

HB287 - Restructuring of the Department  
of Community & Culture

**Summary Response – October, 2011**



## DEPARTMENT BACKGROUND

In 2006, the legislature converted the Department of Community and Economic Development (DCED) into two new departments; the Governor's Office of Economic Development (GOED) and the Department of Community and Culture (DCC).

DCC has just over 200 employees (192FTE), with only seven staff at the department-level. The department's mission is: *"To enrich the quality of life for the people of Utah, DCC creates, preserves, and promotes communities and culture."* The divisions of DCC include:

### **Division of Arts & Museums (DAM)**

*"To advance arts and culture by engaging every Utahn in arts and culture."*

### **Division of Housing & Community Development (HCD)**

*"To be a catalyst for creating, improving and preserving housing, community infrastructure, facilities, services and economic development that will enhance the quality of life for the people of Utah."*

### **Division of Indian Affairs (DIA)**

*"To promote positive intergovernmental relations and the government-to-government relationship between the State of Utah and Utah's American Indian tribes."*

### **Division of State History (DSH)**

*"To preserve and share the past for the present and future"*

### **State Library Division (USL)**

*"Develop, advance, and promote library services and access to information."*

### **Office of Ethnic Affairs (OEA)**

*"To ensure Utah state government adequately meets the needs of Utah's ethnic community."*

Together, these divisions administer over 50 programs with a complicated financial portfolio that averages \$18million general fund, \$105million federal and restricted, and \$5million in dedicated credits.

The impact of some of DCC's programs is very difficult to quantify (i.e. the intangible impact of the experience of someone who learns something new at a library or museum). On the other hand, the impact of some of DCC's programs is readily apparent; such as its role as a critical catalyst in Utah's creative cluster/ecosystem (i.e. the Sundance Film Festival began as an initiative of the Utah Arts Council).

## LEGISLATIVE MANDATE

HB287, *Restructuring of the Department of Community and Culture*, was passed in the last legislative session. This bill requires DCC's Executive Director to conduct a thorough study that involves:

- conducting an in-depth assessment of the department to determine what **internal restructuring** or **assignment of functions** or assignments to other entities (with the goal to improve efficiency, reduce costs, and improve customer service) – *line 2322*,
- holding **meetings with stakeholders** throughout the state (i.e. community, ethnic, and cultural leaders; the library, history, and museum communities; Indian Tribes; and business leaders) – *line 2347*,
- immediately conducting a study involving **stakeholders of various ethnic groups** throughout the state as to the state's changing demographics and how state agencies can meet the needs of those communities – *line 2340*, and
- **reporting** to the Governor (8/2011), DCC's Interim Committee (10/2011), and the Legislative Management Committee (12/2011) – *line 2367*.

## OPPORTUNITY STATEMENT

DCC welcomes the opportunity to conduct this study, as it takes seriously the charge to optimize. For example, efforts taken this calendar year have resulted in a reduction of 13.5 FTE and \$1.2m in ongoing operational cost, (this equates to 7% of DCC's workforce). This has improved operational efficiencies, without negatively impacting statutorily-defined outcomes.

DCC's divisions share the overarching goal to build their various communities, but there are three substantial challenges for the department:

- 1) **departmental administration is difficult because of the natural tendency of divisions to operate in subject-matter silos,**
- 2) **many of DCC's programs and employees are highly specialized, and finding areas in state government with potentially compelling efficiencies is difficult, and**
- 3) **DCC, as a whole, doesn't fit easily into one of the standard economic ecosystems so the public has a hard time understanding its impact.**

## STUDY PROCESS

Optimization is the preferred balance between efficiency and effectiveness. This study is based largely on the assumption that multiple years of cuts have driven efficiencies in program administration. Therefore, most of the opportunities and cost savings will be found in policy shifts and program realignments.

