote more attention to the activities of state agencies than could the Governor alone and, as a consequence, may be able to resolve many issues, reserving the Governor's full attention for those of statewide significance and importance. Thus, the Governor should be able to increase his effectiveness by delegating functional responsibilities to the Secretaries. As emphasized earlier, the success of the Secretarial system will depend upon the Governor, both in effectively delegating responsibility and in ensuring that capable managers and administrators fill these posts.

Quality of Services

Fostering improved quality of services is dependent upon many factors. The program budgeting system should aid in this task by focusing attention on purpose and objectives and a system of performance evaluation should monitor the effectiveness of services. Although there are many problems yet to be resolved both in Virginia's program budgeting and performance evaluation systems, the increased awareness of output and the attempt to develop systematic evaluation capability mark significant improvements over previous management methods. Even if these systems do not meet all expectations, experience of other states suggests that: "Improvement in management does not have to come from precise measurement of accomplishment. Just getting people to think in terms of alternatives (and generating alternatives) may be all that is possible at present, but this can be helpful."[16]

Authority and Responsibility

As noted time and time again in this analysis, the Commission has made noteworthy achievements in clarifying lines of authority and responsibility, although further work in redefining the role of boards and commissions is needed. Whether the General Assembly, the Governor and the Secretaries actually will function as the Commission has outlined is a different question, however--a matter beyond the Commission's scope of influence. In each case, the temptation is great to become involved in routine matters at the expense of attending to issues of broader policy implication. In order to hold state agencies accountable for results, these key officials must clearly specify goals and objectives--a difficult task in a political environment. With the transition of individuals in elected and appointed offices, the difficulty of inferring intent is heightened. Thus, the success of efforts to assess compliance and performance, in part, will depend on how well expectations are specified in the first place.

Adaptability to Change

Virginia government's ability to adapt to meet changing circumstances should improve as a result of the Commission's work. With the clearer definition of the Governor's management role and the mechanisms developed for improved policy dissemination, the Governor should be in a better position to make modifications in state policy or procedures. The budgeting and evaluation procedures called for by the Commission should allow the Governor and legislators to carefully examine program priorities and objectives. By making decisions between programmatic alternatives, they may adopt programs to better fit perceived needs.

Incoming Governors still operate at a disadvantage in making modifications to their predecessor's budget, but the difficulties will be reduced as a result of Commission-initiated improvements to the management, planning and budgeting systems. Since the executive budget is submitted within days of the Governor-elect's taking office, he will obviously be unable to follow the same process of budget development that his predecessor completed over the two-year preparation period. However, to the extent that goals, objectives, priorities and issues are presented in the budget, the task of newly-elected Governors will be easier than before.

As the Commission has often noted in its reports, reorganization is a continual process. With the demise of the Commission almost at hand, attention should be devoted to providing a mechanism to continue the analytical functions similar to those the Commission has provided. A system for monitoring and analyzing governmental operations from a broad management perspective is needed. Indeed, the Department of

Management Analysis and Systems Development has been established with this purpose partially in mind, although it has not yet been formally designated this task. In addition, both houses of the General Assembly have passed resolutions calling for the development of procedures for referring those bills under consideration that have organizational impact, although it is unclear who will undertake the necessary analysis. Continued momentum is also needed to complete reorganization of the management, planning and budgeting systems initiated by the Commission.

Adaptability to change may be further facilitated by sunset legislation as well. Recently, the Joint Audit and Review Commission has been studying sunset legislation and will make recommendations to the General Assembly in the coming session. Sunset legislation could require periodic review of agencies to assess their function and to determine the need for their continuance. It would be crucial, however, to clarify and delineate the respective responsibilities of the Secretaries and executive agencies, the Department of Planning and Budgeting, the Department of Management Analysis and Systems Development, and the Joint Audit and Review Commission in carrying out such performance/program evaluations. Such a system would be compatible with the program budgeting and evaluation system devised by the Commission and would improve their linkage with the General Assembly.

