

**SEVENTH INTERIM REPORT  
OF THE  
COMMISSION ON STATE GOVERNMENTAL MANAGEMENT  
TO  
THE GOVERNOR  
AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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**COMMONWEALTH OF VIRGINIA  
Department of Purchases and Supply  
Richmond  
1977**

SEVENTH INTERIM REPORT  
OF THE  
COMMISSION ON STATE GOVERNMENTAL MANAGEMENT

PRIORITY PROPOSALS FOR 1977

PRESENTED TO  
THE GOVERNOR AND THE GENERAL ASSEMBLY  
OF THE COMMONWEALTH OF VIRGINIA

January, 1977



COMMONWEALTH OF VIRGINIA

**COMMISSION ON STATE GOVERNMENTAL MANAGEMENT**

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January 26, 1977

The Honorable Mills E. Godwin, Jr.  
Governor of Virginia  
Members of the Virginia  
General Assembly

Dear Governor Godwin and Members of the General Assembly:

I am pleased to submit for your consideration the Seventh Interim Report of the Commission on State Governmental Management. This report contains priority recommendations, which the Commission is asking the General Assembly to adopt at this session.

Since its organizational meeting in 1973, the Commission has sought ways to reduce the cost of state government, to improve service delivery, to enhance its decision-making capability, and to make it more accountable to the people it ultimately serves and who bear the burden of financing its operations. Much more remains to be done.

The Commission appreciates the support it has received from you as it undertook its responsibility. At the request of the Governor, the Commission has deferred many of its recommendations to 1978 at which time they may be considered in a more orderly fashion at the long session.

We look forward to working with you during this period and trust that our joint efforts will produce results in the best interests of the people of the Commonwealth.

Sincerely,

William B. Hopkins  
Chairman

WBH/spn

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## INTRODUCTION

This report supplements the Commission's earlier reports entitled Improving State Governmental Management: A Summary of Priority Recommendations (September, 1976) and Management of Virginia State Government: Tentative Recommendations of the Commission (November, 1975). The recommendations contained in those reports were the subject of broad public debate and eight public hearings across the state. On December 15, 1976, the Commission decided on its legislative proposals for the 1977 session after careful consideration of the views presented by interested citizens and public officials.

The recommendations of the Commission discussed in this report are priority proposals. They were drawn from the several dozen proposals described in the November 1975 report, as modified following public hearings. Some of these recommendations are embodied in legislation which is pending in the form of carry-over bills. Others are substantially the same as the recommendations published in the Commission's September 1976 report. A third category includes substantially modified proposals which were changed in an effort to incorporate some of the suggestions and criticisms received following publication of the Commission's earlier reports.

These priority proposals are important steps to bring state government under control, to make it more accountable, and to eliminate duplication. They are only a portion of the Commission's total package, which includes a number of proposals already adopted by the General Assembly. Other proposals will be presented to the 1978 session of the General Assembly. While reorganization should be given immediate attention by the General Assembly, the Commission recognized that the legislature at this time can only deal with a limited number of priority proposals.

PRIORITY RECOMMENDATIONS FOR 1977

RECOMMENDATION NO. 1 (S.B. 667): AUTHORIZE THE GOVERNOR TO APPOINT ALL ADMINISTRATIVE HEADS OF AGENCIES (NOT INCLUDING INSTITUTIONS) IN THE EXECUTIVE BRANCH, SUBJECT TO CONFIRMATION BY THE GENERAL ASSEMBLY, TO SERVE AT HIS PLEASURE FOR A TERM COINCIDING WITH HIS.

RECOMMENDATION NO. 2 (S.B. 669 AND S.B. 665): EMPOWER THE GOVERNOR TO APPOINT ALL MEMBERS OF BOARDS AND COMMISSIONS IN THE EXECUTIVE BRANCH, SUBJECT TO CONFIRMATION BY THE GENERAL ASSEMBLY, AND TO REMOVE THEM FOR SPECIFIED CAUSES.

RECOMMENDATION NO. 3 (S.J.R. 96): INSURE THAT ALL BOARDS AND COMMISSIONS MAKE DECISIONS WITHIN THE BROAD POLICY FRAMEWORK ESTABLISHED BY THE GENERAL ASSEMBLY AND (EXCEPT AS OTHERWISE PROVIDED BY THE CONSTITUTION) INTERPRETED BY THE GOVERNOR.

RECOMMENDATION NO. 4 (SEE DISCUSSION): AT A MINIMUM, EVERY CITIZEN BOARD OR COMMISSION SHOULD:

- o SERVE AS A PUBLIC WATCHDOG
- o PROVIDE A MEANS OF CITIZEN ACCESS
- o PUBLICIZE, EDUCATE AND WORK FOR PUBLIC SUPPORT
- o ADVISE THE GOVERNOR, THE APPROPRIATE SECRETARY AS WELL AS THE AGENCY HEAD ON ANY MATTER AFFECTING THE AGENCY

RECOMMENDATION NO. 5 (S.B. 311): EMPOWER THE GOVERNOR TO SUBMIT TO THE GENERAL ASSEMBLY REORGANIZATION PLANS THAT MAY BE DISAPPROVED BY EITHER HOUSE.

RECOMMENDATION NO. 6 (S.B. 668): PROHIBIT LEGISLATORS FROM SERVING ON BOARDS AND COMMISSIONS IN THE EXECUTIVE BRANCH.

RECOMMENDATION NO. 7 (S.R. 21 AND H.R. 31): IMPLEMENT IN EACH HOUSE OF THE GENERAL ASSEMBLY A RULE ESTABLISHING A SYSTEM BY WHICH PROPOSED LEGISLATION HAVING AN ORGANIZATIONAL IMPACT MAY BE THOROUGHLY ANALYZED BEFORE ACTION IS TAKEN THEREON.

RECOMMENDATION NO. 8 (H.B. 1519 AND H.J.R. 192): ELIMINATE THE DUAL STATUS OF THE STATE BOARD FOR COMMUNITY COLLEGES BY CONFINING IT TO THE ROLE OF GOVERNING BOARD OF A STATEWIDE INSTITUTION OF HIGHER EDUCATION.

RECOMMENDATION NO. 9 (H.B. 1628): ESTABLISH A DEPARTMENT OF ENFORCEMENT AND INVESTIGATION.

RECOMMENDATION NO. 10 (S.B. 309): CREATE THE POSITION OF SECRETARY OF NATURAL RESOURCES AND ABOLISH THE COUNCIL ON THE ENVIRONMENT.

[Recommendation No. 11 in the Commission's September 1976 Report has been Deferred.]

RECOMMENDATION NO. 12 (H.B. 1565): ESTABLISH A DEPARTMENT OF COMMERCE.

RECOMMENDATION NO. 13 (H.B. 1449): REQUIRE MORE SYSTEMATIC SUPERVISION OF THE ACTIVITIES OF AGRICULTURAL COMMODITY COMMISSIONS.

RECOMMENDATION NO. 14 (H.B. 1629): ESTABLISH A DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT.

RECOMMENDATION NO. 15 (H.J.R. 210): DIRECT THE GOVERNOR TO PRESENT SPECIFIC PROPOSALS CONCERNING THE ORGANIZATION OF CONSERVATION, RECREATION AND HISTORIC PRESERVATION ACTIVITIES TO THE 1978 SESSION OF THE GENERAL ASSEMBLY.

RECOMMENDATION NO. 16 (H.B. 1638): ALLOW LOCALITIES UNDER AN ENABLING STATUTE TO ADJUST THEIR HUMAN SERVICES ORGANIZATIONS TO SUIT THEIR INDIVIDUAL NEEDS.

RECOMMENDATION NO. 17 (H.J.R. 188): DIRECT THE GOVERNOR TO PRESENT SPECIFIC PROPOSALS TO THE 1978 SESSION OF THE GENERAL ASSEMBLY REGARDING HUMAN RESOURCES.

RECOMMENDATION NO. 18 (H.B. 1525): PROVIDE FOR SUBMISSION BY THE GOVERNOR WITH HIS PROPOSED BUDGET A STATEMENT OF PROPOSED POLICIES, OBJECTIVES AND PRIORITIES IN THE AREAS OF:

- o INTELLECTUAL AND CULTURAL DEVELOPMENT
- o ASSISTANCE TO INDIVIDUALS AND FAMILIES
- o ECONOMIC DEVELOPMENT
- o PROTECTION OF PERSONS AND PROPERTY
- o MANAGEMENT OF NATURAL RESOURCES
- o TRANSPORTATION AND COMMUNICATIONS
- o GENERAL GOVERNMENT

RECOMMENDATION NO. 19 (S.B. 722): TRANSFER THE FUNCTIONS OF THE DIVISION OF AERONAUTICS FROM THE STATE CORPORATION COMMISSION TO A NEW DEPARTMENT OF AVIATION UNDER THE SECRETARY OF TRANSPORTATION, ASSIGNING THE NEW DEPARTMENT A CLEAR ROLE IN PROMOTING VIRGINIA'S INTERESTS IN AVIATION.

RECOMMENDATION NO. 20 (H.J.R. 245): ESTABLISH BY JOINT RESOLUTION THE COMMONWEALTH'S TRANSPORTATION OBJECTIVES AND POLICIES, AS WELL AS LEGISLATIVE GUIDELINES FOR THE DEVELOPMENT BY THE COMMISSION ON STATE GOVERNMENTAL MANAGEMENT AND THE COUNCIL ON TRANSPORTATION OF APPROPRIATE ORGANIZATIONAL RECOMMENDATIONS TO CARRY OUT SUCH OBJECTIVES AND POLICIES.

RECOMMENDATION NO. 21 (S.B. 726): TRANSFER THE OFFICE OF RECREATION FROM THE DEPARTMENT OF INTERGOVERNMENTAL AFFAIRS TO THE COMMISSION OF OUTDOOR RECREATION.



DISCUSSION OF PRIORITY RECOMMENDATIONS

RECOMMENDATION NO. 1. AUTHORIZE THE GOVERNOR TO APPOINT ALL ADMINISTRATIVE HEADS OF AGENCIES (NOT INCLUDING INSTITUTIONS) IN THE EXECUTIVE BRANCH, SUBJECT TO CONFIRMATION BY THE GENERAL ASSEMBLY, TO SERVE AT HIS PLEASURE FOR A TERM COINCIDING WITH HIS.

This change would provide greater control over the operations of state government by elected officials. It will strengthen both the Governor and the General Assembly.

As a matter of constitutional law, legislative bodies cannot remove appointed officers and employees in the executive branch. This has traditionally been held to be the province of the chief executive or of boards or officers within the executive branch.

This recommendation will focus responsibility in the Governor for administrative efficiency and effectiveness. The need for this proposal would not be as great if most problems confronting state government did not cross agency lines and if boards were actually capable of providing continuous executive surveillance of agency operations.

All administrative heads will be confirmed by the General Assembly under this proposal. This is not now the case. The change obviously puts the General Assembly in a much stronger control position. In addition, the salaries of gubernatorial appointees are fixed in the Appropriations Act as the salaries of board appointees are not.

It has been claimed that his recommendation could lead to the appointment of political hacks. The provision for confirmation by the General Assembly should serve as one safeguard against this possibility. Another safeguard is to provide that the statutes establishing the offices of administrative heads contain minimal professional qualifications. This is already the case in some instances (e.g., the Health Commissioner, the Highway and Transportation Commissioner, and the Superintendent of Public Instruction).

The Commission strongly recommends that only qualified and experienced professionals be appointed to head state agencies and that individual statutes specify the required minimal qualifications for each position. To further strengthen the legislative safeguard, the General Assembly should actively review the qualifications of the Governor's appointees. Both houses of the General Assembly should establish criteria regarding professional qualifications to be applied in confirmation hearings.

RECOMMENDATION NO. 2. EMPOWER THE GOVERNOR TO APPOINT ALL MEMBERS OF BOARDS AND COMMISSIONS IN THE EXECUTIVE BRANCH, SUBJECT TO CONFIRMATION BY THE GENERAL ASSEMBLY, AND TO REMOVE THEM FOR SPECIFIED CAUSES.

Not all boards and commissions are subject to confirmation by the General Assembly. This recommendation would extend the existing confirmation provision, which now applies to some boards and commissions, to all of them.

The principal reason for making uniform the review of gubernatorial nominees by both houses is to provide an opportunity for the public to register its feelings at the next election if an incompetent or otherwise undesirable nominee is approved by the General Assembly. It is an effort to enhance accountability to the electorate.

The Commission heard opposition to the suggestion that members of boards and commissions be subject to removal by the Governor for policy conflicts. There was no intent in the original proposal to stifle dissent, but rather to make boards and commissions accountable in their exercise of governmental power.

Crucial to an understanding of the Commission's intent regarding this recommendation is a distinction between the expression of differing views by board members, on the one hand, and their exercise of public power, on the other. It is the latter situation that constitutes the problem area where governmental authority can be used by non-elected officials contrary to the wishes of the electorate.

Lack of accountability will continue unless there is some provision for removing board members for political reasons. The term "political reason" is used in the best sense of the word political. It refers to the views of the electorate as expressed through their representatives who must stand for election.

It is important to note again that the General Assembly cannot constitutionally remove members of boards in the executive branch. If a board member or several board members are frustrating implementation of legislative policies and programs, there is little the legislature can do directly to correct the situation.

The debate over this proposal has served a useful purpose. It has demonstrated that the Governor is not really in charge of the executive branch and that the General Assembly lacks means many previously assumed it possessed to control the exercise of power by boards and commissions.

The final recommendation of the Commission on this subject is a modification of its earlier proposal and is designed to incorporate desirable features identified during the ensuing discussion of this proposal. The Commission recommends that the Governor be authorized to remove members of boards and commissions for "failure to carry out the policies of the Commonwealth as established in the Constitution or by the General Assembly, or refusal to carry out a lawful directive of the Governor."

Under this amended proposal, a board or commission member must do more than merely express an opinion contrary to the policy of the General Assembly or the Governor. He must take some action in conflict with the policies of the Commonwealth or refuse to carry out his responsibility under the law.

This modification eliminates the possibility of mass removal of board and commission members when a new Governor takes office. It should be made clear that this is a limited proposal that still leaves open a certain potential for abuse of public power by non-elected boards and commissions without adequate means of correcting such abuses.

RECOMMENDATION NO. 3. INSURE THAT ALL BOARDS AND COMMISSIONS MAKE DECISIONS WITHIN THE BROAD POLICY FRAMEWORK ESTABLISHED BY THE GENERAL ASSEMBLY AND (EXCEPT AS OTHERWISE PROVIDED BY THE CONSTITUTION) INTERPRETED BY THE GOVERNOR.

There is a very strong nationwide movement to make certain that boards and commissions exercise their power within the broad policy framework established by the legislature. It is the representatives of the people who are elected to establish policy of the Commonwealth--not appointed boards and commissions or agency heads. The Commission recommends the adoption of a resolution requiring a review of all rules, regulations and standards and of the statutes under which they were promulgated to determine where changes are warranted.

RECOMMENDATION NO. 4. AT A MINIMUM, EVERY CITIZEN BOARD OR COMMISSION SHOULD:

- o SERVE AS A PUBLIC WATCHDOG
- o PROVIDE A MEANS OF CITIZEN ACCESS
- o PUBLICIZE, EDUCATE AND WORK FOR PUBLIC SUPPORT
- o ADVISE THE GOVERNOR, THE APPROPRIATE SECRETARY AS WELL AS THE AGENCY HEAD ON ANY MATTER AFFECTING THE AGENCY

The Commission's proposals to establish a new Department of Commerce and a new Department of Housing and Community Development contain provisions carrying out this recommendation. The Commission does not recommend that this session of the General Assembly adopt changes in the law establishing all boards and commissions to apply this principle across-the-board.

The reasons for this recommendation are set forth in the two previous Commission reports referenced above. Boards and commissions should retain their present authority to interpret policy of the General Assembly through the adoption of rules, regulations, standards and other quasi-legislative measures better left to a panel of citizens than to a single state official. They should not function, however, in a supervisory capacity, directing administrative activities.

Problems do not stop at agency lines. The Governor cannot be held accountable for coherent administrative policy, for the most effective and efficient response to problems, or for controlling the growth and program direction of the various agencies unless he has the ability to give policy direction to the agencies, boards and commissions.

RECOMMENDATION NO. 5. EMPOWER THE GOVERNOR TO SUBMIT TO THE GENERAL ASSEMBLY REORGANIZATION PLANS THAT MAY BE DISAPPROVED BY EITHER HOUSE.

The Commission recommends its adoption as originally proposed. The Commission sponsored legislation in 1976 which would carry out this recommendation. It was requested at introduction that the bill (Senate Bill No. 511) be carried over to the 1977 session.

Without executive-initiated reorganization, there is little likelihood that government institutions will be systematically and rationally modified to match the problems government will face in the future. Reorganization tends to be piecemeal due to the absence of a mechanism to force legislative approval or disapproval of a coherent and comprehensive reorganization proposal on its merits.

Such proposals tend to be pulled apart and amended in the various committees in a way that precludes consideration of the plan as a whole by the whole legislature. In this environment, the interests of special groups well represented before the legislature are given an advantage over the interests of the broad public.

The current situation also allows a Governor's reorganization proposal to die in committee without a vote by the Assembly. This makes it difficult for the public to fix responsibility for weaknesses in the administrative structure and processes of state government.

RECOMMENDATION NO. 6. PROHIBIT LEGISLATORS FROM SERVING ON BOARDS AND COMMISSIONS IN THE EXECUTIVE BRANCH.

Service by legislators on boards and commissions in the executive branch runs counter to the intent of the Constitution. Also, accountability is frustrated when legislative and executive functions are confused.

We have not been advised of any opposition to this proposal and the Commission recommends its adoption as originally proposed.

RECOMMENDATION NO. 7. IMPLEMENT IN EACH HOUSE OF THE GENERAL ASSEMBLY A RULE ESTABLISHING A SYSTEM BY WHICH PROPOSED LEGISLATION HAVING AN ORGANIZATIONAL IMPACT MAY BE THOROUGHLY ANALYZED BEFORE ACTION IS TAKEN THEREON.

Significant support was shown for this recommendation during public hearings. It should be emphasized that it is not the intent of this proposal to preclude the legislature from establishing its own system of review of legislation having an organizational impact. At the same time, however, the Governor should at least have an opportunity to comment on the potential impact. The General Assembly can disregard his comments if it chooses. The Commission recommends adoption of a resolution to implement this procedure.

RECOMMENDATION NO. 8. ELIMINATE THE DUAL STATUS OF THE STATE BOARD FOR COMMUNITY COLLEGES BY CONFINING IT TO THE ROLE OF GOVERNING BOARD OF A STATEWIDE INSTITUTION OF HIGHER EDUCATION.

There has been no opposition expressed to this recommendation, although technical amendments have been suggested and incorporated in the proposed legislation. The Commission recommends adoption of this proposal.

RECOMMENDATION NO. 9. ESTABLISH A DEPARTMENT OF ENFORCEMENT AND INVESTIGATION RESPONSIBLE TO THE SECRETARY OF PUBLIC SAFETY AND UNDER THE SUPERVISION AND DIRECTION OF THE GOVERNOR AND THE SECRETARY.

Law enforcement activities are fragmented, duplicative and overlapping. This leads to loss of effectiveness and unnecessary costs.

The capacity of state government to enforce existing motor vehicle laws can be expanded without adding more personnel by bringing together the activities of various agencies. More efficient utilization of present resources is possible if flexibility were provided in directing these activities.

The Alcoholic Beverage Control Commission devotes only half of its law enforcement effort to alcohol-related offenses. Alcohol and drug violations can be handled more effectively and efficiently if the overlapping authority of the Alcoholic Beverage Control Commission and the Department of State Police were eliminated by consolidation.

Patrolling highways and manning weigh stations to uncover violators of various state laws could be done in a better and cheaper fashion if the activities of the Department of State Police, the Enforcement Division of the State Corporation Commission, and the Division of Motor Vehicles were brought together under common direction.

The appropriate investigators in the Division of Motor Vehicles can be transferred to the new Department without a change in the Code. This can be accomplished by the Governor under existing law in preparing his next budget.

Investigating bombings and arson is also fragmented and duplicated. The Arson Investigation Section of the Fire Marshal Division of the State Corporation Commission and the responsibility of the Department of State Police in this area should be brought together.

The Commission also concluded in its study that the administrative problems in law enforcement are compounded by the reliance upon collegial bodies for executive and administrative functions. The Commission believes that both of the collegial bodies involved (the Alcoholic Beverage Control Commission and the State Corporation Commission) should continue to exercise responsibility for those functions for which each was originally established and for which collegial bodies are well suited. They are: economic regulation, licensing, rule-making, and, because of the sensitive nature of the state's involvement in the distribution of alcoholic beverages, oversight of the operation of the ABC stores.

Law enforcement, however, may not receive appropriate executive direction, support and evaluation if it is merged with other disparate functions requiring quite a different focus and expertise. This is by no means inevitable, but a separation of law enforcement from rule-making and licensing is a sounder organizational approach. In addition, it would appear desirable, wherever possible, to divorce the responsibility of setting rules and regulations from the responsibility for enforcing them.

The activities of the Department would include all of the enforcement and investigatory activities of the Department of State Police, the investigation and enforcement activities of the Department of Alcoholic Beverage Control, the Enforcement Division of the State Corporation Commission, and the Arson Investigation Section in the Fire Marshal's Office of the State Corporation Commission.

RECOMMENDATION NO. 10. CREATE THE POSITION OF SECRETARY OF NATURAL RESOURCES AND ABOLISH THE COUNCIL ON THE ENVIRONMENT.

This proposal is justified by the overriding need to make the various Secretarial areas of manageable size. With so many disparate programs and 42 separate agencies, the present Secretary of Commerce and Resources can coordinate only in the most general way.

Either the large number of agencies in Commerce and Resources can be reduced to manageable size or the area split into two Secretarial areas. The Commission favored the latter course for a variety of reasons.

Opposition to consolidation was perhaps strongest in Commerce and Resources. Most of the agencies and their constituents vigorously objected to proposed mergers.

Consolidation of agencies would also have tended to submerge important policy issues. Few areas are as sensitive as Commerce and Resources. The policy and program trade-offs in this area should be addressed by elected officials rather than by non-elected boards and bureaucrats.

From a management viewpoint, several problems have arisen because of the Secretary's broad span of responsibility. Some critical information has not reached the Governor in a timely fashion because of the inevitable vertical layering and bottlenecks. Areas in need of closer executive review have been ignored. Staff effort has been duplicated. There has been an unavoidable but excessive dependence upon task forces and interagency coordinating committees.

The supposed value of having economic development and natural resources agencies together under one Secretary is far outweighed by the value of having closer Secretarial monitoring of agency performance, and resolution of major policy conflicts by the Governor rather than a non-elected Secretary.

This proposal has been endorsed by sportsmen and other groups. Certain farm groups have expressed concern that, under this proposal, agriculture would be under a separate Secretary of Economic and Agricultural Resources and not under the Secretary of Natural Resources.

Many of the problems suggested by this objection are more illusory than real. The activities related to agriculture as a whole are considerably broader than the activities of the Department of Agriculture and Commerce.

The Department of Agriculture and Commerce does not undertake all programs and activities of concern to farmers. It does not even handle all programs and activities directly affecting farmers.

Organizing any enterprise as large as Virginia state government necessarily entails drawing lines between activities which are somehow related. The goal is to create such groupings in the most logical fashion so that duplication and gaps are minimized, the groupings are manageable, coordination is enhanced, and economies are realized where possible.

Farmers undoubtedly would like to have all matters affecting them in one department, or at least in a single Secretarial area. Unfortunately, this is impossible. The Department of Highways and Transportation and the Water Control Board, for example, have a significant impact on farmers. They may be in different Secretarial areas, but their policies and activities must, of course, be coordinated with those of the Department of Agriculture and Commerce.

The use of agricultural lands is a necessary aspect of any program to manage or conserve natural resources. But so are many other activities which clearly cannot be located in a single Secretarial area unless it encompasses all of state government. The Department of Agriculture and Commerce currently is involved in four major activities: consumer affairs, agricultural marketing and promotion, grading and regulating the production of many items including some which are not directly related to agriculture, and preventing and controlling diseases affecting plants, livestock and poultry. Its predominant thrust is economic promotion and regulation and, for that reason, belongs under a Secretary of Economic and Agricultural Resources.

The Soil and Water Conservation Commission, on the other hand, is involved in far more than farming activities. Although it has a very direct effect on farmers, it also has a very direct impact on developers and others who are not directly engaged in agriculture. Its activities very definitely extend to urban areas. Indeed, urbanization has been described as the single most important cause of soil erosion. It has replaced improper farming practices in that regard.

A close examination of the current statutory functions of the Soil and Water Conservation Commission demonstrates that this agency has a very close relationship to the Water Control Board, the Commission of Game and Inland Fisheries, the Division of Forestry and the Division of Mined Land Reclamation. Its chairman is also an ex officio member of the Council on the Environment. These are far closer ties than those between it and the Department of Agriculture and Commerce.

RECOMMENDATION NO. 11. ESTABLISH A DEPARTMENT OF INDUSTRIAL DEVELOPMENT AND TOURISM.

The Commission has deferred this recommendation in order to evaluate questions raised following the public hearings. Present statutes empower the Governor to transfer funds within this area, thus reducing the immediacy of the need to consolidate.

RECOMMENDATION NO. 12. ESTABLISH A DEPARTMENT OF COMMERCE.

This recommendation has been endorsed by consumer groups and opposed by some business interests. Still other business interests have suggested that the proposal does not go far enough. They argue that certain regulatory functions, which would be left in the Department of Agriculture and Commerce under this recommendation, should also be transferred to the new Department.