This report does **not** suggest a single course of action because the definition of the “preferred” alternative depends on the definition of the problem (i.e. what problem are we trying to solve?). Instead of one recommendation, this report presents three different scenarios. **It is strongly suggested that a more detailed study be conducted before implementing any change to the department.**

Reports on public sector operations are traditionally supply-side oriented. Annual reports and scorecards typically concentrate on the organization’s outputs. **The content of this report was developed by focusing on the demand-side of DCC because the goal is to improve outcomes.** In order to accomplish this, the following steps were taken:

### *outreach and collaboration*

- a) invited public comment via email campaign
- b) invited DCC employees to make anonymous suggestions through the department’s intranet site
- c) directly interviewed and engaged partners, constituents, customers for input and feedback on effectiveness of programs
- d) requested opinions of state legislators via email (some interviews were conducted)

### *analyzing data*

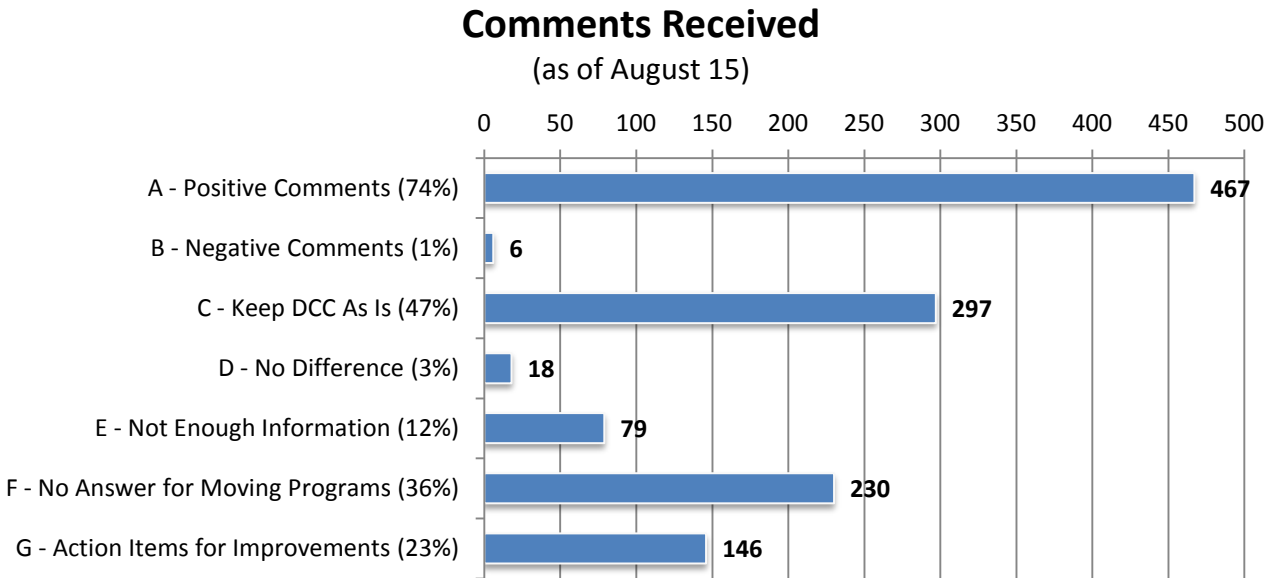
- a) reviewed all programs and outcomes
- b) reviewed efficiency of DCC’s program management
- c) conducted independent optimization studies (i.e. business process review, span of control)
- d) explored how programs fit within other departments
- e) conducted baseline studies of best practices from other states

### *ensuring process integrity*

- a) invited LFA, GOPB, and Legislative Research staff to regular update conversations
- b) created a project blog for employees to ensure that there were no surprises
- c) cataloged data sources

## CUSTOMER / PUBLIC INPUT ANALYSIS

One of the key elements of the “information gathering” phase was a public comment campaign. DCC solicited anonymous input through their various websites. DCC utilized contact lists from those who have directly done business with the department. DCC also asked professional, non-profit, and other affiliated organizations to drive traffic to DCC’s survey site. The following is a summary of input that was received:



**Note** – The total number of comments submitted as of August 15<sup>th</sup> was **625**. Some respondents made comments that can be categorized into more than one area.

