

STATE GOVERNMENT ORGANIZATION IN TEXAS

Part II

General Administration

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TEXAS RESEARCH LEAGUE

February 1975

Texas Research League/Post Office Box 12456/Austin, Texas 78711

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EXECUTIVE DEPARTMENT
AUSTIN, TEXAS 78711

April 11, 1973

DOLPH BRISCOE
GOVERNOR

Mr. Alfred I. Davies
Chairman
Texas Research League
P. O. Box 12456
Austin, Texas 78711

Dear ~~Mr. Davies~~: *AI*

As you are aware, one of the major thrusts of my administration is the improvement of Texas State government. In this effort, it is my strong desire to minimize the costs to the taxpayers while at the same time increasing services and productivity in all levels of administration. To this end, I believe the forthcoming constitutional convention may be a means to partially fulfill this objective.

In your scheduled effort to support and participate in the constitutional revision, I would ask that you include a detailed evaluation of the executive and administrative agencies. Hopefully, this evaluation can include findings and corrective recommendations that encompass organization, systems and procedures in areas such as personnel administration, planning and budgeting. Those aspects of your study effort appropriate for inclusion in the constitutional revision will be of immense value to that historic effort. The remaining portions of your study will receive my closest scrutiny for implementation.

I would like the executive and administrative branch of Texas State government to be modern in concept, viable in structure and capability, and responsive to changing needs. I pledge the full cooperation of my office in this effort. Your assistance and cooperation is sincerely solicited.

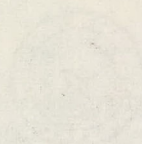
Sincerely,

A handwritten signature in dark ink, appearing to read "Dolph", written over the printed name.

Dolph Briscoe
Governor of Texas

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INTRODUCTION

Texas State government grows larger and more expensive each year, due largely to a continuation of citizen demands for new and increased services and rising prices. In fiscal year 1973 (the last year for which comprehensive figures are available),

- State government expenditures reached an historic high of \$4.5 billion; and
- the State utilized the equivalent of 129,000 full-time employees.

Present growth trends indicate that annual outlays will reach \$6.5 billion in 1980, with the State employing more than 183,000 workers.¹

The prospective impact on State government of projected employment increases may be illustrated in terms of noneducational personnel. Projections indicate that the State will add the equivalent of 4,200 new full-time employees each year, at least through 1980. This means that employment in this area will rise from just over 80,000 in 1973 to almost 110,000 by 1980 -- an increase of 30,000 in seven years. The most obvious effect of this projected employment increase will be higher salary and fringe benefit costs:

Based on salary trends, the cost of adding 4,200 employees per year will average \$56 million -- \$49.6 million for payroll increases and \$6.4 million for fringe benefits.

Combining employment growth and salary increases for existing employees, payroll and fringe benefit costs for noneducational employees may be \$950 million more in 1980 than in 1973 (\$843 million for payrolls and \$107 million for fringe benefits).

A secondary effect of projected employment growth will be a demand for more working space -- perhaps an additional 3.6 million

¹All of these projections were discussed in more detail in Part I of this report. (See pages 9-14.) The unexpected billion-dollar State treasury surplus predicted for the end of the 1974 fiscal year, together with the recent inflationary spiral, has generated spending requests to the 64th Legislature that may cause a sharp upswing in the projected trends. The estimates might prove to be extremely conservative. For example, total expenditures for 1974 reached \$4.6 billion, and are estimated to be \$5.2 billion for 1975. Governor Briscoe has proposed a budget of \$5.7 billion for 1976 and \$6.0 billion for 1977.

square feet by 1980 with a price tag in 1974 dollars of about \$126 million.¹ Including the cost of salaries, fringe benefits and working space, the seven-year cumulative impact of adding 30,000 new employees by 1980 could reach \$1.6 billion.

General population growth has a direct impact on State employment needs. Thus, it might be expected that more State employees will be required to deliver services to the estimated 13 million plus Texans in 1980 than were needed to provide the same services to the 11.8 million in 1973. But, the employment data indicates that State employment (projected to rise about 62 percent by 1980) is increasing much faster than population (predicted to grow by about 19 percent in the same period).

Changes in the State government's organizational structure or processes which minimized this growth trend could result in significant cost savings. For example, if Texas maintained a constant ratio of employment to population, future employee requirements might be reduced by about two-thirds. That would mean an annual saving in payroll and fringe benefit costs of more than \$260 million in 1980, or a cumulative seven-year saving of about a billion dollars.

The present cost of State government, combined with potential increases in the future, have caused some concern about the present organization of the State and the ability of State government to control itself. Three organizational issues were posed in Part I of this report:

1. Is the present structure suited to respond to the challenges posed by growth and expansion?
2. Does the organization facilitate policy planning and effective program management?
3. What are the alternatives for making "the executive and administrative branch of Texas State government... modern in concept, viable in structure and capability, and responsive to changing needs..."?

In Part I of this report, these issues were addressed generally in a description of the structure and operational processes of State government and in an identification of the broad alternatives which might be considered in proposing organizational changes. In this Part II, the focus is on an examination of central administrative functions in the executive branch and how these might be institutionalized as mechanisms to control growth and to give better direction to State government.

¹The lack of reliable data on present space usage and past trends makes this a guess more than a projection. This was discussed in Part I and is examined further in this portion of the report.

CENTRAL MANAGEMENT

Administration of the State's operational programs is vested in a multiplicity of diffuse and dissimilar agencies independent of either the Governor or the Legislature, except to the extent that policy guidance is provided through biennial appropriation acts, general statutes and the personal persuasion of the Governor or individual legislators. In this structure, the independent agencies develop a program mission and constantly strive to maintain -- and, if possible, to enlarge -- the allocation of State resources available for their respective programs. The gubernatorial and legislative role in this system is to allocate the State's resources among the competing interests. After the allocation is made -- generally on a biennial basis -- each autonomous agency administers its program with little central direction.

The result of this structure is that individual agencies make administrative decisions and devise agency plans without the necessity to consider the overall impact on State government. In turn, the Governor and the Legislature must make decisions on the allocation of resources based on a compilation of the planning efforts of the diffuse and dissimilar State departments -- often without even the most basic information. In this atmosphere, there is always the potential for unplanned and unchanneled growth contributing to the increased cost of State government.

A number of executive staff agencies have been created to supervise and coordinate some of the administrative management functions of the independent agencies, to develop statewide plans, and to produce the type of data needed for management. However, fractionalized responsibility, little actual control authority, and significant information gaps have limited the effectiveness of these efforts. The central management limitations are illustrated in the existing approaches to capital construction administration, supervision of agency support functions, and personnel management.

MANAGING CAPITAL CONSTRUCTION WITHOUT FACTS OR FUNDS

In a 1964 study, the League commented:

Administration of the building construction programs for...State government is highly fractionalized. Each of the major building agencies administers its own program, in its own way, separate and apart from that of all other agencies and institutions. This fractionalization has resulted in the use of varying and sometimes

conflicting policies and procedures making it difficult, if not impossible, to collect even the most elementary facts about State buildings.¹

In response to the League's suggestions, the Legislature in 1965 passed the State Building Construction Administration Act

...to provide for the orderly planning of buildings constructed by the State, to provide for adequate inspection in the State's interest of building construction work in progress, and to provide for reasonably accurate projections of building program requirements, and estimates of the cost of proposed projects prior to legislative appropriations or specific authorizations for the construction and equipping of such projects.²

The construction programs of the Texas Highway Department, the Department of Corrections and higher education institutions were excluded in the beginning from the Construction Act's application, but the building programs of all other State agencies were made subject to the central supervision of the State Building Commission. The erosion of the Commission's authority was begun almost immediately following the move to centralized construction planning:

In 1969, the Legislature removed the Department of Mental Health and Mental Retardation and the Texas Youth Council from application of the Act and allowed these agencies to manage their own construction programs.³

In 1973, the Act was amended to exempt the construction activities of the Department of Parks and Wildlife and the repair and rehabilitation projects of the State Board of Control.

For the 1974-1975 biennium, 45 percent of total State construction appropriations (excluding those for higher education and highways) went for building programs not covered by the Construction Administration Act (see Chart 1). The exemption of major agency building projects and programs from the jurisdiction of the Act (and, consequently, from the Building Commission's central supervision) continues

¹Texas Research League, *Blueprint for State Construction Administration* (Austin: The League, 1964), p.1.

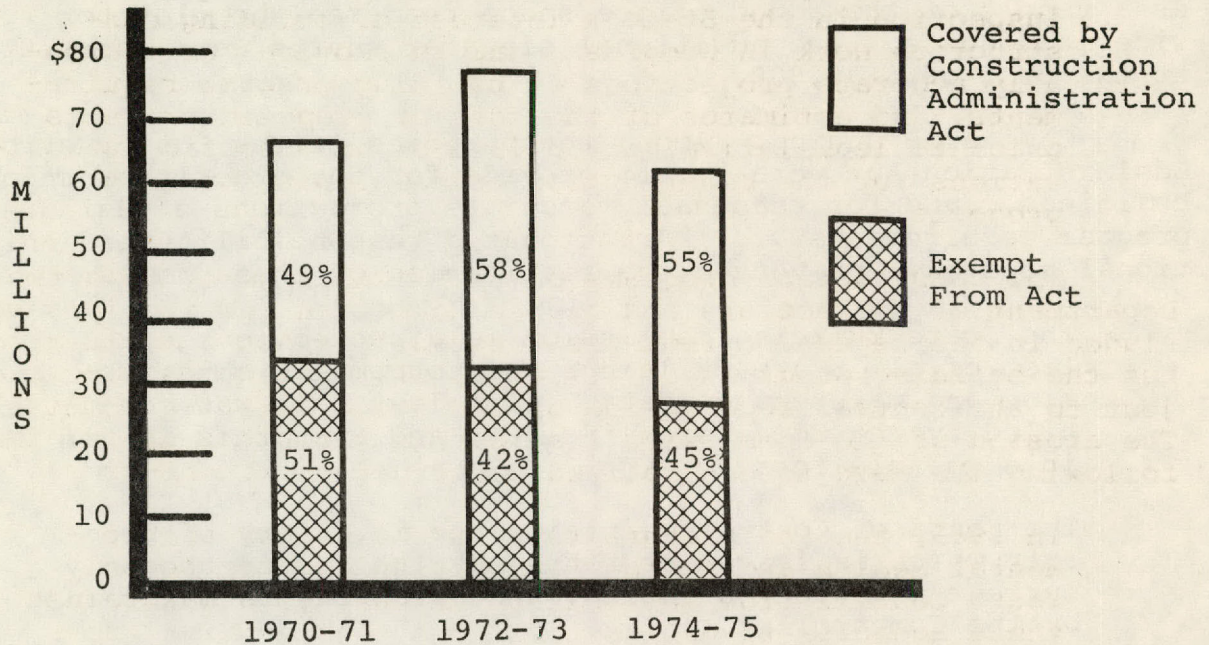
²Acts 1965, 59th Leg., p. 926, ch. 455, as amended, compiled as Art. 678f, VACS.

³Acts 1969, 61st Leg., p. 2696, ch. 881, compiled as Art. 5561g, VACS.

the problems in construction administration which precipitated the move to centralized administration.

Chart 1

BIENNIAL GENERAL PURPOSE CONSTRUCTION APPROPRIATIONS IN TOTAL, AND EXEMPTED FROM PROVISIONS OF CONSTRUCTION ADMINISTRATION ACT*



*Excludes construction for higher education and for highways. Agencies receiving exempted appropriations for 1970-71 and 1972-73 include Mental Health & Mental Retardation, Texas Youth Council and Department of Corrections. The Board of Control was added to the exempt list for 1974-75.

SOURCE: Staff compilation of appropriations by the 61st, 62nd, and 63rd Legislatures.

Hazy planning, inaccurate cost estimates for project funding, and varying contract and inspection standards are still obstacles to effective construction administration.¹ A recent example illustrates the continuing problem. In 1966, \$7.2 million was appropriated to the State Building Commission for construction of the

¹These were among the problem areas identified in the 1964 League study; see Blueprint For State Construction Administration, pp. 12-13.

Lyndon Baines Johnson State Office Building. The original project analysis included plans for the top two floors to be used for library stack space. By the time the contract was let in 1968 and construction was well underway, additional State office space was needed. The decision was made to convert the intended stack space to offices. By 1974, less than four years since the first office space was occupied, major renovation of the building was necessary. The increase in personnel occupying the building as a result of the added office space rendered the elevator service inadequate. Two additional elevator shafts were constructed at the cost of \$696,000.

Capital Planning. Among the purposes of the Construction Administration Act were "...to provide for the orderly planning of buildings...and for reasonably accurate projections of building program requirements...." Fractionated responsibility and informational gaps have prevented the realization of these goals.

The State Building Commission is directed to keep a list of all State buildings and to compile construction and maintenance data. (The last data was compiled by the Commission in 1966, and even this is not in a useable form.)