The Administrator of Consumer Affairs and his staff of approximately ten people are not appropriately located in any agency that has as its principal mission under the statute the promotion and advocacy of agricultural interests. Consumer interests and farmers' interests are occasionally incompatible. The safeguarding of consumer interests should not be subordinated in the fashion they now are. Admittedly, they would no longer be at the fingertips of the rest of the Department of Agriculture and Commerce under the Commission's recommendation, but that is precisely where they should not be. They should be at arm's length.

The staff of the present Department of Professional and Occupational Regulation and the staff of the Office of Consumer Affairs both respond to complaints from the consuming public. There is a good deal of similarity between the two work units. The merger of the administrative resources of the various licensing boards in 1974 produced a greatly expanded capacity without the need to add new positions. The capacity of the Office of Consumer Affairs can likewise be expanded and at the same time serve as an integral part of a more complete consumer affairs operation without the present, artificial division between products and services. An individual consumer should not be forced to shop around government agencies to find the proper place to file his complaint.

It has also been suggested that more than consumer affairs should be transferred from the Department of Agriculture and Commerce to the proposed Department of Commerce. The argument is made that the regulation of paints, gasoline, bedding and upholstery, weights and measures, and bakeries do not belong in an agriculturally-oriented agency.

One reason the Commission does not recommend transferring certain non-agricultural activities is that such a transfer, while logical, would entail additional costs. The Division of Product and Industry Regulation in the Department of Agriculture and Commerce has a unit of inspectors who handle agricultural and non-agricultural regulatory matters. Splitting this unit at this time would entail added expense and loss of effectiveness.

Another reason is that certain of these functions overlap the agricultural/non-agricultural line. To transfer weights and measures, for example, would lead to claims that the Commission is fragmenting inspection and causing two or more inspectors to visit the same plant where one handled it in the past. The entire question of inspection must be more carefully analyzed with a thorough study of the functions of local sanitarians before transfers can appropriately be worked out.

RECOMMENDATION NO. 13. REQUIRE MORE SYSTEMATIC SUPERVISION OF THE ACTIVITIES OF AGRICULTURAL COMMODITY COMMISSIONS.

Concerns among producers about this proposal were largely dispelled during public hearings. The Commission recommends adoption of the proposal.

RECOMMENDATION NO. 14. ESTABLISH A DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT.

This proposal has been modified to accommodate problems raised by the Board of Housing and the Virginia Housing Development Authority.

Activities relating to housing and community development are currently scattered throughout state government. The proposal to create a Department of Housing and Community Development is aimed at consolidating these programs and bringing about better coordination and more effective program efforts in these areas.

The new Department would include the present Office of Housing, the Housing and Community Development activities of the Department of Intergovernmental Affairs, the Rural Resources activities of the Department of Agriculture and Commerce, and the Fire Marshal Division of the State



Corporation Commission (except its Arson Investigation Section). It would also have a coordination responsibility for the Virginia Housing Development Authority.

RECOMMENDATION NO. 15. DIRECT THE GOVERNOR TO PRESENT SPECIFIC PROPOSALS CONCERNING THE ORGANIZATION OF CONSERVATION, RECREATION AND HISTORIC PRESERVATION ACTIVITIES TO THE 1978 SESSION OF THE GENERAL ASSEMBLY.

The Governor requested that the Commission identify areas upon which it was in general agreement but which required additional in-depth study before submission of detailed reorganization legislation, and refer certain of these to him for preparation of recommendations for the 1978 session.

At the suggestion of the Commission, the Governor has indicated that conservation, recreation and historic preservation is one such area which can appropriately be assigned to him for further study.

RECOMMENDATION NO. 16. ALLOW LOCALITIES UNDER AN ENABLING STATUTE TO ADJUST THEIR HUMAN SERVICES ORGANIZATIONS TO SUIT THEIR INDIVIDUAL NEEDS.

The area of human services is beset with management problems. The complex maze of federal laws, rules and regulations and its fragmented program approach makes coherent administration virtually impossible.

Human services, including health, financial assistance and social services programs, are an intergovernmental problem. Localities ultimately are responsible for delivering most services to people. They are often restricted by both federal and state organizational arrangements and legal requirements.

The organizational problems involving state-level human services programs should be addressed. Virginia cannot afford to wait for comprehensive reform of federal structures and requirements. Within the limits of federal laws, the Commonwealth must improve its own handling of human services responsibilities.

Since publication of the Commission's recommendation to allow flexibility to localities in administering human services programs, the U. S. Department of Health, Education and Welfare has proposed a new rule along the same lines. This is an encouraging development.

Administrative costs can be reduced (e.g., by having a consolidated in-take function or unifying forms) and overall service delivery can be made more effective if localities are freed from some of the rigidities of present state requirements. In the meantime, fundamental reform at the state and federal levels should be studied.

RECOMMENDATION NO. 17. DIRECT THE GOVERNOR TO PRESENT SPECIFIC PROPOSALS TO THE 1978 SESSION OF THE GENERAL ASSEMBLY REGARDING HUMAN RESOURCES.

The Commission offered a package of tentative recommendations to reorganize and improve the delivery of human services in Virginia. The Secretary of Human Resources and the heads of agencies under him worked with the Commission during the last year on those recommendations.

Organization issues in this area are frequently bound up in substantive issues beyond the scope of this Commission's jurisdiction. In addition, the complexities of the state-local relationship in the human services area calls for exhaustive analysis of alternative methods of assigning responsibility.

Proper consideration of the Commission's organization proposals in the human services area is unlikely unless there is an opportunity to relate those proposals to substantive reform issues (e.g., welfare reform, the future of the WIN program, and national health proposals) and to the state-local interface. This background can be provided by the executive branch for review by the General Assembly at its 1978 session.

For that reason, the Commission has concluded that the Governor should be provided an opportunity to review the area of human services and submit to the 1978 session a report containing reorganization proposals.

RECOMMENDATION NO. 18. PROVIDE FOR SUBMISSION BY THE GOVERNOR WITH HIS PROPOSED BUDGET A STATEMENT OF PROPOSED POLICIES, OBJECTIVES AND PRIORITIES IN THE AREAS OF:

- o INTELLECTUAL AND CULTURAL DEVELOPMENT
- o ASSISTANCE TO INDIVIDUALS AND FAMILIES
- o ECONOMIC DEVELOPMENT
- o PROTECTION OF PERSONS AND PROPERTY
- o MANAGEMENT OF NATURAL RESOURCES
- o TRANSPORTATION AND COMMUNICATIONS
- o GENERAL GOVERNMENT

The General Assembly should prescribe the major policy premises to be applied by the Governor in formulating the plan and budget he will submit to the legislature. This proposal does not unduly restrict the Governor. The underlying premises can be changed, but because they represent the most general policy judgment, it is unlikely that they will need to be changed often.

During this period of budget re-evaluation, we are just beginning to realize how much substance is implicit in the Budget Bill and Appropriations Act. Policy should not be buried in this complex legislation or in a massive budget document. The major aspects of the Governor's proposed policies, priorities and objectives should be presented to the General Assembly in a straight-forward and explicit fashion so that legislators and the public as well can react to them.

RECOMMENDATION NO. 19. TRANSFER THE FUNCTIONS OF THE DIVISION OF AERONAUTICS FROM THE STATE CORPORATION COMMISSION TO A NEW DEPARTMENT OF AVIATION UNDER THE SECRETARY OF TRANSPORTATION, ASSIGNING THE NEW DEPARTMENT A CLEAR ROLE IN PROMOTING VIRGINIA'S INTERESTS IN AVIATION.

There is an immediate need to increase the promotion of Virginia's aviation interest. This is clearly an executive function and should be under the direction of the Governor and the Secretary of Transportation. The transfer of this responsibility to the executive branch is fundamental to the efforts to develop and execute a coherent and comprehensive transportation policy. It is also required by existing constitutional and statutory provisions that appearances before federal agencies be conducted by, or subject to the direction of, the Governor.

RECOMMENDATION NO. 20. ESTABLISH BY JOINT RESOLUTION THE COMMONWEALTH'S TRANSPORTATION OBJECTIVES AND POLICIES, AS WELL AS LEGISLATIVE GUIDELINES FOR THE DEVELOPMENT BY THE COMMISSION ON STATE GOVERNMENTAL MANAGEMENT AND THE COUNCIL ON TRANSPORTATION OF APPROPRIATE ORGANIZATIONAL RECOMMENDATIONS TO CARRY OUT SUCH OBJECTIVES AND POLICIES.

Two studies--the Council on Transportation and this Commission--have been developing recommendations regarding transportation. These two efforts can be enhanced by closer coordination and a better understanding of their respective approaches.

Virginia does not have a comprehensive transportation policy. It can no longer afford not to have one.

Times have changed significantly since most of the Commonwealth's transportation agencies were established. Virginia must develop the institutional capacity not only to meet current transportation problems, but also to deal with those that will certainly come in the future.

The public's need for mobility is a constant. It should be the starting point in Virginia's development of transportation policy. Unfortunately, transportation is fragmented by mode in state government. Loose coordination was provided for in 1974, but this has failed to supply a comprehensive policy framework for addressing transportation problems and meeting the public need for mobility.

People want mobility for a purpose. They want it to get to a job, to a vacation or recreational site, to a hospital, to visit family and friends, or for other purposes. Except in the sense that personal mobility is desirable from the standpoint of freedom and psychological well-being, mobility is not desired for its own sake. It is not an ultimate goal, but a function that supports other goals, such as economic and community development. It serves as a linkage between various social and economic activities.

Neither mobility nor transportation can properly be considered as an end in itself or apart from the broad goals of society in general. It is folly to argue, then, that the Commonwealth can establish clear objectives for transportation when it has not first established its goals in other areas.

For example, if the Commonwealth wants heavy industry to locate in Virginia and decides to attract it actively, the transportation response will be quite different from the response it will have if it wants to discourage such industry. On the other hand, if Virginia wants to remove the migration away from central cities, it will pursue a quite different transportation course than if it does not.

These kinds of public choices will continue to be made implicitly, poorly and indirectly if transportation goals and roles are determined in a fragmented manner by the various mode-oriented agencies. What has been occurring in Virginia is that agencies such as the Highway and Transportation Commission have done more by indirection to establish community development goals and policies than any officer or agency of the Commonwealth directly responsible for formulating such goals and policies.

Since goals and roles in the other areas of state government will almost surely continue to change, transportation goals will also change. The organization structure finally decided upon must be flexible enough to accommodate this situation.

Roles for the various modes of transportation cannot be intelligently established without the benefit of an overall transportation policy framework. We must attempt to articulate transportation goals, relate those goals to other state goals, and assess what the real needs of the public are. A broad problem-solving approach is necessary to identify the truly significant transportation issues.

Present institutions do not match our problems. For example: Virginia reacted far too late to the problems of commuters. Several state studies have pointed to the fact that lack of adequate transportation is one of the greatest needs of the poor, the handicapped, the aged, the young, those in rural areas, and the over 16 percent of households in Virginia that are stranded because they have no access to an automobile. Promotion of the Commonwealth's interests in the federal regulation of airlines, railroads and waterborne shipping has been ignored. The shortage of pipelines to transport oil and gas has not been adequately addressed as a part of the Commonwealth's overall transportation problems.

A truly balanced transportation system begins with a consideration of the broad public interest, treating the interests of the five modes as incidental and looking even beyond these modes to other available alternatives and substitutes for transportation to satisfy the needs of the public in the most efficient and effective manner. If by "balanced transportation" one only means that the state has attempted to satisfy the interests of each of five modes, then the public interest becomes merely incidental.

The same result occurs if one defines "coordinated transportation" as the product of piecing together five plans and policies developed independently. Currently, the various policies and plans are prepared without overall transportation priorities, objectives and policy guidelines. The several agencies involved are free to choose whether conflicts will be reconciled or not. This is not true coordination.

Coordination should be a proactive approach that defines the overall goal, sets priorities, assigns responsibilities, fixes deadlines and reconciles conflicts. It should not be a process of ad hoc adjudication of disputes.

The present arrangement of structure, responsibility and funding in Virginia is not designed to produce the most efficient and rational allocation of resources. Transportation decisions are not truly made on the merits except within the five modes. Decisions are inclined to be made not on the basis of overall mobility needs, but rather in accordance with pre-established levels of funding under existing statutes.

Coherent transportation programs will not be developed so long as Virginia has autonomous agencies, fragmented responsibility and piecemeal approaches to problem-solving because of the limited perspective of the various mode-oriented agencies. What logic is there in having the most efficient highway program if we have a poor transportation program and fail to meet the mobility needs of Virginia's citizens?

In the preliminary report of the Council on Transportation, there was a clear misunderstanding of the tentative transportation recommendations of this Commission. Each group would undoubtedly benefit from a better understanding of the findings and conclusions of the other. This proposal should encourage greater communication between the two studies.

The Commission recommends enactment of this proposal for establishment of a transportation policy by the General Assembly as the duly elected policy-making body of the Commonwealth. This policy framework will guide the work of the Commission, as well as the Governor's Council on Transportation, in efforts to devise the most efficient and effective means to implement this policy.

RECOMMENDATION NO. 21. TRANSFER THE OFFICE OF RECREATION FROM THE DEPARTMENT OF INTERGOVERNMENTAL AFFAIRS TO THE COMMISSION OF OUTDOOR RECREATION.

The Department of Intergovernmental Affairs was established in 1976 to aid the Governor in his executive responsibilities in the area of federal-state and state-local affairs. Operational programs and technical assistance activities should be assigned to other agencies to allow the new Department to carry out its primary assignment.

#### EFFECTIVE DATES

Where a specific effective date is not provided, legislation to implement the recommendations contained in this report would become effective in accordance with the provisions of Article IV, Section 13 of the Constitution of Virginia. Legislation approved by the General Assembly at the 1977 session without a specific date to the contrary would go into effect on the first day of the fourth month following adjournment.

The legislation to establish a position of Secretary of Natural Resources and a position of Secretary of Economic and Agricultural Resources and to abolish the Council on the Environment has an effective date of January 14, 1978, which is the inaugural date of the next Governor.

Legislative proposals to establish the Department of Enforcement and Investigation, the Department of Housing and Community Development, and the Department of Commerce have an effective date of July 1, 1978. This will allow the Governor to incorporate the reorganizations in his next budget, thereby providing for a more orderly transition.

On the other hand, the legislation establishing the Department of Aviation should become effective this year so that Virginia's promotional efforts before the Congress and federal agencies can begin promptly. Such contacts with the federal government under the Constitution of Virginia must be conducted by, or at the direction of, the Governor; consequently, the creation of a new executive department to undertake this responsibility should not await the next biennium.

REMAINING WORK OF THE COMMISSION

The Commission will conclude its work no later than March 31, 1978. At the request of the Governor, the Commission deferred many of its proposals until 1978. Several important studies are also not yet completed.

If this Commission were to cease immediately, the work of reorganization would still need to go on unless we are willing to pay an even greater price for lack of effectiveness and efficiency in the future. Much more remains to be done to bring management improvements to state government.

As a matter of deliberate policy, the Commission has undertaken to develop recommendations that would strengthen the General Assembly and the Governor and their permanent agencies so that both branches would be in a position to take up where the Commission leaves off and continue reorganization and modernization on a systematic basis.

This Commission has done more work and produced more worthwhile proposals at a cost to the taxpayers of Virginia that is considerably less than other states have spent on such efforts. We will have spent only \$350,000 of general funds at the end of this fiscal year and less than that amount in federal funds since our work began.

The Governor has urged the General Assembly to continue its efforts to improve state governmental management. He has proposed that the legislature develop some mechanism after this Commission expires to allow the legislature to exercise its oversight responsibility regarding reorganization efforts.

Virginia has really only begun its reorganization effort. There is far more involved than anyone realized in 1975. The members of the General Assembly, the Governor, and many citizens have urged the Commission to proceed slowly so that the public and its representatives could have a chance to review and discuss the recommendations.

This is a short session. Not all of the Commission's proposals could possibly be considered this year. The Commission agreed with the Governor and many members of the Assembly that much more time was needed and that the remaining recommendations should await the next General Assembly.

Respectfully submitted,

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*Adelard L. Brault*

Adelard L. Brault  
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*Edward E. Willey*

Edward E. Willey  
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*Carrington Williams*

Carrington Williams  
House of Delegates

*William L. Zimmer, III*

William L. Zimmer, III

\*Delegate Guest was assigned to the Commission in July of 1976 after it had deliberated on a majority of the recommendations in this report and, therefore, abstains from signing this report.

APPENDIX I.  
IMPROVING STATE GOVERNMENTAL MANAGEMENT





# **IMPROVING STATE GOVERNMENTAL MANAGEMENT**

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**COMMONWEALTH OF VIRGINIA  
COMMISSION ON STATE GOVERNMENTAL MANAGEMENT**

# **IMPROVING STATE GOVERNMENTAL MANAGEMENT**

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**A Summary of Priority Recommendations**

**Prepared By  
Commonwealth of Virginia  
Commission on State Governmental Management**

**September, 1976**

## COMMISSION ON STATE GOVERNMENTAL MANAGEMENT

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<sup>1</sup>Raymond R. Guest, Jr. and James B. Murray were appointed to the Commission from the House of Delegates effective July 1, 1976.

<sup>2</sup>H Dunlap Dawbarn, a Gubernatorial Appointee, resigned from the Commission effective September 16, 1974. Carl Bain, originally an appointee from the House of Delegates, was reappointed to the Commission by the Governor effective July 1, 1976.

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## PART 1. BACKGROUND

### Reason for Establishing the Commission

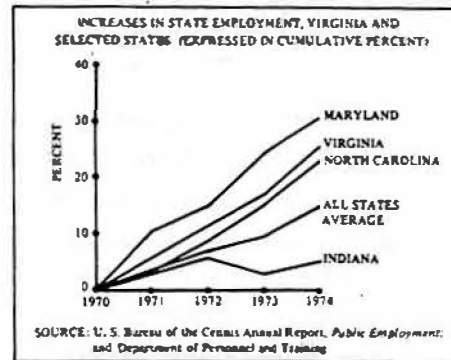
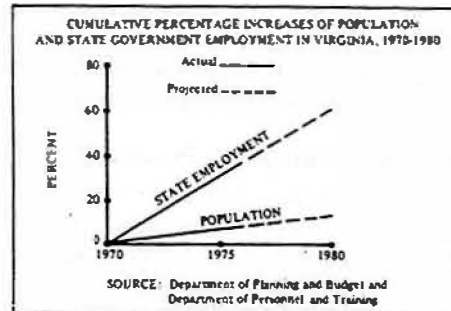
At its 1973 session, the General Assembly concluded that in spite of the considerable effort involved in the Governor's Management Study in 1970, many fundamental organization and management issues remained to be addressed. The legislature established the Commission on State Governmental Management to conduct a thorough reorganization study to examine ways to make state government more efficient, effective, responsive and responsible.

No comprehensive reorganization has been attempted since the 1920's, but the growth of state government has made the need for more orderly administration all the more pressing. Existing organizational arrangements cannot cope adequately with present and future problems.

In 1926, during his first year as Governor, Harry F. Byrd, Sr. proposed a reorganization, the principal elements of which were:

- constitutional amendments to adopt a short ballot providing for popular election of only the Governor, the Lieutenant Governor, and the Attorney General;
- appointment of all administrative heads by the Governor; and
- grouping all agencies under eight or ten major departments.

Although Virginia now has the short ballot, the latter two proposals were never fully implemented. What reorganization of state agencies did occur has been eroded over the decades since 1928.



GOVERNMENT AND PRIVATE EMPLOYMENT IN THE UNITED STATES, 1954 AND 1974 (in thousands)

	1954	1974	Percent Increase
Federal government	2,200	2,700	22.7
State and local government	4,600	11,600	152.2
State government Virginia	10	80	166.6
Private sector	42,300	64,000	51.3
Total nonagricultural employment	49,000	78,300	59.8

SOURCES: Committee for Economic Development, *Improving Productivity in State and Local Government* and Department of Personnel and Training.

### **The Commission's Approach to the Study**

This Commission did not undertake a motion-and-time study. Its purpose was neither to uncover one-time savings nor to evaluate the present proficiency of state agencies. The Commission has attempted to identify the underlying causes of management problems and to recommend appropriate structures, systems, and processes to deal with them.

As it undertook its work, the Commission was looking to Virginia's future when there will be changes in the kinds of problems facing the Commonwealth, the demands made on state government, the personnel who occupy state offices, and the political climate in which Virginia functions. The overall goal was to design what would best accommodate these factors. The product of the Commission's work ideally will not only allow for change, but also anticipate it and manage it to avoid crises, disruption and uncontrolled growth to the greatest possible extent.

### **Previous Commission Publications**

In November, 1975, after more than two years of study during which several interim reports on specific topics were published, the Commission on State Governmental Management released a summary of tentative recommendations addressing a wide range of organization and management issues. Public hearings were held in December, 1975, in four cities across the Commonwealth to receive comments on these tentative recommendations.

In addition to its summary of tentative recommendations, the Commission has also submitted six interim reports to the Governor and the General Assembly:

1. First Interim Report (January 1974)
2. Second Interim Report: Recommendations on the Roles of the Secretaries (June 1974)
3. Third Interim Report: Recommendations on the State's Budget Process (December 1974)
4. Fourth Interim Report: A Study of State Government Expenditures 1959-1973; Recommendations Relating to the Secretary of Administration and Finance (January 1975)
5. Fifth Interim Report: Recommendations on the Office of Lieutenant Governor (February 1975)
6. Sixth Interim Report: Recommendations on the State's Personnel Process (December 1975)



The Commission also published two documents in 1976: one entitled *Information Papers on the Agencies of State Government* and another entitled *Background Documents, Volume I, Executive Management Responsibilities*.

### **Implementation of Previous Commission Recommendations**

A substantial amount of change has already occurred as a result of implementation of recommendations made to the Governor and to the General Assembly at its 1975 and 1976 sessions.

In 1975, the General Assembly enacted legislation sponsored by the Commission to strengthen the budget and accounting processes. A major aspect of this legislation requires that the Governor's budget be formulated on a programmatic basis emphasizing goals and objectives to be achieved by the programs of state agencies and identifying specifically the level of services to be provided.

The programmatic approach is designed to permit better program evaluation which will result in the identification of program duplication and overlap, and will facilitate allocation of the state's resources in the most rational manner. The proposed system is also intended to produce a greater degree of accountability by government officials in achieving the program results determined by the General Assembly.

At the 1976 session, several Commission proposals were approved by the General Assembly. The principal features were:

- a reorganization of Administration and Finance agencies, including particularly an integration of planning and budgeting;
- clarifying the Governor's responsibility to coordinate contacts with the federal government so that the Commonwealth can exercise greater control over federal programs and grants;
- clarifying and strengthening the roles of the Governor and his Secretaries in policy and budget formulation;
- establishing a new Secretary of Public Safety by splitting the present office of Secretary of Transportation and Public Safety; and
- clarifying the relationship between the Governor and the Attorney General, and the role of the Attorney General in the provision of legal services.

The Governor is also in the process of implementing the Commission's recommendations to improve the state's personnel process. Elements of those recommendations are:

- an effective program of employee management relations;
- an equitable pay system that assures state employees are paid on a comparable basis with those in private industry;
- a better definition of the work requirements of employees through the introduction of specific standards of performance;
- a stronger policy and leadership role for the Division of Personnel;
- expansion of the Division of Personnel's functions to that of a Department of Personnel and Training; and
- the strengthening of the personnel management competence in state agencies.

#### **Purpose of the Tentative Recommendations**

The Commission intended to stimulate broad public discussions of major organizational issues facing state government by publishing its summary of tentative recommendations in November, 1975. By describing its broad conclusions in terms of proposals spelled out with particularity but while still in a tentative and formulative stage, the Commission hoped to receive input from the public to guide it in the formulation of final recommendations.

The complexities of present-day state government made it impossible for the Commission to develop final recommendations within two years. Publication of tentative proposals has served to sharpen the issues and to draw more helpful and specific comment and criticism; furthermore, it led to the identification of broad areas in which there was general agreement.

The public hearings conducted by the Commission during the fall of 1975 were only the beginning of the follow-up to publication of the tentative recommendations. Many months of meetings and analyses of written comments have produced modifications of those original proposals. The issuance of specific recommendations has greatly expedited the process of formulating final recommendations by giving the public as well as state agencies relatively definite proposals to react to and comment upon.

**Scope and Purpose of This Report**

The Commission has evaluated each recommendation tentatively offered in 1975 in the light of comments received from state agencies and interested individuals and groups. After appropriate modifications were made, the Commission met with the Governor to decide upon priority recommendations which might be submitted to the 1977 session of the General Assembly. Other issues will be deferred for further consideration.

This report contains a description of eighteen specific recommendations, including several requesting the Governor to develop more detailed organizational proposals for submission to the 1978 session. Public hearings will be held by the Commission during November at locations and on dates to be announced shortly.

In addition, another report will be issued prior to the public hearings. That report will include draft legislation to implement these recommendations. It is the Commission's intention to prefile all legislation so that consideration might be given these recommendations before the next session commences.

## **PART 2. RECOMMENDATIONS**

### **The Commission's Prescription**

To check the growth of state government and to make it more effective, efficient, accountable and responsive, the Commission has concluded that several major directions must be followed:

- greater emphasis must be given to the articulation and accomplishment of end results desired by the electorate;
- the Governor and the General Assembly must be afforded greater ability to control the growth of government and to see that program objectives set by the legislature are achieved in the most efficient and effective manner possible;
- accountability for end results must be established within the executive branch by clarifying the assignments of responsibility and authority;
- the executive branch must have a systematic and logical plan of organization in order to cope adequately with growth and change;
- related activities must be grouped together for better coordination and to determine where greater effectiveness can be achieved, where gaps in service can be eliminated, and where resources can be maximized;
- more attention must be given to the analysis not only of proposed new programs but also of existing programs to determine whether more appropriate and less costly alternatives are available to accomplish the same result; and
- the flow of information to the Governor and to the General Assembly must be more timely and orderly and subjected to better prior analysis so that decision-making can be enhanced.