Communication and Decision Making

As a result of the endeavors of the Commission, the framework for an improved management and decision-making system has been developed. Early in the Commission's tenure, its Director remarked that, if its only accomplishment was to correct apparent deficiencies in the state's planning, budgeting and information systems, "it would have accomplished more than any other commission of its kind."[17] Improved control over state operations has resulted from the clarification of the Governor's own management role, the further definition of appropriate functions of the Secretaries, and the delineation of clearer lines of authority and responsibility. In addition, the redesigned system for planning and budgeting should encourage sound decisions based upon long-range goals and objectives and should provide more and better information. The transformation has begun from an input-oriented system of allocative decision making to one that emphasizes performance and output as well. These accomplishments represent a significant departure from procedures in use before the Commission's formation and are noteworthy in light of the history of previous reorganization efforts in the state. With continued analysis, evaluation, and modification, the framework developed through the Commission's recommendations can be even further improved.

Planning, Policy Analysis and Program Development

The management system developed by the Commission seeks to strengthen the relationship between planning and decision making. By decentralizing planning and directing planners toward issue analysis, the activities of planners should be better integrated into decision making and should provide a resource for improved coordination within functional areas. If planners are indeed able to project needs and resource requirements, to analyze issues impacting state government, and to make decision makers aware of the costs and benefits associated with alternative courses of action, then the Commission will have effectuated a significant improvement. By having planners work under the Secretaries, the likelihood of longer-range goals and objectives influencing decision making is increased. Also the closer planning staffs are to program managers, the more likely the programs they develop are to be accepted. At the same time, however, it is crucial that the planners not become burdened with administrative duties in their role as staff to the Secretaries. Clearly, there is a precarious balance of advantages and disadvantages involved in decentralizing planning. The success of the system is very much dependent upon the attitudes and orientations of the Secretaries.

Positive Result-Oriented Management

Changing individual attitudes is perhaps the most difficult aspect of instituting reform. The Commission has attempted to foster a more positive management attitude in state government by addressing the basic processes of management. Thus, a number of modifications have been made in procedures for requesting funds and evaluating results. Reforms to the state personnel system have been suggested as well. The reorganized management system focuses on clear definition of responsibility and the tasks to be performed and then measurement of accomplishment by objectives. How well the system actually performs will depend upon the individuals involved and the willingness of the General Assembly to change its orientation in budgetary review.

The Commission's Work: A Perspective

The degree of success the Commission on State Governmental Management has experienced to date reflects many factors--among them the pressing need for changes in the management of state government; the hard work and capable efforts of its members, staff, and associates; and the comprehensive and systematic nature of their study. By addressing basic systems, the Commission has been able to initiate more far-reaching changes than had it been preoccupied with the details of organizational arrangements. It has been organizational matters of transferring and/or consolidating functions that have been the most controversial items and, therefore, have met with the greatest difficulty in securing passage in the General Assembly.

Part of the success the Commission has enjoyed may be attributed to procedures used in screening and presenting recommendations to the Legislature. Proposals have been screened by the Commission members (legislators and gubernatorial appointees), by the Governor through his Secretaries, by the public, interest groups, and other affected parties in annual hearings, and by the appropriate legislative committees of both houses of the General Assembly. In taking a recommendation before the Legislature, the chairman of the originating subcommittee acted as the advocate for the proposal and was responsible for the enlistment of sponsors for the necessary legislation. As an unfortunate consequence of these procedures, however, several of the more controversial issues have been left for resolution in the 1978 session of the General Assembly.

Accomplishments of the Commission notwithstanding, significant problems still remain to be addressed. While basically sound, the management processes developed through the recommendations of the Commission will require further modification and improvement. Problems are to be expected with any newly-implemented system, although in this instance, it is likely that time will be required for acclimation to these new procedures and structural configurations before additional changes become feasible. These difficulties suggest that the percentage of the Commission's recommendations passed in the upcoming session will be less than in previous years, particularly when the number of issues to be presented is considered. As yet, there is no mechanism defined to continue the momentum for change initiated by the Commission.

In looking toward the future of the remaining Commission proposals, it is unfortunate that the General Assembly did not choose to give the Governor strong reorganizational powers. A number of recommendations dealing with the transfer or consolidation of functions or with limiting the powers of boards and commissions have met with difficulty in the Legislature, particularly where the board or agency has strong interest group backing. This situation provides ample evidence that the legislative process to pass such recommendations is especially susceptible to pressures from special interests and strong lobby groups and may prevent needed changes in the management of state operations. It is likely that, if the Governor were to be empowered to make recommendations to be enacted barring legislative disapproval, some of the controversy generated by these proposals would be reduced and, as a result, more could be accomplished. This is not meant to imply that the Governor is immune from these same pressures, it is merely suggested that a mechanism for strong gubernatorial initiative might be helpful in moving proposals through the Assembly more quickly.