The Board of Control maintains the inventory of property which is leased or rented by the State; the only current inventory of State-owned property is maintained by the Comptroller.

The Board of Control compiles cost data for operation and maintenance, repairs and custodial services on property serviced by the Board. Similar information for other State property is not available.

The Board of Control and the Building Commission determine jointly the initial space assignments for agencies which will occupy new multi-purpose buildings.

Both the Building Commission and the Board of Control provide space analysis studies.

The last space analysis provided by the Building Commission was made in 1968, and included both construction cost estimates and future building requirements. Most of the Board of Control studies have been limited to analyses of the utilization of existing space and rental property. However, the Board's latest study, a report requested by the Legislative Budget Board in 1974, is a projection of space requirements for the Capitol Complex. Data from these two studies are shown in Table 1. Comparisons of the two projections (which were made six years apart) are striking: The Board of Control estimate for the year 1985 exceeds the estimate of the Building Commission for the year 2000, and there is a sizable

difference in the two projections for 1980.¹

Table 1

STATE BUILDING COMMISSION (1968) AND STATE BOARD OF
CONTROL (1974) PROJECTIONS OF STATE OFFICE SPACE
REQUIREMENTS IN THE CAPITOL COMPLEX

Year	Building Commission		Board of Control	
	Space (Sq. Ft.)**	Personnel*	Space (Sq. Ft.)**	Personnel*
1968	1,102,553	7,006		
1973	1,572,037	8,373		
1974			1,856,749	5,286
1980	1,899,759	10,613	2,370,622	11,169
1985			2,672,109	13,116
2000	2,521,488	14,126		

*The Building Commission study included total personnel of the agencies occupying space in the Capitol Complex; the Board of Control study included only personnel who would occupy work stations in the Complex.

**The Board of Control study includes 181,235 square feet in the Capitol Building which was excluded in the Commission study.

SOURCE: State Board of Control, "Space Analysis and Projection for State Agencies in the Capitol Area, 1980 and 1985."

Either of these projections may be high or low depending on future developments; the lack of reliable data makes any estimate highly suspect. The 1974 Board of Control space analysis, for example, was developed under the following limitations:

- The study was confined to State-owned buildings in the Capitol Complex; no analysis exists of total State building needs.

¹The differences in the projections are accounted for in part by an abrupt change in the State's employment patterns which was discussed in the Introduction of this report. There it was shown that between fiscal years 1973 and 1980, Texas may add the equivalent of 30,000 full-time noneducational employees. Working space for these new people could require an additional 3.6 million square feet of building space. Even at present construction costs, this translates into an average annual expenditure of \$18 million for seven years.

- Because there was no reliable inventory of current space utilization or present employment levels, the Board had to make on-site surveys in the more than 80 agencies included in the analysis.
- Future staffing patterns were based on a compilation of the independent projections of the individual agencies (without central guidance).

Without reliable data, effective capital planning is not possible. A likely result is more costly mistakes in the future.

Capital Improvements Funding. In addition to information gaps and overlapping planning authority, the present funding structure for capital improvements may be an impediment to rational planning. As the Council of State Governments has pointed out, it is difficult to administer an orderly capital development program when the availability of funding is uncertain.¹ Prior to the 1974-1975 biennium, Texas relied heavily on general revenues and the State Building Fund to finance the construction of general purpose buildings.² In the 1974-1975 biennium, federal revenue sharing provided a significant portion of the State's general purpose construction moneys. (See Chart 2.) None of these sources provides the certainty useful in capital planning:

- After 1976 the State Building Fund disappears with the phasing out of the State property tax;
- general revenues are appropriated on at most a two-year basis; and
- federal revenue sharing funds are available only to the extent authorized by Congress.

It may be time for Texas to re-examine the applicability of the "pay-as-you-go" concept for financing capital improvements and to develop a source of financing which is more amenable to long-range planning.³

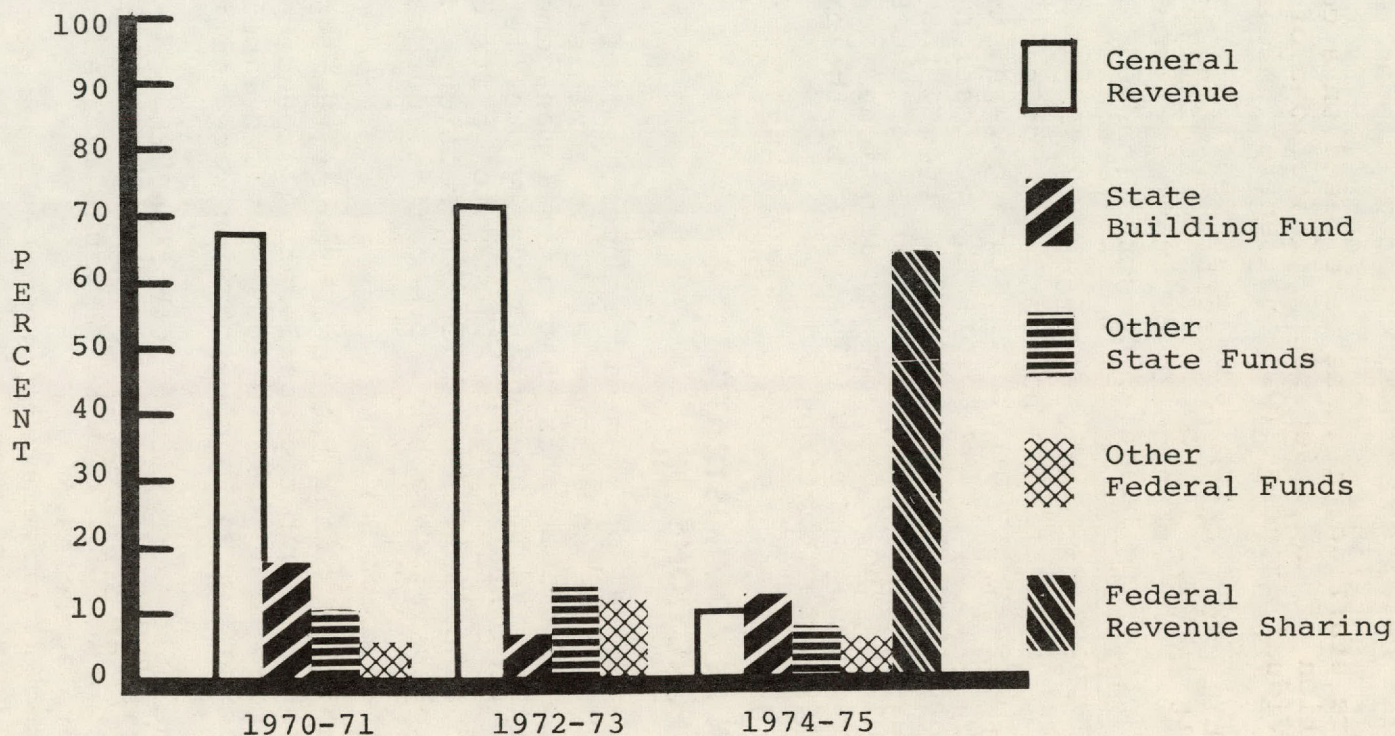
¹A. M. Hillhouse and S. K. Howard, State Capital Budgeting (Chicago: Council of State Governments, 1963).

²The permanent university fund and various bonding programs, some supported by student fees, have been used to finance buildings for educational institutions. Highway construction is financed by dedicated State revenues and federal funds.

³Texas already has abandoned the "pay-as-you-go" concept for financing some higher education institution construction. (See footnote 2 above.)

Chart 2

BIENNIAL GENERAL PURPOSE CONSTRUCTION
APPROPRIATIONS BY SOURCE OF FUNDS



SOURCE: Staff compilation of appropriations by the 61st, 62nd and 63rd Legislatures. Comparison excludes construction for highways and institutions of higher education.

Improved Development Planning. At a minimum, State capital improvements planning could be improved by centralizing planning information. Inventories of State-owned and State-leased property space utilization data, construction and maintenance cost information and employment figures could be compiled by one central authority and maintained on a current basis. Further steps toward the development of a comprehensive capital improvements planning program could be taken by requiring all building agencies to prepare multi-year schedules for facilities requirements, and designating a central authority to compile and periodically update a State development plan. That plan could be used by the Governor and the Legislature in proposing biennial construction budgets.

Basing a capital expenditure program on a compilation of individual agency projections, however, may not be the most effective way to prevent unnecessary growth in State government. The mission-oriented agency, with its view colored by dedication to purpose, is not inclined (and, probably not able) to suggest the departmental compromises required in the overall interest of the State's development. The result of individual agency decisions and the lack of effective central management is illustrated by the proliferation in a number of support functions.

PROLIFERATION IN ADMINISTRATIVE SUPPORT FUNCTIONS

Despite technical program differences, all of the State's operating agencies have some commonality in administrative support services. It is in these areas that central management controls could be most effective in preventing costly proliferation. Generally speaking, each agency in Texas is allowed to go its own way in developing such functions. The following sections address the management of data processing, graphic reproduction, purchasing and motor vehicles.

Data Processing. Near the beginning of the 1960's, there began to surface a concern about the accelerating expenditures being made in State government to acquire various services labeled "data processing." Attempts to control such expansion were initiated.

1959: The 56th Legislature authorized the Comptroller to establish a central data processing center for his Department's use and to make services available to other State agencies.¹

¹Acts 1959, 56th Leg., p. 704, ch. 324, compiled as Art. 4344b, VACS. The action implemented a League proposal growing out of a study of the Comptroller's Department.

1961: The 57th Legislature inserted in the appropriation bill a rider requiring the approval of the Governor prior to the expenditure of appropriated funds for the rental or purchase of office equipment.

A similar provision has appeared in each appropriation bill since, but two different Attorneys General have declared it unconstitutional.¹

1963: The 58th Legislature authorized the construction of a new State finance building with the restriction that it be designed and constructed to house all major data processing machines and computers necessary to the operation of the Austin offices of State government.

Governor John Connally, while completely in agreement with the motives of the Legislature for efficiency and economy in State government, counseled further study of the centralization project and vetoed the appropriation for the building.² Funds for the building later were appropriated without the restriction.

1965: The 59th Legislature created the Automatic Data Processing Systems Division in the State Auditor's Office.³

The new Division was charged to provide for the orderly development and management of automatic data processing systems for the State; to eliminate duplication in the collection, storage and processing of data; and to increase the accessibility and usefulness of information derived from the data. Unfortunately, the Division was not given any enforcement authority. State agencies were directed "to cooperate fully" with the new Division.

1971: Pursuant to a provision in the appropriation bill, the Governor created an Office of Information Services (OIS).

Among other things, the Office was responsible "...for the development and implementation of a master plan for utilization of electronic data processing...in Texas State Government..."⁴ The new Office

¹Attorney General Opinions M-1199 (1972) and H-207 (1974), (hereinafter cited as "AGO No. ____.")

²Systems/Administrative Services Division, Office of the State Auditor, Annual Report to Budget Authorities, 1973-1974, p. B-3.

³Acts 1965, 59th Leg., p. 685, ch. 325, compiled as Art. 6252-12a, VACS.

⁴Acts 1973, 63rd Leg., p. 1786, ch. 659, at p. 1965.

duplicated some of the responsibilities of the Systems Division. Both provided advice to agencies on systems development, acquisition and operation; and both reviewed requisitions for data processing equipment, software and related services. In 1975, Governor Dolph Briscoe abolished OIS, transferring a slimmed-down version to his Division of Planning Coordination.

Fourteen years of "concern" over accelerating expenditures for data processing services have produced little result. In 1965, when the Auditor's Systems Division was created, 40 computers were used in State government, 10 in State agencies and 30 in State-supported colleges and universities.¹ The 1974 inventory showed 174 computers being used, 31 in State agencies and 143 in State-supported colleges and universities.² In 1970, the computed annual cost for ADP equipment and personnel totaled \$21.6 million.³ The annual recurring cost for 1974 reached \$40.8 million, an increase of 14.4 percent over the previous year and 89 percent over the 1970 level. Table 2 shows a breakdown of costs for the 1973-1974 fiscal year.

Table 2
AUTOMATIC DATA PROCESSING COSTS, 1973-1974

	<u>Equipment</u>	<u>Personnel</u>	<u>Total</u>
State Agencies Without Computers*	\$ 283,107	\$ 1,862,160	\$ 2,145,267
State Agencies With Computers	9,807,401	12,655,140	22,462,541
State-supported Colleges, Universities and Other Institutions (excluding the University of Texas System)	4,168,316	3,691,329	7,859,645
The University of Texas System	3,774,127	4,573,314	8,347,441
TOTAL	\$18,032,951	\$22,781,943	\$40,814,894

*The agencies in this group do not maintain a computer system, but have a limited data processing capability.

SOURCE: Systems/Administrative Services Division, Office of the State Auditor, Annual Report to Budget Authorities, 1973-1974, Exhibit A, p. 48.