On the basis of these conclusions and the objectives identified by the Commission in its November 1975 report, the Commission offers the following recommendations.

**1. AUTHORIZE THE GOVERNOR TO APPOINT ALL ADMINISTRATIVE HEADS OF AGENCIES (NOT INCLUDING INSTITUTIONS) IN THE EXECUTIVE BRANCH, SUBJECT TO CONFIRMATION BY THE GENERAL ASSEMBLY, TO SERVE AT HIS PLEASURE FOR A TERM COINCIDING WITH HIS.**

The Governor is, after all, the chief executive of the Commonwealth and responsible under the Constitution for supervision of administration. The heads of many agencies are currently appointed by him. The Commission feels that this arrangement should be applied across the board.

If the Governor is to be held responsible for the effective functioning of the executive branch, he must be able to select individuals to fill key administrative positions and to remove them when their performance is unsatisfactory. All agency heads should be subject to confirmation by the General Assembly. This will provide a check against abuse of the appointment power by the Governor.

Boards and commissions are not and should not be involved in day-to-day administrative matters. Serving part-time as they do, they cannot provide the supervision, coordination and policy direction which the Governor can.

It is difficult to find a major problem facing the Commonwealth that does not cross agency lines. The Governor must be in a position to deal effectively with these problems. He cannot do so when the people he must rely on are at arm's length. This is particularly true in program development and budget formulation.

Additional provisions are warranted in the area of education because of its inherent sensitivity and the strong constitutional and statutory roles of the State Board of Education and the State Council of Higher Education. Legislation should provide for gubernatorial appointment of the Superintendent of Public Instruction and the Director of Higher Education, after consultation with the respective boards among others. Each of these appointments should also be subject to legislative confirmation. In addition, the presidents of institutions of higher education should continue to be appointed by the governing boards of those institutions.

**2. EMPOWER THE GOVERNOR TO APPOINT ALL MEMBERS OF BOARDS AND COMMISSIONS IN THE EXECUTIVE BRANCH, SUBJECT TO CONFIRMATION BY THE GENERAL ASSEMBLY, AND TO REMOVE THEM FOR SPECIFIED CAUSES.**

The appointment of members of boards and commissions by the Governor is a principle well established in Virginia. It is a sound one and should continue.

The more difficult issue relates to the manner in which the Governor may remove members of boards and commissions. At the present time, there is considerable uncertainty about the Governor's removal power with respect to board members. This should be clarified.

In many cases, the Code of Virginia explicitly provides for the manner of appointment of members of a particular board, but is silent as to removal. Members of several major boards, however, may be removed under the law by the Governor at his discretion. Examples are:

- the Commission of Highways and Transportation,
- the Commission of Game and Inland Fisheries,
- the Board of Commissioners of the Virginia Port Authority,
- the Board of Corrections,
- the Board of Welfare,
- the Marine Resources Commission, and
- the Board of Mental Health and Mental Retardation.

Members of boards of visitors at state-supported institutions of higher education may be removed by the Governor for cause which section 2.1-43 of the Code defines as "malfeasance, misfeasance, incompetency, gross neglect of duty, or for unlawful or willful neglect of duty." That same section purports to extend the same rule to all state agencies and licensing boards. Language elsewhere in the Code is contradictory.

The statutes in title 54 establishing licensing boards, for example, expressly provide for removal of members in language inconsistent with the general provision found in section 2.1-43. For most of these boards, the law provides: "The Governor may remove any member for misconduct, incapacity, or neglect of duty, and he shall be the sole judge of the sufficiency of the cause for removal." (See, for instance, section 54-286 relating to the State Board of Medicine.)

The Code should be amended to make clear the Governor's authority to remove board members (except members of boards of educational institutions) not only in cases of malfeasance, misfeasance, incompetency, gross neglect of duty, or unlawful or willful neglect of duty, but also where a conflict of interest exists or where the board member is totally out of step with the Governor's policies.

Generally, when removal is for cause, the courts have jurisdiction to review the Governor's action. This is not a desirable situation. Lengthy adjudication of decisions of an administrative nature are disruptive and may even prompt a Governor to forego removing a board member who is frustrating implementation of programs favored by the Governor and the General Assembly because of the potential time and energy that will be diverted from administration.

It is desirable, on the other hand, that the Governor set forth his justification for removing a board member in a public statement. This should inhibit to some extent any Governor from replacing a member for frivolous or inappropriate reasons. The Code should provide for such an assignment of reasons and make clear that the action is not subject to judicial review.

The Commission also recommends that any board member nominated as a replacement for one removed by the Governor must be confirmed by the General Assembly. This provides a substantial safeguard against wholesale or indiscriminate firings by a Governor.

The Commission has never recommended eliminating staggered terms. There is a considerable difference between eliminating staggered terms, on the one hand, and making clear that the Governor may remove members of boards during their term for stated reasons, on the other.

For practical political reasons, the Governor may not feel that he is able to remove a board member during that member's term even though the Governor possesses the formal authority to do so. Firing an appointee may produce more unfavorable reaction from the public, a special interest group, certain legislators, or even the bureaucracy than the Governor considers it worth to make a replacement.

Eliminating staggered terms results in the automatic turnover of members at the change of administration: no affirmative act on the part of the Governor is needed to remove members when their terms end as he assumes office. This presents an entirely different political situation to the Governor. In the former case he not only has the opportunity, but is fully expected to select a completely new board at the beginning of his administration.

**3. INSURE THAT ALL BOARDS AND COMMISSIONS MAKE DECISIONS WITHIN THE BROAD POLICY FRAMEWORK ESTABLISHED BY THE GENERAL ASSEMBLY AND (EXCEPT AS OTHERWISE PROVIDED BY THE CONSTITUTION) INTERPRETED BY THE GOVERNOR.**

It is an ancient legal doctrine that the legislature may not delegate its legislative power to others in a wholesale manner. When it does delegate substantial decision-making responsibility (e.g., making rules or regulations, setting standards, or determining allocations), it must accompany such grant of power with adequate policy guidelines. Existing statutes should be amended to set forth with greater precision the General Assembly's policies, priorities and objectives, which serve as premises upon which boards and commissions make their decisions.

A growing complaint in other states is that agencies, boards and commissions adopt rules or make other decisions which exceed what the legislature intended. Many states are designing processes which allow for systematic review of agency rules and regulations. The standing committees of the General Assembly provide a mechanism in Virginia for oversight of the rules and regulations of agencies under their subject matter jurisdiction.

The Governor's role in insuring coherent administration of the many laws, programs and policies adopted by the General Assembly has never been clear. In order for the General Assembly to exercise the highest degree of control over policy it must concentrate responsibility for its implementation rather than diffuse it. Legislation previously proposed by this Commission and adopted by the General Assembly in 1976 provides the Governor with the authority to resolve disputes and gives policy direction to state agencies.

Program budgeting can and should correct much of the problem. The budget/appropriations process should be the mechanism for setting priorities, policies and program objectives in advance based upon justifications offered by the agencies and others including legislative staff. Both the Governor in his budget formulation and execution roles, and the General Assembly in its appropriations process have appropriate opportunities to establish a coherent and more precise framework of policy to guide state agencies.

In addition, the General Assembly should systematically review the rules, regulations and standards set by agencies to insure consistency with legislative policies.



#### **4. AT A MINIMUM, EVERY CITIZEN BOARD OR COMMISSION SHOULD:**

- SERVE AS A PUBLIC WATCHDOG
- PROVIDE A MEANS OF CITIZEN ACCESS
- PUBLICIZE, EDUCATE AND WORK FOR PUBLIC SUPPORT
- ADVISE THE GOVERNOR, THE APPROPRIATE SECRETARY AS WELL AS THE AGENCY HEAD ON ANY MATTER AFFECTING THE AGENCY

“At a minimum” should be emphasized. Boards and commissions should retain the authority to interpret policy of the General Assembly through the adoption of rules, regulations, standards and other quasi-legislative actions which are best left to a panel of citizens rather than a single state official.

On the other hand, they should also retain a degree of independence of their respective agencies to allow for critical review of agency operations. This is not likely to be the case where boards and commissions serve as governing bodies formally responsible for all aspects of an agency's operations.

Boards and commissions should not exercise responsibility and authority for directing administrative management of agencies. This is properly the Governor's duty. Part-time boards and commissions by their very nature cannot provide the continuing supervision which the Governor can.

It is important that citizen boards and commissions keep the Governor and the appropriate Secretary and agency head advised on policy matters. Present statutes explicitly require certain boards (e.g., the Board of Agriculture and Commerce, the Board of Welfare and the Board of Corrections) to advise the Governor on matters relating to their agencies, in addition to carrying out their other responsibilities.

Such a provision should apply to all boards and commissions in the executive branch. The timely flow of information to the Chief Executive on matters for which he is ultimately accountable to the people is critical to the proper discharge of his duties.

In addition, the Governor should receive the advice and counsel of citizen boards and commissions in the formulation of his policy recommendations to the General Assembly and in the exercise of his executive responsibilities. This should be the case regardless of the extent of decision-making power vested in the particular board or commission.

**5. EMPOWER THE GOVERNOR TO SUBMIT TO THE GENERAL ASSEMBLY REORGANIZATION PLANS THAT MAY BE DISAPPROVED BY EITHER HOUSE.**

The Commission sponsored legislation in 1976 which would carry out this recommendation. It was requested at introduction that the bill (Senate Bill No. 31,1) be carried over to the 1977 session.

In recent years the Commission on Constitutional Revision, the Governor's Management Study, and the National Municipal League (in its Model State Constitution) have recommended that the Governor be given this authority. A group of eight agency analysts, who spent several months working for the Commission in 1974, also recommended such a change in its report to the Commission.

The reason for executive initiated reorganization is that reorganization of the executive branch is properly a continuous activity rather than a disruptive once-a-decade effort. Many routine reorganizations are not accomplished because the legislature fails to identify them or ever get around to them.

The principal justification for this proposal offered by the Commission on Constitutional Revision is apt here:

This provision would not permit the General Assembly to modify a gubernatorial reorganization plan. The General Assembly's function under this section is to either approve or disapprove the plan. Disapproval by either house will kill the proposal. Ruling out modification requires that the Governor's plan stand or fall on its merits; it cannot be watered down with the addition of amendments. If the General Assembly determines that a proposed plan has merit but should be modified, then a member of the Assembly can introduce legislation encompassing the Governor's original plan as well as the modifications thereof, and the bill, like any other bill, would have to pass both houses and be signed by the Governor.

Executive initiation of state reorganization is the *sine qua non* of the reorganization movement. Since the General Assembly meets infrequently and is often overwhelmed with matters of immediate importance, the Governor is in an advantageous position to oversee the operation of state agencies. Granting the Governor initiative for the organization of state agencies insures constant supervision and is likely to prevent duplication of effort or the continued existence of an agency which has outlived its usefulness, either of which means needless waste of public funds. Additionally the Governor is a central figure directly responsible to the electorate and should be held accountable for the efficient operation of governmental agencies.

The idea of executive initiated reorganization is not new. On the federal level the President has long been given such authorization by statute, and some state constitutions have provisions similar to that proposed herein. The executive initiated proposal does not erode the powers of the General Assembly over legislative matters, for either house of the General Assembly can always veto any gubernatorial proposal. The Commission believes that as Virginia's administrative structure becomes more complex, executive initiation of reorganization, coupled with legislative power to disapprove reorganizations, is the surest way to keep the administrative machinery responsive to Virginia's needs and streamlined in the interests of efficiency and economy.<sup>1</sup>

The General Assembly rejected the idea of executive initiated reorganization at its 1969 session partly because there were fears that reorganization plans would be hastily conceived based on campaign promises by a Governor who might have little or no experience in state government. Some argued that the idea amounted to a reversal of roles as between the legislature and the Governor, but they did not then address the issue whether such a reversal in this situation is warranted and desirable. The legislature can always disapprove the proposal.

A number of states, including Alaska, Kansas, Maryland, Massachusetts, Michigan and North Carolina, have a constitutional provision granting the Governor the authority to initiate reorganization. California, Georgia, Minnesota, Missouri, New Jersey, Pennsylvania and Vermont vest such authority in the Governor by statute. It is recommended that Virginia adopt the second approach, which provides the legislature with the additional safeguard of being able to withdraw the power if there is any sign that it is being abused.

Legislation sponsored by the Commission currently pending to carry out this recommendation has been drafted to deal with objections raised in 1969 to the proposal of the Commission on Constitutional Revision. First, it provides for statutory—not constitutional—authority in the Governor to initiate reorganization proposals. Second, there is a requirement that his reorganization plan be confined to specific matters. Third, the plan must be submitted at least 45 days before the session.

<sup>1</sup>Commission on Constitutional Revision, *Report* (Richmond, 1969), p. 171.

**6. PROHIBIT LEGISLATORS FROM SERVING ON BOARDS AND COMMISSIONS IN THE EXECUTIVE BRANCH.**

Article III of the Constitution of Virginia prohibits the simultaneous exercise of legislative, judicial and executive functions. Service by legislators on boards and commissions in the executive branch clearly runs counter to the intent of this constitutional provision.

The General Assembly charged this Commission with the task of formulating clearer lines of authority. Accountability is frustrated when legislative and executive responsibilities are confused. Legislators should not play an active role in the executive branch if they expect to hold the Governor responsible for the overall performance of executive agencies.

The Commission does not intend for this recommendation to prohibit legislators from serving on boards and commissions which are commemorative and whose only executive functions are merely incidental to the commemorative purpose.

**7. IMPLEMENT IN EACH HOUSE OF THE GENERAL ASSEMBLY A RULE ESTABLISHING A SYSTEM BY WHICH PROPOSED LEGISLATION HAVING AN ORGANIZATIONAL IMPACT MAY BE THOROUGHLY ANALYZED BEFORE ACTION IS TAKEN THEREON.**

The General Assembly must give more careful analysis to proposals that would expand or modify the organization of state government. The tendency to proliferate cannot continue unchecked.

This recommendation is designed to improve the quality and enhance the availability of information and analysis upon which members of the General Assembly must act when addressing legislation having an organizational impact.

**8. ELIMINATE THE DUAL STATUS OF THE STATE BOARD FOR COMMUNITY COLLEGES BY CONFINING IT TO THE ROLE OF GOVERNING BOARD OF A STATEWIDE INSTITUTION OF HIGHER EDUCATION.**

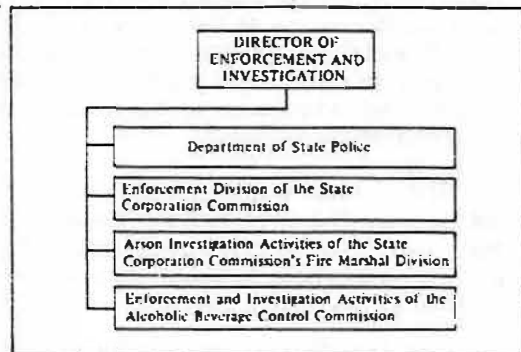
Since creation of the Community College System in Virginia in 1966, it has enjoyed a dual status—that of a state agency and a statewide institution of higher education with numerous branches.

Although the system has 23 colleges and 32 campuses, there is but one governing board—the State Board for Community Colleges. The Chancellor and his staff do not have their offices on an academic campus as do the presidents of senior institutions. Nevertheless, the Community College system is subject to the same process of review and approval by the State Council of Higher Education as are state-supported institutions of higher education.

**9. ESTABLISH A DEPARTMENT OF ENFORCEMENT AND INVESTIGATION.**

Substantial overlap of responsibilities can be identified in the area of law enforcement at the state level. This is wasteful and unnecessary.

The State Police, the Enforcement Division of the State Corporation Commission, and the Division of Motor Vehicles all patrol the highways to detect and apprehend motor vehicle operators who are in violation of state law. State law specifically vests the Department of State Police with overall responsibility and authority for the enforcement of all criminal laws of the Commonwealth.



Not only will this recommendation make more efficient law enforcement, it will also make it more effective. Adequate response to certain crimes, such as illegal drug trafficking, requires a higher degree of coordination than is possible under the current arrangement with several law enforcement agencies involved.

**10. CREATE THE POSITION OF SECRETARY OF NATURAL RESOURCES AND ABOLISH THE COUNCIL ON THE ENVIRONMENT.**

The Secretary of Commerce and Resources has far more agencies, programs and discrete activities within his jurisdiction than does any other Secretary. This has strained his ability to provide the necessary attention and expertise to matters assigned to him.

The disparity in the range of responsibilities of the various Secretaries is illustrated by the following comparative data:

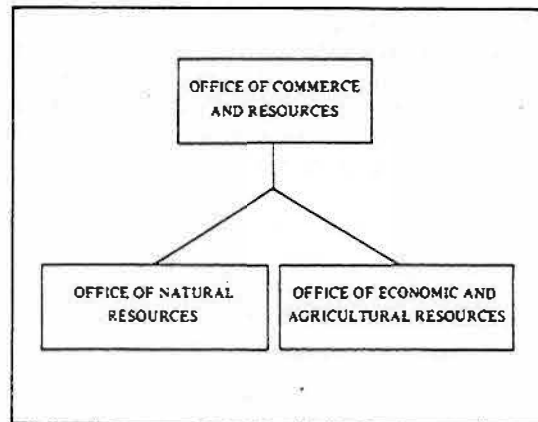
The span of control of the Secretary of Commerce and Resources can be made more manageable only by greatly expanding his staff or effecting considerable consolidation of agencies assigned to him. These approaches are not as desirable as dividing the Office of Commerce and Resources. They will tend to submerge issues that should properly be addressed at the level of the Governor or the Secretary.

	Administration & Finance	Commerce & Resources	Human Resources	Transportation	Public Safety	Education
Programs Assigned	23	31	23	16	12	26
Agencies Assigned	20	42	11	7	6	28
Units for Which Secretary Has Liaison Responsibility	24	92	25	24	11	42

The number of agencies assigned to the Secretary of Commerce and Resources does not tell the story. The diversity within the area makes the nature of his supervisory role quite different from that of the Secretary of Education, for example, who is responsible for 28 agencies and institutions that have far more in common than do the 42 agencies assigned to the Secretary of Commerce and Resources.

The Commission recommends dividing Commerce and Resources into (1) Natural Resources and (2) Economic and Agricultural Resources. In part, this is because there are in reality two divergent goals, not one, in the present area. One goal is a sound economy. Another and frequently competing goal is the conservation and development of natural resources and historic sites.

The fact that there are two discrete goals does not necessarily warrant splitting activities into different Secretarial areas. The area of Human Resources, for example, contains two goals, but those goals are more compatibly joined and the activities involved more readily blended into a unitary whole. That is not true of Commerce and Resources. It is difficult to provide a statement of purpose or goal that encompasses the promotional activities of the Division of Industrial Development, occupational safety activities, certification of accountants and architects, game and fish management, and parks and recreation.

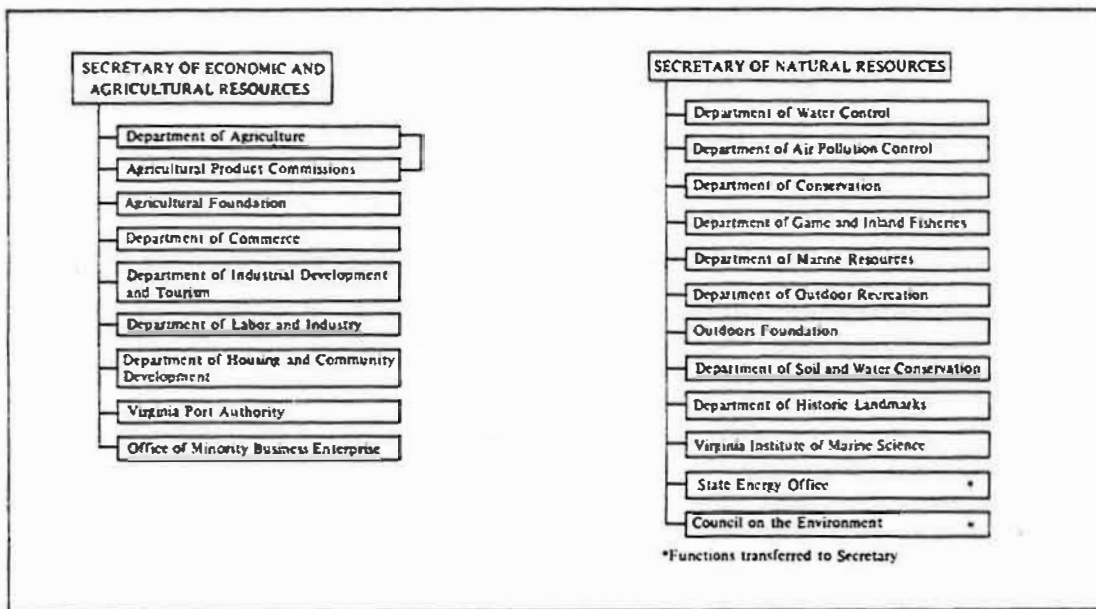


At the same time, however, the activities in the Natural Resources area still involve a necessary balancing of development and protection concerns. That same balancing problem crosses over the Commerce and Resources area in any event. Since Transportation is a separate area, and the same balancing of development and protection must be done within that Secretarial area, those competing interests must be considered even under the present organization by at least two Secretarial areas.

Two specific objections have been raised to the separation: (1) a mechanism should be available so that growth versus preservation issues can be resolved by a Secretary rather than left for the Governor's resolution, and (2) some tasks and some activities directly impact on the economy and on the environment in a way that prevents splitting them to isolate the development or the protection impacts.

In regard to the first argument, the divergent nature of the two goals involved cannot satisfactorily be represented by any single individual short of the Governor, who is most apt to reflect the electorate's collective judgment on any such major issue. Each concern is so important that it should be articulated by a high-level official to insure that the Governor himself is confronted with the strongest argument on behalf of each interest in the formulation of major policy.

Even the Governor undoubtedly has his personal biases, but his perception and his actions in dealing with this balancing problem will be far different from that of his Secretaries who are not immediately answerable to the electorate. The effect of imposing a Secretary between the Governor and the two competing interests may be to push the problems down and out of sight. Not all competing interests within the executive branch should be left for resolution by the Governor, but those of such a fundamental nature as these should be addressed by the Governor.



The second objective—that a single activity has multiple impacts which are inextricably woven together, thus defying an organizational separation—could be directed to all areas of state government. Activities in the transportation area, for example, also have economic and environmental consequences. Not all activities having an economic impact can be located in a single agency or Secretarial area unless it encompasses virtually all of state government.



Where the activity has multiple impacts (e.g., the pest control activities of the Department of Agriculture and Commerce with its economic and environmental consequences), it should be assigned on the basis of its primary purpose. In addition, it bears repeating here that balancing must occur in every Secretarial area. The breadth of the responsibilities on the proposed Secretary of Natural Resources include both development and conservation—not one to the exclusion of the other.

The need for a separate Secretary of Natural Resources is dramatized by the number and significance of major issues confronting the Commonwealth in recent years in the area of natural resources. The kepone problem, the Portsmouth oil refinery problem, the energy crisis, the spills in the Chesapeake Bay, the New River issue, coastal zone management, offshore oil drilling, water resources problems, and the many legislative developments at the federal level in this area are examples of the concerns which are in the main to be addressed at the Governor's level.

The increasing attention to natural resources matters has diminished the time and energy available to the Secretary of Commerce and Resources for the formulation of coherent economic policies and programs. Economic development warrants the full attention of a Secretary.

There is at present an undesirable layering of Commerce and Resources which impedes the timely flow of information to the Governor on these key issues. There is a pressing need for an executive officer responsible for, knowledgeable about, and more directly involved in both natural resources and economic issues. The degree of expertise and attention needed in natural resources and economic matters at the Secretarial level cannot be supplied by an official responsible for all the programs and activities currently assigned to the Secretary of Commerce and Resources.

Under the present arrangement, the Secretary of Commerce and Resources is responsible for developing policy and deciding disputes that should be left to the Governor. Indeed, none of the major issues facing the state as between economic affairs and the use of natural resources has failed to be addressed personally by the Governor in recent years. The proposed separation would facilitate the Governor's decision-making by shortening the organizational distance and eliminating bottlenecks which have arisen in recent years.

The kind of issues which on paper are to be resolved by the Secretary of Commerce and Resources are in fact issues which any Governor will likely choose to retain ultimate and personal responsibility for. Just as the Administrator of the Council on the Environment has formal responsibility comparable to that of the Secretary of Commerce and Resources for many of the agencies assigned to the Secretary, the Secretary has such broad responsibility that he is left to deal with issues which are the Governor's ultimate responsibility.

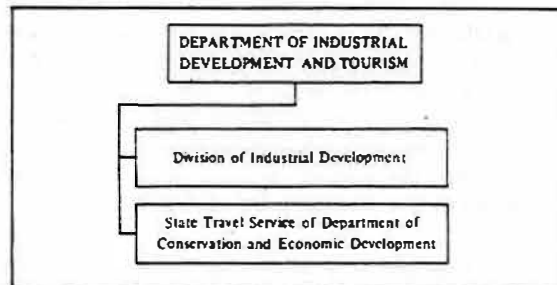
The issues described above are of such magnitude that the Governor ideally should be involved sooner than he is likely to be involved under the present system. He should have reporting to him persons ultimately acquainted with the problems in natural resources and economic development so that the Governor may take a proactive approach to management rather than a reactive approach which he is confined to without a timely flow of information.

Legislation is pending in the form of carry-over bills (Senate Bills No. 309 and 310) to establish a position of Secretary of Natural Resources and a position of Secretary of Agriculture, Commerce and Labor to replace the present Secretary of Commerce and Resources. The Commission recommends that the title of the proposed Secretary of Agriculture, Commerce and Labor be changed to "Secretary of Economic and Agricultural Resources."