Throughout the history of Virginia's reorganization efforts, the need to more adequately delineate the respective roles of the Governor and the General Assembly has been apparent. The Commission sought to address this problem, but as Patrick McSweeney warned legislators in their consideration of the Commission's proposals:

> We devote much hand-wringing to the possibility of meddling by the Secretaries, while ignoring a more serious and pervasive form of meddling into operational matters by the legislative branch . . . Legislative committees and commissions have taken on responsibilities that should be left to the Governor and subordinate officials in the executive branch.[18]

State government would function more smoothly if the Legislature were to confine its activities to its constitutional role of establishing policy and exercising oversight, leaving operational matters to the Governor, the Secretaries, and the agency heads. While it may be possible for a body that meets for such a limited time each year to attend to operational details, the effectiveness of such an approach is questionable. This problem is not peculiar to Virginia, by any means, and certainly it would be beyond the capability of a single commission to bring lasting resolution to this issue.

The force of tradition is strong in Virginia government and familiar procedures and methods are not relinquished easily. While there can be value in maintaining continuity with the past, tradition must be examined critically to determine if well-worn patterns and procedures are sufficient to meet the challenge of current demands. As has been discussed in earlier portions of this analysis, recent years have brought dramatic increases in both the size and complexity of Virginia government, necessitating changes in the management system.

The work of the Commission on State Governmental Management leaves both the Governor and the General Assembly with the challenge of furthering improvements to Virginia state management. Incoming Governors have the opportunity to appoint the Secretaries and agency heads, and therefore have an obligation to choose only the most capable of individuals to manage state operations. Lack of strong gubernatorial leadership in promoting effective management will diminish the impact of Commission reforms. Also, the General Assembly must evaluate its operations to determine where changes in procedure would foster improved state government. Though the Commission on State Governmental Management focused its attention on the executive branch of state government, the work of the Legislature is equally important in ensuring effective government. Improved mechanisms must be devised to meet increasing legislative responsibilities. For example, in reviewing a sunset legislation proposal, several legislators commented that the process for reviewing agencies and programs "may get legislators further away from the traditional concept of being 'citizen legislators' working on a part-time basis."[19] However, it should be apparent that present methods of operation are not sufficient to meet the demands of state government and that modifications must be made to fit changing circumstances. If state governments expect to have an effective role in the federal system, they must improve their performance capabilities. In assessing the experience of Massachusetts in reorganizing state government, the former project Director made the following observation: "I am pessimistic about the ability of our very large governments to improve themselves significantly . . . the problems governments face are growing, not lessening in severity."[20] At the crux of what he termed the "Massachusetts failure," Robert Casselman cited an uninformed public who fail to hold legislators and the Governor to important policy issues. Certainly informed public involvement is necessary to foster and maintain good government and to exert pressure for improvement. The reorganization instituted by the Commission has clarified lines of authority and responsibility, has provided the Governor with improved means for directing state operations and has provided the Legislature with information for decision making that is more performance oriented. Thus, it is increasingly possible to hold elected officials responsible for results in state government.

While the final impact of the Commission's work remains to be seen, it has certainly laid the foundation for improved management and decision making in Virginia government. With continuing work, additional improvements can be made, particularly in completing the elements of the management system outlined by the Commission. As contrasted with the approach emphasizing mere rearrangement of the organization chart that has characterized the efforts of some states, the type of systematic and comprehensive approach taken by the Commission would be of benefit to any state, producing far-reaching impacts on governmental operations. Of course, in considering reorganization, each state must ultimately assess the extent of its problems and its unique historical or political factors before deciding upon the best approach and method to meet its needs. Certainly, it can be concluded that the approach and method adopted by the Commission on State Governmental Management afforded the greatest possible impact on state government, given the set of constraints and opportunities that exist in Virginia. However, continued effort is needed to fulfill the potential of reforms initiated by the Commission.

ENDNOTES

[1]Commission on State Governmental Management, Staff Documents: Executive Management Responsibilities (Richmond, Va.: 1970), p. 16.

[2]"Virginians Protest Plans to Reorganize Agencies," Richmond Times-Dispatch, 22 February 1977, sec. C, p. 1.

[3]"Reorganization Time Runs Out," Roanoke Times, 1 August 1977, sec. A, p. 4.

[4]Commission on State Governmental Management, Sixth Interim Report: Recommendations on the State's Personnel Process, (Richmond, Va.: 1975), p. 2.