¹Systems/Administrative Services Division, op. cit., p. B-6.

²Ibid., Exhibit A, p. 48.

³Ibid., 1969-1970.

Part of the reason for the proliferation of data processing centers is clear: There is no central authority to prevent the autonomous operating agencies from buying a computer if they want one and if funds are available (either through the appropriations bill or from local or federal funds¹). Requisitions for the lease or purchase of data processing equipment, software and related services are reviewed by the Auditor's Systems Division prior to processing by the Board of Control. When the Systems Division disagrees with an agency over the need for equipment, the Division can protest the acquisition, but it cannot prevent the agency from making the purchase. The Systems Division recently observed:

Several agencies and institutions chose to avoid the open market procedure in order to acquire a specific vendor's equipment, either under protest of the Board (of Control) or by bypassing the Board through the use of nonappropriated funds. In the opinion of this Division, few of these actions were justified. Most were not and, in each case, appropriate comment was made by the Division to the Board and to budget authorities.²

According to Board of Control records, data processing equipment acquired under protest in fiscal year 1973 totaled \$112,072.³ Since the agencies and institutions handle their own software and services acquisition, expenditure figures were not available for these items which may have been purchased contrary to recommendations of the Systems Division.

The only attempt to establish a control over the purchase of data processing equipment (approval of the Governor) was held unconstitutional. However, in the last opinion on this provision, the Attorney General did say, that in accordance with House Bill 50,⁴ "...a finding by the Governor of the existence of a particular

¹The use of "local funds" for purchasing is discussed later.

²Systems/Administrative Services Division, *op. cit.*, p. 30.

³Expenditures for equipment which may have been made from nonappropriated funds such as gifts or grants are not included. These funds may be spent without State supervision. See discussion of purchasing, *infra*.

⁴Acts 1972, 62nd Leg., 4th C.S., p. 22, ch. 5, compiled as Art. 689a-4b, VACS.

fact may be required as a prerequisite to an expenditure."¹ Apparently, then, the Legislature could require a fact determination be made by the Governor (or some other executive authority) as a condition to the expenditure of appropriation items, including the lease or purchase of equipment. This authority would have to be expressed in specific terms so as to provide standards by which the determination could be made. However, this type of approval authority would not extend to purchases made with funds outside the appropriation process.

Graphic Reproduction. Article XVI, Section 21, of the Texas Constitution provides:

...printing...shall be performed under contract, to be given to the lowest responsible bidder... under such regulations, as shall be prescribed by law...(and) all such contracts shall be subject to the approval of the Governor, Secretary of State and the Comptroller.

This provision was placed in the 1876 Constitution in response to the practices of the reconstruction government which had granted contracts for public printing at exorbitant prices as special favors to friends or relatives of those wielding governmental powers.² Ostensibly, the provision also prevents the individual State agencies from developing their own printing facilities.

However, lack of a clear definition of "printing" has allowed the widespread development of graphic reproduction centers among the agencies and institutions. Contending that their operations are "duplicating" rather than "printing,"³ agencies have been able to establish and maintain their shops despite the prohibitive language of the Constitution.

Present printing and offset duplicating installations in the State agencies vary in terms of the quantity, quality and types of printing required, from small offset duplicating machines to large, sophisticated printing plants.⁴ Although there is no

¹AGO No. H-207 (1974).

²See *Interpretive Commentary following the Article in Vernon's Annotated Constitution.*

³Texas Research League, Purchase of Printing (Memorandum No. 3, 1956).

⁴Systems/Administrative Services Division, op. cit., pp. 30-33.

accurate inventory of equipment used, a 1973 study performed by the Administrative Services Division in the State Auditor's Office found 14 offset presses and two letter presses in nine of 38 agencies surveyed. An additional 127 duplicators were counted in the surveyed agencies.¹ During the 1972-1973 fiscal year, the State's annual expenditure of appropriated funds for graphic reproduction equipment, supplies and services increased by more than 27 percent over the previous year, from \$9.7 to \$12.3 million.² No estimate is available of the amount which may have been spent from sources outside those appropriated.

The State Auditor's Administrative Services Division serves in an advisory capacity to the State's operating agencies, the Legislature and tradesmen, conducting studies and offering advice and technical assistance upon request. The Division also reviews all requests for purchase or rental of graphic reproduction equipment before they are processed by the Board of Control. But, the Division has no authority to control the proliferation of graphic reproduction facilities.

Neither is the constitutional requirement for the approval of contracts an effective control mechanism. Purchase contracts are forwarded by the Board of Control to the Governor, the Secretary of State and the Comptroller for their review and approval. Individual purchase orders must also be reviewed if the purchases requested were not covered under a prior contract. In most instances, these State officials do not personally review and sign each contract and purchase order. "Approval" is a formality performed by subordinates within their offices. Consequently, although these officers possess a "veto" authority over printing contracts, in fact little control is exercised.

The "prohibition" may be counterproductive. The Interagency Cooperation Act³ provides that "...no agency shall supply any services, supplies, or materials to another agency which are required (by the Constitution) to be supplied under contract given to the lowest responsible bidder." If State agencies would openly engage in printing, more efficient use of existing equipment might be possible through interagency contracts or through the development of a central graphic reproduction facility which would serve many agencies.

¹Systems/Administrative Services Division, Office of the State Auditor, Agency Graphic Reproduction Study, Selected Agencies in the Austin Area (1973), p. 9.

²Systems/Administrative Services Division, op. cit., p. 30.

³Acts 1953, 53rd Leg., p. 841, ch. 340, as amended, compiled as Art. 4413(32), VACS.

Constitutional revision studies as early as 1960 suggested that this provision is no longer needed because of the more elaborate State Purchasing Act.¹ Neither the Constitutional Revision Commission nor the 1974 Constitutional Convention included the provision in their recommended revisions.

Purchasing. The State Purchasing Act of 1957² authorized the Board of Control "to institute and maintain an effective and economical system for purchasing supplies, materials, services, and equipment for the State of Texas." Two types of purchases are not made by the Board. First, under the Purchasing Act, agencies may be allowed by the Board of Control to make purchases of spot items (limited in amount by Board rule to \$100 or less), emergency items or perishables without going through the standard purchasing procedures. Although for these "delegated" purchases the individual agency is responsible for its own negotiations, the purchase must be made in compliance with the Purchasing Act and the agency must forward a copy of the purchase order to the Board.

The second type, "exempt" purchases, are not subject to the competitive bid requirements or other procedural requirements of the Purchasing Act.

Purchases of supplies, materials, services and equipment for resale, for auxiliary enterprises, for organized activities relating to instructional departments of institutions of higher learning, and for similar activities of other State agencies, and purchases made from gifts and grants, may be made by State agencies without authority of the Board.³

No estimate is available on the amount of exempt purchases; however, because this category includes all gifts and some federal grants made to State agencies, the amount is substantial.

Under the Purchasing Act, the Board of Control has established procedural controls for how purchases are made, but there is no control over what may be bought. If the Board does not regard a purchase to be justified in the best interests of the

¹Texas Legislative Council, Constitutional Revision, A Report to the 57th Legislature, Vol. III, No. 56-10 (Austin: 1960).

²Acts 1957, 55th Leg., p. 739, ch. 304, as amended, compiled as Art. 664-3, VACS. The revisions followed recommendations of the League growing out of a study of the Board of Control.

³Ibid., Sec. 5.

State because of restrictive specifications or conditions of purchase, it is instructed by the Purchasing Act to report its reasons for exception both to the requesting agency and to the State Auditor's Office before making the purchase. Often a compromise can be effected between the agency and the Board, but such agreement depends entirely on a spirit of cooperation on the part of the purchasing agency and the Board. That cooperation does exist is evidenced by the fact that only \$382,000 in purchases were made under protest out of almost \$270 million in total purchases made by the Board in fiscal year 1974. However, these figures may be misleading because of the ability of agencies to use gift or grant funds to make purchases objected to by the Board. The earlier discussion of the use of these "local" funds to purchase data processing equipment is an illustration of how agencies bypass the authority of the Board.

Motor Vehicle Regulations. The 1974-1975 Appropriations Act provides:¹

- Appropriated money may not be spent for the purchase, maintenance or operation of a passenger car or of airplanes designed for passenger transportation without specific authorization in the Act; and
- passenger cars purchased may not have a wheelbase in excess of 119 inches (unless one with a longer wheelbase is offered at a lower price).

Of course, there are exceptions:

- Panel, pickup and delivery trucks and trucks required for the conveyance of special equipment;
- motorcycle delivery units;
- dual control automobiles used exclusively for driver training;
- passenger cars equipped with two-way radios, motorcycles, jeeps, and boats needed and used for fire prevention, fire fighting and other activities for safeguarding public safety, public property, or for criminal law enforcement;

¹Acts 1973, 63rd Leg., p. 1786, ch. 659, Art. V, Sec. 17.

- ambulances or other passenger vehicles specifically equipped and regularly used for ambulance services; and
- buses and station wagons regularly used for the mass transportation of numbers of people and essential to the efficient management of the operating agency of the State.

An agency operating aircraft is required to file a report with the Legislative Budget Board on or before the close of the fiscal year showing aircraft description, date purchased or leased, cost, hours flown, number of flights, number of passengers and operating costs.

A House appropriations subcommittee study of the way the State uses its airplanes (the first such examination in 10 years) found that 20 State agencies operate approximately 30 planes which are scattered around the State. While no total cost figures exist, this is estimated to be a multi-million dollar operation of airplanes flown and maintained by each individual agency through money appropriated to them by the Legislature.¹ An aircraft pooling bill is predicted to be introduced in the 1975 legislative session, and consideration of the bill may lead to an investigation of agency practices with respect to aircraft utilization. A private corporation testifying before the subcommittee suggested that "central operational control" may be an alternative to pooling and that it might be possible to provide more agencies with air transportation with fewer aircraft than the State now operates.

An agency operating "passenger carrying vehicles" is required to file with the Comptroller by September 15 of each fiscal year a list of the vehicles to be maintained and operated. In addition to this general provision, specific agencies are required to file additional reports -- to different authorities and at different times. For example, the Railroad Commission is required to file, within 30 days after the close of the fiscal year, a report with the Governor and the Legislative Budget Board identifying each passenger automobile operated by the Commission.² The Parks and Wildlife Department is required to file an identical report, but this one goes to the Governor, the Legislative Budget Board and the Comptroller and is due 90 days after the close of

¹*Austin American Statesman*, "State Aircraft Pooling Bill Expected in This Session," January 13, 1975; and "Firm Urges Central Control of State Planes," January 9, 1975.

²Acts 1973, 63rd Leg., p. 1786, ch. 659, at p. 2020.

the fiscal year.¹ The Highway Department is authorized to operate 375 passenger automobiles, but there are no additional reporting requirements.²

None of these provisions act as controls over the expenditure of State moneys except as the various reports provide information which can be used in subsequent budget reviews. And, none of these provisions relate to vehicles which an agency is able to purchase and maintain with nonappropriated ("local") funds.

Personnel administration is another illustration of the breakdown in the development of a central management role.

A FEUDAL SYSTEM OF PERSONNEL MANAGEMENT

In 1972, the Texas Research League prepared a report for the Governor's Division of Planning Coordination describing State personnel administration.³ The problem areas identified in that study remain unsolved.

The Decision-Making Process. The Legislature has assumed a commanding position in the personnel management structure as the only source for personnel policies which apply equally to all of the operating agencies. In a number of instances, personnel policy is established by general law. These statutes, rather than being integrated into a general framework, have been developed on an individual basis over the long history of Texas and are scattered throughout both the civil and penal codes.⁴ The more generally used practice is to include personnel policies in the biennial appropriation act. That act includes not only a complete

¹*Ibid.*, at p. 2013.

²*Ibid.*, at p. 1973.

³Texas Research League, Quality Texas Government, People Make the Difference (Austin: The League, 1973). The reader interested in a complete description of the State personnel management structure should consult that report.

⁴In 1972, and again in 1974, the League prepared a compilation and analysis of the State's personnel policies for the Governor's Office which was distributed to the State agencies. Division of Planning Coordination, Office of the Governor, An Inventory of Texas' Basic State Personnel Policies (Austin: 1972, 1974). Prior to this publication, there was no one source which referenced State personnel policies.

list of the almost 1,300 classified positions¹ which may be used by State agencies and an accompanying salary schedule, but also such details as vacation and sick leave provisions, holidays and office hours. Incorporation of personnel policies into the appropriation act creates at least four other problems:

- Personnel policies expire biennially (and sometimes annually) with no necessary consistency from one period to the next.
- The language is not always consistent (particularly from one appropriation bill to another). For example, the terms "temporary," "part-time," and "salaried personnel" may vary in meaning between provisions.
- During the interim between appropriation acts, there is no procedure for routinely reviewing and adjusting salary ranges for individual job classes. When prices are increasing rapidly and when new job skills are coming on the market as the result of improved technology, an effective salary program may require internal changes more often than every two years.
- The development of personnel policies often may be related more closely to fiscal considerations than to continuity of good administrative practices.