## 11. ESTABLISH A DEPARTMENT OF INDUSTRIAL DEVELOPMENT AND TOURISM.

The Virginia Travel Service should be located with other promotional activities under a Secretary of Economic and Agricultural Resources. Formulating coherent economic policies is a difficult process given the diverse and often conflicting economic interests found in the Commonwealth and represented in various state agencies. It is made all the more difficult when those activities are unnecessarily divided between the Secretaries.

The Travel Service currently operates as a discrete division within the Department of Conservation and Economic Development and with a high degree of autonomy. The Division of Industrial Development also operates with considerable independence. It argues that it must have access to the Governor's Office in order to promote Virginia beyond the state's borders.



There has been no indication that the present assignment of the Division of Industrial Development to the Secretary of Commerce and Resources has cut off the Division from the Governor or otherwise hampered the agency. In the past, the travel industry has advocated creation of a Division within the Governor's Office to promote tourism. Neither of these activities belong in the Governor's immediate office.

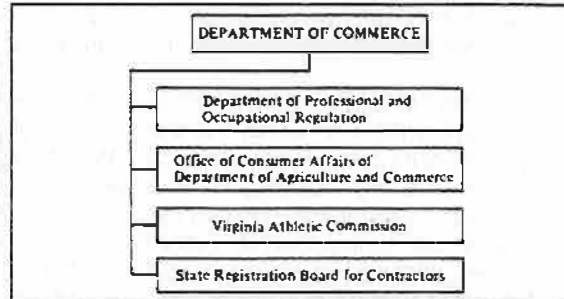
The success of these promotional activities will depend to some extent on the Governor's support and active involvement. Neither will be guaranteed by any organizational arrangement. They should be grouped with other activities in the area of economic affairs for coordination by the Secretary of Economic and Agricultural Resources. Not all the coordination needed can be provided by the Governor personally.

Industrial development and tourism are represented by two relatively small administrative units which should be consolidated. They have far more in common than is recognized under the existing structure. Each is concerned with the development of an aspect of the state's economy. Formulation of coherent economic policy requires closer coordination of the policies and programs of these two administrative units.

**12. ESTABLISH A DEPARTMENT OF COMMERCE.**

The Commission proposes a continuation of an agency responsible for a broad range of matters relating to agriculture—including both promotional and regulatory activities. Consumer affairs activities, however, are inappropriately located in an agency whose primary responsibility is the promotion of agriculture. A single agency cannot simultaneously advocate often conflicting interests.

The Office of Consumer Affairs should be transferred to a Department of Commerce and the Department of Agriculture and Commerce should be renamed "the Department of Agriculture." The programs and activities of the Department of Professional and Occupational Regulation should also be transferred to the Department of Commerce.



In effect, this would be a merger of consumer affairs with professional and occupational regulation. Each area currently responds to citizen-consumer complaints and handles investigations. The consolidation will reduce fragmentation and bring together activities having substantial operational compatibility.

**13. REQUIRE MORE SYSTEMATIC SUPERVISION OF THE ACTIVITIES OF AGRICULTURAL COMMODITY COMMISSIONS.**

Agricultural commodity commissions are supported by excise taxes in most instances approved by a statutorily-stipulated majority of producers of a particular commodity. Because the funds are derived from a well-defined group to be used to promote commodities produced by such a group, it is understandable that they would insist upon control of the funds and the programs supported by those funds.

These are public funds, however, which are obtained by means of a tax, even though a clear majority have approved of the tax and willingly pay the assessment. Use of these funds should be strictly accounted for and restricted to public uses.

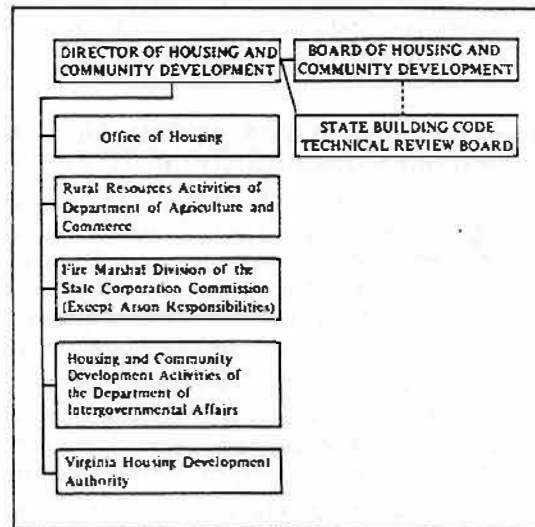
Research and promotion are appropriate uses of these funds by agricultural commodity commissions, but lobbying is not. The use of public funds should not extend to advocacy of positions taken by a majority of producers before legislative bodies such as the General Assembly and Congress. There are existing private commodity organizations to handle lobbying.

These commissions are nominally within the Department of Agriculture and Commerce. The Commissioner should be empowered to oversee these commissions more closely and to bring about efficiencies in their operations as he perceives such opportunities to arise.

#### 14. ESTABLISH A DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT.

Activities relating to housing and community development are currently scattered throughout state government. The Office of Housing administers the Statewide Building Code, while the Fire Marshal Division of the State Corporation Commission administers the Industrialized Building Unit and Mobile Home Code. The Office of Housing and the Department of Intergovernmental Affairs (particularly through its Appalachian Regional Commission program) are both involved in housing programs. The Virginia Housing Development Authority has been given broad power beyond the mere financing of housing that substantially overlaps that of the Office of Housing. The Rural Resources Services Program provides assistance to rural residents on community development matters.

These functions should be brought together in a consolidated Department of Housing and Community Development under the Secretary of Economic and Agricultural Resources.



**15. DIRECT THE GOVERNOR TO PRESENT SPECIFIC PROPOSALS CONCERNING THE ORGANIZATION OF CONSERVATION, RECREATION AND HISTORIC PRESERVATION ACTIVITIES TO THE 1978 SESSION OF THE GENERAL ASSEMBLY.**

In the year since publication of its tentative recommendations proposing a Department of Conservation and a Department of Recreation and Historic Preservation, the Commission has inclined to the view that all land management, historic preservation and recreation activities should be brought together in a single agency rather than two.

Appropriate location of the Division of Mineral Resources and the wetlands and bottomlands responsibilities of the Marine Resources Commission have also been the subject of much study by this Commission in recent months. The former should remain with land management activities rather than housed with promotional activities. The latter should not be transferred to a Department of Conservation, but should remain in the Marine Resources Commission.

The Governor has suggested that certain areas be identified by the Commission for additional study by the executive branch and submission of specific recommendations for action at the 1978 session of the General Assembly. This is one such area which the Commission believes would benefit from further analysis. Successful implementation of a recommendation comparable to that suggested by the Commission will require a substantial amount of coordination and administrative attention.

**16. ALLOW LOCALITIES UNDER AN ENABLING STATUTE TO ADJUST THEIR HUMAN SERVICES ORGANIZATIONS TO SUIT THEIR INDIVIDUAL NEEDS.**

The Commission has concluded during its three years of work that among the most pressing organizational needs in the area of human services are two which are not strictly state-level problems. On the one hand, restrictions and requirements of federal laws and regulations frustrate innovation, add red tape and otherwise circumscribe state and local officials in this area. On the other hand, the patchwork arrangement of human service delivery at the local level must be addressed before any reorganization of state agencies can be made fully effective.

Congressional action is necessary to correct the problem caused by the labyrinth of federal restrictions, mandates, and guidelines as well as the general pattern of federal categorical programs and funding. The state can, however, do much to eliminate the problem at the local level by affording localities greater flexibility in the management of human service programs.

There is no one best local organization for human services in Virginia. Each locality faces its own peculiar problems. Enabling legislation should be enacted to allow for this by giving local governments several alternative organizational approaches from which to choose.

**17. DIRECT THE GOVERNOR TO PRESENT SPECIFIC PROPOSALS TO THE 1978 SESSION OF THE GENERAL ASSEMBLY REGARDING HUMAN RESOURCES.**

The Commission concluded during the spring of 1976 that a thorough analysis of all organization and management issues relating to the delivery of human services could not be completed within the time allotted. As suggested in the commentary following the immediately preceding recommendation, the problem of administration of human service programs at the local level was found to be an integral part of the larger organization and management problems in the area of human services. State reorganization could not be accomplished effectively without a simultaneous consideration of the relationships between state human service agencies and their local counterparts.

The relationship between the state and local governments varies from state agency to state agency. Welfare programs are administered locally with standards set at the state agency level. Vocational rehabilitation programs are administered at the state level. Mental health programs are a mixture of both state and local administration. The state Health Department administers all local public health programs by contract with local governments. The Office on Aging has a fledgling service delivery system of its own and designates areawide offices on aging which administer grants allocated to them by the Office. The Virginia Employment Commission administers its programs at the state level, with branches throughout Virginia.

Legislation sponsored by the Commission in 1976 and adopted by the General Assembly provides an adequate mechanism for the effective formulation of a plan for human services in Virginia, including the establishment of program priorities and resource allocations. The Governor and the Secretary of Human Resources have been given the legal and practical power to direct the preparation of a coherent program and financial plan for the delivery of human services in Virginia for consideration by the General Assembly.

The Secretary of Human Resources quite properly suggested to the Commission during 1976 that the absence of an adequate mechanism for setting program priorities and determining resource allocations at the local level should be addressed as a part of a total, integrated reorganizational proposal. The Commission recommends that the Governor undertake an evaluation of the Commission's proposal to reorganize state-level human service agencies and the need for organizational changes at the local level for the purpose of submitting specific recommendations to the General Assembly at its 1978 session.

**8. PROVIDE FOR SUBMISSION BY THE GOVERNOR WITH HIS PROPOSED BUDGET A STATEMENT OF PROPOSED POLICIES, OBJECTIVES AND PRIORITIES IN THE AREAS OF:**

- INTELLECTUAL AND CULTURAL DEVELOPMENT
- ASSISTANCE TO INDIVIDUALS AND FAMILIES
- ECONOMIC DEVELOPMENT
- PROTECTION OF PERSONS AND PROPERTY
- MANAGEMENT OF NATURAL RESOURCES
- TRANSPORTATION AND COMMUNICATIONS
- GENERAL GOVERNMENT

State government must give greater attention to the articulation and accomplishment of end results. The changes recommended by the Commission in the area of program budgeting and management-by-objectives are clear examples of efforts to bring this about.

In order to implement the Commission's recommendation that program budgeting and management-by-objectives be adopted by state government, it is important that the Governor's overall policies, goals and objectives be explicitly presented to the General Assembly, as the ultimate policy-making body, for approval or modification as the General Assembly sees fit. The proposal recommended here has previously been adopted in other states and serves as a key ingredient in their program budgeting and management-by-objectives processes.

**Deferring Transportation Recommendations**

The Commission has made numerous tentative recommendations relating to transportation. Because the Governor's Council on Transportation is currently studying matters covered by these recommendations, the Commission will defer making its final recommendations to the General Assembly at the 1977 session until the Council has had an opportunity to submit its own report this fall.

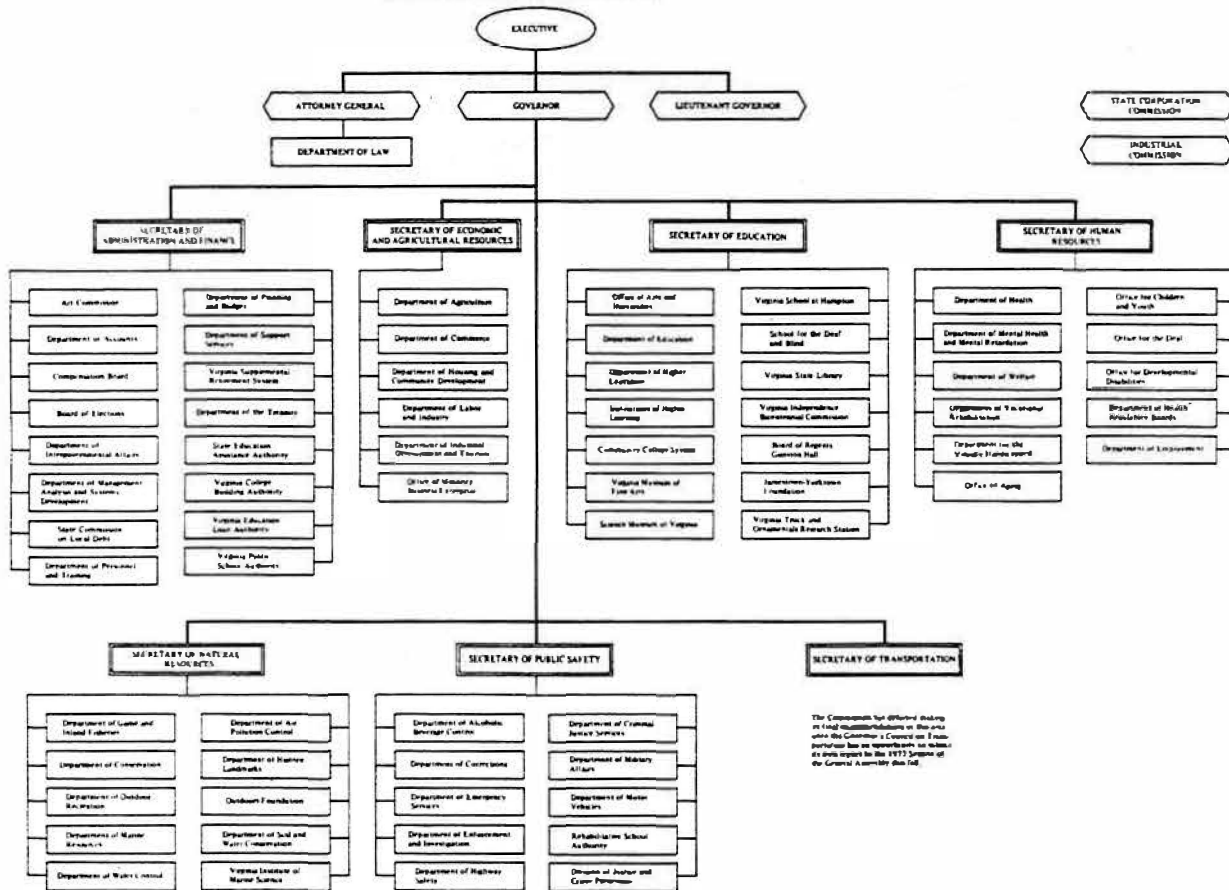


## **PART 3. CONCLUSION**

### **Conclusion**

The Commission has offered the recommendations contained in this report in recognition that the present organizational and administrative arrangements must be modernized and strengthened to cope with present and future problems. Reorganization is long overdue. These steps must be taken or the government of Virginia will move further beyond the control of its citizens and taxpayers.

PROPOSED ORGANIZATION OF EXECUTIVE BRANCH



The Commission for official making of land acquisitions in this area when the Governor is called on to participate has the opportunity to submit its report to the 1975 Session of the General Assembly due to:

APPENDIX II.

MANAGEMENT OF VIRGINIA STATE GOVERNMENT,  
TENTATIVE RECOMMENDATIONS OF THE COMMISSION

A REPORT FOR PUBLIC DISCUSSION

# Management of Virginia State Government

TENTATIVE RECOMMENDATIONS OF THE COMMISSION



COMMONWEALTH OF VIRGINIA  
**COMMISSION ON STATE GOVERNMENTAL MANAGEMENT**

Hon. William B. Hopkins, Chairman  
Carl E. Belf  
Hon. Adalard L. Brault  
Hon. Elmon T. Grey  
Hon. Joseph A. Leah

Hon. Willard L. Lemmon  
Hon. Clinton Miller  
Hon. Owen B. Pickett  
Hon. Robert E. Quinn

Richard D. Robertson  
T. Edward Temple  
Hon. Edward E. Wiley  
Hon. Carrington Williams  
William L. Zimmer, III

A Report for Public Discussion  
MANAGEMENT OF VIRGINIA STATE GOVERNMENT  
Tentative Recommendations of the Commission

Prepared by  
Commonwealth of Virginia  
Commission on State Governmental Management

November, 1975

COMMISSION ON STATE GOVERNMENTAL MANAGEMENT

Senator William B. Hopkins, Chairman  
Roanoke, Virginia

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Fairfax, Virginia

Elmon T. Gray  
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Edward E. Willey  
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House of Delegates Appointees

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Willard L. Lemmon  
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Anne E. Delhagen, Secretary

\* H. Dunlop Dawbarn, a Gubernatorial Appointee, resigned effective September 16, 1974.

THIS DOCUMENT IS NOT A FINAL REPORT OF THE COMMISSION FOR SUBMISSION TO THE GOVERNOR AND THE GENERAL ASSEMBLY. IT IS A SUMMARY OF TENTATIVE PROPOSALS FOR PUBLIC COMMENT AT A SERIES OF HEARINGS SCHEDULED FOR THE FIRST WEEK OF DECEMBER, 1975. EACH RECOMMENDATION IS SUBJECT TO REVISION BASED UPON COMMENT AND INFORMATION RECEIVED DURING THOSE HEARINGS.

MANY MEMBERS OF THE COMMISSION MAY HAVE RESERVATIONS ABOUT PARTICULAR ASPECTS OF THESE RECOMMENDATIONS; HOWEVER, THESE RESERVATIONS REPRESENT OVERALL A MINORITY VIEWPOINT AMONG THE COMMISSION MEMBERS.

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CHAPTER ONE  
THE NEED FOR REORGANIZATION

The Growth of Government

The public sector has grown at a staggering rate in recent years. To illustrate:

- o Government at all levels now takes 37 percent out of each dollar of income.
- o One of every six civilian workers in America is currently employed by federal, state or local government, as opposed to one in seven a decade ago.
- o Bureaucracy accounts for 14.5 million workers, not including the military, while in 1964 that number was 10.1 million.
- o In fiscal year 1964, expenditures at all levels of government were \$196 billion as compared to \$460 billion in fiscal year 1974--an increase of 135 percent.

Most of this growth occurred at the state and local levels where 80 percent of the civilian public employment is concentrated--much of which is attributable to federally-mandated programs. Only one of every twenty government jobs created during the last decade was at the federal level. The greatest increases have been in welfare, health, education and environmental protection.

Government has assumed a wide array of new responsibilities, often without careful regard to their cost, workability or relationship to the rest of government. The federal food stamp program, for example, began as a 1962 experiment at an annual cost of \$14 million. The estimated cost of this program for the current year is \$6.6 billion. In addition, there are charges that this program is incompatible with traditional welfare programs.

Virginia's Growth

Virginia has been no exception to the growth trend in government. State employment jumped from 43,200 in 1964 to 79,800 in 1974, while expenditures rose from \$0.8 billion annually to \$3 billion during the same period. Approximately two-thirds of state spending, however, is in the form of transfers to local governments. Per capita income in the Commonwealth increased less than 120 percent from 1964 to 1974, but state expenditures meanwhile went up 275 percent. A more detailed picture of this growth pattern in Virginia can be found in the Commission's fourth interim report, published in December, 1974.

The chart below illustrates the increase in the number of Commonwealth employees compared to increases in total employment and other public employment in Virginia for the last five years:

TABLE I

TOTAL AND GOVERNMENT EMPLOYMENT IN VIRGINIA  
1969-1974  
(in thousands)

	1969	1970	1971	1972	1973	1974	Percent Increase 1969-1974
Total, Non-Agricultural Employment	1485.8	1519.6	1588.0	1643.5	1747.4	1792.7	20.7%
Total, Government Employment	340.1	355.1	371.9	380.0	390.2	403.9	18.7%
State	59.2	63.9	67.6	71.2	74.3	79.8	51.7%
State & Local	199.2	209.8	222.9	233.1	245.9	256.2	28.6%
Federal	140.9	145.3	149.0	146.9	144.3	147.7	4.8%

Source: Virginia Division of Personnel, "Employment Report - Virginia State Government \_\_\_\_"  
(Richmond: Va. Division of Personnel).

Manpower Research Division, "Revised Labor Force Components - State of Virginia 1970-1974"  
(Richmond: Virginia Employment Commission, May 1975).

Comparing Virginia to states of approximately the same size, Virginia had the highest ratio of state employment to population. The Commonwealth also did not compare favorably with those states in terms of increases in per capita state expenditures. (Caution is urged in drawing conclusions from these figures, since the allocation of responsibilities as between the states and their localities in areas such as highways, higher education, welfare and health varies from state to state. Nevertheless, when the variations were taken into account, essentially the same picture emerges, with Maryland being shown in a somewhat poorer light than Virginia.)

TABLE 2

NUMBER OF FULL TIME EQUIVALENT STATE EMPLOYEES PER  
10,000 POPULATION, SELECTED STATES, 1957-1974

	1957	1962	1967	1970	1971	1972	1973	1974	% Change 1957-1967	% Change 1967-1974
Georgia	60	72	86	115	121	122	131	145	+43.3	+68.6
Indiana	64	79	98	103	105	104	104	102	+57.5	+ 4.1
Maryland	71	86	102	119	132	135	143	149	+43.7	+46.1
Missouri	60	69	98	114	115	116	114	117	+63.3	+19.4
North Carolina	68 <sup>1</sup>	80	101	122	128	126	135	144	+48.5	+42.6
Virginia	84	93	112	137	144	148	157	163	+53.3	+45.5
Wisconsin	50	67	95	105	108	115	113	110	+86.0	+38.3
United States Total	71	80	98	113	116	119	121	126	+58.0	+28.6

Source: U.S. Bureau of the Census, Public Employment in  
(Washington: U.S. Government Printing Office).

<sup>1</sup>Revised to be consistent with later years.

TABLE 3  
GENERAL EXPENDITURES PER CAPITA FOR ALL FUNCTIONS  
SELECTED STATES, 1957-1974

	1957	1962	1967	1970	1971	1972	1973	1974	% Change 1957-1967	% Change 1967-1974
Georgia	125	156	244	332	333	413	471	512	95.2	169.8
Indiana	121	145	234	292	332	356	368	399	93.4	70.5
Maryland	142	179	252	375	461	519	595	642	77.5	154.8
Missouri	105	141	210	304	317	354	364	401	100.0	91.0
North Carolina	121	158	245	346	394	420	451	486	102.5	98.4
Virginia	135	142	235	325	368	403	464	533	74.1	126.8
Wisconsin	126	169	326	435	476	524	580	671	158.7	105.8
National Avg.	145	168	270	384	434	476	517	569	86.2	110.7

Source: U.S. Bureau of the Census, State Government Finances in  
(Washington: U.S. Government Printing Office).

#### Virginia's Revenue Picture

Virginia entered the decade of the 1960's with many unmet needs, particularly in education. Funding of these during the last fifteen years was made possible by a combination of fortuitous circumstances which are not likely to occur again in the foreseeable future. For example, the state's tax base greatly expanded in step with the increase (measured in constant dollars) of the nation's gross national product in every fiscal year from 1960 through 1974, with the first decline coming in 1975. Also, until recent years relative price stability was enjoyed, thus making most revenue gains available for program needs. Additionally, there were major, untapped revenue sources, such as the general sales tax, alcoholic beverage taxes, and tobacco taxes. The dates and methods of collection of taxes were such as to afford an opportunity for their advancement, with resulting windfalls. Finally, the federal government substantially increased funds flowing to Virginia, first in terms of categorical grants handled as special funds, and finally through general revenue sharing beginning in fiscal year 1973.

Contrast the picture facing Virginia in 1960 with that now facing the Commonwealth. The gross national product declined in 1975 for the first time since 1946, and while evidence points to a resumption of growth soon, there is no indication of the robust growth of the 1960's and early 1970's. Inflation is pushing up the cost of government at a rate unparalleled in the lifetime of most of our citizens. There appears to be no major sources of untapped revenue in the state. Tax collections have already been expedited to the greatest degree practicable. Finally, the budget problems facing the federal government forebode a substantial likelihood of reduction in categorical and general revenue grants to the states.

To demonstrate the part that new revenue sources played in funding program expansions during the last fifteen years, it is only necessary to point out that of the \$1.376 billion of general fund revenues in fiscal year 1975, \$447 million or 32.5 percent were derived from sources not tapped or available in 1960. Specific examples include:

State Sales and Use Tax	\$361.1 million
Alcoholic Beverages State Tax	\$ 28.2 million
Tobacco Products Tax	\$ 16.8 million
Federal General Revenue Sharing (including interest earned thereon)	\$ 41.2 million
<b>TOTAL</b>	<b>\$447.3 million</b>

In addition to the initiation of the additional taxes cited above, there were numerous changes in tax rates or minor tax additions over the years, most of which resulted in tax increases. Examples would include the increase in the ABC tax rate in 1970, which yielded an estimated \$6.8 million in the initial year; the combined impact of the increase of corporate income taxes, the conformity to federal tax processes, and the corporate audit program in 1972 yielded an estimated \$15.7 million over the first eighteen months; the increase of the franchise and charter fees on corporations in 1974 yielded an estimated \$1.6 million in the first year; and the placing of a grantor tax on deeds of conveyance in 1968 yielded almost a million dollars in the first year.

The late 1960's witnessed numerous changes designed to advance tax collections, resulting in substantial revenue windfalls. Examples include:

1968	-Speed-up deposit of ABC taxes to the General Fund	\$3.4 million
1968-1969	-Shifting collection of individual income tax from quarterly to monthly basis	\$29.7 million
1969	-Requiring corporations, public service corporations and insurance companies to file estimated tax return and pay the estimate in installments	\$37.4 million

The availability of minor and relatively painless adjustments to produce revenue windfalls appears to be exhausted or virtually so. If the Commonwealth is to provide additional services or perhaps even to continue the present level of services during this period of inflation, it faces the following choices:

1. uncover new revenue sources (although there appear to be few, if any, of significance);

2. increase taxes;
3. curtail marginally-effective programs; or
4. restructure the organization and processes of state government to increase productivity.

No matter which of the foregoing directions the Commonwealth chooses to follow, it must exercise greater discipline in the process of creating new programs requiring additional expenditures.