- A. **Positive Comments** (74%) – These comments indicate a support or belief in the value of a DCC function in the state.
- B. **Negative Comments** (1%) – These comments question the value or need of a DCC function in the state.
- C. **Keep As Is** (47%) - These comments indicate that they would not like to see the programs in DCC move to other agencies.
- D. **Doesn't Matter** (3%) - These comments indicate that it makes no difference where the programs are housed.
- E. **No Ideas** (12%) - These comments indicate that they don't have enough information to answer where the programs should be housed.
- F. **No Response** (36%) - These comments did not provide any answer to the question of moving DCC programs to other agencies.
- G. **Tactical Suggestions** (23%) - These comments indicated suggestions for improving programs and services.

## SCENARIO & OPPORTUNITIES

As mentioned in the Methodology section, this report presents three scenarios that were driven by customer and stakeholder input as well as internal analysis.

This report does not identify a “preferred” scenario because **the preferred solution depends on the definition of the problem that needs to be solved**. The intent of this report is to inform the legislature of the pros/cons of the different approaches.

Each scenario presented here contains:

- *description and value proposition*: a general statement of the concept and intent of the scenario,
- *organizational chart*: a simple graphic showing the scenario at full implementation,
- *assumptions & rationale*: brief description of drivers and strengths of the concept,
- *implementation opportunities*: a list of ideas and steps that would likely need to be taken,

It’s important to note that there are a number of implementation ideas that would require further study. Therefore, **most of these scenarios should be viewed as long-term goals that can be evolved into**.

*“Baseline” Scenario*: DCC continues to optimize internally.

*“Dissolution” Scenario*: All DCC’s programs are relocated to other state departments.

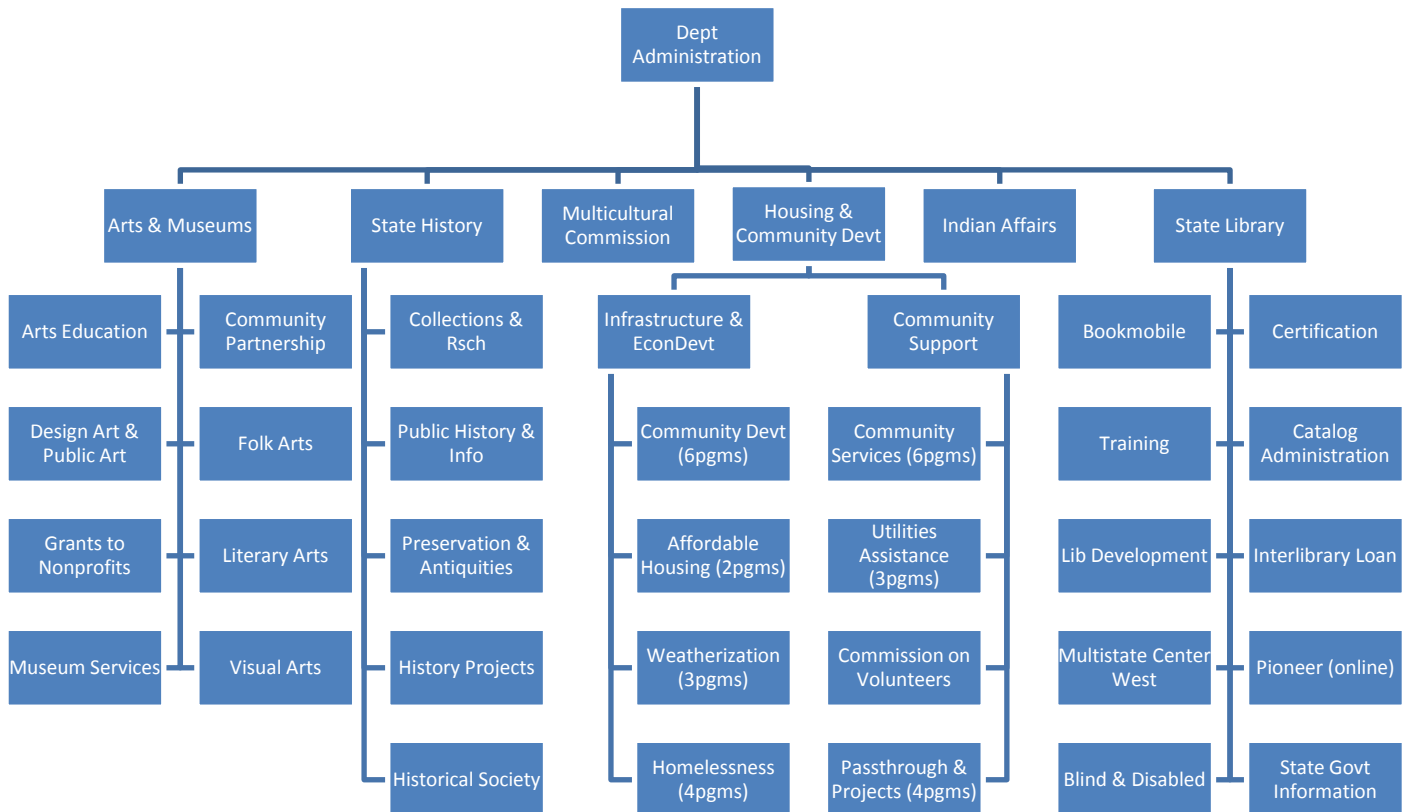
*“Cultural Commission” Scenario*: DCC is exclusively focused on cultural programs.