The on-again, off-again, inconsistent application of personnel policies in the appropriation act is best illustrated by an analysis of merit raise provisions over the last ten years.

<u>Fiscal Year</u>	<u>Merit-Raise Authorization</u>	<u>Funding</u>
1964	One-step increase for employees in salary groups 8 and below	None
1965	One-step increase for all salary groups	None
1966	Merit-raises available to any employee	Agency funds available from lapsed salaries resulting from employee turnover

¹The appropriation act also may designate which positions can be used by individual agencies.

<u>Fiscal Year</u>	<u>Merit-Raise Authorization</u>	<u>Funding</u>
1967	Same as 1966	Same as 1966
1968	No authorization	None
1969	Increases authorized for all employees, not to exceed two steps	Specific appropriation made available to each agency
1970	No authorization	None
1971	No authorization	None
1972	No authorization	None
1973	No authorization	None
1974	One-step increase for all salary groups	None
1975	One-step increase for all salary groups	None

For only one year, 1969, were both legislative authority and a specific appropriation of funds provided for merit raises.

Central Management. To the extent that a central personnel management function exists in State government, it has developed with little apparent rationale. Inadequate staffing, lack of authority over individual agencies and fractionalization are chief among its characteristics.

When the Personnel Classification Act was passed by the Legislature in 1961, administrative responsibility was assigned to a Classification Officer in the State Auditor's Office.

The Classification Officer and two assistants are charged with the administration of a classification system which includes 98 State agencies receiving appropriations, almost 1,300 job classes and about 60,000 employees. When the Classification Officer finds that an agency is not in compliance with the Position Classification Plan there is no direct action he can take other than reporting the discrepancies to the Governor and the Legislative Audit Committee. The Classification Officer is directed to provide descriptions for each job included in the classification plan, but the "requirements" are only "those which are commonly desired by employing officers of the State; and such indicated requirements shall not be interpreted as having the force of law."

When the Federal Intergovernmental Personnel Act provided for participation by the states in various personnel programs, administration in Texas was assigned to the Governor's Division of Planning Coordination.

When a State response was needed to the Federal Equal Employment Opportunity Act, the Legislature created a new EEO Office responsible to the Governor.

In the 1974-1975 appropriation act, the Legislature directed the Governor's EEO Office "to develop and monitor a statewide coordinated plan for implementing equal employment opportunity whereby all personnel transactions are made without regard to race, religion, national origin, or sex (and) to provide technical assistance to State agencies in the preparation and implementation of affirmative action plans as required by law...."¹ To the extent that the appropriation bill required agencies to file affirmative action plans, the provision was declared invalid by the Attorney General.²

The State Auditor is directed by the appropriation act to provide uniform interpretations of the provisions relating to employee vacations and leaves;³ but the Attorney General has said that these are advisory only.⁴

Enforcement of some of the State's hiring practices is assigned by the Legislature to the Comptroller.

In the 1972-1973 appropriations act, the Attorney General was given the responsibility to interpret general legislative intent; in the 1974-1975 act, interpretation was left to individual agencies.⁵

In sum, there is little central supervision over personnel management, and the individual operating agency is able to design and administer a system to its own liking.

Agency Administration. As long as an agency generally complies with the specific personnel policies promulgated by the

¹Acts 1973, 63rd Leg., p. 1786, ch. 659, at p. 1963.

²AGO No. H-351 (1974).

³Acts 1973, 63rd Leg., p. 1786, ch. 659, Art. V, Sec. 7h.

⁴AGO No. M-984 (1971).

⁵Compare Acts 1972, 62nd Leg., 3rd C.S., S.B. 1, Art. V, Sec. 55; with Acts 1973, 63rd Leg., 1786, ch. 659, Art. V, Sec. 49.

Legislature, the department administrator (or board or commission) has a free hand in personnel management. The flexibility afforded agency executives for designing an appropriate management structure to fit agencies which differ widely both in size, program responsibility and organizational structure is an important strength. A personnel system which put agencies in an administrative straitjacket would be a severe liability.

But the structure's flexibility and the lack of central guidance has resulted in varying degrees of personnel management sophistication. Some agencies have developed a strong personnel staff and a comprehensive set of personnel policies; others have not. Application of differing personnel policies at the agency level sometimes has resulted in unequal and unfair treatment of State employees. In the 1972 personnel study, the League noted the following:¹

- Agencies have complete latitude to develop personnel policies in areas where the Legislature has not prescribed a general policy; for example, about seven of ten agencies require a new employee to work for a probationary period (usually six months, but frequently less) before attaining permanent status.
- While most major State agencies have developed a formal grievance procedure, the majority of the smaller departments (and a few not so small) have no stated policy for handling employee complaints.
- In a survey of State personnel practices, 73 percent of the responding agencies indicated that they did not use a formal system of employee evaluation.
- The manner in which personnel policies prescribed by the Legislature are applied also may differ from agency to agency. For example, the State policy on dual employment is subjected to various interpretations at the agency level with some absolutely prohibiting employees from holding second jobs.

The Merit System Council. The Texas merit system was created in response to various Federal laws which condition the receipt of grants-in-aid upon the administering agency's participation in

¹ *The League, Quality Texas Government, op. cit.*

a "merit system of personnel administration." For the eleven agencies which participate, the Council provides some central coordination of policy development and general personnel administration. The agencies participating in the Council include less than 30 percent of the State's classified employees.

The Unfilled Gaps. The result of the existing structure is a multitude of diffuse and dissimilar "State" personnel systems operating independently of each other and with no central guidance.

In fact, there is not even a reliable count of the number of people employed by State government.

The only historic data on State employment is that provided by the U.S. Bureau of the Census. Without reliable information on where the State is and has been in employment, it is impossible to predict accurately where the State is going:

How many employees will Texas need in the coming years? Where will they come from? What skills will be required? How much building space will be needed to house expanded employment?

There is not even one central place a prospective employee can go to find out about available jobs in State agencies. A person looking for a job is faced with the task of visiting each agency and making application; or, at the cost of perhaps the entire first month's pay a prospect can use a private employment agency to find a State job. For existing employees, the lack of a central job referral center means that the development of career ladders and opportunities for advancement are limited to individual agencies.

Proposed Changes. Following the League personnel study in 1972, the concern over the existing personnel structure resulted in several actions. In the 1973 legislative session, Representatives Lane Denton of Waco and Ed Harris of Galveston introduced a bill dealing with centralized personnel administration. Although approved in a House committee, the bill died without reaching the floor for debate.

Three studies of personnel problems were commissioned by the Legislature in 1973 -- one by the Public Employees Study Commission created by concurrent resolution and two by House interim committees, one chaired by Representative Sarah Weddington and the second by Representative Ronald Earle. The broad consensus of these studies substantiated the earlier findings in the League's study concerning the problems with the existing system and led Governor Dolph Briscoe, in his State of the State Address to the 64th Legislature, to remark:

...I recommend that this Legislature create a State Employees Personnel Board which would combine, improve and streamline State personnel administration.

We should do all we can to encourage -- not discourage -- longevity of State employment, and I believe a State Employees Personnel Board can provide vital personnel services to both our agencies and our employees, thus enabling Texas State Government to achieve more effective use of the funds and manpower available to us.

SUMMARY

The administration of general services in the multi-billion dollar business of State government has been delegated to a multitude of diffuse and dissimilar operating agencies with little effective central supervision.

Capital construction planning is performed by as many agencies as have building programs. The move to a central planning process was followed immediately by an erosion of that authority. Planning information is obtained only by compiling the projections of the independent agencies.

Property management is fractionalized. The inventory of State-owned property is maintained by the Comptroller; that for rented property by the Board of Control.

Fourteen years of concern over accelerating expenditures for data processing services have produced little result. The number of computers used by the State increased from 40 in 1965 to 174 in 1974—more than fourfold. There is no central authority which can tell an agency that it cannot have a computer center and no one is in a position to insure that the facilities are used to best advantage.

The Constitution prohibits the development of printing facilities by the agencies, but a number of departments have extensive reproduction capabilities. Present law insures that these installations are not shared by agencies. There is no equipment inventory and no central authority to see that the facilities are used in the best interests of the State.

The Board of Control is designated as the State's central purchasing agent, but significant amounts of purchases are exempt from the Board's authority. There is no estimate of how much is bought with "local" funds.

Conflicting requirements for agencies filing motor vehicle reports appear to serve no useful purpose. No one is responsible for compiling the data for planning purposes or for estimating future needs.

Personnel management is almost the sole province of the individual agencies. Not even the most basic data is compiled (How many employees work for the State?) which might be useful in channeling the growth of State government.

Management decisions are left entirely to the individual agencies with no one in a position to evaluate the prospective results in terms of the overall State government.

Some of the failure to establish central evaluation of the actions of independent agencies results from limitations built into the present structure.

THE GOVERNOR'S OFFICE

The Constitution designates the Governor "the Chief Executive Officer of the State"¹ and says that he "shall cause the laws to be faithfully executed...."² The implication is that the Governor is to provide administrative oversight of the State's operating agencies. However, the Constitution does not give him the tools necessary to carry out that directive. By statute, the Governor is both the Chief Budget Officer³ and the Chief Planner⁴ for the State, but these designations are more honorary than authoritative.

GOVERNOR'S BUDGET ROLE

Budget preparation in Texas formally is a dual function of the Governor and the Legislative Budget Board.⁵ Both the Governor and the Budget Board prepare a complete budget document detailing proposed item-by-item expenditures for all agencies and institutions. One of the principal reasons for developing this procedure was to foster a competition of ideas between the two branches in developing a State budget, thereby improving the debate on public spending issues -- a "reform" that in the 1970's has become popular in many other states, as well as at the national level. In actual practice Texas' dual budgeting system has not consistently fostered competition and debate over the issues of State expenditure. Basically there is one reason for this failure.⁶

¹Texas Const., Art. IV, Sec. 1.

²Ibid., Art. IV, Sec. 10.

³Acts 1931, 42nd Leg., p. 339, ch. 206, as amended, compiled as Art. 689a-1, et seq., VACS.

⁴Acts 1967, 60th Leg., p. 949, ch. 417, compiled as Art. 4413 (32a) VACS.

⁵The Texas' budget system was described in some detail in a 1971 League report to the Governor, Better Budgeting and Money Management for Texas. See also Part I of this report for a discussion of budgeting in the context of overall policy perspective (pp. 56-58) and of some constitutional questions related to the dual budget system (pp. 92-93).

⁶Part I of the report on this study questioned the constitutionality of a dual budget preparation system in view of the strict interpretation of the separation of powers clause which has been applied to budget execution questions.

Concentration on Item-By-Item Budgets

A Reversal of Budgetary Roles. In nearly all other states, budget preparation is an executive function. The Governor receives budget requests from state agencies, modifies them and submits a consolidated budget to the Legislature. The Legislature then evaluates the Governor's (rather than individual agencies') proposals and modifies them into an appropriation bill that passes both houses.

The Texas Governor and Legislature both work from agency requests in preparing their budgets. The Budget Board's recommendations generally have taken the form of a baseline document providing for a "maintenance-of-effort" in all State programs, while the Governor's budget includes recommendations for program changes and new proposals, in addition to the maintenance of current efforts. (The 1973 and 1975 LBB budgets have included substantial new spending proposals -- even higher than those of the Governor.)

Quite logically in this system the Budget Board's product becomes the basic document for legislative consideration. Both budgets are based on the same information (agency requests). The short time-frame of a legislative session and legislator familiarity with Budget Board assumptions¹ also are factors: If the Legislature has wished to develop a new proposal or modify an existing program, it has been much simpler to add to or subtract from the "bare-bones" LBB document than to reconstruct the Governor's budget with its built-in program choices.

The Impact of the Governor's Budget. In effect, then, the Governor's budget becomes a proposal for modifying the basic spending plan laid before the Legislature by the Budget Board, and gubernatorial input in the budget process generally is limited to major public policy issues on which the chief executive places the most emphasis. And most governors have been successful to some degree in having their programs enacted. Governor Connally complained in 1964 that the Legislature in 1963 "just threw my budget in the wastebasket," but in 1965 the Governor won acceptance for his proposals to create a coordinating board for higher education as well as to realign State water and mental health agencies. Governor Smith said in his 1969 budget message: "I would like to be remembered as the Governor who worked to provide a great program of vocational and technical education available to all of our people." His proposal for funding a sizable increase in that program was largely adopted in that year's appropriation act.

¹The chairmen of both Senate and House Appropriation Committees sit on the Budget Board. Further, Board staff members assist the committees in their deliberations.

Building on the Strengths of the Governor's Role. The value of a governor's budget in the appropriations process lies in his program proposals, and his effectiveness is judged on the basis of the competitiveness (and success) of his proposals in the spending debates that dominate legislative sessions.