#### The Gap Between Expectation and Performance in Government

Despite enormous resources which have been made available to government, public confidence in government has declined--particularly at the federal level. Taxpayers find the cost of government exceedingly burdensome, its results on the whole unsatisfactory, its activities often wasteful or lacking in purposefulness, and its agencies increasingly remote, unresponsive, and unaccountable. The average citizen might be forgiven for feeling that he is not getting his money's worth, that neither he nor his elected representatives are truly in control of government, and that it is difficult to find those in government who can effectively be held responsible for its failures or given praise for its overall achievements.

The development of government in a patchwork fashion contributes to public confusion and frustration. Complexity, fragmentation and diffusion of responsibility hinder performance and make accountability and responsibility for results difficult to enforce.

#### Virginia's Problems

While some of these deficiencies can be attributed to Virginia state government, the full weight of such a broad indictment cannot fairly be laid on its agencies. At the same time, however, the Commission has found that changes in structure, processes and systems are needed to permit Virginia to respond adequately to changing circumstances.

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

#### The Threat to the States' Position in the Federal System

In 1912, F.A. Magruder, in a treatise entitled Recent Administration in Virginia, made the following prophetic observation:

It is no longer a question of centralized state government or decentralized state government; it is a question of centralized state government or more centralized national government. People

want efficiency, and if the State will not give it, they want it from the National Government.

Obviously, the national government has assumed a much greater involvement in the affairs of the citizens of this country than anyone imagined in 1912. This expanded role has been at the expense of state governments. In large measure, this occurred because the states were not willing or institutionally able to counteract it. The fragmentation of responsibility, the patchwork organization, and the general lack of effective management in most state governments left them easy prey to those who urged the expansion of federal programs. State mechanisms to deal with modern problems were simply nonexistent or inadequate. Dependence upon federal funds by states, which had begun to exhaust their revenue sources, was another contributing factor in the growth of federal responsibility.

Colorado Governor Richard Lamm recently remarked that he felt less like the chief executive of a sovereign state than "a Federal regional administrator for the territory of Colorado." The problem is not limited to Colorado. Categorical grant programs with the accompanying maze of rules and regulations have encouraged the development of a vertical linkage among specialists at the federal, state and local levels. This has effectively reduced control over federally-funded, state-administered programs on the part of either governors or legislatures. Such a by-pass of elected officials has finally produced a stiff reaction from the states as their share of funding for these programs begins to increase.

A more dramatic example of the threat to the states' position in the federal system is the recent HEW plan to establish nationwide health service areas, which serve as the basis for federal funding of hospitals, nursing homes and other health programs. The plan would ignore state boundaries in the creation of such service areas. Such an arrangement would seriously erode the position of states in health matters.

Revenue sharing, revitalization and reorganization of state governments, and other measures designed to restore the states to a role of equal partnership in the federal system have helped to counter the trend; nevertheless, they are only initial steps. Significant changes must occur at both state and federal levels:

1. States must strengthen their management capability and modernize their structures, processes and systems.
2. The federal government must reform its labyrinth of hundreds of categorical grant programs and its complex and burdensome rules and regulation.
3. The federal government must continue to share its revenues with the states without stultifying restrictions which sap the vitality of state governments, or the states must develop new revenue sources.

4. At a minimum, governors and legislatures must reassert control over decisions regarding federally-supported state programs within their respective jurisdictions.

#### Controlling Bureaucracy

Virginia state government can be made more responsive and effective. Non-essential activities can be minimized or eliminated. State employees can become more productive. The first step in that direction must be a greater focus on the end results chosen by the people through their elected representatives and a more careful analysis of priorities so that efforts are directed at the most important tasks rather than routine projects.

All large organizations, particularly government organizations, have a tendency to displace ends with means and to become so engrossed in activity that its members lose sight of its purpose. Bureaucrats are often characterized as rule-followers rather than goal-achievers. This is more a shortcoming of the organization than of the people who serve in it. It demonstrates a lack of direction, confusion over objectives and priorities, the absence of clear standards of performance, and the failure to communicate. The unhealthy tendency toward rigidity and unresponsiveness can be offset by dealing directly with these deficiencies.

In government, elected officials serve as the bridge between the people and their public agencies. These officials are the means by which agencies are made subservient to the will of the people and to the purpose for which the activities administered by such agencies were originally authorized. The most important aspect of this control is the establishment of major policies, priorities and goals by elected officials. The effective articulation of objectives is the single most important factor in organizational effectiveness. When objectives are unclear, activity becomes directionless and often is undertaken for its own sake to fill up time or to serve the interests of the members of the organization. It is impossible to evaluate performance unless the results expected are understood. The failure of the legislature to specify goals, priorities and policies has a definite impact on administration.

Making the organization function in a way that produces the results for which it was created requires direction and control. It also presupposes a clear assignment of responsibility and authority. Virginia state government lacks a hierarchy of authority rationally related to the tasks it has assumed. Both responsibility and authority have been assigned in a piecemeal manner to over 100 separate administrative units. In far too many instances, the Governor must rely upon vague constitutional authority, informal power and financial controls. The Secretaries are expected to assist the Governor in managing state agencies by coordinating their activities. Numerous boards, commissions and committees have also been established to coordinate programs crossing agency lines. All of these approaches are inadequate because clear authority to direct has not been assigned. Responsibility for program results should not be imposed unless an official is empowered to direct and control the activities which must be coordinated to produce such results.

CHAPTER TWO  
REORGANIZING VIRGINIA STATE GOVERNMENT

Establishment of the Commission on State Governmental Management

The General Assembly created the Commission on State Governmental Management in 1973 to develop recommendations that would improve state services and reduce the demands upon state taxpayers and upon the time of the Governor. Specifically, the Commission was given the task of proposing ways of:

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

In discharging this responsibility, the Commission worked to a great extent through three subcommittees:

1. the Subcommittee on Budget and Management Systems, which considered improvements in the state's management processes and systems, including planning and budget processes, the availability of information and adequate information systems, and the existence of an effective system of personnel management;
2. the Subcommittee on Executive Management, which examined the roles of the Governor, the Attorney General, the State Corporation Commission, the Secretaries, and boards and commissions to identify problems in the assignment of such roles and to clarify lines of responsibility and authority; and
3. the Subcommittee on Government Operations, which analyzed the programs and activities of state government in order to rationalize the arrangement of work and to streamline the executive branch to make it more responsive and responsible.

Support was provided by a full-time staff of eight persons, by the Division of Legislative Services, and by consultants on certain projects. Numerous Commission meetings were held with experts in fields related to subjects assigned to the Commission. The Commission also enjoyed the close cooperation of the Governor and his appointees throughout its study. During the fall of 1974, eight representatives of various state agencies submitted to the Commission a report based upon three months of analysis of the objectives and activities of all executive agencies.

A Rationale for the Reorganization Study

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



Economy, efficiency and cost control are important, but must be viewed as only part of the problem. An organization, after all, may be efficient without being effective. Lack of effectiveness is the fundamental shortcoming of most service institutions, particularly governments. Every organization should control costs and continuously seek ways to improve efficiency. At the same time, however, it should strive to be effective, to perform the tasks assigned to it, and to produce the results for which it was created. Efficiency and effectiveness must be treated together, and constantly related to the purposes and goals of the organization.

Americans have traditionally put constraints on efficiency and effectiveness, the doctrine of separation of powers being the prime example. According to Mr. Justice Brandeis, that doctrine "was adopted... not to produce efficiency but to preclude the exercise of arbitrary power." In Virginia, diffusion of power has been extended well beyond the establishment of three separate branches of government. Responsibility and authority have been fragmented within the branches themselves; moreover, some functions are established outside the legislative, executive and judicial branches. Present circumstances warrant a reexamination of this diffusion of responsibility and authority to determine whether it threatens to render state government incapable of performing the very tasks for which it was created or so severely to circumscribe its effectiveness and efficiency as to be self-defeating.

Diffusion of power as a protection against its arbitrary exercise is not the only reason for the current fragmentation in state government. The executive branch operates in a milieu of political pressures that work against rationalization of its structure, processes and systems. For example, it is a rare agency that does not wish to be insulated from the Governor's managerial controls and policy direction. Special interests want autonomous agencies which will be more responsive to them than to either the legislature or the chief executive. Specialization has a tendency to produce professional or functional particularism and pressure for establishment of separate agencies reflecting a particular specialty. Special funding arrangements (for example, earmarked revenues) often produce a degree of agency autonomy not experienced with agencies funded from general revenues. Powerful boards and commissions have been created to remove certain functions from politics by insulating those functions from direct legislative and executive control.

#### Past Reorganization Attempts

Throughout its study, the Commission was keenly aware that previous study groups in Virginia had suggested organization and management changes with only partial and often short-term success. In 1970, James Latimer of the Richmond Times-Dispatch remarked: "Either the state government defies reorganization, or it just won't stay reorganized." The Commission was not content to deal merely with the symptoms but to address the underlying causes of organization and management deficiencies. It sought proposals that would obviate the need for massive reorganization every quarter of a century. Continuous appraisal and corrective action is far superior to the painful readjustment that overdue reorganization entails, and will help the Commonwealth provide better services at lower cost during intervening years.

Part of the problem can be traced to the factors which distinguish public from private endeavor. The discipline of the market-place is both constant and uncompromising. There is no comparable pressure in government except from the electorate and the legislature, which is often more concerned with specific programs and less with overall results and the total cost of government. Periods of serious fiscal pressure can create an awareness of the organization and management deficiencies of government and a resultant demand for reorganization. Any proposal that is likely to have any long-term effectiveness must deal with these problems on a more frequent, systematic and rational basis; moreover, it must offset the tendency of the political process to react to high-demand groups without consideration of the overall consequences and the broad public interest.

The Commission was unwilling to accept uncritically the usual list of "principles" of reorganization. In each case, it looked behind the assumptions adopted in past Virginia reorganization attempts and reorganization studies in other states. "Organization aesthetics" or an organization chart that appeared "neat" was not the Commission's goal. The overriding concern was enhancing results, promoting efficiency and improving accountability.

Frequently, reorganization studies address only the formal side of organization. It is unrealistic to depend entirely upon changes in structure, process and systems to eliminate the deficiencies and bring about greater effectiveness and efficiency. Much of management success depends upon the attitudes of the members of the organization. A sense of purpose and a positive, goal-oriented approach to management is an important ingredient of effectiveness. "Success," Disraeli once remarked, "is best explained by unremitting attention to purpose."

#### The Commission's Objectives

After analyzing the present organization and management of state government in light of the General Assembly's directions to the Commission, the following objectives were identified:

1. To make state government more productive, cost-effective, and efficient.
2. To make state government more accountable and responsive.
3. To improve the quality of state services.
4. To clarify assignments of responsibility and authority.
5. To enhance state government's adaptability to change.
6. To improve communication systems and decision-making.
7. To improve the state's planning, policy analysis and program development capability.
8. To foster a more positive management attitude with greater emphasis on results and program accomplishments.

CHAPTER THREE  
CLARIFYING RESPONSIBILITY AND AUTHORITY

The Role of the Governor

Almost a half century ago, Governor Harry F. Byrd insisted that "the Governor, who is directly responsible to the people for administrative efficiency [must become] the real executive head of the State." For that to occur, he argued, agency heads must be responsible to the Governor. The Governor must have authority to match his responsibility. Although we have eliminated the long ballot in Virginia, we have not reached the goal Byrd sought. The Governor remains Chief Executive in theory, but not altogether so in fact.

The Constitution permits the General Assembly to restrict the Governor's authority to a considerable degree. The agencies within the executive branch are, for the most part, creatures of legislation. Their powers and duties are prescribed by statute; they depend upon the General Assembly for appropriations to enable them to operate. In many instances, the extensive grant of power to an agency goes beyond insuring against undesirable concentration of power in the Governor and actually frustrates the Governor in the exercise of his role as Chief Executive.

In two hundred years, Virginia's Governor has moved from despotic royal governor to impotent figurehead to increasingly responsible chief executive. For the first seventy-five years after independence, Virginia's Governors were elected by the General Assembly. In 1870, twenty years after the Governor became a popularly-elected official, he was given veto power. Another constitutional change in 1902 empowered him to veto items of appropriation acts. The 1928 constitutional amendments sought by Governor Byrd reduced the number of popularly-elected executive officials to three--the Governor, the Lieutenant Governor and the Attorney General. Even more significant than such constitutional changes, perhaps, were the grants of power to the Governor by the General Assembly as a result of the Executive Budget Act of 1918 (making him chief budget officer) and the Personnel Act of 1941 (making him chief personnel officer). No significant change in his formal authority has occurred since 1941, yet changing circumstances have produced great pressure on the office to respond to public demands for leadership.

Even though every Governor must rely upon his informal powers, particularly his ability to persuade, the formal powers and duties of the office should be more clearly defined:

1. to heighten accountability by setting clear legal duties instead of relying on vague expectations;
2. to reduce the possibility of governance by whim or personal preference;
3. to make the Governor's performance more visible and direct;  
and

4. to provide him the tools most likely to accomplish the results and perform the tasks expected of him when he is elected.

The Commission does not recommend alteration of the fundamental relationship between the legislative and executive branches. The General Assembly has the primary and ultimate responsibility for policy-making as well as a reserve power over administration. Nevertheless, not all policy-making can be done by legislators. Much discretion must necessarily be left to the executive branch to "fill in the blanks" left by the General Assembly.

Under our constitutional system, the legislature should provide the broad framework of law within which the Governor and other executive officers must operate, and may overrule any decision made by such executive officers. In order for the General Assembly properly to control the exercise of the policy-making authority it has delegated it, it must concentrate--not diffuse--responsibility. The reason for this is twofold: (1) management principles and political theory are in agreement that control is most effective when one man is held responsible for specific results, and (2) the complexity and interrelatedness of state government's policies and activities make disjointed policy-making within the executive branch an unacceptable and costly course to follow.

Similarly, it is not recommended that the fundamental relationship between the Governor and executive agencies be changed. Specific programs have traditionally been the immediate responsibility of the various agencies. The General Assembly has vested powers and duties regarding program administration directly in such agencies. The Governor is responsible for the overall performance of executive agencies. The line dividing the general authority of the Governor and the specific authority of agencies is not clear and may be impossible to draw clearly. Although the rubric that authority and responsibility be clearly defined is generally sound, its application in this instance must accommodate other more important concerns. Political accountability of bureaucracy is one such concern. Avoiding excessive concentration of authority is another. These two competing concerns are best accommodated by the present fundamental relationship even with its vagueness and overlapping responsibilities and authority as between the Governor and the agencies of state government.

Several formal changes in the Governor's authority are recommended, however, to give substance to the constitutional requirement that he take care that the laws are faithfully executed, and to permit real coordination, proper guidance for program budgeting, and the adoption of a management-by-objectives system. The general recommendation that state government adopt a philosophy of management-by-objectives involves an attitudinal change, but the recommendation cannot be effectively implemented without a change in the Governor's formal authority and responsibility, as suggested in the specific recommendations that follow, to allow him to reconcile disputes among agencies, establish administrative policy, and coordinate the policies and activities of executive agencies--all within guidelines fixed by the General Assembly in law and subject to the reserve power of the General Assembly over administration. The specific recommendations are:

1. The Governor should have the authority to appoint all administrative heads of agencies, not including institutions, in the executive branch, subject to confirmation by the General Assembly.
2. All administrative heads should serve a term coincident with that of the Governor, but should be removable at his pleasure.
3. The Governor should be empowered to initiate executive reorganization subject to disapproval by either house of the General Assembly.
4. The Governor should be given the authority and responsibility for coordinating, directing and controlling all official contacts with the federal government and with other states, including solicitation and receipt of federal funds and the preparation and submission of any plans which are a precondition to receipt of federal funds.
5. The Governor should be empowered to initiate judicial proceedings, through the Attorney General, in the name of the Commonwealth to enforce the laws of the Commonwealth or to restrain violations of any constitutional or statutory power, duty or right by any officer, department or agency of the Commonwealth or any of its political subdivisions.
6. Subject to the Constitution, any laws enacted by the General Assembly, and the reserve power of the General Assembly to overrule him, the Governor should be given the authority and responsibility for the formulation and administration of the policies of the executive branch, including resolution of policy and administrative conflicts between agencies.

The Governor of Virginia is elected by the people and is directly accountable to them. The public looks to him for leadership. He is generally the political leader of the state by virtue of his election. Whether or not statutes give him specific responsibility or authority, he is held politically accountable for every important thing done or not done during his administration. He is responsible for seeing that the direction in which the electorate wishes to move is pursued. He is expected to see that administrative agencies vigorously, faithfully and fairly execute the programs established by the legislature, often at his urging. Because his is the most visible elective office in the Commonwealth, it properly becomes the focal point of public outrage over state government's failings. This is an essential feature of representative democracy.

There may be arguments that the recommendations contained herein will vest too much power in the Governor. The alternatives, however, are an irresponsible and unaccountable "invisible government," which is the product of too much diffusion, or a government that is incapable of doing those things which the electorate wants done and which need to be done. Fragmented responsibility not only reduces accountability, it reduces effectiveness. These recommendations in fact are intended to enhance the Governor's accountability by statutorily specifying what is already expected of him in some respects, rather than allowing him to avoid responsibility

because it is not explicit. In other respects, the recommendations provide him with statutory authority to carry out his constitutional responsibilities. The Governor remains subject to legislative and judicial checks. Public opinion, the political system itself, and even the bureaucracy establish a zone within which the Governor must operate; otherwise his directives will be ignored or rejected.

The Governor's role should appear in a different light when seen from the perspective of modern management concepts. There should be central decision-making as to those issues and only those issues which require such treatment, and decentralization of all decision-making which need not be handled at higher levels. Generally, this will permit central coordination of policy-making and objective-setting, but decentralization of operational decision-making and choices as to particular means and methods.

#### The Role of the Secretaries

A managerial system based upon the present Secretarial arrangement is essential if the Commonwealth is ever to control the growth of state government and the proliferation of new agencies. State government must be in a better position to manage and control its programs from the standpoint of improving their effectiveness and efficiency. Problems do not stop at agency boundaries. We continue to function as if they do when we allow each agency by statute to chart its own course and set its own policies. This fragmentation has been expensive both in terms of expanding budgets and missed opportunities.

The Commission's conclusion that the Secretarial arrangement is preferable to the creation of super-departments is closely related to the decision concerning the appropriate organization of state activities. With the aid of a report by eight high-level state employees from throughout the executive branch, who conducted over three months of review and analysis of state activities for the Commission, the Commission determined that the executive branch should be organized around the seven major and continuing purposes of state government: education; human resources; agriculture, commerce and labor; natural resources; public safety; transportation; and administration and finance. The reasons for choosing this approach rather than the creation of ten to twenty super-departments are several:

1. Goal-orientation--Each Secretary will represent a major purpose area of state government, which should incline the state to focus on overall goals and their interaction and interdependence, while counteracting bias, parochialism and interest group dominance.

Flexibility--It will provide the Governor with a flexible executive team whose perspective will be broader than that of traditional line agency heads or even the heads of super-departments, and which will be more likely to adapt to change.

2. Span of Supervisory attention--The Governor's span of supervisory attention will not be strained with seven Secretaries as it would be with ten to twenty super-departments.

1. Continuity--The major purpose rationale will provide continuity to the organizational pattern of state government because those purposes are not likely to change significantly.
2. Organization logic--Future assignments of new programs, functions and activities will be more rational with a major purpose framework; moreover, the tendency to add agencies reporting directly to the Governor will be offset.
3. Better coordination--A handful of top managers will find coordination among themselves easier than if they were ten or more in number; thus, the problems in the margins between major purpose areas and those that overlap will be easier to handle and whole problems can more readily be assigned to a single official.
4. Empire-building--Creation of super-departments invites empire-building, insulation and turf-protection.
5. Decentralization--Leaving direct program responsibility with agencies, subject to the Secretary's policy direction, will encourage decentralization, discourage the Secretary from getting caught up in activities and details at the expense of more important matters, and avoid the stultification and suffocation of subordinate levels as is apt to occur in monolithic super-departments.
6. Responsiveness--The Secretaries are more likely to be responsive to the Governor and the General Assembly than would the heads of super-departments.

The authority of the Secretaries, however, must be strengthened. Many provisions of the Code, particularly where the powers and duties of boards and commissions are concerned, are in conflict with the broad responsibility assigned to the Secretaries. If the Secretaries are to be effective, the General Assembly should reconcile these conflicting statutes and give the Secretaries not only more specific authority, but unavoidable responsibility for results.

The present arrangement has led to disjointed policies, a tendency to initiate programs without careful consideration of their impact on existing programs or their long-term financial implications, and an inability to make the greatest impact with available resources. The Commission has recognized that a key ingredient in strengthening executive management is found in a modern, integrated system of policy planning and program budgeting. The Secretaries must become the Governor's principal assistants in making this process work.

In addition to policy planning and program budgeting, the Commission also recommends that state government adopt another, complementary approach to managing complex organizations--management-by-objectives. Neither of these approaches can be truly effective unless the authority of the Secretaries is strengthened and more precisely defined. Critical to both program budgeting and management-by-objectives are explicit objectives, priorities, deadlines and assignments of responsibility for tasks. Both approaches require an analysis of goals, programs and problems that cross agency lines. A manager responsible for a broad major purpose area must have the authority to provide policy direction to resolve conflicts and to direct the preparation of plans and budgets.

Coordination of interrelated programs and activities--a principal reason for establishing the Secretarial system--is one of the most important, but difficult aspects of management. It is more than mere facilitation and persuasion, although every manager should rely, wherever possible, upon guidance rather than command. Sound management is based upon responsibility for results, which in turn is predicated upon a manager's authority to direct those involved in producing the results expected of him. If he is not vested with that authority, he cannot fairly or realistically be held responsible for results. Interposing him under those circumstances between two hierarchical levels such as the Governor and agencies, which are responsible under the law for results, produces confusion, undermines accountability and leads to ineffectiveness.

Depending entirely on Secretarial persuasion, consensus and mutual adjustment among agencies involved with the same broad problem is not true coordination. Every agency has its own institutional perspective reflecting its particular statutory responsibility. Often, no one of the agencies involved may be able to see the whole problem or to see it in proper perspective. For example, each agency concerned with environmental protection and resource management has been assigned a fragment of the overall problem and views projects having multiple environmental impacts in terms of its own particular mission. The sum of the decisions provided by those agencies may not be the appropriate overall response.

To provide a specific example, the disposal of sludge from an industrial site may involve review by several agencies, each concerned about a particular aspect of the problem. Each may object to the disposal because of the impact on its area of responsibility (e.g. air, water, land, shellfish), but none is responsible for deciding how to dispose of the sludge. On the other hand, a new facility may be approved by each agency because each perceives only minimal impact in its area of environmental concern, while the total impact of the facility may warrant disapproval. Similar examples could be given in each of the other areas of state government.

Compromise of differences between or among agencies is not necessarily in the public interest. The proper resolution of an issue may be the choice of one position over another rather than a midpoint between the two. Coordination based upon mutual adjustment among agencies favors compromise, which may be desirable in many cases but unsatisfactory in others. Agencies should have a single-minded approach based upon their statutory mission and cannot be expected to have the perspective of the Governor or a Secretary who must take a view broader than that of any single agency. When consensus and compromise are not consistent with the broader interest of the public, the Governor and his Secretary should possess the authority to determine the appropriate course.

Emphasis, however, should be on the anticipation and avoidance of potential conflicts rather than on adjudication of disputes after they arise. Coordination is not an end in itself, but a means of achieving objectives. The Secretaries should view coordination as a proactive process. It begins with the identification of objectives and the setting of priorities and policy guidelines for their agencies. Coordination



occurs thereafter within this framework and without the constant need for a referee. Where conflicts arise which have not been anticipated, they should be resolved by the appropriate Secretary or by the Governor when mutual adjustment does not occur or leads to an inappropriate disposition of the issue.

The Secretaries are not a committee and should not approach budget formulation and decision-making as a collective responsibility. Each is individually responsible to the Governor for his own area. Accountability and effectiveness are sacrificed when the Secretaries function as a unit reporting to the Governor or deciding issues on his behalf.

The peculiar characteristics of each Secretarial area produce a variation in the role of the Secretaries. The Secretary of Administration and Finance, under the Commission's proposal, would exercise no direct responsibility and authority over programs. He is responsible for the central staff agencies, which traditionally have been subject to closer gubernatorial supervision than line agencies. The Secretary of Administration and Finance is neither the Deputy Governor nor a general manager of state government. The other Secretaries should not report to the Governor through the Secretary of Administration and Finance. On the other hand, they do not share responsibility with the Secretary of Administration and Finance for final reconciliation of the budget requests from the various Secretarial areas for his presentation to the Governor of a recommended comprehensive budget.

The Commission does not recommend that the Secretary of Education exercise the same responsibility and authority as the other Secretaries. He is obviously affected by the traditional reluctance in Virginia to centralize power with respect to educational matters for fear of indoctrination or other abuses. There is a clear need, however, for the development of comprehensive plans and budgets for all of education due to the significant gaps and overlaps, particularly in vocational education, adult education, teacher education, non-traditional education and public service activities. The Secretary of Education should be able to call upon the agencies assigned to his Office to prepare plans and budgets, to provide policy direction for areas of overlapping responsibility, and to oversee cultural development activities with the same degree of responsibility and authority exercised by the other Secretaries.

### The Role of Boards and Commissions

Boards and commissions should continue to play a major role in the executive branch. Their presence has provided for the direct participation in government of hundreds of citizens and has served as a valuable linkage between the public and the bureaucracy, helping to offset the tendency for government agencies to become remote and impersonal. Thousands of hours of public service are rendered by the citizen members of these boards and commissions every year at a cost to the Commonwealth of a small per diem for each member. Much of the advice received through these citizen boards and commissions would be most difficult to obtain through any other arrangement.

