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Date _____

MINUTES OF THE SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Chairperson Al Ramirez at 1:30 p.m. on January 19, 1994 in Room 531-N of the Capitol.

All members were present except: Senator Lee - Excused
Senator Vidricksen - Excused

Committee staff present: Julian Efird, Legislative Research Department
Fred Carman, Revisor of Statutes
Jackie Breymeyer, Committee Secretary

Conferees appearing before the committee: Mike Laughon
Area Manager Governmental Affairs
Southwestern Bell

Jim Clark
Vice President Internal Audit
Western Resources

Sheri Boyer
Manager, Central Facilities Planning Engineering
& Construction
The Boeing Company

Ron Terzian
Director of Operations Boeing Computer Services
The Boeing Company

Ken Wymore
Vice President Management Information Systems &
Communications
Western Resources

Others attending: See attached list

Chairman Ramirez called the meeting to order and called on Secretary Seltsam who introduced the team members who took part in the Reinventing Kansas Government initiative. Each member gave his/her impression of the experience on the team.

Mike Laughon, Area Manager Governmental Affairs, Southwestern Bell, was first to speak. Mr. Laughon was the project team leader for the Inventory/Asset Management team. Sheri Boyer, Manager, Central Facilities Planning Engineering & Construction, Boeing, was Mr. Laughon's assistant. There were also eight state employees from various agencies. The team studied the effectiveness and efficiency of the structures, processes and systems used to manage the State's assets. The team split into three subcommittees: Vehicles and Equipment; Buildings; and Inventory and Central Warehousing. Mr. Laughon's group looked at the state inventory system; Ms. Boyer's group looked at the building operations, and Dale Jost, KDOT, headed the group that dealt with motor vehicles. Each team functioned somewhat similarly. Some of the teams sent out questionnaires to agency employees. Interviews were held with key people of the larger agencies who handled the inventory system. There were focus group meetings. They met with agency representatives who worked with inventory that attended meetings in Topeka, Wichita and Salina. These representatives gave input into what they thought could be done to improve the systems. Recommendations were then developed to help streamline the process.

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The Chairman asked Mr. Laughon about the response to questionnaires. Mr. Laughon replied that there were several questionnaires. Mr. Jost, KDOT, stated that in the motor vehicle questionnaire, 29 were sent, and 22 responded. Ms. Boyer stated that her group had sent out approximately 125 questionnaires, with a response of about 60%. Ms. Boyer also stated that a cover letter was sent out to each agency asking the most appropriate person concerned to fill out the questionnaire. This would not necessarily be an agency head. The Chairman thanked Mr. Laughon.

Jim Clark, Vice President Internal Audit, Western Resources, appeared next. Mr. Clark was a team leader along with Bill Jarrell, Boeing. There were also seven other members from state agencies on the team. Surveys were sent out to all legislators. There were interviews with people who in the past had dealt with the budgeting process, as well as current players. In addition, the budget processes of several other states were obtained to identify a state with an extremely good budgeting process. The Boeing and Western Resources budgeting processes were looked at also. It was ascertained that whether past or current players, the problems and issues identified were the same. Studies done in 1969 and 1977 show that the problems are not significantly different than currently. Significant changes were made in 1981, but essentially the process has not been changed since the 1950s. It is felt there will have to be a cultural change, as well as a process change if the Kansas budgeting process is to be significantly more efficient than it currently is. The biggest opportunity will be with identification of performance measures and a look at programs versus performance measures.

The Chairman asked Mr. Clark to expand on one of the Quick Hits on page 10 of the Summary that read "Revise the Budget Analysis document prepared by the Kansas Legislative Research Department to be consistent with changes in the executive budget process".

Mr. Clark responded that if the way the budget is being put together on the Executive side is changed, and the way the Legislative Research group puts its budget together is not changed, the purpose of the process is defeated. They must go step in step.

A dialogue ensued between Mr. Clark and members of the committee concerning budgeting processes in public and private entities and the uniqueness of the function of state government.

The Chairman thanked Mr. Clark for his presentation and called on Sheri Boyer, Manager of Central Facilities Planning Engineering and Construction, Boeing to speak. Ms. Boyer gave her background as a graduate of architecture at the University of Kansas and from there going to a small architectural firm in Wichita. About fourteen years ago she went to The Boeing Company. Ms. Boyer's observation is that it is very difficult to make change. She has gone through this at Boeing. It is hard to wait to reap the rewards. Her message is that continuous improvement is not an overnight thing, it's hard work every day and it never stops.

A comment by another committee member was that they are looking at only a microscopic portion of a seven billion dollar budget with thousands of employees, unlike the corporate structure that tries to squeeze out performance measures. For performance based budgeting there must be programs, and from these develop the mission, goals and objectives.

Mr. Clark replied that team members, the majority of people surveyed, along with the surveys indicated the thought that there needs to be performance-based work. Studies have been made for over twenty years and nothing material has been done. Even the Legislature said that's what they need. It is not just one side of government, but a general agreement that something needs to be done.

The comment was made that a lot of people in government are very slow to change; they are scared to change when there is a price tag on it. A plan is definitely needed.

Mr. Clark commented he did not come in contact with anyone either on the team or anyone interviewed that felt there would have to be significantly more money to make change. They know they are going to have to work smart and to make changes within the existing dollars.