In a 1968 report, the League suggested that the *de facto* division of labor between the Governor and the Budget Board be extended, recognizing that "the Legislative Budget Board has the responsibility for creating the line-by-line appropriation bill, and the Governor has the responsibility for focusing public and legislative attention on the most significant budgetary and program policy issues."¹ This arrangement could (1) eliminate useless duplication between the two budget staffs, (2) free the Governor's budget staff to concentrate on the development of information pertinent to the policy issues considered important by the Governor, and (3) focus attention on that part of the Governor's existing budget role where he has been most effective.²

¹Texas Research League, Functions and Organization of the Office of Governor of Texas (Austin: the League, 1968). Similar suggestions have been made for legislative staff effort in strong-executive budget states. One study of legislative budget review in California concluded that:

...investigation in some depth of a few selected, important problem areas in any given year may reveal opportunities for savings and improved operations that are of such greater significance than the discovery of numerous instances in which individual positions, items of equipment, or specific operative expenses are unjustified. If such selective investigations were coupled with an analysis of the major program changes in each budget, legislative review would be directed to important matters.... (S)uch a procedure would recognize frankly that a comprehensive, thorough review of all proposed expenditures in any given year is not possible...

D. Jay Doubleday, Legislative Review of the Budget in California (Institute of Governmental Studies, University of California, 1967), p. 108.

²The discussion here is directed to possible improvements in the Governor's budget role within the existing organizational framework. In Part I, three possible "models" which might be considered in efforts to restructure Texas' State government were discussed. Converting to one of these models might require a redefinition of the Governor's and Legislature's roles in budgeting.

Two additional steps might be taken which would help to balance the Governor's influence in the appropriations process and promote constructive debate over spending questions. First, it might be useful to adjust the budget preparation timetable so that the proposals of the legislative staff are available far enough in advance of the biennial session to allow the Governor time to study the suggested budget and to determine if there are major spending alternatives he would like to recommend. For example, the Legislative Budget Board could be required to report its recommended budget by October 1st preceding each regular legislative session. Likewise, the Governor might be required to present his suggested alternatives to the Budget Board by December 1st so that these might be reviewed prior to the Legislature's convening.

Second, the format of the general appropriations bill might be altered to reflect both the proposals of the Budget Board and the alternatives suggested by the Governor. (Under the present system, the Budget Board must, and the Governor may, prepare drafts of an appropriation bill for introduction.) Such a presentation would show clearly those points in dispute and allow the Legislature as a whole to make choices between the executive and the legislative proposals.

Of course, these suggestions assume (1) that budget preparation is not exclusively an executive function; and (2) that the separation of powers clause does not rule out some form of rational cooperation in fiscal planning between the Governor and the Legislature. These assumptions might have to be subjected to a legal test.

Linking Budgeting to Planning. The budget is the document that translates policy goals into action-oriented programs.¹ There are two essential steps in this translation: (1) Developing a comprehensive plan which sets out policy goals and programs; and (2) allocating available funds to program activities to achieve policy goals. In Texas there is no linkage between these two steps.

In the Governor's own office, the effective coordination of planning and budgeting activities (recommended in at least three studies since 1968²) never has been achieved. Planning is fractionalized among several elements of the Governor's Office.

¹ See Part I, pp. 56-58.

² Texas Research League, Functions and Organization of the Office of Governor of Texas (Austin: the League, 1968); Koepsell-Girard and Associates, Inc., (a series of technical memoranda on functions of the Governor's Office), 1972; Management Services Associates, Inc., A Report on Staff Organization for the Governor's Office, 1972.

- The Division of Planning Coordination (DPC) is primarily involved in the review of federal grant applications and provides staff support for other planning efforts such as the Governor's Water Resource Conservation and Development Task Force, the Governor's Energy Advisory Council, and the Energy Conservation Task Force.
- Development of a school finance program in 1974 was assigned to an Education Research and Planning Office.
- Separate divisions have planning responsibilities in the areas of aging, criminal justice and traffic safety.
- The Department of Community Affairs does planning for drug abuse, manpower and human service delivery, and early childhood development programs.¹

Budgeting is organizationally separated from all of these planning activities.

Planning in the Governor's Office has developed primarily in reaction to various requirements attendant upon receipt of federal grants or in response to crisis situations. Increasing pressure to respond to public school finance problems resulted in the establishment of an Educational Research and Planning Office. The public outcry about some abuses in private child care institutions brought about the creation of a special Task Force on Youth Care and Rehabilitation. But none of these individual planning efforts have been brought together in a comprehensive planning program.

In 1969, the Governor's Office launched the "Goals for Texas" program aimed at establishing a linkage of planning with resource allocation.

The State planning process requires a definition of basic goals in order to provide a framework through which programs can be evaluated, coordinated, and requirements for new programs can be estimated.²

Both State agencies and task forces from each of the State planning regions developed goals in ten broad program areas, and two volumes containing these goals were published. Following analysis of these goals by the Governor's staff and submission of program budget requests by State agencies, the Governor's budget for the 1972-73

¹The Department of Community Affairs is technically a separate agency; however, the director is an appointee of the Governor and for most purposes the Department functions as a part of the Governor's Office.

²Division of Planning Coordination, Office of the Governor, Goals For Texas, Phase One, 1969.

biennium was prepared and presented to the Legislature in broad program format. The "goals program" was never fully developed, but it was an attempt to establish a comprehensive evaluative process which could be used to give State government overall direction. With the inauguration of a new administration in 1972, the project has been abandoned, (at least temporarily) and there is no comprehensive planning and budgeting program in the executive branch.

In 1973 the Legislature added to its competent Budget Board staff a section to make performance audits of agency programs. This unit has begun to produce factual information and perspective on policy issues in a wide range of program areas - - and in its first set of reports recommended and won Board approval for eliminating several State agencies from the suggested 1976-1977 Appropriation Bill. Efforts to establish a similar organization and management capability in the Division of Planning Coordination in conjunction with this study of State government have met with limited success.

INTERAGENCY PLANNING

For interagency planning and coordination, Texas' State government relies primarily on interagency councils covering three broad functional areas: natural resources and the environment (ICNRE), health and human resources (ICHHR), and transportation (ICT). The councils are composed of representatives from the member agencies and are staffed by the Governor's Division of Planning Coordination.

Since their creation in 1967,¹ the councils have made significant strides in achieving voluntary interagency cooperation and communication through mutually beneficial special studies and projects of an informational nature. For example, the ICNRE has developed a shared water-oriented data base and a natural resources information system. The ICHHR has prepared a catalog of available health and social services. But the councils have not attempted to resolve interagency issues which might involve organizational or functional overlaps. In fact one council's bylaws specifically make a number of potentially controversial issues out of bounds.

It is not the purpose of the council to take any action adverse to the statutory authority and responsibilities of any member agency.²

¹Acts 1967, 60th Leg., p. 949, ch. 417, compiled as Art. 4413 (32a) VACS. This system of planning coordination grew out of recommendations made in a 1965 League report on water management.

²Bylaws of the Interagency Council on Natural Resources and Environment.

The councils have produced a few substantial planning efforts, but these are the exception rather than the rule. One planning project -- the Coastal Resources Management Program -- was undertaken by the ICNRE at the direction of the Legislature in 1969.¹ However, rather than make a council recommendation on a controversial matter involving allocation of water rights, the council suggested that a legislative interim study committee be formed to look into the matter and make recommendations.²

The inability to find an effective interagency coordinating device in the executive branch of State government has resulted in the tough issues being raised by legislative committees. For example, a series of legislative reports over the past six years have raised the issue of the fragmented nature of the State's authority for controlling pollution and protecting the environment.³ These reports generally called for a more rational and consolidated approach involving the reshuffling of duties, staff and responsibilities of several operating departments. A review of the records of the ICNRE showed that these issues have not been considered.

Recent studies of the interagency council operations show that, even as a communication device, effectiveness has been weakened because of a lack of interest and participation by heads of influential member agencies. This problem was first observed and documented in 1972 by consultants studying the planning functions of the Governor's Office.

¹SCR 38, 61st Leg., 1969; continued by SCR's 8 and 9, 62nd Leg., 1971.

²Minutes of the ICNRE, special called meeting, July 24, 1972.

³See Report to the 61st Legislature by the House Interim Water Study Committee, p. 4; Report to the 62nd Legislature by Senate Interim Committees on Pipeline Study and Beaches, pp. 4-8; Reports to the 63rd Legislature by the Senate Interim Committee on Environmental Affairs, pp. 78-80, and by the Senate Interim Committee on Parks and Recreation, "This Land is Still Our Land," pp. 43-44.

Similar examples are available in the human services area. For example, reports by the House Interim Committee on Facilities for the Criminally Insane and the Insane Criminal, and the House Committee to study the Psychiatric Problems of Youth, to the 61st and 62nd Legislatures, respectively, raise the issue of inadequate facilities and treatment for emotionally and mentally disturbed adult and juvenile offenders. Only in recent months have the Texas Youth Council and the Department of Mental Health and Mental Retardation agreed to a pilot project in this area. There is no evidence that the issue ever was addressed by the interagency council.

(F)indings indicate that the degree of success already achieved in terms of interagency coordination may be in jeopardy because of the declining involvement by department heads in IPC activities.¹

The declining involvement was attributed to several factors:

1. Agency heads have not felt obligated to attend because neither the Governor nor his immediate assistants convene the meeting.
2. The matters discussed at the meetings are often not of such a nature as to require an agency head's attendance and decision-making ability.
3. Many agency directors felt that the original status and thrust of the councils has waned.²

A review of the historical records of two councils substantiates these observations. Minutes of the ICNRE for sixteen meetings from March 1970, through September 1974, show that the average attendance rate for heads of member agencies is 38 percent. That council was chaired by the Governor (as required by the bylaws) only once during that period.³ Prior to that occasion, the council had not met in 11 months despite the fact that the bylaws prescribe quarterly meetings.

Records of the ICHHR (or those of the two separate councils prior to their merger) do not provide sufficient data to compute an attendance rate; however, it was clear that the Governor had not met directly with this Council since sometime prior to November 1972. A DPC staff position paper prepared in 1972 concerning the ICHHR observed that "activities and meetings have tapered off" and that the "biggest agenda item is an information system." A conclusion drawn in that analysis was that "too few of the vital policy issues are being considered in the total health and human resources context."

Some observers attribute the weakness of the councils as a coordinating and planning mechanism to the lack of direct participation by the Governor and the generalized nature of the meetings, but the problem may be more basic. There exists no authority to require significant interagency coordination of plans and programs among the member agencies of the councils.

¹Koepsell-Girard and Associates, Inc., op. cit., Element B, p. 14.

²Ibid., p. 15.

³Governor Dolph Briscoe chaired the meeting in March 1973.

INTERGOVERNMENTAL PLANNING

The Governor has a number of responsibilities in the area of intergovernmental planning. But the relationships between the State and local governments have been confused by lack of clarity and some duplication in the assignment of functions to various parts of the Governor's Office and other State agencies.

Local Governments. For cities and counties, the responsible State agency for providing technical advice on operations and planning clearly is the Department of Community Affairs. A department similar to DCA was recommended in a League study which found that "there exists a need to coordinate the many programs which already involve the State government of Texas with its political subdivisions."¹ In that report it was suggested that it would be best not to lodge the coordinating role in an *operational* State agency, but rather in a new agency which would, in an advisory capacity, offer several forms of technical assistance without interposing itself between local governments and the State or federal authorities.

One of the purposes of DCA is to "maintain communications with local governments and serve as their advocate...."² However, the DCA, in addition to providing technical assistance, is involved squarely in the operation of a growing number of human services grant-in-aid programs. These operational responsibilities tend to detract from the Department's primary role to act as an impartial liaison or intermediary between local governments and other agencies of the State.

Regional Councils. Lines of communication between the State and the regional planning councils are confused, with the result that the councils regularly must deal with several divisions of the Governor's Office and other State agencies. For example, in 1973, the Brazos Valley Development Council received a general State planning grant from the Division of Planning Coordination, and various federal action and planning grants administered by six State offices including the Texas Commission on Alcoholism, the Department of Community Affairs and four separate divisions of the Governor's Office -- DPC, Criminal Justice, Office of Comprehensive Health Planning, and the Governor's Committee on Aging.³

¹Texas Research League, Metropolitan Texas, (Austin: The League, 1967), p. 69.

²Acts 1971, 62nd Leg., p. 2697, ch. 879, as amended, compiled as Art. 4413 (201) VACS.

³Division of Planning Coordination, Office of the Governor, 1974 Directory, Regional Councils.

A 1972 study of the Governor's planning function noted the following unresolved policy question:

A major question which appears neither to have been asked nor resolved concerns the Council of Governments' status as an arm of the State or an extension of local government ...the answer to this question would go a long way in defining the posture of the State relative to regional councils; i.e., which agency in the State should it be associated with...DPC or DCA?¹

DPC is responsible statutorily for the administration of planning assistance grants to regional councils and for providing technical and operation assistance.² Directly duplicating these responsibilities, the DCA is directed to "provide financial aid to local governments and combinations of local governments for programs which are authorized assistance" and to "assist local governments with advisory and technical services."