The present situation, however, does have shortcomings. The statutory independence of most of these boards and commissions puts them beyond the executive control of the Governor, often conflicting with the Governor's constitutional responsibility to take care that the laws are faithfully executed. They are also not directly accountable to the electorate. For practical reasons, the General Assembly is limited in the control and direction it can give the more than 100 collegial bodies in state government. Effective coordination of the policies and operations of agencies dealing with the same or related problems is frustrated under the present arrangement. Boards and commissions are frequently responsible for supervising an agency, but it is the Governor who is ultimately held accountable by the public for failures in the executive branch and yet without direct supervisory authority where those agencies are concerned.

The dilemma is how to allow for the substantial involvement of citizen boards and commissions without undermining effective management and accountability. The degree and manner of involvement of these collegial bodies must be balanced against the Governor's constitutional responsibility to take care that the laws are faithfully executed. The recommendations made by the Commission regarding boards and commissions seek to preserve the contribution of citizen members while enhancing the Governor's ability to provide executive control over the agencies of state government.

As a general proposition, citizen boards and commissions should not serve in a supervisory capacity. Those that now do so provide the clearest example of an impediment to the Governor's exercise of executive responsibility. At a minimum, all agencies should operate within the broad framework of policy set by the General Assembly as that policy is interpreted by the Governor. The members of collegial bodies should be accountable to the Governor and, ultimately, to the General Assembly.

A comprehensive and unified approach to the problems of state government cannot be achieved unless the Governor and his Secretaries are able to provide guidelines and targets to the agencies which will become operational premises in the preparation of their plans and budgets. This guidance will permit the development of budgets that eliminate duplication and gaps in service, while providing for closer policy and program coordination. The boards of the various agencies can continue to advise the General Assembly as to their own perception of need; furthermore, the General Assembly can amend the Governor's proposal

as it sees fit. The Governor, however, should have the ability to formulate a comprehensive plan and, to that end, should be empowered to direct the agencies in the development of the budget he must submit to the legislature.

The concept of citizen boards and commissions as "boards of directors" comparable to the governing bodies of private corporations is inconsistent with the role of the General Assembly and that of the Governor. Major policy-making is the responsibility of the legislature and should not be delegated to boards and commissions, which are not selected by or directly accountable to the electorate as boards of directors in a private corporation are selected by, or directly accountable to, the stockholders. There is a danger that boards and commissions in government may at times represent the interests of a special public rather than the general public.

Boards and commissions should serve as strong watchdogs on behalf of the citizenry at large. Ironically, they are inclined not to do so under existing circumstances when they are vested with ultimate responsibility for the programs and activities of an agency. Because they are part-time, they are confronted with a choice of either delegating significant authority and accepting the recommendations of the administrative head of the agency without adequate opportunity to review their background and ramifications, or of delaying decisions and frustrating sound management. When the former course is chosen, the members of the board or commission are reluctant to criticize the administrative head or to publicize agency shortcomings since those failings are, in effect, their own ultimate responsibility.

Providing boards and commissions with a statutory guarantee of access to information and a degree of independence of the agency will allow for a more critical review and monitoring of agency policies and activities on a case-by-case basis. They will be able to concentrate their limited time on specific areas of agency responsibility where deficiencies are suggested as they cannot safely do if they are responsible for actually supervising the whole.

Agency heads are frequently caught between the Governor and the agency's board or commission. This blurs the lines of accountability, responsibility and authority. Substantial, though hidden costs are involved in this arrangement. It has resulted in indecisiveness, delays, loss of energy and a general erosion of managerial effectiveness. Agency heads should report to a full-time official rather than to a part-time board, particularly since governmental problems cross agency lines and require continuous coordination of, and direction to, the agencies which contribute to their solution.

Continuity has traditionally been provided by the use of staggered terms for board members. This has the potential for frustrating the will of the electorate. An incoming Governor is confronted with boards and commissions composed of members appointed by his predecessor, a majority of whom cannot be replaced until the end of the new Governor's term. Allowing the Governor to remove members at his discretion where their policies and his are clearly at odds supplies a method of correcting the deficiency while preserving the staggered term feature for the sake of continuity.

Certain decisions by their nature are best left to collegial bodies. For example, it is better to vest authority and responsibility for the letting of highway contracts, the determination of welfare regulations, the granting of dredge-and-fill permits, and the licensing of professionals in a board or commission than in a single official. Favoritism, political partisanship and personal aggrandisement are less likely with collegial decision-making. At the same time, however, these particularized decisions should be made within the broad framework of policy established by the General Assembly and interpreted by the Governor.

To illustrate, a board might decide the precise location of a highway but that decision would be designed to implement an overall transportation policy determined by popularly-elected officials. This concept of specific decision-making responsibility and authority in accordance with policy guidelines is critical to the Commission's recommendations and makes possible a continuing role for strong boards and commissions without frustrating effective management. The precise range of decisions that would be the responsibility of collegial bodies depends upon the particular circumstances of each area of government. That issue was considered as a part of the general reorganization of executive branch activities.

To summarize, the Commission recommends that:

1. At a minimum, every citizen board or commission should
  - o serve as a watchdog of its respective agency by monitoring the agency's policies and activities, with a statutory right of access to agency information;
  - o provide a means of citizen access to the agency by communicating the interests and criticisms of the public to the agency;
  - o provide a way to publicize the policies and programs of the agency in order to educate the public and enlist public support; and
  - o advise the Governor, the appropriate Secretary and the agency head on any matter affecting the agency.
2. All boards and commissions should make decisions within the broad framework of policy set by the General Assembly and (except as otherwise provided by the Constitution) interpreted by the Governor.
3. Major policy-making should not be delegated to boards and commissions by the General Assembly.
4. The Governor should appoint, subject to General Assembly confirmation, and remove at his discretion, all members of boards and commissions.
5. Consistent with the intent of Article 5 of the Constitution that no person exercise legislative, judicial and executive powers at the same time, legislators should not serve on boards and commissions in the executive branch.

### The Role of the Attorney General

As the chief law officer of the Commonwealth, the Attorney General has a substantial influence on the operation of the executive branch. The rendering of legal advice and services is frequently so intertwined with policy issues that the two cannot be nicely separated. For that reason, the relationship between the chief executive and the chief law officer has a considerable impact on the operations of state government.

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

Present law implicitly allows the Governor to exercise the ultimate policy-making role within the executive branch. Once the Governor or the General Assembly adopt an official position for the Commonwealth, the Attorney General should render whatever legal assistance is required to see that such position prevails. The Attorney General acts as the Governor's agent in instituting legal proceedings requested by the chief executive. Opinions of the Attorney General are advisory and not binding upon the Governor.

Often the mere filing of suit or the decision to settle has overriding policy implications. The Attorney General should not exercise unrestricted prerogative to determine what positions will be taken in litigation or how and when suits will be filed, settled or otherwise discontinued. The Governor should not be able to dictate to the Attorney General how the law should be interpreted. At the same time, however, the Attorney General should not be in the position of pre-empting or undermining the Governor's constitutional responsibility by assuming a policy role.

The assignment of program responsibilities to the Attorney General also has the potential for conflict. To the greatest extent possible, any responsibility of a program nature and any that forces the Attorney General to take sides on policy or program matters has the potential for undermining his objectivity and impartiality and for diverting his attention away from his primary mission, which is the provision of legal services. In addition, he should not be required by statute to advocate the interests of a particular segment of the public. This conflicts with his duty to represent the overall public interest.

The following recommendations are designed primarily to make explicit what is implied in present law, to eliminate the potential for conflicting responsibilities being imposed upon the Attorney General, and to further clarify his relationship to the Governor:

1. Amend the Code of Virginia to make clear that the Attorney General's opinions are advisory and not binding, and to provide immunity to officers and employees who rely upon them in good faith.
2. Provide by explicit statutory language that the Attorney General is subject to the Governor's policy direction.
3. Avoid assignment of program responsibilities to the Attorney General to protect his impartiality and his ability to concentrate on the provision of legal services.
4. Provide for employment of special counsel where the Attorney General has a conflict of interest.
5. Amend the Code to make clear that the Attorney General is subject to the Governor's authority to coordinate contacts with the Federal Government and other states.
6. Continue the present arrangement for provision of legal services to state agencies through the Attorney General's office.
7. Delete reference to the Attorney General in connection with the assignment of duties to Commerce Counsel in the State Corporation Commission.

#### The Role of the State Corporation Commission

Early in its deliberations the Commission recognized that a comprehensive examination of the organization and management of state government could not be made without consideration of the wide range of activities currently assigned by the Constitution and statutes to the State Corporation Commission (SCC). Since 1902, the role of the SCC has been expanded far beyond that which was originally contemplated for it. It now has approximately 450 employees, 15 division, and a biennial appropriation exceeding \$20 million, of which \$3.6 million are pass-through funds (i.e., the Uninsured Motorist Fund).

Unlike other agencies, the SCC is separate from all three traditional branches of government. Its power to set rates cannot be altered by the executive or the legislative branches; moreover, it is constitutionally empowered to issue and enforce its own orders as a court of record. An aspect of this independence extends beyond its rate-making, rule-making and adjudicatory functions to encompass a broad range of executive functions which in other states are entrusted to executive agencies subject to the Governor's control.

The Commission reached the following conclusions regarding the SCC:

1. Enforcement, investigation and prosecution should be separated from judicial and legislative responsibilities to create a true adversary relationship. The Commission believes that this will enhance public confidence in the rate-making, rule-making and adjudicatory processes.
2. The Commissioners are overloaded with executive responsibilities that restrict their ability to carry out, and divert their attention away from, their essential responsibilities of rate-making, rule-making, and adjudication.
3. Programs of an executive character should be integrated with the programs administered by traditional executive agencies under the Governor to provide better coordination and consistence in policies and operations, and to eliminate duplication and overlap.
4. Many of the SCC's current functions are not appropriately housed in an independent regulatory commission insulated from the Governor and the General Assembly and, hence, from the political process. All decisions of the SCC (whether judicial, legislative, administrative or ministerial) are appealable only to the Supreme Court. The Subcommittee has concluded that there should be more immediate accountability to elected officials (the General Assembly and the Governor) as to those functions which are not directly related to rate-making, rule-making and adjudication.

The Commission therefore recommends:

1. That the SCC continue in its constitutional role of setting rates, issuing certificates of convenience and necessity, regulating the services of public service companies, and administering corporation laws;
2. That the Division of Aeronautics be transferred to the proposed Department of Aviation in the Office of Transportation (with the SCC retaining rate-making and rule-making authority with respect to airlines);
3. That the Fire Marshal Division be transferred to the proposed Department of Building Safety in the Office of Public Safety;
4. That the Enforcement Division be transferred to the proposed Department of Investigation and Enforcement in the Office of Public Safety;
5. That the tax assessment and collection responsibilities carried out by the Motor Carrier Taxation Division and the Public Service Taxation Division be transferred to the Department of Taxation in the Office of Administration and Finance;

6. That the Securities Division be transferred as a separate department to the proposed Office of Agriculture, Commerce and Labor;
7. That the Accounting Division be transferred to the proposed Office of Agriculture, Commerce and Labor and merged into a Department of Public Utilities;
8. That the Public Utilities Division be merged with the Accounting Division and transferred to the proposed Department of Public Utilities in the Office of Agriculture, Commerce and Labor, except for the enforcement of safety regulations affecting gas pipelines and facilities which should be transferred to the proposed Department of Transportation Safety in the Office of Public Safety;
9. That the Motor Transportation Division be transferred to the proposed Department of Transportation Safety in the Office of Public Safety;
10. That the Bureau of Banking be transferred to the proposed Department of Banking in the Office of Agriculture, Commerce and Labor (but with certain decision-making related to banking laws, such as decisions on branch bank application, being retained by the SCC);
11. That the Bureau of Insurance be transferred to the proposed Department of Insurance in the Office of Agriculture, Commerce and Labor (but with certain decision-making related to insurance laws, such as the setting of rates, being retained by the SCC); and
12. That the Office of General Counsel and the Office of Commerce Counsel be retained in the SCC, but with their authority to prosecute cases before the SCC being transferred to the Attorney General's Office.

No constitutional changes are required to effect these recommendations. The SCC would continue to set rates, issue certificates of convenience and necessity, establish rules and regulations, and review the reasonableness, appropriateness or legality of certain actions and decisions. The SCC would no longer, in the words of Judge Catterall, "decide whether its acts as prosecutor or tax assessor were right or wrong." Similar recommendations to divide judicial and executive functions have been made by the American Bar Commission and the Brownlow Committee. The Commission believes that responsibility for presenting cases to the SCC should be returned to the Attorney General's Office. There should also be an arm's length distance between those who investigate and enforce and those who ultimately decide on the appropriateness of the action or decision in question.



Representation of the "consumer interest," as opposed to the broader "public interest" (and they are not always compatible), should be the responsibility of an official other than the Attorney General. In all other respects, he represents the "public interest"--not simply the interest of any segment of the public. The Constitution requires that the SCC provide for the representation of consumers in cases before it, unless the General Assembly otherwise provides for representation of such interest. All consumers do not always share the same view. Factions with incompatible positions emerge. The SCC has accommodated this situation, at least in part, by allowing "any interested party" to intervene in cases before it. The Constitution permits an appeal to the Supreme Court by any party in interest or any party aggrieved by a decision of the SCC.

The problem in providing representation of "consumer interests" is that those consumers without resources to hire counsel and consultants are at a considerable disadvantage in hearings where the public service companies and consumers with substantial resources (e.g., industrial consumers of power) are well-represented. One possible solution which should be explored is a proposal under study by the Senate Subcommittee studying electricity rates. In greatly simplified form, that proposal would allow each recipient of an electricity bill, for example, to designate a fixed amount to be used by a consumer advocacy group established by statute in order to permit such a group to represent the interests of electricity consumers in rate hearings.

Because of the complexity of the issues which would continue to be the responsibility of the SCC, sufficient staff should be retained by the SCC to provide expertise, legal analysis and other staff support appropriate to a body exercising judicial and legislative responsibilities. Most of the present employees of the SCC, however, are not in that position. Administrative functions (other than in the Clerk's Office) would be transferred to traditional executive agencies. Where issues have been handled in the past by the Commissioners themselves, such issues would in most instances continue to be reviewed at that level if they are legislative or judicial as opposed to administrative. Although the Bureau of Banking and the Bureau of Insurance would be transferred, certain decisions in these areas would still be made by the SCC. Further intensive study must be conducted before redrafting the statutes.

The Commission anticipates the argument that many of the functions which it recommends be transferred are closely related to the constitutional functions of the SCC and should remain there. This is the very logic that has led to the addition of functions to the SCC to a point at which executive functions far outweigh the legislative and judicial functions. Because the SCC regulates motor carriers, it need not carry out all state programs affecting motor carriers. If the argument that all related functions should be vested in the SCC is carried to its logical extreme, it could be used to justify an agency which would encompass the entire state government.

CHAPTER FOUR  
IMPROVING THE STRUCTURE

The Present Structure of Government

In an organizational sense, state government today is not significantly different than it was prior to the 1927 reorganization during the administration of Governor Byrd. In that year, the Commonwealth was spending only \$25 million and had 95 agencies. Today, with state spending at approximately \$3 billion, there are over 100 agencies, boards and commissions, not including the 15 institutions of higher learning, 22 community colleges, and 19 legislative and judicial commissions and divisions. Most of these agencies have been created to meet specific governmental, economic or social problems. These agencies administer over 700 programs--many with common goals, objectives and purposes. This has led to piecemeal results and inefficient utilization of the state's resources. Fragmentation of functions among so many administrative organizations has made it difficult to fix accountability and responsibility for results.

The present patchwork treats minor and major purposes of government alike. The Commission on Economy and Efficiency observed in 1918 that the state lacked a systematic organizational plan within the executive branch. Even today there is an element of truth in that observation. The structure should reflect a hierarchy of values with subordinate activities organized under the broad categories of state purposes to encourage proper focus on common objectives and the essential coordination of related programs and activities.

The creation of the Secretarial system in 1972 provided a first step in rationalizing the structure of state government. The concept of major purpose clusters which underlies that system has produced an awareness of the interrelationship of state agencies and the need for better coordination among the major purpose areas of state government. Below the Secretaries, however, there is a considerable amount of reorganization that can be done to eliminate the fragmentation of responsibility and duplication of effort.

The General Assembly has assigned program responsibility in relatively narrow categories to the approximately 100 boards, commissions, agencies, authorities, and institutions in Virginia state government. This tends to draw attention and energy away from broad objectives toward the more limited objectives of each agency. When focus upon broad objectives does occur, it is all too often accompanied by unnecessary competition, jurisdictional disputes, and an absence of clear direction for all involved. In addition to the cost of duplicative efforts, there are more significant costs in the form of more cost-effective alternatives overlooked or ignored, lost opportunities, and a loss of productivity and effectiveness. For this reason, the true expense is largely hidden from public view.

### Current Problems

Illustrative of the deficiencies in the present organization of state government are the following problems:

1. Seventeen agencies are involved in problems relating to drug abuse.
2. Fifteen agencies are concerned with land use matters.
3. Three agencies are directly involved in investigating motor vehicle violations on Virginia's highways.
4. Economic promotion and development activities are scattered among fifteen agencies.
5. Transportation planning is fragmented along modal lines.
6. Adult education efforts are currently undertaken by virtually every educational agency and institution of state government without adequate coordination.
7. Planning and budget formulation are not properly integrated.
8. Tax assessment and collection activities are fragmented.
9. Specific social problems have been compartmentalized to a point at which state government is disinclined to focus adequate attention on the whole individual or the whole family.
10. There is no adequate policy direction for the Commonwealth's cultural development activities.
11. Law enforcement activities are unnecessarily duplicative.
12. Recreation is split among at least eight agencies.

### Averting Future Problems

Any reorganization effort must recognize the fact that fragmentation and compartmentalization of broad governmental concerns such as recreation, education, transportation and economic development are fostered by the piecemeal process by which new programs are initiated. There is insufficient consideration of the long-range consequences, the overall cost and the impact on existing programs. Virginia law (Code of Virginia, § 30-19.01) currently provides that all proposed legislation be accompanied by a written statement setting forth its anticipated financial impact. This provision should be more carefully observed.

Having concluded that further procedural measures are needed to encourage comprehensive review, the Commission recommends:

That the Rules Committees of the Senate and the House of Delegates implement a system by which any legislative proposal having a significant impact on the organization of state government be so noted and referred to the Governor, or to an officer or agency designated by him, for comment within a time period fixed by rules, as to its organizational impact.

This recommendation is designed to improve the quality of information and analysis upon which members of the General Assembly must act when dealing with bills having an organizational impact.

#### Organizing for Results

As indicated in the discussion of the roles of the Secretary, the Commission chose to strengthen the Secretarial system, based upon the organization of activities around the major and continuing purposes of state government, rather than to reorganize existing activities into ten to twenty super-departments. The concept of major purpose clusters, which together represent a rational division of the whole of state government's efforts and concerns, is not only the most effective way to focus attention on gaps in service and duplication of effort, but also the structural arrangement most likely to encourage analysis of alternatives to accomplishment of broad objectives and consideration of the impact and dependence of one area on another.

The Commission recommends the establishment of seven Secretarial positions corresponding to seven major purpose areas:

- o Administration and Finance
- o Agriculture, Commerce, and Labor
- o Education
- o Human Resources
- o Public Safety
- o Transportation
- o Natural Resources

Each Secretary would be responsible for providing policy direction for the administrative units assigned to his Office.

#### Administration and Finance

The purposes of the activities in the administration and finance area are unlike those in other areas of state government in that they are the focal point of state management and provide support services for the operations of other state agencies, rather than directly serving the public.

If the Governor is to effectively exercise his responsibilities as chief executive, he must have assistance in managing the affairs of the executive branch. While the several Secretaries provide assistance in managing their respective functional areas, it is the responsibility of the Secretary of Administration and Finance to direct the central staff activities which are required to assist the Governor.

The Commission has identified three major functions served by the agencies in the administration and finance area - executive direction, finance and accounting, and support services. Executive direction has as its goal the provision of assistance to the Governor in the overall management and direction of state activities including the setting of policy, the development of plans, the formulation and execution of budgets, and the evaluation of program efficiency and effectiveness. Finance and accounting activities exist to provide for the assessment and collection of state revenues, to establish and administer a system within the executive branch that assures maintenance of a financial data system which will serve all levels of executive management and the General Assembly. Support service activities exist to efficiently and effectively provide centralized administrative and logistical support services to other state agencies so that they may carry out their own missions.

These activities relate to the management of state government and the Governor's responsibilities and authority in this area. They are essentially internal services of state government with few direct services being provided to citizens of the state.

At the present time, there are a great number of individual uncoordinated ongoing activities within this area. For the Governor to be more effective, and for his Secretary of Administration and Finance to better assist him in managing the affairs of the state, realignment and integration of these activities will be necessary. Additionally, it will be necessary to transfer to other areas of those activities which are not related to the Governor's central management role, and to consolidate in the administration and finance agencies some functions now performed elsewhere.

It is recommended that the activities of the Administration and finance area be organized in the following major departments, all reporting directly to the Secretary.

<u>Function</u>	<u>Organization</u>
Executive Management	Department of Planning and Budget Department of Management Analysis and Systems Development Department of Intergovernmental Affairs Department of Personnel and Training
Support Services	Department of Support Services Computer Resources Center
Finance	Department of Accounts Department of Taxation Department of the Treasury

In addition, the Board of Elections and Board of Compensation should continue to be under the direct supervision of the Secretary. It is further recommended that there be created a staff position of Assistant

Secretary for Financial Policy who would, under the direction of the Secretary, oversee financial policy development and coordinate the activities of several authorities, boards, and commission.

The organization proposed by the Commission contemplates the existence of nine major departments and five boards, commissions, and minor agencies within the area in contrast to the existing thirty agencies. The recommendation attempts to balance the degree of coordination required between activities, the capacity of an organization to effectively encompass and manage a variety of activities, the needs of the Governor and Secretary of Administration and Finance to have available multiple sources of staff advice, the desirability for organizational diffusion for purposes of financial integrity, and the establishment of an acceptable span of control for the Secretary of Administration and Finance.

The recommendation that a Department of Planning and Budget be created recognizes the need for integration of these activities. The focus of the Department should be on policy and program matters. It should possess a small policy analysis staff which is charged with coordination of program planning activities and the conduct of special policy analysis. The Department should also possess a program budget review staff which would be responsible for a continuous review of the activities of the state's agencies focusing on budget requirements in the context of the goals and objectives determined by the Governor and the General Assembly and monitoring the progress of agencies in reaching the stated goals and objectives. Additionally, there should be a research staff which would be responsible for development, storage, retrieval and dissemination of data on the social, economic, physical and governmental aspects of the state to provide relevant and reliable information for use in the state government and by other governmental bodies. Finally, the Department should possess a budget control and reports staff which would focus on the management of a system of budget execution and the preparation of budgetary reports.

The recommendation that a Department of Management Analysis and Systems Development be created by transferring the management analysis functions from the Division of the Budget and the Division of State Planning and Community Affairs and by transferring data systems policy and systems development from the Division of Automated Data Processing is founded on basic premises that (1) the function will not receive the thrust required at its embryonic stage while submerged in a Department of Planning and Budget, (2) the basic function of management analysis is management oriented, not program oriented, and every attempt should be made to give the Department of Planning and Budget a strict program orientation, and (3) the opportunity for use of automated data processing has become so prevalent in modern enterprise that the separation of data processing systems analysis, design, and development from the more classical management analysis function is no longer appropriate.

The recommendation for the creation of a Department of Intergovernmental Affairs is based in part on the premise that there is not now an adequate system of coordination of relationships between the different levels of government, and in part on the basis that there are certain functions now in the Division of State Planning and Community Affairs which should not be delegated to the program Secretaries and should remain in the

Administration and Finance area. To place those functions in the Department of Planning and Budget would run the risk of diverting that Department's attention from its primary mission of policy and program analysis and development.

The recommendation that the existing Division of Personnel be transformed into a Department of Personnel and Training recognizes the major role of training in increasing productivity of government employees. At the present time there is a training program in the Division of Personnel and the Division of State Planning and Community Affairs. The present fragmented training programs need to be consolidated and given new thrust, and secondly, attention needs to be directed to development of productivity measures for classes of employees. In the latter instance, we would anticipate the development of a very close working relationship between the personnel classification function and the Department of Management Analysis and Systems Development.

The recommendation that the several general services departments be made into a single Department of Support Services is based largely on three factors: (1) it will facilitate better integration of services; (2) it will enable the establishment of an acceptable span of control for the Secretary of Administration and Finance by removing the necessity of direct supervision of several separate agencies; and (3) it will fix responsibility for quality of central service operations in a single individual.

It is further recommended that the Division of Consolidated Laboratory Services be brought into the Department of Support Services on the basis that it is logically a service function of administration and finance.

It is further recommended that the Central Garage and Motor Pool activities of the Department of Highways and Transportation and the records management and archives functions of the State Library be transferred to the Department of Support Services but only after the new department has been formed, its head selected, and the initial shakedown has been completed.

While at a future time, operation of the state's computer centers should be merged into a Department of Support Services, it is recommended that it not be done at this time. Instead, a Computer Resources Center should be created from the operational activities of the existing Division of Automated Data Processing with the Center reporting directly to the Secretary. That organizational relationship should be continued until the state's data processing program reaches maturity.

The recommendations with regard to the finance function are predicated on certain basic premises and observations. First of all, the Department of Accounts, Taxation, and Treasury are important financial activities which warrant direct access to the Secretary. Secondly, the day-to-day operational problems of these agencies are adequately handled by the agency heads, and there is not a significant drain on the Secretary's time. Thirdly, the major weakness now apparent in the financial management area is the absence of a high level financial staff advisor to the Secretary of Administration and Finance and in turn the Governor. Fourthly, there should be an organization distinction between operation of the finance agencies and formulation of financial policy.