## SCENARIO A: “BASELINE”

### Description and Value Proposition

As an enterprise, Utah is known as the “best managed state”, and a number of DCC’s programs are regarded as best practice in their respective fields. Over time, DCC has evolved and integrated its administrative operations in order to minimize costs. DCC has also internally developed an automation and optimization program that will lead to continuous improvement. Therefore, there is value in maintaining the current structure.



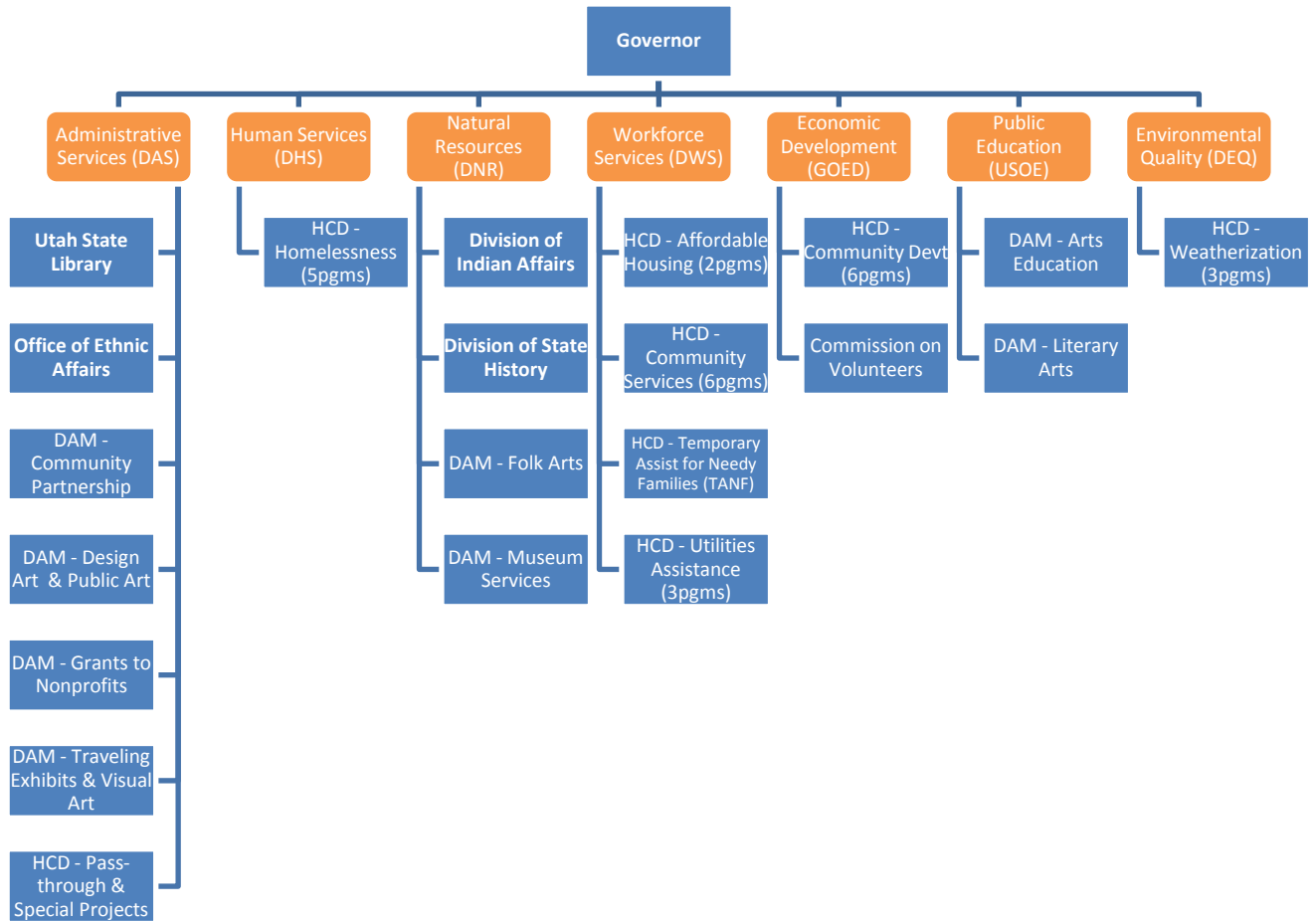
### Assumptions & Rationale

- To the public, a state agency by any other name would be the same because a department’s roles are to facilitate programs that make tangible impact for the end user.
- DCC’s current structure has developed over time, and a more careful consideration should be made before changing all or part of it.
- Through this restructuring study, DCC has collected tactical suggestions for improvement. The state would be better served if these suggestions were studied and implemented than it would from reorganizing.
- The cost of disruption caused by a major reorganization could only be offset by developing assumed efficiencies over time.

## SCENARIO B: “DISSOLUTION”

### Description and Value Proposition

The Executive Branch of the State is currently organized with 25 cabinet-level departments (including education). Each of these departments is organized around a specific client and/or subject matter. The State could save or shift some of DCC’s administrative costs and reduce the total number of agencies by relocating all of DCC’s programs into existing departments.