GROWING COMPLEXITY IN THE GOVERNOR'S OFFICE

Growth of the staff surrounding the Governor and a continuously expanding list of functional responsibilities has contributed to the uncertainty in the State's chief executive office. The increasing complexity of that office has blurred lines of communication and detracted from the Governor's primary responsibility to promote policy perspective in the overall operations of State government. Two factors contribute to that complexity: (1) The growing dominance of federal grant influence; and (2) the continued housing of operating programs in the executive office.

Dominance of Federal Grant Influence. The New Federalism of the 1960's was based on the concept of an increasing federal-state partnership in the handling of governmental affairs. To implement that partnership, the Congress has pumped more and more federal monies into the states -- with an increasing trend in recent years to involve directly the states' governors. One of the results in Texas is that the Governor's Office is dominated by federal grant influence. (See Chart 3.)

In 1968, the Governor's budget totaled \$4.3 million. State revenues provided 83.7 percent (\$3.6 million) and the remaining 16.3 percent (\$0.7 million) came from federal sources.

¹Koepsell-Girard, *op. cit.*, Element C, pp. 10-11.

²Acts 1965, 59th Leg., p. 1248, ch. 570, as amended, compiled as Art. 1011m VACS.

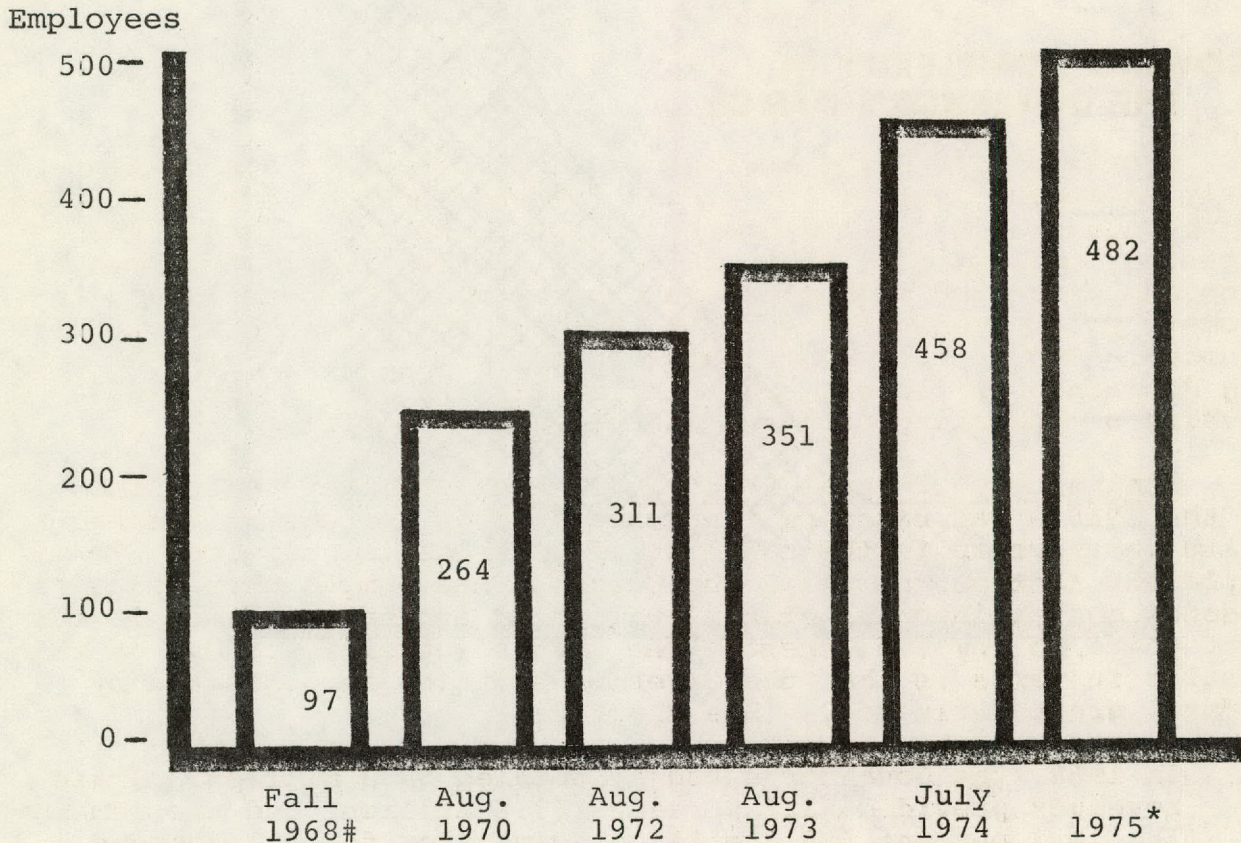
For 1975, total funding for the Governor's Office is estimated to be \$83.2 million. State sources provide 20.4 percent (\$17 million) and the remaining 79.6 percent (\$66.2 million) comes from the federal government.

One of the results of the infusion of federal monies is a five-fold increase in the number of employees comprising the staff in the Governor's Office. (See Chart 4.)

In 1968 the Governor's Office employed 97 persons; for 1975 there are 482 positions budgeted.

Chart 3

EMPLOYMENT GROWTH IN THE GOVERNOR'S OFFICE, 1968-1975



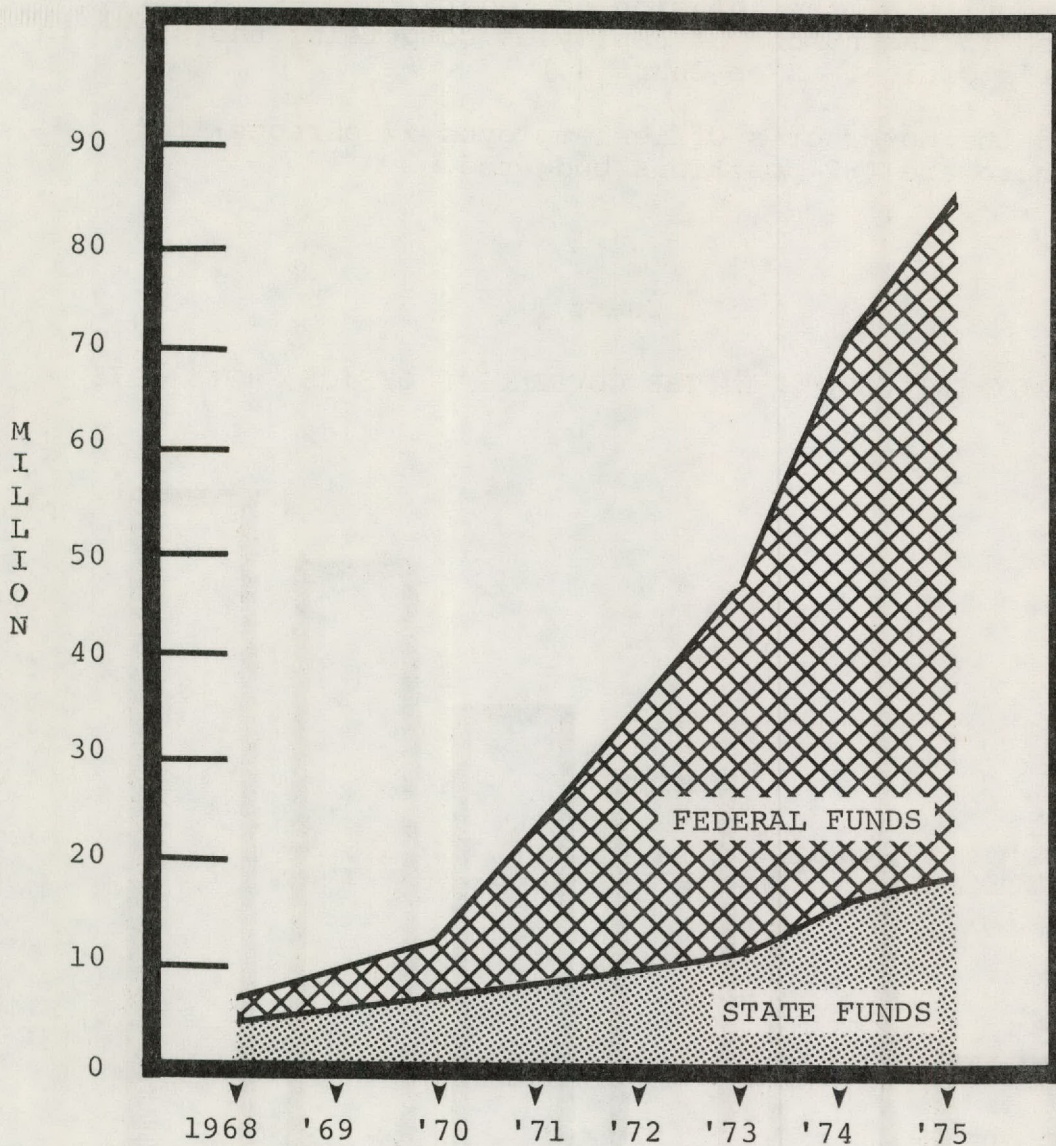
Includes 23 people in Office of Economic Opportunity.

* Personnel budgeted for Fiscal Year 1975.

SOURCE: Governor's Division of Accounting and Budget Request for Fiscal Years 1976 and 1977, Office of the Governor (preliminary draft).

Chart 4

METHOD OF FINANCING, OFFICE OF THE GOVERNOR, 1968-1975*



*State and Federal funds for the Office of Economic Opportunity are included through 1971.

SOURCES: Figures for 1968 and 1970 are staff estimates drawn from General Appropriations bills of the 60th and 61st Legislatures and the Annual Reports of the Comptroller of Public Accounts. 1973-75 figures from the Budget Request, Fiscal Years 1976 and 1977, submitted to the Legislative and Executive Budget Offices by the Office of the Governor (preliminary draft).

Table 4 on the following page is an analysis of the federal funds impact on the Governor's Office for fiscal year 1975. There it is shown that of the 482 positions budgeted for the Governor's Office, 264 (or about 55 percent) are the direct result of federally funded programs being administered in the executive office.¹ However, even this analysis does not tell the whole story. For example, some of the 218 staff positions funded with State money would not be needed but for the existence of federal programs which require matching State contributions or which increase the administrative workload. Available data does not permit a complete analysis of this indirect influence on staffing. Omitted also in this data was the federal funds impact on the Department of Community Affairs, which until 1972 was a part of the Governor's Office and which, for most purposes, is still considered a part of the Governor's staff. (Table 3 shows the federal impact on DCA for fiscal year 1975.)

Table 3

ANALYSIS OF FEDERAL FUNDS IMPACT ON THE DEPARTMENT OF COMMUNITY AFFAIRS FOR FISCAL YEAR 1975

<u>Source</u>	<u>Amount</u>	<u>Percent</u>	<u>Staff Positions</u>
State Funds	\$ 3,170,505	9.5%	26
Federal Funds Est'd	<u>29,983,850</u>	<u>90.5</u>	<u>247</u>
TOTALS	\$33,154,355	100.0%	273

SOURCE: Preliminary budget estimates for fiscal years 1976 and 1977 prepared by the Department of Community Affairs, April 1974.

Combining the funds and staffing for the Governor's Office and the Department of Community Affairs provides a better measure of the federal impact on the Governor's staff.

<u>Source</u>	<u>Funding (000)</u>		<u>Staff</u>	
	<u>Amount</u>	<u>%</u>	<u>Number</u>	<u>%</u>
State	\$ 20,151.6	17.3	244	32.3
Federal	<u>96,239.6</u>	<u>82.7</u>	<u>511</u>	<u>67.7</u>
Total	\$116,391.2	100.0	755	100.0

¹This is only the number of budgeted positions for fiscal year 1975. At the beginning of the fiscal year, the Governor imposed a "freeze" on employment and the actual number of employees in the Governor's office in November 1974 was 419 -- a decline of 39 positions, about 8.5 percent from a year earlier.