[5]Ibid.

[6]Peter F. Drucker, "What Results Should You Expect? A User's Guide to MBO," Public Administration Review 36 (January/February 1976), p. 16.

[7]Commission on State Governmental Management, Sunset Laws, Zero-Based Budgeting and Other Remedies to Control State Government, (Richmond, Va.: 1976), p. 69.

[8]Allen Shick, "PPB: The View from the States," Public Administration Review 45 (January/February 1972), p. 12.

[9]S. Kenneth Howard, Changing State Budgeting, (Lexington, Ky.: Council of State Governments, 1973) p. 210.

[10]Haldi Associates, Inc., A Survey of Budgetary Reform in Five States, (Lexington, Ky.: Council of State Governments, 1973), p. 13.

[11]Commission on State Governmental Management, Remedies to Control State Government, p. 62.

[12]Shick, PPB, p. 17.

[13]Haldi Assocs., Survey of Budgetary Reform, p. 36.

[14]Interview with W. L. Lemmon, Johnston Road Office Building, Marion, Va., 8 August 1977.

[15]Commission on State Governmental Management, Management of Virginia State Government: Tentative Recommendations of the Commission (Richmond, Va.: 1975), p. 10.

[16]Haldi Assocs., Survey of Budgetary Reform, p. 34.

[17]Commission on State Governmental Management, Staff Documents, p. 4.

[18]Ibid., p. 17.

[19]"Assembly Panel Backs 'Sunset' Review Law," Richmond Times-Dispatch, 23 November 1977, sec. C, p. 6.

[20]Robert C. Casselman, "Massachusetts Revisited: Chronology of a Failure," Public Administration Review 33 (March/April 1973), p. 135.

SELECTED BIBLIOGRAPHY

Allen, Robert S., ed. Our Sovereign State. New York: Vanguard Press, 1949.

Arrington, W. Russell, and Dunn, Richard E. "Governmental Evolution and the Response of the State Legislature," State Government 43 (March 1970): 174-8.

"Assembly Panel Backs 'Sunset' Review Law." Richmond Times-Dispatch, 23 November 1977, sec. C, p. 6.

Austin, Robert J. "The Virginia General Assembly in 1976 and 1977," University of Virginia Newsletter 53 (July 1977): 1-4.

Bell, George A. Reorganization in the States. Lexington, Ky.: Council of State Governments, 1972.

Bell, George A. "State Administrative Organization Activities, 1972-1973," in The Book of States 1974-1975. Lexington, Ky.: Council of State Governments, 1974.

Burns, John. The Sometimes Governments. New York: Bantam Books, 1971.

Casselman, Robert C. "Massachusetts Revisited: Chronology of a Failure," Public Administration Review 33 (March/April 1973): 129-35.

Commission on State Governmental Management. Fifth Interim Report: Recommendations on the Office of Lieutenant Governor. Richmond: Commonwealth of Virginia, 1975.

Commission on State Governmental Management. First Interim Report. Richmond: Commonwealth of Virginia, 1974.

Commission on State Governmental Management. Fourth Interim Report: A Study of State Government Expenditures 1959-1973; Recommendations Relating to the Secretary of Administration and Finance. Richmond: Commonwealth of Virginia, 1974.

Commission on State Governmental Management. Improving State Governmental Management. Richmond: Commonwealth of Virginia, 1976.

Commission on State Governmental Management. A Report for Public Discussion--Management of Virginia State Government: Tentative Recommendations of the Commission. Richmond: Commonwealth of Virginia, 1975.

Commission on State Governmental Management. Second Interim Report: Recommendations on the Roles of the Secretaries. Richmond: Commonwealth of Virginia, 1974.

Commission on State Governmental Management. Seventh Interim Report: Priority Proposals for 1977. Richmond: Commonwealth of Virginia, 1977.

Commission on State Governmental Management. Sixth Interim Report: Recommendations on the State's Personnel Process. Richmond: Commonwealth of Virginia, 1975.

Commission on State Governmental Management. Staff Documents: Executive Management Responsibilities. Richmond: Commonwealth of Virginia, 1976.

Commission on State Governmental Management. Sunset Laws, Zero-Based Budgeting and Other Remedies to Control State Government. Richmond: Commonwealth of Virginia, 1976.

Commission on State Governmental Management. Third Interim Report: Recommendations on the State's Budget Process. Richmond: Commonwealth of Virginia, 1974.