Mr. Clark was asked what he thought about the importance of the bi-annual budgeting process. He responded that he thinks the planning process is quite important, which means more than one year. At least two years will be a start; then three years, then the next step. He feels very strongly that there needs to be more than a one year- process in terms of what needs to be accomplished. It has to be taken one step at a time. Mr. Clarke also said this does not apply to all agencies, only the larger ones.

A comment was made with respect to the computerization of government. Millions and millions of dollars have been spent on computers. Several directors have come and gone. Programs cannot come on-line. After the legislators go home, the people involved seem to do what they want. It is very frustrating.

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Another committee member commented that what happens in many cases, is that when the legislators get home, the intent of their work was not lived up to. Instead of having people not hired and FTEs cut, they find out that a program or a plan has been cut. In the private sector the people at the top make the decisions and if the department heads don't abide by the rules, they are no longer employed.

3:20 Continuation

The Chairman called the meeting to order and called on Mr. Ron Terzian, Director of Operations, The Boeing Company, to give his presentation.

Mr. Terzian used an overhead projector to show the Agenda, Team Members, Mission, Scope and Process of their work. Mr. Ken Wymore, Vice President Management Information Systems and Communications, Western Resources, was also a team member. The mission was to focus on the best methods for planning, organizing, obtaining, and managing information systems and information technology in state government. They had a sixteen week time frame so the scope had to be limited to get something done. The fundamental process was brainstorming that included a wealth of knowledge from people who know how the state operates and functions, and how the state does not function in certain cases. They did twenty-five face-to-face interviews. Surveys were sent out, with the results compiled and analyzed and put into the findings in the report. Further analysis and discussion resulted in the Quick-Hit Initiatives and the Major Initiatives.

After a few further comments, Mr. Terzian stood for questions.

A question was posed regarding computer hardware and vendors.

Mr. Terzian replied that it was the team's opinion that 463 individual contracts for maintenance of computer hardware is too many. What this is saying is that the state is not taking advantage of the leverage of the state in terms of mass volume. Leverage of a vendor should be used to reduce costs and to improve service.

In reply to the question of why so many vendors, Mr. Terzian's reply was that he thinks there is no overriding philosophy. The state covers a lot of territory and this presents distance problems. On the average, if advantage is taken of leverage of the numbers, total cost should go down to the state significantly. The best judgment would be that the cost of maintenance could be reduced twenty to thirty percent. In further response, Mr. Terzian commented that it sounds simple to reduce the number of maintenance contracts, but given the velocity of change in technology, it is very difficult. A philosophy can be established for the smallest reasonable number to take advantage of the state's leverage in holding vendors to account.

Mr. Terzian was asked what his first impression was of how the state operates as compared to his company. He stated that he frankly had some preconceived notions about state government and government in general and about the people not being as hard working as private sector people. After the first couple of meetings, he found the people very good, dedicated, and doing the right thing for the taxpayers. He was impressed and stated that good things happen because of good people, but not because of good systems or processes. The way government is structured, state and federal, is a structure that is designed to be inefficient and that includes Legislative, Executive and Judiciary.

Mr. Wymore stated that government cannot be run like private business.

Mr. Terzian stated that the state people he worked with are very bright and very dedicated, but the processes and the systems they have to work with are very frustrating. The system 'disincentivizes' people to take risks and to do the things that they think are right.

Mr. Wymore commented that there is no performance management appraisal system that will reward them for taking risks or trying to move forward into something that is new and different. In a sense there is no incentive to attempt to go forward and come up with better methodologies.

A few comments were made about the employees award program. This rewards an individual financially if they come up with some kind of mechanism or process that will save money. Secretary Seltsam stated she believes this program probably should be revisited to come up with more of a team or management concept. There are some abuses with the system; there is pirating of suggestions etc. They are looking at other ways of recognition such as teamwork and team rewards-such as private companies employ other than monetary.

Mr. Terzian commented that there was such a short time frame within which to work. The fundamental issue seen was no context within which the information technology people could work, develop systems, etc. There is no 'guiding light'. The proposals in the report, if effectively implemented, will facilitate doing the types of things that have been talked about.

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The state cannot afford for more than one agency in the state to investigate technology and to assess whether or not it would be of value to the state. If more than one agency is doing the same thing, money is being wasted. If there are different agencies using the different software development methodology this is waste also because people cannot be trained properly. What is needed is an overarching structure with a strategy and a set of guidelines and standards.

Mr. Wymore stated that there is a substantial amount of cost savings to be found if data can be shared.

When ways to save money for state government to be able to run more efficiently are looked at, one of the fundamental things to do is to start sharing data and share information and get people on common platforms so that they can come up with cost savings.

After further comment, the Chairman asked Secretary Seltsam when Phase II would take place. The Secretary replied that Phase II of Phase I is already taking place. At this point in time they are in the mode of implementing the Phase I implementations and Quick Hits. The Steering Committee is scheduled to meet again the second week of February and identify second phase projects.

Secretary Seltsam stated that she would be pleased to come before the committee to introduce any legislation that may be needed.

Chairman Ramirez thanked everyone who had appeared and taken part in the discussion, giving government a different perspective to all present.

The meeting was adjourned.

The next meeting is scheduled for January 25, 1994.

GUEST LIST

COMMITTEE : SENATE GOVERNMENTAL ORGANIZATION

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