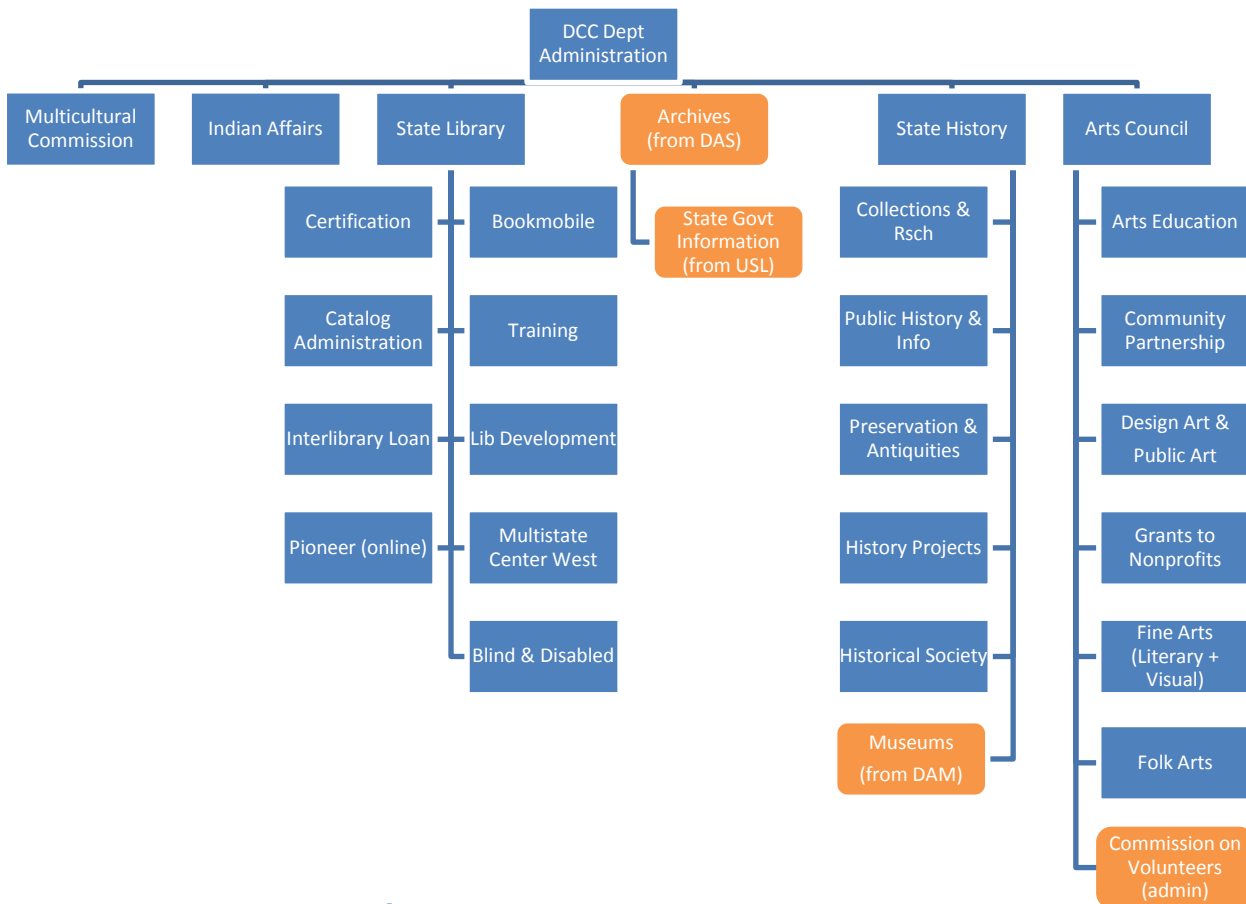
### Assumptions & Rationale

- Most of DCC’s executive/administrative function would be eliminated. “Receiving” departments would be able to absorb most of the administrative responsibilities with existing staff.
- Any program or duplicate function eliminations, due to a new economy of scale, would occur after they are moved (and evaluated) in the new department.
- Physical relocation would be implemented immediately in order for new teams to coalesce.
- Fiscal impact estimates should include costs to finish and maintain DCC’s department-wide digitization initiatives.

## SCENARIO C: “CULTURAL COMMISSION”

### Description and Value Proposition

The State could realign DCC in order to focus on being more of a culture / humanities-based department. Over time, this department would receive the majority of its funding from an endowment (“cultural trust”) that could be ultimately administered by a “cultural commission”. The value of this department would come from the increased coordination between culture-related functions in the state enterprise, and would provide a new focus on cultivating Utah’s creative sector, cultural heritage tourism opportunities, historic assets, and information sources.



### Assumptions & Rationale

- Federally-funded housing programs would be administered by another department in the State.
- State museums, libraries, archives, and history function as “repositories” of cultural heritage. New efficiencies would be found if those operations were combined.
- Ongoing constraints on the State’s general fund (i.e. Medicaid, transportation, public education) will result in fierce competition for annual legislative appropriations. The “Cultural Trust” would be a restricted fund that is partially funded by the state, but would also be able to accept tax-deductible contributions as well as revenue from alternative sources.

## SCENARIO IMPACT COMPARISON

The following is an *educated guess* of the impacts on cost, efficiencies, and customer service of each scenario (at full implementation).