Cook, Virginia G. The Governor, The Office and Its Powers. Lexington, Ky.: Council of State Governments, 1972.

Cooke, John Warren. "Address to the Members of the General Assembly, 22 January 1973." In Report of the Commission on the Legislative Process to the General Assembly of Virginia. unnumbered. Richmond: Commonwealth of Virginia, 1973.

Cooper, Weldon. "State Reorganization: The Virginia Experience," University of Virginia Newsletter 46 (15 November 1970): 25-8.

Council of State Governments. The Book of States 1974-1975. Lexington, Ky.: Council of State Governments, 1974.

Drucker, Peter F. Management Tasks, Responsibilities, Practices. New York: Harper and Row, 1974.

Drucker, Peter F. "What Results Should You Expect? A User's Guide to MBO," Public Administration Review 36 (January/February 1976): 12-19.

Egger, Rowland. "The Governorship of Virginia 1776 and 1976." University of Virginia Newsletter 52 (August 1976): 45-8.

Ehrlich, Joan E. "State Executive Branch Reorganizations." University of Virginia Newsletter 51 (March 1975): 25-8.

Elazar, Daniel J. "The Resurgence of Federalism." In Whatever Happened to State Budgeting, pp. 62-70. Edited by S. Kenneth Howard and Gloria A. Grizzle. Lexington, Ky.: Council of State Governments, 1972.

Governor's Management Study. Survey and Recommendations. Richmond: Commonwealth of Virginia, 1970.

Haldi Associates, Inc. A Survey of Budgetary Reform in Five States. Lexington, Ky.: Council of State Governments, 1973.

Howard, S. Kenneth. "Changing Concepts of State Budgeting." In Whatever Happened to State Budgeting, pp. 40-51. Edited by S. Kenneth Howard and Gloria A. Grizzle. Lexington, Ky.: Council of State Governments, 1972.

Howard, S. Kenneth. Changing State Budgeting. Lexington, Ky.: Council of State Governments, 1973.

Latimer, James L. "History Haunts Virginia's Reorganization Study," Richmond Times-Dispatch. 29 November 1970, sec. C, p. 1 and p. 4.

Lipson, Leslie. The American Governor from Figurehead to Leader. New York: Greenwood Press, 1968.

Lufkin, Dan W. Many Sovereign States. New York: David McKay Co., Inc., 1975.

McCaffery, Jeff. "MBO and the Federal Budgetary Process." Public Administration Review 36 (January/February 1976): 33-9.

Morris, Thomas R. Virginia's Lieutenant Governors: the Office and the Person. Charlottesville, Va.: Institute of Government of the University of Virginia, 1970.

Newland, Chester A. "Policy/Program Objectives and Federal Management: The Search for Cost Effectiveness." Public Administration Review 36 (January/February 1976): 20-7.

New York Bureau of Municipal Research. Organization and Management of the State Government of Virginia. Richmond: Commonwealth of Virginia, 1927.

Odiorne, George S. "MBO in State Government." Public Administration Review 36 (January/February 1976): 28-33.

Powers, Richard. "Comments Before the Committee on the Legislative Process, September 29, 1972." In Report of the Committee on the Legislative Process to the General Assembly, pp. 160-7. Richmond: Commonwealth of Virginia, 1973.

Ransone, Coleman B., Jr. "The Budget Staff and Gubernatorial Transition." In Whatever Happened to State Budgeting, pp. 122-34. Edited by S. Kenneth Howard and Gloria A. Grizzle. Lexington, Ky.: Council of State Governments, 1972.

Scott, Margaret. "Virginia Gives its Governor Power." Roanoke Times, 10 September 1977, sec. F, p. 1 and p. 3.

Sharkansky, Ira. The Maligned States: Policy Accomplishments, Problems and Opportunities. New York: McGraw-Hill Book Co., 1972.

Shick, Allen. "PPB: The View from the States." State Government 45 (January 1972): 12-18.

Steiss, Alan W. A Framework for Planning in State Government. Lexington, Ky.: Council of State Governments, 1968.

"Study Group Noncommittal on SCC Reorganization." Roanoke Times, 10 February 1977, sec. C, p. 4.

Temple, T. Edward. "The Virginia Cabinet: A Preliminary Assessment." University of Virginia Newsletter 50 (15 November 1973): 9-12.