Accordingly, there should be created a position of Assistant Secretary for Financial Policy who would be the principal source of staff advice to the Secretary of Administration and Finance on such matters as revenue forecasting, economic forecasting, and bonding policies and procedures. He should be assisted in this regard by a financial policy staff which should be established by transfer of existing personnel from the Department of Taxation and the Division of State Planning and Community Affairs.

With regard to collection of fuel taxes, the Commission sees no reason not to repeat the recommendation of the Governor's Management Study of 1970 that the function be transferred from the Division of Motor Vehicles to the Department of Taxation.

#### Human Resources

Promoting the well-being of its citizens is the overriding purpose of every government. This major purpose area of Virginia state government is concerned more specifically with assisting those who are dependent upon the state and with preventing threats to the health of Virginians.

Currently, 21 agencies administer 119 programs to promote sound health and the general welfare. In creating the Virginia Commission on Human Resources Priorities, the General Assembly found that "the programs of public welfare, public health, mental health and related social services cannot be treated independently of each other if Virginia is to respond efficiently and effectively to the true needs of her people...." All of these 119 programs must be treated as part of an interacting whole having a common goal of assuring sound health and well-being, while simultaneously preventing and eliminating dependency on the state.

The Commission recommends substantial consolidation of activities. Four principal departments are proposed that will correspond to the four principal services rendered in this area: Health, Rehabilitative Services, Economic Security, and Social and Employment Services. This structure is designed to improve the presently fragmented, overly-compartmentalized approach to service delivery. To the extent that any organization pattern can do so, it is also designed to focus on the causes of dependency rather than its symptoms.

The proposed Department of Health should house the preventive health activities of the existing Department of Health. These include the local health districts program, immunization, family planning and the other preventive health programs. In addition, the Department should contain the existing medical and nursing facilities services and medical certification services of the present Department of Health. The certification of physicians, dentists, pharmacists, nurses, opticians, psychologists, hearing aid dealers and fitters, nursing home administrators, audiology and speech pathologists, and optometrists would continue to be the responsibility of the various licensing boards. These would be assigned to the Department of Health for administrative purposes while retaining their present autonomy as to licensing and disciplinary actions.



The proposed Department of Social and Employment Services should contain the service activities of the Department of Welfare, the Virginia Employment Commission, the Apprenticeship Council and the apprenticeship training activities of the Department of Labor and Industry. Specifically, the Department should include the activities listed under the supportive services category previously discussed including information and referral services, homemaker and chore services, self-support for disabled and elderly, foster care and day care, and protective services in the Office on Aging should also be consolidated with these services. Further, the full range of services of the Virginia Employment Commission, including its work experience programs, its manpower research program and veteran outreach programs should be included in this Department. The unemployment compensation program of the Virginia Employment Commission, however, should not be included. At the present time it is recommended that the activities of the Commission on the Status of Women, the Division of War Veterans' Claims, the Office on Volunteerism, and the Commission for Children and Youth be included in this Department. These activities, however, in the future might become programs associated with the Office of the Secretary and not be located in a Department.

The activities associated with the regulation of social services should also be consolidated with the delivery of social services. Therefore, the Department of Welfare's programs associated with licensing of adult homes and child placement agencies, and the Department of Professional and Occupational Regulation's program for the certification of social workers should be consolidated within the Department of Social and Employment Services.

The proposed Department of Economic Security includes the public assistance activities of the present Department of Welfare including food care, emergency assistance to needy families with children, food stamps and general relief. In addition the public assistance and local welfare grants program of the Commission for the Visually Handicapped should be consolidated with these programs. To assure the coordination of the full range of income maintenance programs, the unemployment compensation program of the Virginia Employment Commission and a medical assistance program (Medicaid) of the Department of Health should be consolidated with these other financial assistance programs. Eligibility determination should be an integral part of this Department's responsibilities, therefore, it would contain the eligibility determination activities of the Department of Welfare.

The proposed Department of Rehabilitative Services should consist of the programs of the Department of Vocational Rehabilitation, including the Woodrow Wilson Rehabilitation Center; the activities of the Commission for the Visually Handicapped, including the Virginia Industries for the Blind, its rehabilitation center for the blind and the vocational rehabilitation for the visually handicapped activities. Also included are the activities of the Division of Drug Abuse Control, the alcohol studies and rehabilitation and methadone treatment and rehabilitation programs of the Department of Health; and the drug rehabilitation and alcohol rehabilitation activities of the Department of Mental Health and Mental Retardation. These programs should be consolidated with the other programs of the Department of Mental Health and Mental Retardation

including the operations of its institutions and regional centers and the activities of its chapter ten program. The Department should also contain the programs of the Council for the Deaf and those of the Developmental Disabilities Planning and Advisory Council, since they are essentially rehabilitative in nature.

### Education

This is perhaps the most important undertaking of state government and accounts for over 60 percent of general fund expenditures. The constitutionally-created Board of Education, the recently-strengthened Council of Higher Education, and the Board for Community Colleges are the principal agencies involved in this area. The following should also be assigned to the Office of Education: the colleges and universities, the Truck and Ornamentals Research Station, the Virginia School at Hampton, the School for the Deaf and Blind, the State Library, the Commission of Arts and Humanities, the Museum of Fine Arts, and the Science Museum.

At present, many educational problems are not being adequately met because they do not fall neatly within the jurisdiction of any one of the three principal agencies or the institutions over which they exercise some responsibility. Education must be treated as a continuous process and not rigidly compartmentalized along agency lines. Moreover, it should not be viewed as a discrete entity in and of itself, but rather as an increasingly important element in the development of solutions to a broad range of problems facing the other in other major purpose areas.

Analysis is needed of the activities of all state educational agencies and institutions to eliminate duplication and gaps. This can best be done within the executive branch by the Secretary, who has a comprehensive view of education. It is obvious that he functions in a political and legal environment that circumscribes his role to a greater extent than in the cases of the other Secretaries; nevertheless, he should be granted more responsibility and authority than he now has to direct the preparation of alternative plans and budgets for the Governor, reconcile disputes among the educational agencies assigned to his Office, and to provide policy direction with respect to broad problems and programs crossing agency lines. To reduce the likelihood of the Secretary's isolation from the decision-making of the three major education agencies, he should also be made an *ex officio* member of the Board of Education, the Council of Higher Education, and the Board for Community Colleges.

Cultural Affairs is a component of this major purpose area. The conclusion of the Virginia Cultural Development Study Commission in 1967 appears to have continuing validity. That Commission found that the lack of overall policy for cultural development was more significant than the shortage of funds. This deficiency should be redressed by imposing responsibility upon the Secretary of Education to direct the preparation of a comprehensive plan and budget for cultural affairs for submission to the Governor. He should also be given responsibility and authority for providing policy direction to the cultural affairs agencies and institutions and for resolving disputes among them.

## Transportation

The Commonwealth has a continuing goals of providing mobility of persons and goods, but the activities directed at that goal are now spread across several Secretarial areas as well as the State Corporation Commission. The Commission recommends the establishment of a discrete major purpose area representing the transportation goal, and the grouping of related activities under a Secretary of Transportation.

A significant premise underlying the Commission's recommendations in this area is that transportation should be treated as a whole of which the various modes (i.e., highways, ports and waterways, aviation, and railroads) are but parts. Just as transportation should be viewed as a means to higher ends such as economic and community development, the various modes should be seen as a means to the accomplishment of transportation results. At present, the Department of Highways and Transportation dominates transportation planning while retaining its highway orientation. There is a pronounced tendency for decisions to be made without a broad transportation perspective. Furthermore, insufficient consideration is given to transportation substitutes or to less costly, non-capital transportation alternatives, particularly in metropolitan areas.

In approaching the organization of the transportation area, the Commission sought:

1. To devise a framework and process that identifies transportation as one of several major purpose areas of state government and encourages proper consideration of its relationship to the other major purpose areas.
2. To provide a means for the development and implementation of an overall transportation policy for the Commonwealth.
3. To provide for the integration of the planning operations of the state's transportation activities within an overall policy framework and to assure local participation in transportation decisions.
4. To provide for the systematic development and consideration of transportation program alternatives, including the evaluation of competing modes, capital and non-capital investments and other incentives towards the achievement of mobility of persons and goods that will yield the maximum effectiveness per dollar expended.
5. To assure that due consideration is given to the needs and concerns of all levels of government in the development and implementation of the state's transportation programs.
6. To assure that the process of policy development emphasizes end results in terms of the achievement of the state's transportation goals.

Two distinct and somewhat disparate goals exist in the present Office of Transportation and Public Safety. Due to the considerable amount of time and attention that will be required of the Secretary to deal adequately with major transportation policy concerns, he cannot serve simultaneously as Secretary of Public Safety and do either job justice. The area of public safety in and of itself will require the full time and attention of a separate Secretary.

An alternative to splitting the present office would be to consolidate all transportation agencies into a Department of Transportation and all public safety agencies into a single department. This would produce far too much layering in the organizational structure and leave the Secretary with very little justification for continued existence, at least in his present capacity. For reasons set forth in the discussion of the role of the Secretaries, the Commission rejected the concept of superdepartments. It recommends a separate Secretary of Transportation with four departments reporting to him.

The first of the four proposed departments is a Department of Highways, not to be confused with the old Department of Highways or its successor, the Department of Highways and Transportation. The new department would retain many of the powers, duties and functions of the present Department of Highways and Transportation, but would not have the following:

1. plenary power in its director or commissioner,
2. independent policy-making authority,
3. a Transportation Planning Division,
4. an Urban Division, and
5. a broad transportation planning responsibility.

The second department is the Department of Metropolitan Transportation, which would be given responsibility for transit and urban highway matters at the state level. The rationale for this department is that all transportation alternatives for metropolitan areas should be considered in a single department. It is not enough to have such a perspective in the Secretary's office; it must exist throughout the organization. Leaving transit responsibility in the Department of Highways would likely frustrate appropriate consideration of transit alternatives because of the highway bias.

Creating a Department of Transit might accommodate that problem, but create another in the process. Such a department would fall prey to the same institutional pressures and tendencies that led the Department of Highways to a highway bias. A Department of Transit might well develop a bias of its own and find itself in competition with the Department of Highways to "sell" the most costly and sophisticated example of its technology to deal with a metropolitan transportation problem. Vesting all transportation responsibilities for metropolitan areas (rather than transit alone) in a single department subject to the Secretary's policy direction will help to avoid fragmented planning in those areas. It will also provide the institutional setting in which alternatives (including alternatives to new construction or expensive equipment acquisitions) will most likely be analyzed.

A third department is the Department of Aviation, which would exercise those functions now undertaken by the Virginia Airports Authority and the State Corporation Commission in the areas of aviation except economic regulation. The new department would be responsible for operation of state aircraft, promotion of aviation, airport planning and development, operation of certain airports, regulation of the operation of all airports, aircraft and airmen, and receipt and administration of federal funds for aviation. Supervision, regulation and control of air carriers, including the issuance of certificates of convenience and necessity and the establishment of through rates, joint routes, fares, and charges would remain in the SCC.

The fourth department is the Department of Ports, Railways and Waterways. The Virginia Port Authority is currently assigned to the Secretary of Commerce and Resources rather than the Secretary of Transportation and Public Safety. The underlying reason has been that the Port Authority is primarily a trade development agency and is only incidentally involved in transportation. The Commission has concluded that the activities and objectives of the Port Authority have more in common with other agencies involved in transportation than with the agencies involved under Commerce and Resources. All transportation agencies have economic development as one of their major objectives. Transportation is a means to an end--in most instances, economic and community development. The autonomous character of the Port Authority should be modified so that the new department has the same relationship to the Secretary of Transportation as the other departments. The executive head of the Department of Ports and Waterways should be appointed by the Governor, subject to legislative confirmation. The department should be responsible for broad rail and water-based transportation planning and promotion.

To insure adequate staff support for the Secretary in the area of policy/program analysis and to avoid the institutional bias of any of the modes, a small transportation policy and planning unit should be established under the Secretary's immediate direction and control. This unit would be responsible for analyzing transportation problems and developing transportation plans and programs for the Secretary's consideration. The recommended organizational arrangement serves to free this unit from identification with any particular mode and to counter the bias toward capital investment as the solution to all transportation problems.

The General Assembly should enact legislation directing the Secretary to present to the Governor a plan for all transportation that integrates the currently fragmented plans prepared by the various agencies. The statute should provide that transportation objectives be articulated and that non-capital alternatives and transportation substitutes be analyzed. In addition, the Secretary should be required to present alternatives and transportation substitutes be analyzed. In addition, the Secretary should be required to present alternative strategies to achieve desired transportation results predicated on at least three different premises:

1. no increase above current levels of expenditure for transportation;
2. expenditures based upon the historical trend line; and
3. unrestricted expenditures to meet transportation requirements.

To avoid the currently fragmented decision-making concerning transportation financing, a statute should be enacted specifically requiring the Secretary to direct the formulation of a comprehensive budget for all of transportation.

Comprehensive, integrated transportation planning is unlikely so long as earmarked revenues and special funds along modal lines and for specific purposes continue. Such segregated arrangements frustrate consideration or implementation of alternative approaches. They also inevitably lead to a greatly reduced oversight by the General Assembly and the Governor of the operations funded by these arrangements. Inflexibility and difficulty in transferring funds to the area with the greatest need or the alternatives with the highest promise of success are also consequences of segregating funds in narrow categories along modal lines.

To remedy these problems, a single, unitary state transportation fund should be established. Such a fund would include revenues from: (1) the Virginia Aircraft Sales and Use Tax and other aircraft and airport related fees; (2) Virginia Port Authority receipts; (3) state taxes on railroad and car line companies; (4) hauling permit fees; and (5) those revenues that now comprise the Highway Construction and Maintenance Fund. The creation of such a fund, together with the development of a Comprehensive Transportation Plan would greatly enhance the state's ability to meet the full range of transportation needs in a systematic and effective manner.

#### Public Safety

Public Safety is a major purpose area of government dealing with the assurance of social order and the protection of persons and property without undue danger to civil liberties. It is a concept that is broader than criminal justice and crime prevention, and encompasses safety and emergency preparedness activities.

Eight present agencies have an obvious involvement in public safety: the Department of State Police, the Division of Motor Vehicles, the Highway Safety Division, the Department of Military Affairs, the Department of Corrections, the Division of Justice and Crime Division, the Criminal Justice Officers' Training and Standards Commission, and the Office of Emergency Services. There are more than a dozen other executive agencies with some limited involvement in this area, ranging from administration of the state-wide building code to the setting of state contributions to salaries of certain criminal justice officers.

The Commission found that planning and program development for public safety lack adequate direction and coordination, that responsibility for program implementation is fragmented, and that some unnecessary duplication exists. The approach to reorganizing these activities was guided by a desire to enhance accountability for the accomplishment of overall results as opposed to narrow tasks and to improve effectiveness and efficiency in public safety activities.

The Commission recommends a separate Secretary of Public Safety with a Division of Public Safety Planning and six departments reporting to him:

1. Department of Investigation and Enforcement
2. Department of Emergency Preparedness
3. Department of Corrections
4. Department of Alcoholic Beverage Control
5. Department of Transportation Safety Department of Building Safety

Investigation of violations and enforcement of the state's criminal laws have been fragmented. All activities of the Department of State Police (except motor vehicle inspection), and the investigation and enforcement activities of the present Department of Alcoholic Beverage Control, and the State Corporation Commission should be brought together under common authority to minimize fragmented enforcement policies and procedures, and to introduce more efficient utilization of resources.

In times of an emergency or a disaster, virtually all state agencies can and probably would be mobilized to cope with the unusual situation. The response would certainly not be limited to a single agency; moreover, the Governor himself would undoubtedly assume responsibility for most important decisions at such times. Indeed, he is both commander-in-chief of the state militia and director of emergency services.

At the same time, however, a Department of Emergency Preparedness should be established to integrate the planning for disasters and emergencies. The Office of Emergency Services should be merged into the Department of Military Affairs. Policy direction for such planning should be the responsibility of the Secretary of Public Safety, acting for the Governor and subject to the policy constraints and directives of the General Assembly.

The only suggested change with regard to the present Department of Corrections involves its relationship to the Rehabilitative School Authority. The corrections program necessarily involves the activities of the Rehabilitative School Authority, which was created in 1974. The Authority is responsible for all education programs offered at the state's correctional institutions. Previously, such programs were the responsibility of the superintendent of each institution.

Education of inmates is a special educational situation and should be recognized as such. The presence of a separate board whose executive answers to still another board (the Board of Education) creates an organizational maze and fragments responsibility for the corrections program. The Authority should be abolished and its functions transferred to the Department of Corrections. The board of the Authority may be retained in an advisory capacity with ex officio memberships eliminated.

The superintendent of a centralized rehabilitative school system should be selected by the Director of Corrections, subject to minimum standards set by the State Board of Education. The superintendent's duties should be fixed by the Director.

The present Department of Alcoholic Beverage Control (more commonly referred to as the "ABC Board" would be divided under this proposal as indicated in the discussion above of a proposed Department of Investigation and Enforcement. Law enforcement activities would be assigned to the latter department, but rule-making, licensing and operation of the state retail stores would remain in the Department of Alcoholic Beverage Control.

Responsibility for evaluating transportation safety activities; encouraging transportation safety; developing policies and programs to enhance the safety efforts in the highway, transit, rail, water and air modes; and administering the state's programs in transportation safety should be assigned to the new department. The following would be included: (1) all activities of the Highway Safety Division, (2) the motor vehicle inspection activities of the Department of State Police, (3) the licensing and registration activities of the Division of Motor Vehicles, and (4) the aviation licensing and other aviation safety activities of the State Corporation Commission.

The responsibility of the Department of Highways and Transportation for inspection and maintenance of bridges, and its general safety responsibilities in the construction and maintenance of highways should not be transferred to the proposed Department of Transportation Safety. A separation of highway construction and maintenance functions between two departments in different Secretarial areas is unworkable. At best, these functions would be duplicated in two departments with unclear jurisdiction over the same subject matter. It is desirable, however, to require the proposed Department of Transportation Safety to audit the inspection and maintenance activities of the Department of Highways and Transportation to insure that safety concerns are given adequate attention. An audit by such an outside agency is preferable to relying solely on an internal audit by the department which is charged with construction and maintenance and which inevitably is confronted with conflicting goals.

The boating safety activities of the Commission of Game and Inland Fisheries likewise should not be transferred to the proposed Department of Transportation Safety. Personnel of the Commission are currently able to undertake such activities in connection with their traditional responsibilities in the enforcement of game and fish laws and regulations. A transfer would produce unnecessary, added costs.

The head of this department would serve as the Governor's representative for highway safety and should receive the additional support of a Traffic Accident Prevention and Evaluation Center as recommended in 1967 by the Virginia Traffic Safety Study Commission and to some extent implemented in 1970. This center should be formed through the integration of the Crash Investigation Team efforts of the Highway Safety Division into the current transportation safety research responsibilities of the Safety



Section of the Virginia Highway and Transportation Research Council. This will improve the Commonwealth's ability to provide for development and application of advanced transportation safety technology.

The state-level responsibility for regulating the safety of structures is currently diffused to an unnecessary extent. The Office of Housing administers the statewide building code program. The State Corporation Commission regulates the design and construction of manufactured buildings and mobile homes. It is also responsible for regulating existing structures to protect against fire hazards. All of these functions are not only compatible and closely related, but also essential components of the state's effort to deal with a single, clearly-defined problem. They should be located in a single agency for more effective use of the resources involved and for policy consistency. Even if policies and programs relating to safety of structures could be coordinated through interagency contacts, such an approach would be less effective and more costly than consolidation.

The planning function in the public safety area is significantly influenced by federal legislation. The Crime Control Act of 1973 requires Virginia, in order to receive federal funds, to establish a state law enforcement and criminal justice planning agency and to develop a comprehensive state plan. The state planning agency must be representative of the law enforcement and criminal justice agencies, units of general local government, and public agencies maintaining programs to reduce and control crime and may include representatives of citizen, professional, and community organizations." That agency must also be subject to the Governor's jurisdiction.

The Commission recommends that the present Division of Justice and Crime Prevention be renamed the Division of Public Safety Planning and assume a broader, public safety mission. It is not recommended that funding for planning, analysis and evaluation for law enforcement and criminal justice be diluted. Responsibility for the administration of the law enforcement and criminal justice grant program would continue in the new division, but would be assigned to a discrete section therein. The Council on Criminal Justice would be retained in an advisory capacity.

The Criminal Justice Officers Training and Standards Commission should not be continued as a separate entity. This sixteen-member collegial body is currently responsible for setting compulsory minimum training standards for state and local courthouse security, custodial and law enforcement officers. It also exercises broad statutory responsibilities in the area of law enforcement research and development.

To clarify responsibility for criminal justice programs, the Commission recommends that the functions of the Crime Commission, a permanent legislative study commission composed of legislators, gubernatorial appointees and the Attorney General, be transferred to standing committees of the General Assembly. This is in keeping with the Commission's general recommendation that all permanent legislative study commissions be eliminated and their responsibilities transferred to standing committees. The study commissions that would be affected are the Crime Commission, the Housing Study Commission, the Commission on Solid Wastes, the Commission on Veterans Affairs, and the Revenue Resources and Economic Study Commission.

Agriculture, Commerce and Labor

The present Office of Commerce and Resources houses more agencies and a wider variety of program areas than any other Secretarial area. It also encompasses two quite different, though interacting goals of government: economic development and the conservation and development of natural resources and historic sites. The latter is set out in the Constitution of Virginia.

The divergent nature of these two goals cannot satisfactorily be represented by a single individual short of the Governor, who is most apt to reflect the electorate's collective judgment as to the proper balance between the goals. Many of the issues in the area of Commerce and Resources which currently are left to the Secretary rather than to the Governor are of such a fundamental political nature that they should not be submerged from the Governor and the General Assembly, but addressed by separate Secretaries.

Even after separating the present Office of Commerce and Resources into an Office of Agriculture, Commerce and Labor and an Office of Natural Resources, there are over 30 agencies left for the Secretary of Agriculture, Commerce and Labor to oversee. These should be reorganized into the following new departments:

- o Department of Agricultural and Economic Development
- o Department of Commerce
- o Department of Labor
- o Department of Community Development
- o Department of Public Utilities
- o Department of Securities
- o Department of Banking
- o Department of Insurance

The Department of Agriculture and Economic Development would be responsible for promoting and developing the state's economy. The present Division of Industrial Development, the Mineral Resources Division and the Virginia Travel Service of the Department of Conservation and Economic Development, the Agricultural Foundation, the agricultural product commissions, and the international trade development activities of the present Department of Agriculture and Commerce.

The proposed Department of Commerce would include the support activities of the Milk Commission (with the Commission itself retaining its decision-making autonomy within the proposed department), the regulatory activities of the Department of Agriculture and Commerce, and those activities of the Department of Professional and Occupational Regulation not assigned to other Secretarial areas.

The Industrial Commission would continue in its present quasi-judicial capacity, but for budget purposes would operate within the proposed Department of Labor, which will house the present activities of the Safety and Health Codes Commission and the Department of Labor and Industry (except its apprenticeship activities that will be transferred to the Department of Social and Employment Services in the Office of Human Resources).

The Department of Community Development will absorb the community affairs activities of the Division of State Planning and Community Affairs, the Office of Housing, the Housing Development Authority, the Office of Special Programs, and the rural resource and rehabilitation services of the Department of Agriculture and Commerce.

Two divisions from the State Corporation Commission (Public Utilities and Accounting) will be transferred to the Office of Agriculture, Commerce and Labor as a single Department of Public Utilities. It will continue investigative and other executive functions with respect to public utilities, while rate-making and rule-making will continue in the SCC.

The Department of Securities will house the SCC's Division of Securities and Retail Franchising. This department will also exercise only executive responsibilities, with rule-making and adjudicatory matters retained by the SCC.

The Department of Banking will be a separate agency under the Secretary of Agriculture, Commerce and Labor, as will the Department of Insurance. These two proposed departments will comprise the current activities of the Bureau of Banking and the Bureau of Insurance respectively in the SCC. Application would still have to be made to the SCC in sensitive matters such as granting certificates of authority, approving branch banking, closing banks and setting insurance rates where applicable.

#### Natural Resources

The proposed Office of Natural Resources, to be headed by a Secretary, would be organized around the goal articulated in Article XI of the Constitution of Virginia:

to conserve, develop, and utilize its natural resources, public lands and its historic sites and buildings...(and) to protect its atmosphere, land and waters from pollution, impairment or destruction, for the benefit, enjoyment, and general welfare of people in the Commonwealth.

Reorganization of existing agencies and activities to be assigned to this major purpose area is predicated upon four program areas: parks and public lands management, historic preservation, environmental protection, and marine and wildlife management. The following structure below the Secretary is suggested:

- o Department of Recreation and Historic Preservation
- o Department of Conservation
- o Department of Air and Water Quality
- o Department of Marine and Wildlife Management
- o Virginia Institute of Marine Science

The proposed Department of Recreation and Historic Preservation would be responsible for preserving and managing the state's parks and historic areas. The Department would include the present planning and funding activities of the Commission of Outdoor Recreation, the efforts of the Virginia Outdoors Foundation, the State Parks program in the Department of Conservation and Economic Development, and the efforts of the Historic Landmarks Commission. It would also be responsible for the overall supervision and financial management of the Jamestown Foundation, Gunston Hall, the Independence Bicentennial Commission and other similar organizations, but not for their day-to-day operating activities.

The proposed Department of Conservation would be responsible for the management of the state's land resources. It would prepare plans for state land management activities and develop maps in connection with this effort--efforts that are now the responsibility of the Division of State Planning and Community Affairs, the Soil and Water Conservation Commission, and the Department of Conservation and Economic Development. The Department would also be responsible for the administration of the state's erosion and sediment control, solid waste, mined land reclamation, and wetlands and bottomlands laws efforts now carried out by the Soil and Water Conservation Commission, the Department of Health, the Department of Conservation and Economic Development and the Marine Resources Commission. Further, it would be responsible for managing the state's forest resources within the state's overall land management policy, an effort now undertaken by the Department of Conservation and Economic Development.