Table 4

ANALYSIS OF FEDERAL FUNDS IMPACT ON THE GOVERNOR'S OFFICE FOR FISCAL YEAR 1975

	<u>State Funds</u>		<u>Federal Funds</u>		<u>Staff Positions¹</u>		
	<u>Amount</u> <u>(000's)</u>	<u>Percent</u>	<u>Amount</u> <u>(000's)</u>	<u>Percent</u>	<u>Total</u>	<u>State</u> <u>Portion</u>	<u>Federal</u> <u>Portion</u>
<u>State Funded Divisions</u>							
Main Office	\$ 1,058.8	100.0%	-	-	51.0	51.0	-
Budget	222.3	100.0	-	-	15.0	15.0	-
Film Commission	99.9	100.0	-	-	3.0	3.0	-
Educ. Research & Planning	300.7	100.0	-	-	7.0	7.0	-
Mansion	84.9	100.0	-	-	7.0	7.0	-
Subtotal	\$ 1,666.6		-		83.0	83.0	-
<u>Federal Funded Divisions</u>							
Migrant Affairs	\$ -	-	\$ 491.9	100.0%	5.0	-	5.0
Volunteer Programs	-	-	54.3	100.0	N/A		
Subtotal	\$ -		\$ 546.2		5.0	-	5.0
<u>State-Federal Divisions</u>							
Accounting	\$ 126.2	89.1	\$ 15.4	10.9	12.0	11.0	1.0
Personnel	6.7	20.1	26.6	79.9	2.0	.5	1.5
Equal Employment Opport'y	25.0	7.0	329.8	93.0	20.0	1.5	18.5
Criminal Justice	7,529.9	13.9	46,527.1	86.1	106.0	15.0	91.0
Aging	422.0	4.3	9,399.2	95.7	29.0	1.0	28.0
Traffic Safety	3,600.0	40.2	5,350.0	59.8	31.0	12.5	18.5
Planning Coordination	2,543.8	58.4	1,808.5	41.6	105.0	61.0	44.0
Comprehensive Health Pln.	123.5	14.6	718.0	85.4	4.0	.5	3.5
Information Services (OIS) ²	937.4	37.9	1,534.9	62.1	85.0	32.0	53.0
Subtotal	\$15,314.5		\$65,709.5		394.0	135.0	259.0
TOTAL ³	\$16,981.1		\$66,255.7		482.0	218.0	264.0

¹Rounded to nearest half position.

²OIS is scheduled to be phased out by the end of FY 1975.

³Budget figures were not available for the South Texas Cultural Basin Commission.

SOURCE: Budget Request, fiscal years 1976 and 1977, submitted to the Executive and Legislative Budget Offices by the Office of the Governor, Jan. 1975 (preliminary draft).

In total then, over the seven-year span from 1968 to 1975:

- The staff for the Governor has grown from 97 to 755, an increase in excess of 700 percent.
- Funding in the Governor's Office increased from \$4.3 million to \$116.4 million, an increase of 2700 percent.
- The 1975 ratio of State to federal funds is almost exactly the reverse of that in 1968 - \$8 of each \$10 comes from the federal government.

Most of the federal monies are passed through the Governor's Office to local governments or to other State agencies. However, some of the funds have generated new operating programs and a number of these are administered in the Governor's Office.

Operational Programs in the Governor's Office. Generally, an executive office, staffed with a central core of personnel, is concerned with developing policy and with providing central guidance to an organization's functional operations. The actual performance of operational programs seldom is carried on within the executive office. One management specialist gives this the weight of an organizational principle: "The management texts agree that top management should not 'operate'."¹

In the Governor's Office there are at least four programs which are operational in nature:

- The Texas Film Commission was established by statute in 1972 "to encourage the orderly development of the film, television, and multimedia production industry in Texas...."²
- The Traffic Safety Office, established by the Texas Traffic Safety Act of 1967,³ was the State's response to the federal Highway Safety Act of 1966. The Governor is responsible for preparing and administering a state-wide traffic safety program to reduce traffic accidents, for developing standards and improved methods of driver training, and for distributing grants for various activities contributing to the traffic safety program.

¹Peter F. Drucker, Management: Tasks, Responsibilities, Practices, (New York: Harper & Row, 1973), p. 613.

²Acts 1972, 62nd Leg., 4th C.S., p. 29, ch. 13, compiled as Art. 4413(45), VACS. A 1972 study of the Governor's Office recommended that the Film Commission be transferred to the Texas Industrial Commission. Management Services Associates, Inc., op. cit., p. 19.

³Acts 1967, 60th Leg., p. 777, ch. 327, compiled as Art. 6701, VACS.

- The Governor's Committee on Aging, created by the Legislature in 1965, is directed "to develop, strengthen, extend and expand, encourage, promote and aid in the establishment of programs and services on a local level for the betterment of living conditions and the more full enjoyment and participation in family and community life by the aged." The Committee is the designated State agency to handle federal programs relating to aging which are not specified by State or federal law to be the responsibility of another State agency.¹
- The Office of Information Services was created by Executive Order in 1971 and directed in the general appropriations bill to develop and implement a master plan for the utilization of electronic data processing and telecommunications in Texas State government and to develop and maintain an economic model of the Texas economy.²

Among several plausible justifications for initiating programmatic operations in the Governor's Office are these:

- To emphasize the Governor's support for a particular program;
- To provide a protective environment for a new program; or
- To provide an organizational home for a program to meet a need arising as a response to federal actions.

It has been acknowledged that "new program undertakings are not always welcome by more traditional interests, whether program or political."³ Thus, the chief executive as an agent for change in government may often have to provide for the development of some new programs within his office. However, for that to be a continuing process, new programs, once operational, should be moved out to make room for others. A previous study of the Governor's Office observed that such a policy in Texas "sometimes flounders on a simple fact: The lack of a suitable place in the executive branch of the State government for newly operational programs to land."⁴

¹Acts 1965, 59th Leg., p. 669, ch. 320, as amended, compiled as Art. 695K, VACS.

²The Governor has not included the OIS in his budget proposal for 1976-1977. Part of the functions of the Office would be transferred to the Division of Planning Coordination; the operational responsibilities for a communications system is proposed to be moved to the Board of Control.

³Council of State Governments, State Planning and Federal Grants, (Chicago: Public Administration Service, 1969), p. 51.

⁴Management Services Associates, Inc., op. cit., p. 12.

CHAPTER III

IMPROVING CENTRAL MANAGEMENT

Clear warnings have appeared that the unplanned, uncoordinated pattern by which Texas' State government has grown may not be the structure best suited to respond to the challenges posed by growth and expansion, may not be the organization necessary to facilitate policy planning and effective program management, and may not be the "State government...modern in concept, viable in structure and capability, and responsive to changing needs..." sought by Governor Dolph Briscoe when he requested this study.

Former Governor John Connally voiced his concern about the State structure in 1969:

...as State government becomes more fragmented, it becomes less effective and gives more reason for federal assumption of State duties.... There must be a place of central State responsibility with a built-in system of planning, coordination and constant evaluation.

Governor Dolph Briscoe, in his State of the State Address to the 64th Legislature, again raised the issue of the ability of the State to control itself:

One right each Texan has is the right to economical, efficient and responsive State government which spends his hard-earned tax dollars wisely and frugally.

To put it in plain terms, we must waste absolutely nothing.

We must establish our priorities and stick with them....

Setting priorities in a rational fashion, or implementing an operating plan once made is difficult in the present system. There are two major reasons:

1. No "place of central State responsibility" for administrative support and supervision exists in Texas State government. Thus, in many areas information simply does not exist upon which to base decisions, while in others there is duplication of effort.
2. In several crucial respects, the operating agencies of Texas are independent of any central focus that does exist.

From one aspect, the independent agencies are "free" to go their separate ways. From another point of view, the agencies are denied any guidance as to what the central policy might be. Either way, there can be no unity except under extraordinary circumstances.

To solve these institutional problems, steps should be taken in two directions: First, to create a Department of Administration; and second, to improve management capabilities by developing better methods to utilize support facilities and by bringing better focus to the Governor's Office.

A DEPARTMENT OF ADMINISTRATION

The first step necessary to improve central management is to consolidate administrative support and supervisory functions of State government into a single agency. Such a department would make possible for the first time a unified State voice in administrative matters.

RECOMMENDATION

It is recommended that a Department of Administration be created to bring together those functions which provide administrative support to the State's program agencies.

Departmental Direction

Part I of this series of reports discussed alternative models for restructuring the management of Texas State government. (see Chapter V). The management structure of a Department of Administration should be designed to fit into an overall blueprint for the State's development. Broadly speaking, the alternatives are as follows:

- A Director of Administration. If the overall design is aimed at strengthening the administrative role of the Governor, the Department should be under the direction of a single administrator appointed by the Governor.
- A Legislative Committee on Administration. Continuation of the present trend toward legislative preeminence in administrative management would indicate that the director might be made responsible to a legislative agency such as the Legislative Budget Board.
- A Joint Administrative Commission. A move in the direction of a joint executive-legislative format for central administration could be accomplished by making the director responsible to a commission composed of representatives of the Governor and the Legislature.
- A Board of Administration. Under the presently accepted concept of "neutral competence," the agency head could be responsible to an independent board or commission.

It might be desirable to provide advisory committees for various departmental functions, regardless of the nature of top management. For example, the three-member, part-time Board of Control could be continued for the purpose of developing policy guidelines on purchasing, whether the Department were headed by a director, legislative committee, joint commission or board.

Functions of the Department

The new Department should, at a minimum, consolidate the responsibilities of the Building Commission and the Board of Control, plus the property inventory duties of the Comptroller, the information management duties of the Governor's Office of Information Services, and the data processing system services of the State Auditor. Functionally, this would encompass:

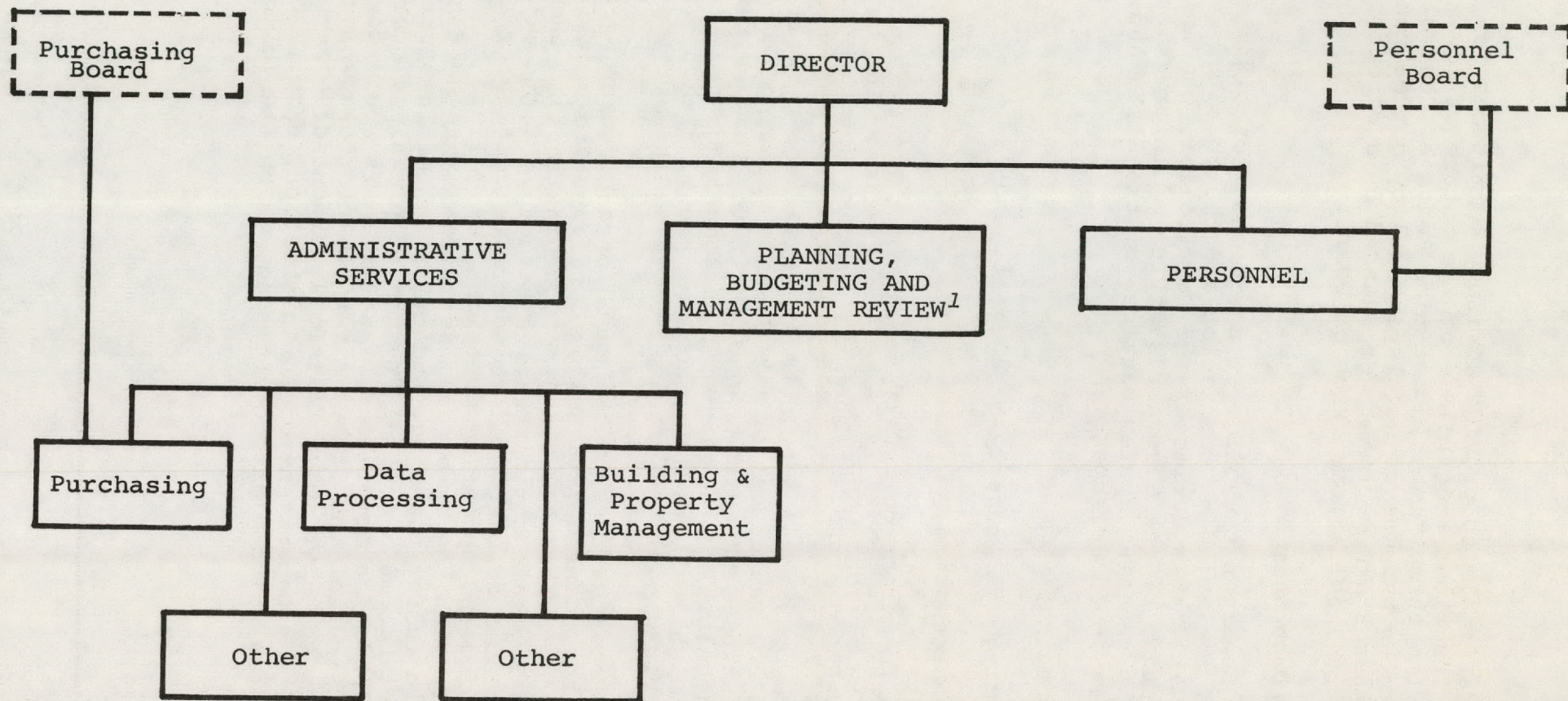
- purchasing,
- building and property management, and
- data processing.

Related functions currently nonexistent in Texas government also should be included in the new organization. The building and property management function should encompass comprehensive capital planning, for example. The need for supervision or support of motor vehicle operations should be investigated, as well as the alternatives for management of the State's printing and data processing facilities. (A method for identifying these alternatives is suggested below.) A new central personnel agency (discussed later) also might be housed in the Department, although an independent policy board could be created for this distinct purpose.