Virginia General Assembly, House. Report of the Commission on Reorganization of State Government on the Study of the Organization of the State Government of Virginia. H. Doc. 19. Richmond: Commonwealth of Virginia, 1948.

Virginia General Assembly, House. Report of the Commission to Study the Reorganization of Certain State Departments and Agencies. H. Doc. 4. Richmond: Commonwealth of Virginia, 1941.

Virginia General Assembly, House. Report of the Governor's Management Study Implementation Commission to the Governor and General Assembly of Virginia. H. Doc. 26. Richmond: Commonwealth of Virginia, 1972.

Virginia General Assembly, House. Report of the Governor's Management Study Implementation Commission to the Governor and General Assembly of Virginia. H. Doc. 16. Richmond: Commonwealth of Virginia, 1973.

Virginia General Assembly, House. A Study on Personnel Management Within the Commonwealth of Virginia to the Governor and the General Assembly. H. Doc. 12. Richmond: Commonwealth of Virginia, 1977.

Virginia General Assembly, Senate. Governor Linwood Holton addressing the General Assembly, 12 January 1972. S. Doc. 1. Richmond: Commonwealth of Virginia, 1972.

Virginia General Assembly, Senate. Governor James H. Price addressing the General Assembly, 14 January 1942. S. Doc. 1-A. Richmond: Commonwealth of Virginia, 1942.

Virginia General Assembly, Senate. Governor William M. Tuck addressing the General Assembly, 21 January 1948. S. Doc. 16. Richmond: Commonwealth of Virginia, 1948.

Virginia General Assembly, Senate. Governor William M. Tuck addressing the General Assembly, 11 January 1950. S. Doc. 1. Richmond: Commonwealth of Virginia, 1950.

Wilson, Leonard U., and Watkins, L.U. "State Planning: Problems and Promises." State Government 48 (April 1975): 240-3.

Woolfson, Bruce H. D., Jr. "Public Sector MBO and PPB: Cross Fertilization in Management Systems." Public Administration Review 35 (September/October 1975): 387-95.

Zimmer, William L. III. "Governor's Management Study Survey and Recommendations." In Proceedings of the Eighth Midwinter Meeting and Eighty-first Annual Meeting of the Virginia Bar Association. Richmond: Keel-Williams Corp., 1971.

APPENDIX I

MEMBERS OF THE COMMISSION ON STATE GOVERNMENTAL MANAGEMENT

Senate Appointees

William B. Hopkins, Chairman
Adelard L. Brault
Elmon T. Gray
Edward E. Willey

House of Delegates Appointees[1]

W. L. Lemmon, Vice Chairman
Raymond R. Guest, Jr.
Joseph A. Leafe
Clinton Miller
James B. Murray
Owen B. Pickett
Robert E. Quinn
Carrington Williams

Gubernatorial Appointees[2]

Carl E. Bain
Richard D. Robertson
T. Edward Temple
William L. Zimmer III

Staff

Kenneth Golden, Executive Director
Patrick M. McSweeney, former Executive Director

[1] Raymond R. Guest, Jr., and James B. Murray were appointed to the Commission effective July 1, 1976.

[2] H.Dunlop Dawbarn, a Gubernatorial appointee, resigned from the Commission effective September 16, 1976. Carl Bain, originally an appointee from the House of Delegates, was reappointed to the Commission by the Governor effective July 1, 1976. T. Edward Temple is deceased.

The vita has been removed from the scanned document

THE VIRGINIA COMMISSION ON STATE GOVERNMENTAL MANAGEMENT--AN ASSESSMENT

by

Martha Weaver Jones

(ABSTRACT)

The Commission on State Governmental Management has nearly completed a five-year study of the executive branch of Virginia government and has developed a number of recommendations which have been implemented to varying degrees at this time. The reorganization efforts of this Commission have resulted in the initiation of a more integrated management and decision-making system--a system that promises to improve procedures for allocating resources and encourage increased accountability for performance in state government.

The degree of success and also the particular failures that the Commission has experienced are explained through examination of previous reorganization efforts and the problems in state governmental management which prompted its formation--providing an outline of the historical and contemporary constraints and opportunities influencing the reform process. The Commission's approach and procedures, its specific proposals and the present status of these proposals are discussed. Special emphasis is placed on evaluating the management, planning, and budgeting systems developed as a result of Commission recommendations. This analysis is intended to provide a background for suggesting the difficulties that Commission reforms face in implementation and for preliminarily assessing the impact of the Commission's work on Virginia government.