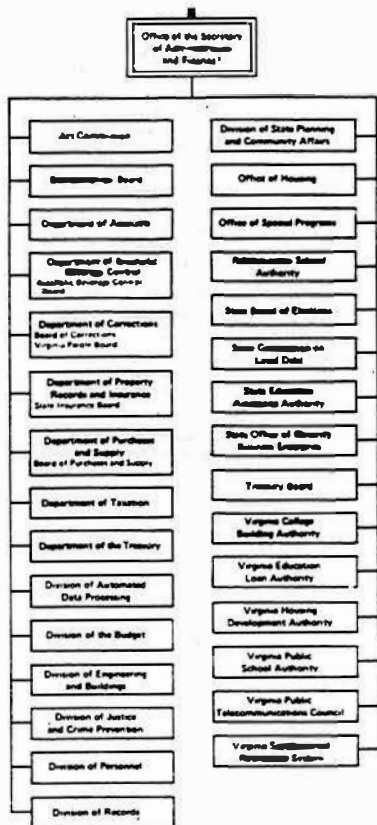
The responsibility for managing the state's air and water resources would be that of a Department of Air and Water Pollution Control. Within this Department would be consolidated the activities of engineering, enforcement and surveillance associated with the state's responsibility in air and water pollution control. Specifically, the Department would be responsible for the present activities of the State Water Control Board, including its water resources management planning effort; the activities of the State Air Pollution Control Board; and the sanitary engineering responsibilities of the Department of Health. Also included would be the certification activities of the Board for the Certification of Water and Wastewater Works Operators, and the State Board of Sanitarian Examiners.

The responsibility for the management of the state's fish and wildlife resources would be assigned to the proposed Department of Marine and Wildlife Management. Consolidated within the Department would be the present activities of the Commission of Game and Inland Fisheries and the Marine Resources activities associated with conservation and repletion, survey engineering and law enforcement of the state's coastal areas. The Department would also be responsible for enforcing the state's Motor Boat Act, an effort now undertaken in the Commission of Game and Inland Fisheries

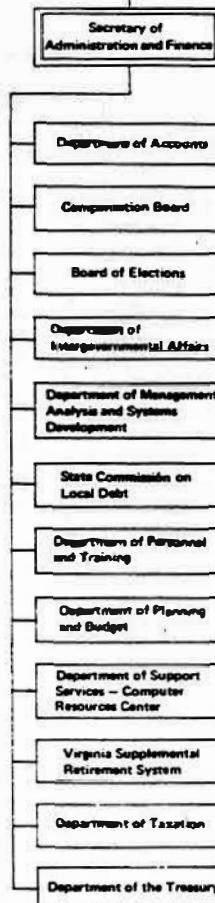
The Virginia Institute of Marine Science would remain an independent entity serving as both an institution of higher learning and a research institute. It is placed here rather than in the Office of Education because of the specificity of its objective and its interrelationship with other agencies in Natural Resources.

### ADMINISTRATION AND FINANCE

#### PRESENT

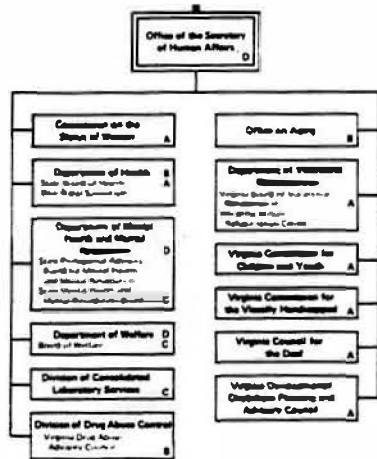


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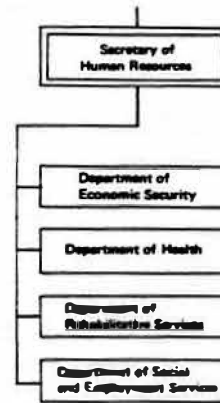


### HUMAN RESOURCES

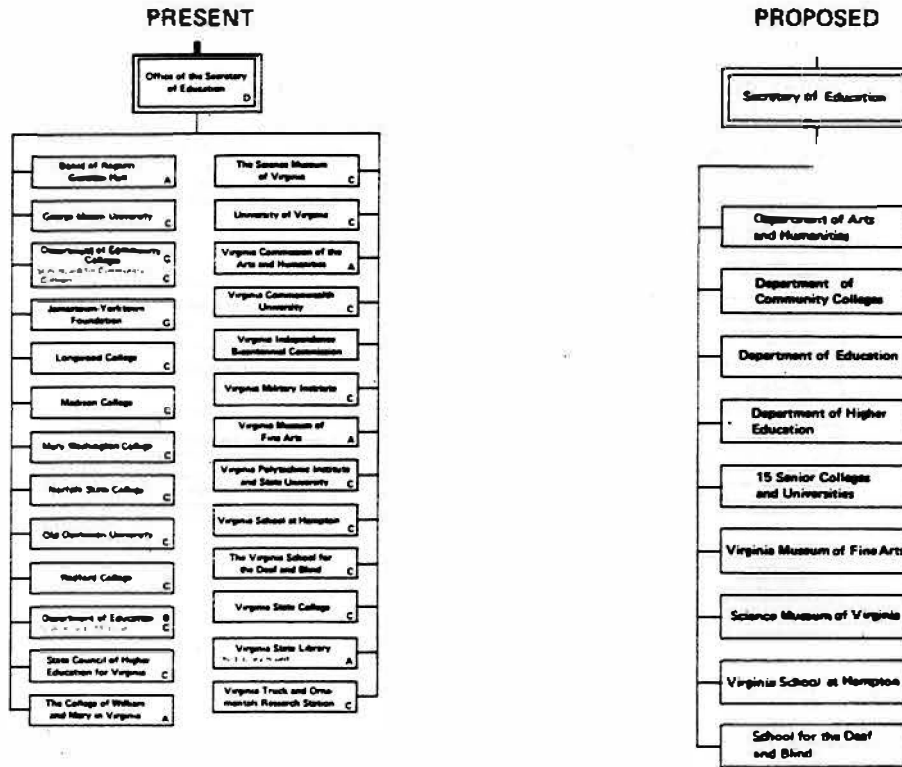
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### EDUCATION

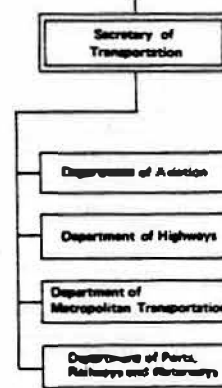


### TRANSPORTATION

#### PRESENT



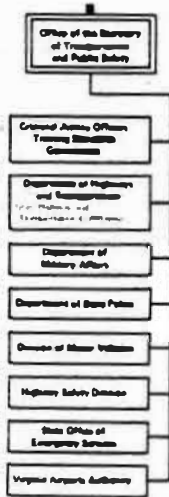
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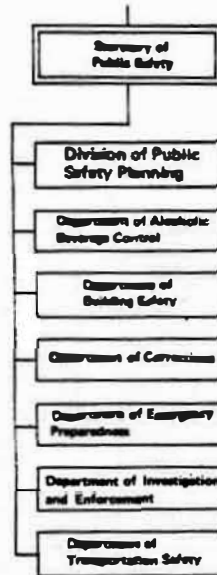


### PUBLIC SAFETY

#### PRESENT

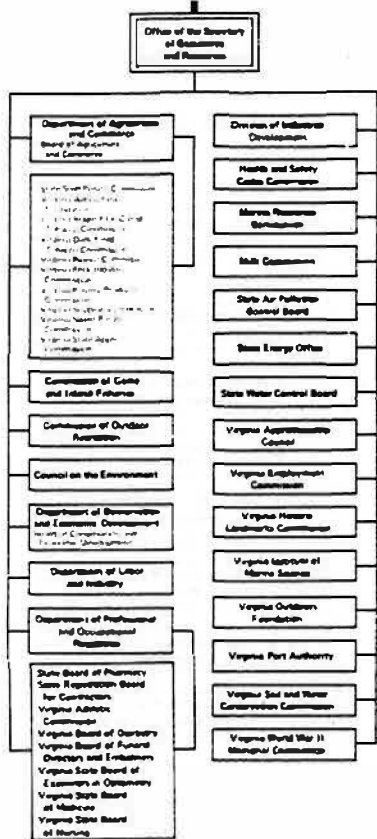


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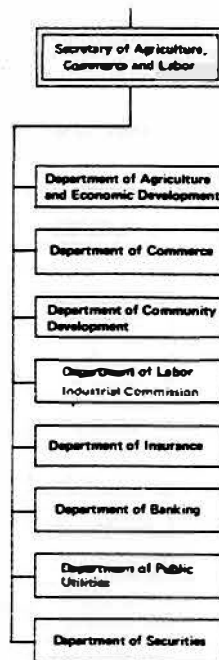


### AGRICULTURE, COMMERCE & LABOR

#### PRESENT

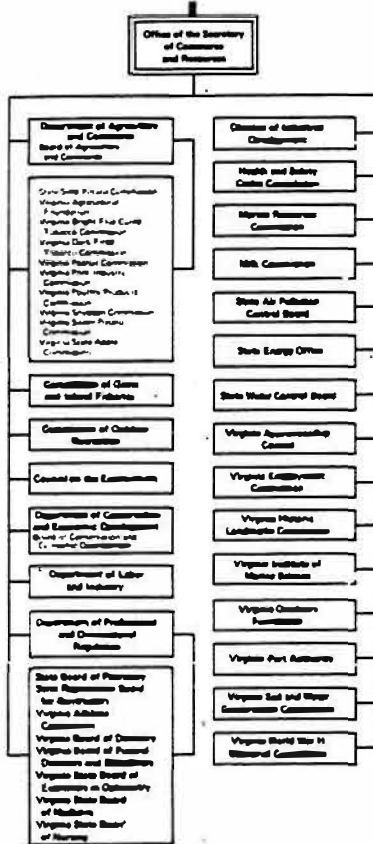


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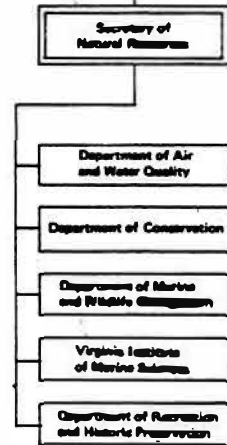


NATURAL RESOURCES

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CHAPTER FIVE  
IMPROVING STATE MANAGEMENT PROCESSES

Many things contribute to the effective operation of an organization. The organizational structure must be designed to achieve the objectives for which the organization was created; authority and responsibility must be clearly identified within the structure; and processes must be available to assist management in discharging its responsibilities. Effective planning and budget processes, the availability of information and adequate information systems, and an effective system of personnel management are required if management is to function effectively. Integration of these management tools, together with a rational organization structure, and a clearly defined administrative hierarchy, contribute to effective and efficient delivery of services to the public.

The Commission's review of the existing management systems of state government indicates a number of areas for improvement. At the present time there is no truly integrated management process in the state government. Planning appears to have little relationship to the budget process and generally is not perceived to be an integral part of the decision-making process. The budget does not function in such a way as to encourage either the executive or legislative branches to make resource allocation judgments on a programmatic basis, permits evaluation of program performance, or facilitates program control, as opposed to financial control. Information systems either do not exist or are not able to provide the financial information and program data necessary to effectively carry out a statewide system of program and performance budgeting, or to enable top management to effectively control state agency operations.

The deficiency in, and lack of integration of, these processes is of major concern to the Commission. The recommendations that the Commission proposed in its third interim report, and now proposes, when implemented should assist in creating an integrated management process and contribute to effectiveness and efficiency in state government.

The Planning and Budget Process

The lack of an adequate planning process has significantly hindered the state's ability to manage its affairs. The Commission, in its study of planning at the state level, concluded that many of the problems found are traceable in large part to the lack of a clear concept of the role of a state planning agency at its inception, and the application of unrealistic requirements at the time of creation. These circumstances have not been unique to Virginia, most other states have experienced similar problems.

The Commission perceives that four major factors are critical if the planning process is to function efficiently. They are (1) the recognition that the planning process is a subordinate part of the total management process and exists only for the purpose of supporting management, (2) a definition of the roles of the various levels of management in planning,

(3) the consolidation of the central budget and planning staffs into a single staff agency, and (4) the integration of the planning and budget processes.

To make planning an effective part of the management process, the Commission recommends that the overall planning coordination responsibility of the Division of State Planning and Community Affairs should be consolidated with the budget activities now in the Division of the Budget to form a new Department of Planning and Budget. The department would be the central staff agency responsible for policy analysis and planning; budget administration; and development, storage, retrieval and dissemination of data on the social, economic, physical and governmental aspects of the state to provide relevant and reliable information for use in the state government and by other governmental bodies. The Commission also recommends that the functional planning responsibilities now exercised by the Division of State Planning and Community Affairs be decentralized and placed with the individual Secretaries. Additionally, the staffs of other planning and coordinative bodies such as the Division of Justice and Crime Prevention, the Council on Higher Education, and the Office of Transportation Coordination should be assigned to the responsible Secretaries to serve as planning and coordination arms.

In order for planning to effectively support management, it is necessary that a system of policy analysis be developed which will assist the Governor and the General Assembly in formulating and establishing the basic policies upon which planning can be based. Therefore, the Commission is recommending that legislation be enacted mandating the initiation of a system of issue analysis as a part of the combined planning and budget process. Furthermore, to remove any question of authority, the Commission recommends enactment of legislation authorizing and directing the Governor to set policy guidelines for the development of plans and budgets, including the establishment of specific budget targets for all executive agencies.

The Governor should be assigned the responsibility for developing and submitting policy proposals to the General Assembly, for defining of policy where policy has not been defined by the General Assembly, and for resolving disagreements within the executive branch as to the interpretation of policy established by the General Assembly, subject only to reversal by the Assembly or to test through the judicial process.

Just as there was no control of budgeting in Virginia or elsewhere until the responsibility for formulating a total budget was fixed in a single responsible official, there will be no effective policy development and planning until that responsibility is clearly fixed with a single responsible official--the Governor.

#### Information Systems

The Commission has recognized throughout its work the basic information inadequacies which plague state government. It has also recognized that the problem is not susceptible to treatment through a broad "total information system" approach. Rather, it will be necessary to develop, refine, and improve a series of information systems and sub-systems.

Responsibility for leadership in the area of systems development resides with the Secretary of Administration and Finance. To strengthen the Secretary's capacity for effective performance in this area, the Commission has sought to foster organizational changes and encourage development of competent staffs in those agencies which must assist him in the effort.

As an example, the Commission's third interim report recommended that authority and responsibility for accounting systems development within the executive branch be vested with the Department of Accounts and that an accounting systems staff be created within the Department. Those recommendations were adopted and have been implemented. Thus, the Comptroller is now directing the development of a modern system of central accounting for state government. This system of central accounting, however, must be supported by a series of accounting sub-systems which will serve the particular needs of management of the various state agencies. The Comptroller must, therefore, provide general direction and technical assistance to the agencies in developing these sub-systems, and strive to insure that there is an effective integration of the various financial systems.

The Commission's sixth interim report dealing with the state's personnel process recognizes that "a major deficiency in the state's personnel system is the absence of an adequate system of management information." The Division of Personnel, in collaboration with the Division of Automated Data Processing, is in the process of developing a Personnel Management Information System. This system should be viewed as only a first step in the development of a personnel information system since its primary focus is on the personnel transactions process rather than on the control and dissemination of a wide variety of personnel management information. The next step should be to convert the system into a more encompassing system which will serve top management information needs on personnel matters. In taking the next step, it is highly desirable that there be a positive effort to develop direct linkages to agency data systems and to integrate the personnel information system with the consolidated state payroll system now under development by the Comptroller.

Earlier in this report, the Commission recommended the creation of a Department of Management Analysis and Systems Development by merging certain currently fragmented functions. This new department would have as one of its primary functions the coordination of the state's information systems program. It would be responsible for working with the other central staff agencies of the state (e.g., the Department of Accounts, the Department of Personnel, and the Department of Planning and Budget) and with the line agencies to develop information systems that meet their particular needs and which at the same time relate to the information needs of state government as a whole.

Special attention must be given to the development of systems which measure the performance of agencies and employees. The initial emphasis must be on definition of information needs as opposed to the methods of data gathering and manipulation. The identification of data to be included must involve agency management, the Department of Management

Analysis and Systems Development, the Department of Planning and Budget, and the Secretaries in order to insure that their varying needs are met. The development of performance indicators is of critical importance to the development of the state's program planning and budget process.

The most visible and perhaps singly important information system is the planning and budget system which the Commission has proposed. However, for this system to be effective, it must be supported by the other information systems discussed previously as well as by other important administrative systems not specifically addressed. There is no more important or difficult task facing state government than to move expeditiously and simultaneously on several fronts to develop the required data systems.

#### Communication and Decision-Making

Information systems should be designed to improve communication and decision-making within the organization. To a certain extent, an organization can be considered as nothing more than a structure of communication and decision-making points. Indeed, Herbert Simon argued that decision-making is synonymous with managing. Clearly, then, a great portion of the Commission's recommendations are intended to improve decision-making even where no explicit mention is made of that process.

Decisions having an impact beyond a single administrative unit, whether it be an agency or a Secretarial area, should be made at, or in accordance with policy guidelines established at, a level in the organization where the total impact can be assessed properly. Such decisions should not be left to the individual unit to decide unilaterally. Decisions will continue to be made in a piecemeal, ad hoc manner until the structure, processes and systems of state government reflect a hierarchy of values. Policy guidelines based upon careful analysis at higher levels should become the premises upon which more particularized decisions are made at lower levels. For example, transportation policy should be based upon considerations beyond transportation itself, such as economic and community development. Decisions regarding a particular mode of transportation should be made within the framework of broad transportation policy decisions and not independently.

To the greatest extent practicable, adequate consideration should be given to the impact of a decision on all affected units of government. Where possible, a process of review of comments made by each affected unit will routinely provide a better perspective to those who are responsible for decision-making. Such a process should not be allowed to become a paper exercise with heavy demands upon the time and energies of agencies. A broader review and analysis process with input from within and without the organization should not blur the fact that ultimate decision-making responsibility at all levels must be clearly fixed. A manager may seek the advice of those with expertise or an immediate interest, but he must be accountable for the choices made.

#### The Personnel Process

The Commission's premise in reviewing the state's personnel system was that no enterprise can function effectively and efficiently except



through the contributions of its own employees. It is the Commission's feeling that service delivery by state government succeeds or fails largely on the basis of the quality of its work force. It is not enough that the state possess individually competent employees, which the Commission believes it obviously does, but that it must possess a work force that is organized and managed to achieve competence throughout.

While an appraisal of current effectiveness is largely of a subjective nature, there is a sufficient body of objective data to indicate basic problems in the efficiency and effectiveness of Virginia state government. For example, a ten-year comparison of employment growth rates indicates that employment by the state government has had a compound annual growth rate of 6.2 percent compared to rates of 3.1 percent for all employment, 4.1 percent for all governmental employment nationally, 1.2 percent for federal employment, and 4.9 percent for state and local employment in all states. Thus, for the ten-year period, growth in employment by Virginia state government has exceeded that of every other category cited.

Additionally, data secured through an attitude survey of employees which was conducted by the Commission indicates basic problems in the efficiency and effectiveness of management.

The Commission recognizes that the problems indicated by the above data are related to the entire management process of Virginia government and will not be solved solely through changes in the personnel system. However, it is equally apparent that the basic problem will be solved only when a better job is done of securing the services of quality employees and actively involving them in improving the delivery of state services.

A key factor in the effective management of the state's personnel complement is the existence of an effective program of employee-management relations which visibly operates at all echelons of organization. While the program requires central leadership and direction, it must have the active involvement of agency managers, line supervisors, and individual employees.

Lest there be a misunderstanding, the term employee-management relations as used here is not intended to imply employee unionism. An effective program of employee-management relations can exist and is needed where employees are organized or where they are not, though it may be argued that the absence of such a program may well lead to the establishment of employee unionism.

The Commission supports the concept of paying state employees on a comparable basis with private industry both as a matter of basic fairness and as a necessary prerequisite for securing and retaining the quality of employees necessary to make Virginia government a productive enterprise. Accordingly, the Commission recommends that the annual salary survey required pursuant to Senate Joint Resolution No. 13 of 1974 be expanded to include data on fringe benefits to provide a total economic package that is comparable to that of industry.

The Commission believes that a major effort to increase productivity of state employees is of paramount importance. While changes in the state's recruitment programs and the establishment of a comprehensive

training program are recommended to assist in developing a more productive work force, the short term impact of the changes will be minimal. Any short term improvement must be achieved essentially by better utilization of existing state employees.

The first thing that is required is that management make it perfectly clear to employees that it cares whether employees do a good job, that good work performance will be recognized and rewarded, that there is an opportunity for advancement, and that it has a sincere interest in hearing what employees want to say. Without such an attitude, supported by positive action, any attempt to improve productivity will certainly fail and lapse into a meaningless paper exercise which will thwart productivity instead of improving it.

Motivating an employee is a complex undertaking involving a multitude of factors including fair pay, good working conditions, an opportunity for advancement, belief in management, an opportunity to be heard when he feels aggrieved, knowing what his job consists of and that he is being fairly evaluated, and generally having a feeling that what he is doing is worthwhile and appreciated. All of these things are important, even critical, but they are not enough. Also required is good supervision--a superior who is a leader and not just a "straw boss," one who is trained in the difficult skills of supervision, one who cares about his employees, one who is approachable. Therefore, immediate emphasis should be placed on expanding training for supervisors.

There are indications that a substantial number of employees are not adequately informed as to what is expected of them in their jobs. Accordingly, the Commission strongly recommends that management initiate immediately an effort to more clearly define the task of individual employees through the use of the concept of "Standards of Performance." Furthermore, the responsibility for preparing a particular Standard of Performance should be that of the employee himself and the rating official who would normally be the employee's immediate supervisor with appropriate management review. The introduction of a Standard of Performance concept does not lessen the responsibility of the agency head for providing oversight and leadership to the program. On the contrary, the system will only work effectively if it is the subject of the agency head's continuing concern. The involvement of the agency head will not only enhance the probability of success for the program but, in addition, provide him with valuable information linking the requirements of performance by his subordinates to the overall objectives of his mission. An important by-product of redefinition of jobs with active employee involvement is that it may well lead to identification of procedural or organizational changes that will increase efficiency and reduce cost.

A review of the state's programs of personnel performance evaluation indicates rather clearly that the system as administered by most agencies is primarily directed toward form instead of substance. There appears to be general agreement among both agencies and employees that there is little merit in the program and that it is simply a bureaucratic requirement tied to an annual pay increase.

The Commission recommends that a revised system of performance evaluation be instituted which is predicated on the use of Standards of

Performance based on task analysis with the full and active participation of the employee, the supervisor, and the manager.

Furthermore, it is recommended that the employee evaluation be separated from the granting of the so called "merit increases." This is not to say that employee performance should not relate to increases in pay. It obviously should. But it is obviously absurd to pretend that on a specific date of each year an employee suddenly ceases to perform in a manner that is not deserving of a periodic pay increase. Generally, where there is poor performance, it has extended over a considerable period of time, and it is the responsibility of the supervisor to confront those problems directly when they occur, informally at first and later formally if necessary. If a supervisor is adequately performing his job, he must by definition conduct day-to-day appraisals of his employees, and counsel with them as required by his observations. A periodic formal performance review is necessary to afford both the employee and the supervisor an opportunity to appraise performance in a context broader than day-to-day work, and to encourage expansion of the employee's contributions to the cooperative effort of the organization.

The Division of Personnel is one of the key staff arms assisting the Governor in the execution of his responsibilities. If the management of the state government is to be substantially improved, it is imperative that the Division be strengthened in its central management role. To become completely effective in its management role, it will be necessary for the Division to divest itself wherever possible of all matters that are extraneous to that central role. Toward this end, the Division should pursue the goal of stripping itself of virtually all clerical and sub-professional activities. It should maintain primacy in the area of policy and regulatory issuance and enforcement. It should stress research into new approaches and methods. It should train, guide, and participate in the evaluation of the performance of agency personnel specialists. It should develop and maintain lines of communication between itself and the agencies and among agencies on matters relating to personnel administration. In short, it should seek to develop at various levels and in various agencies, the most effective and economical instruments for the administration of the Commonwealth's personnel program.

The Commission has considered the proposal advocated by many agencies that there be further delegation of personnel functions. Conceptually, delegation of operating personnel functions is sound for an enterprise that has in excess of 70,000 employees widely dispersed both organizationally and geographically; however, the Commission believes there is considerable doubt as to whether most agencies now possess the general management or personnel expertise necessary to effectively discharge additional personnel authorities. Furthermore, the lack of a comprehensive set of personnel policies at the central level would make additional delegation to agencies both difficult and dangerous.

Therefore, the Commission declines to recommend additional personnel delegations at this time and recommends that the General Assembly enact legislation directing the preparation by the Secretary of Administration and Finance of a definitive plan for delegation of operating personnel functions

to the appropriate levels of management to be submitted to the Governor and the General Assembly in December 1977. The plan should consider what functions may appropriately be delegated to which agencies, identify the personnel resources now available in state government as a whole and in the individual agencies, estimate the personnel staff resources required at the varying levels of organization, consider attitudinal changes that may be required throughout the management system, and include a specific plan for implementation.

CHAPTER SIX  
CONCLUSION

Virginia state government has not had a thorough-going reorganization since 1927-1928. The growth of state agencies, state employees and state spending since that time calls for a new restructuring.

Technology has changed dramatically during those intervening years. Modern circumstances make rational structures, processes and systems all the more necessary today if the Commonwealth is to bring and keep its government under proper management control.