	Scenario A: "Baseline"	Scenario B: "Dissolution"	Scenario C: "Cultural Commission"
Operating Cost Impacts	<ul style="list-style-type: none"> <li>administrative consolidations: ongoing savings of +\$442,678</li> </ul> <p><b>ONE-TIME IMPACT: \$0</b> <b>ONGOING IMPACT: \$442,678 (sav)</b></p>	<ul style="list-style-type: none"> <li>eliminate most of the EDO: ongoing savings of \$703,715</li> <li>severance and COBRA in EDO: one-time cost of \$49,600</li> <li>six month transition team: one-time cost of \$518,100</li> <li>relocate to state-owned space: ongoing savings of \$329,000</li> <li>relocate affected employees: one-time cost of \$88,000</li> <li>potential future savings in division administration and support</li> </ul> <p><b>ONE-TIME IMPACT: \$655,700</b> <b>ONGOING IMPACT: \$1,032,715 (sav)</b></p>	<ul style="list-style-type: none"> <li>EDO staffing adjustments: ongoing savings of \$186,500</li> <li>"back office" consolidations: ongoing savings of +\$123,800</li> <li>relocate to state-owned space: ongoing savings of \$329,000</li> <li>relocate HCD: one-time cost of \$64,900</li> <li>relocate EDO, DIA, COV, Ethnic: one-time cost of \$17,600</li> <li>potential future savings in HCD administration and finance</li> </ul> <p><b>ONE-TIME IMPACT: \$82,500</b> <b>ONGOING IMPACT: \$639,300 (sav)</b></p>
Efficiency Impacts	<ul style="list-style-type: none"> <li>DCC continues to optimize internally (utilizing comments and ideas generated by this study process)</li> <li>DCC administrative expenses continue to be partially subsidized by HCD's federal funds</li> </ul>	<ul style="list-style-type: none"> <li>eliminating the department would also eliminate its digitization initiative</li> <li>fundamentally disruptive to employees in DCC and the receiving agencies</li> <li>receiving agencies would be obligated to find the efficiencies</li> <li>some departments would need to expand their mission to include new programs</li> </ul>	<ul style="list-style-type: none"> <li>clearer mission focus for department administration</li> <li>new efficiencies from physical co-location</li> <li>smaller department will have greater opportunities to contract for services</li> <li>continued emphasis on digitization</li> </ul>
Customer Service Impacts	<ul style="list-style-type: none"> <li>customers and stakeholders notice no change in service</li> <li>passthrough funds continue to be administered by DCC</li> </ul>	<ul style="list-style-type: none"> <li>a significant learning curve in program accounting and leadership would result in a degradation of service in the short-term</li> <li>the public would interpret a fundamental change as a statement of the legislature's value of culture</li> </ul>	<ul style="list-style-type: none"> <li>opportunity for the state to concentrate its efforts on culture</li> <li>opportunity for DWS to improve its "one-stop-shop" for services</li> <li>passthroughs continue, though more focused and mission relevant</li> </ul>

### *A Note on Reorganizations*

Literature from the Council on State Governments, Governing magazine, and Stateline all underscore the point that significant changes require deliberate study in order to avoid unintended consequences, and that long-term savings and operational efficiencies can be elusive goals.

### *Regarding the Housing and Community Development Division*

One of the greatest strengths of the Division is a highly integrated “back office” that allows support for complex financial transactions. This integrated system of accountability provides the necessary framework for collaborative public-private partnerships in a cost-effective manner. In order to avoid unintended consequences, a careful study should be conducted before realigning all or part of the Division.

For example, the Private Activity Bond Authority program (PAB, 1.0 FTE) was moved from DCC to GOED in the last legislative session. While at DCC, the program benefitted from HCD’s existing administrative and financial support, but when it was moved into the other department, GOED was required to retain new staff to increase their accounting capacity (0.5 FTE). The receiving department was not funded for this increased cost.

## INFORMATION SOURCES

This report is based on research conducted by the department in 2011. For those interested, the department can provide information sources as well as detailed information on things such as:

- a summary catalog with information on each of DCC's programs
- mission alignment with existing state agencies
- baseline studies of how other states are organized
- a report discussing the assumptions behind the restructuring mandate, and
- a list of operational issues that DCC will be studying internally.

For further information on DCC, including progress reports on departmental optimization, please refer to its website:

<http://community.utah.gov/>

For questions regarding this report, please contact:

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