If the Department is to be headed by a director appointed by the Governor, consideration should be given to transferring the Governor's Division of Planning Coordination and the Budget Office under the same administrative structure. The major justification for such a move would be to create continuity and stability in the planning and budgeting functions, as well as to link them operationally with the other administrative management tools. A Department including planning, budgeting and administrative support would in fact become a central "system of planning, coordination and evaluation" of a comprehensive nature. It would give "the Chief Executive Officer of the State" a variety of tools which he could use to "cause the laws to be faithfully executed." A possible organization for a Department of Administration, showing only the major functions which might be included, is on the following page.

Chart 5

A POSSIBLE ORGANIZATION FOR A DEPARTMENT OF ADMINISTRATION



¹The planning, budgeting and management review function would be included only in the event that the Department Director is appointed by the Governor.

— Suggested
- - - Alternatives

PLUGGING CENTRAL MANAGEMENT GAPS

Consolidating the management of administrative support functions will clarify central staff responsibilities. But State government will continue along uncharted paths until:

- some of the existing informational gaps are filled,
- impediments to effective administration are removed, and
- a planned approach is developed for providing some of the important general government functions.

Removing Two Administrative Impediments

Purchasing. Purchases with "local" funds are exempt from the procedural requirements of the State Purchasing Act. Nowhere are these purchases reported and it is impossible to tabulate accurately what individual agencies are buying or how much is being spent.

RECOMMENDATION

At a minimum, all State agencies should be required to report (by type and by cost) local fund purchases.¹

Alternatively, all purchasing could be subjected to the requirements of the State Purchasing Act by eliminating "exempt" purchases. Without a change of this nature, it will continue to be impossible to know how the State's resources are being used.

Printing. The Constitutional provision (Article XVI, Section 21) relating to printing has proved not only to be an ineffective administrative control, but also to be an impediment to the development of efficient methods to use the State's reproduction facilities. For example, if agencies could openly engage in printing, more efficient use of existing equipment might be possible through interagency contracts or through the development of a central graphic reproduction facility which would serve many agencies.

¹As a part of the examination of revenue and taxation administration (Part III of this study), the League commissioned a nationally known accounting firm (which has been involved in similar studies in other states) to look at Texas' central accounting system and to assist the staff in determining the need and feasibility of designing and implementing revised reporting mechanisms. One of the recommendations made was that local funds (revenues that are deposited in local banks and remain under the exclusive control of the individual agencies) should be reported to the Comptroller on a monthly basis so that an overall picture of what the State is spending can be developed. The report showing the expenditure of local funds could include an itemization of purchases.

RECOMMENDATION

It is recommended that the Constitution be amended to remove Article XVI, Section 21.

Neither the Constitutional Revision Commission nor the 1974 Constitutional Convention included the provision in their recommended revisions.

Evaluating the State's Central Management Operations

The evidence from a "reconnaissance" study of central "business" functions of the State is sufficiently clear to warrant in-depth study. Data processing, printing, purchasing and motor vehicle operations for the State of Texas as a whole are multi-million dollar operations. Someone should ask such questions as:

- Does the State need more -- or less -- than the 174 computers its agencies are estimated to have now?
- Could efficiencies and/or economies be brought about if agency printing operations were legitimized and interrelated in some fashion?
- What does the State's motor fleet cost -- and is the State getting its money's worth under the separate agency systems?

These types of functions are not unique to state government: They are shared by all large organizations. The State of Texas, as well as other states, previously has profited from the experience of business organizations in managing similar operations, and it should do so as part of any overall study of State government organization.

In the Research League's 1963 management study for the Railroad Commission, business consultants -- loaned without cost to the State -- were helpful in analyzing the Commission's data processing requirements and in designing space utilization plans for the restructured agency. Similarly, governors in other states have established "loaned executive" programs to assist in improving governmental management capabilities in various areas.¹

¹*See, for example, Final Report, Governor's Loaned Executive Action Program (State of Minnesota, 1972); and Management 70's Task Force, Summary of Recommendations and Status of Implementation as of October 1, 1970 (State of Oregon, 1970).*

RECOMMENDATION

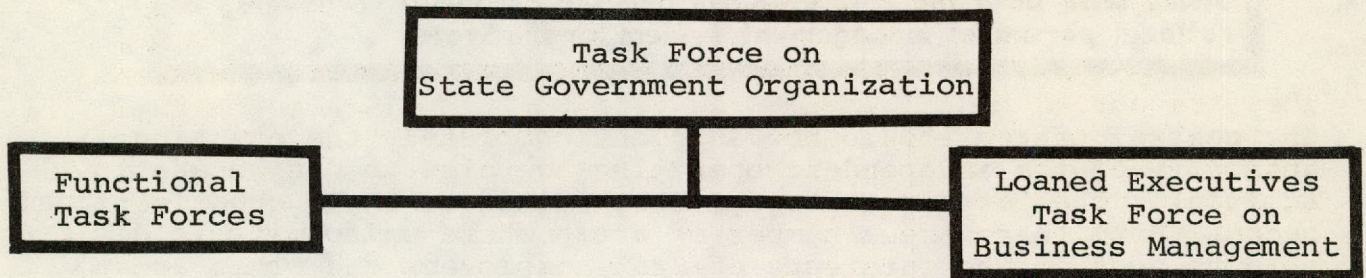
It is recommended that the Governor establish a "loaned executives" task force to help develop the working structure and processes for the business management operations of the State.

The loaned executives task force should be associated with the larger organization study effort. If the concept of an overall task force for the study is adopted,¹ the relationship of the loaned executives to the main task force might be as shown in Chart 6. Staff should be provided the task force -- but not to supplant direct participation by loaned executives in on-site analysis. Task force members should be selected from the Texas business community on the basis of their experience and knowledge in the operations to be evaluated. Four prime areas for study are:

- capital planning for the State,
- data processing operations,
- printing operations, and
- motor vehicle operations.

Chart 6

POSSIBLE TASK FORCE STRUCTURE FOR A STUDY OF STATE GOVERNMENT ORGANIZATION



IMPROVING PERSONNEL MANAGEMENT

Improvements in State personnel management should be centered in two areas: (1) providing a more effective process for developing personnel policies, and (2) providing an integrated management structure which gives central focus to personnel administration.

The Decision-Making Process

At a minimum, the decision-making process should be improved by combining all of the existing personnel policies established

¹As proposed in Part I of this series of reports.

by general statute and the appropriation act into one "personnel code," approved by the Legislature. The purpose of the code would be twofold:

- To bring the existing provisions which are scattered throughout the general statutes and the appropriation act into a logical sequence; and
- To facilitate a periodic review of the provisions from the standpoint of desirable management practices, separate from fiscal considerations.

A more flexible mechanism for providing policy guidance could be effected through improvements in the management structure.

An Integrated Management Structure

There is little apparent rationale to the development of the existing personnel management structure. Simply combining the various parts into an integrated organization likely would improve personnel administration. Beyond this, improvements should be designed to fill some of the functional gaps.

RECOMMENDATION

It is recommended that the Legislature create a central personnel office with both the responsibility and the authority to develop a rational personnel management system for the State.

The central office should not supplant completely the existing authority of the independent operating agencies to design and to administer the personnel program best suited to their organizational needs. But there are a number of areas where uniformity is desirable to protect the interests of State employees and other areas where centralized services would be useful to the individual agencies and to the State as a whole.

Functional Responsibilities. At the very least a personnel office should perform a clearinghouse function, providing a central contact point for prospective employees and an agency placement service. The central staff might profitably provide a number of employment *services* to individual agencies. For example, if a central contact point for employment is established, the staff also might screen applicants (and administer tests, where appropriate) before referring them to individual agencies for employment action. A list of the more likely candidates for employment could be circulated among the agencies; in turn, the agencies should be required

to keep the central staff informed when vacancies occur so that applicants and jobs might be matched. One of the clearinghouse functions should be to promote employee mobility when opportunities for job advancement arise.

A broader role for the suggested personnel office should include the responsibility to develop personnel policies. For example, the agency might be given three broad policy roles:

1. Develop personnel policies (within legislative guidelines, where appropriate) which impact all State agencies and/or State employees, such as hours and days of work, holidays, vacation and sick leave provisions, and other matters pertaining to conditions of employment; and issue uniform rules and regulations for application of these policies.
2. Develop general guidelines for agency application of important personnel practices such as grievance procedures, performance evaluation, etc.
3. Assist State agencies (particularly those which lack a strong personnel staff) in the development and application of personnel policies and practices.

The policy formulation function probably should be developed by a policy board. That board also could serve as a grievance review authority for the airing of employee complaints that could not be resolved at the departmental level. The considerable personnel management expertise already existing at the agency level should be utilized through task forces composed of agency personnel directors to formulate policy alternatives and to suggest improvements.

In addition to its policy-making duties, the new agency might be responsible for these additional functions:¹

- Develop State responses to federal laws and administer those personnel programs jointly financed by the State and the federal government;
- Develop and coordinate State training programs;
- Coordinate State manpower resource planning and development; and
- Administer the State salary program.

The future possibility of State employee unionization should be a consideration in the development of an effective personnel management system. Later League studies will explore this issue in more detail.

¹Each of these functions is described in the League's 1972 personnel report, Quality Texas Government.

The responsibility of establishing a new personnel agency (drafting personnel policies, developing personnel manuals, building the internal operating procedures, etc.) would occupy the entire staff for perhaps two years. At the outset, the authority of the personnel office might be limited to the existing classified service. Later the Merit System Council operations and the other parts of the State workforce could be brought under the authority of the new agency.

REORIENT THE GOVERNOR'S OFFICE

The final step necessary to improve central management is to reorient the workload of the Governor's Office so that the chief executive and his principal advisors can devote their attention to promoting policy perspective without being diverted to matters extraneous to that primary role.

In other parts of this report it has been suggested that:

1. The Governor's budget role needs reexamination (and, possibly, redefinition) and that steps could be taken to better balance the executive input into the budget preparation process. (See pages 25-28.)
2. Planning, budget preparation and management review should be linked organizationally so that the Governor's budget input is directed to translating policy goals into action-oriented programs which are based on a comprehensive design of where the State should be going. (See pages 28-30.)

If the suggested Department of Administration is created and made responsible to the Governor, the budgeting, planning and management review functions could be included in that new agency. The result would be one central agency which combines most of the tools available to the Governor to act as the State's chief executive.

Two other organizational aspects contribute to the lack of focus in the Governor's Office. First, at least four operational programs are housed in the executive office, and these detract from the ability of the Governor and his staff to concentrate on policy issues.

RECOMMENDATION

It is recommended that operational programs such as the Texas Film Commission, the Traffic Safety Office, the Committee on Aging and the Office of Information Services be transferred out of the Governor's Office.

In this report it has been suggested that the Office of Information Services should be made a part of the new Department of Administration.¹ The appropriate organizational home for these other functions was not examined in this study.²

A second organization change should be made to eliminate existing overlap in functional assignments.

RECOMMENDATION

It is recommended that administration of regional planning grants be transferred from the Governor's Division of Planning Coordination to the Department of Community Affairs.

The Department of Community Affairs has the primary responsibility for the promotion of state-local relations. This suggested organizational change would consolidate further the tools available to accomplish the Department's statutory duties, eliminate the existing duplication in state-local affairs, and give the regional councils one agency to which they could look for advice and assistance.³

It must be recognized, however, that the Department of Community Affairs role as State liaison agency to local governments has been complicated by its assumption of operating programs in the human resources field. In addition, DCA has yet to fulfill its statutory responsibilities for collecting and publishing relevant information on local government activities. In Part III of this series, it is recommended that local government data collection functions now assigned to the Comptroller's Office should be transferred to the Department of Community Affairs.

¹While this report was being prepared, OIS was being dismantled at Governor Briscoe's direction. Some of its duties were recommended for transfer to the Board of Control, and others to the Governor's DPC.

²A 1972 study of the Governor's Office recommended that the Film Commission be transferred to the Texas Industrial Commission. That study also concluded that the Committee on Aging should not be transferred because (1) it is primarily a coordinating agency, and (2) such a transfer "would be interpreted by many sensitive elder citizens as a clear sign of lack of interest in them by a Governor...." Management Services Associates, Inc., *op. cit.*, pp. 19 and 21.

³In Part III of this report (Revenue Administration), additional suggestions were made concerning the transfer of some of the Comptroller's functions relating to the collection of financial information on local governments.

RECOMMENDATION:

It is recommended that the program responsibilities of the Department of Community Affairs be re-evaluated in terms of its statutory purposes and in terms of its basic role as State liaison agency to local governments. Functions not related to that basic role should be reassigned to other agencies.

SUMMARY

A modern, viable and responsive State government requires an orderly central management which can provide oversight and guidance to the State's action-oriented agencies. The suggestions made in this report on general administration would help to improve central management in Texas' State government.

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