

CITIZENS LEAGUE REPORT



A BETTER
ROLE FOR
CONSULTANTS

Why government should use paid-and unpaid-consultants, in the future, not so much to 'come up with the answer' as to help policy-makers 'ask the right questions'

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as to help policy-makers 'ask the right questions'

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The Role of Consultants
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INTRODUCTION

Persons reading this report may wonder why a Citizens League committee on *The Role of Consultants* would come up with a report placing such heavy emphasis on the broader question of how government makes important policy decisions.

In looking at the more narrow role of consultants in government, we came to understand the critical importance of defining the problem each time a major policy decision is under consideration. If problems are appropriately defined -- that is, if the right questions are being asked -- then the role of consultants to government, the role of professional staff, and the role of unpaid advisors, all seem to fall into place.

The problem of the role of consultants, then, is not consultants per se but rather what consultants are asked to do. Most of the difficulty with consultants -- and much of the difficulty with decision-making in general -- stems from inadequate consideration given to defining the problem before alternative solutions begin being considered.

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In seeking to improve our own understanding of how decisions are made, we found it helpful to consider separately, the various stages or increments in the decision-making process. Making this distinction also assisted us in sorting out the various roles in decision-making performed by a variety of available sources of outside assistance, including that provided by paid consultants.

We have identified those stages or increments in decision-making to be:

Defining the problem which needs to be solved: This is clearly the most important stage in decision-making and, yet, the stage that is often unconsciously deleted. Defining the problem means, simply, asking the tough question "just what is it that is the problem here?", without being inhibited by any thoughts whatever as to what the solution ought to be. Even though this is the first stage in the decision-making process, it must not end when consideration of alternative solutions begins. Rather, 'what the problem is' must be an open ended question subject to refinement or even re-definition right up until that point at which the decision is made. Outside sources of assistance can be helpful in this process by providing perspective or expertise which does not or could not exist within the decision-making agency. The outside assistance can be *paid for* in the form of consultants who are called in on an hourly or per diem basis for direct inter-action with the policy body, or might be *unpaid* in the form of citizens or local experts who participate in defining the problem either on an individual basis or through a more formalized citizen advisory group.

Researching ways of solving the problem: After conscious thought has been given to defining the problem, decision-making usually requires the identification and evaluation of various alternative ways of solving the problem. This task may be performed by staff, by a formalized task force of citizens, or may be contracted out to a consultant in the form of a study.

Making the decision: This step, of course, is reserved for the decision-makers within the particular agency. Assistance in evaluating the alternatives identified in the study portion of the process may, however, be provided by outside sources of assistance. This assistance may take the form of a public hearing or more formalized process of getting citizen input; through the hiring of consultants on an hourly or per diem basis to advise the policy body on the implications of the alternatives; or through actively seeking out or even hiring advocates for various positions which might be taken on the subject matter under consideration. In a broad sense this stage really continues problem definition.

Implementing the decision: Depending on the decision, its implementation may require some particular skill or expertise, provided either on a staff or consultant basis. Implementing the decision, for example, might require an architect to draw plans for a building, an engineer to design a sewer system, or an attorney to draft a contract.

Again, defining the problem should be an ongoing goal in decision-making and should continue until the decision is made. When consultants are being used, this process is more likely to be continuous if the various stages in decision-making are segmented.

The more traditional method of using consultants, however, is to purchase a "study" which concentrates on solutions and makes recommendations. Defining the problem, in such cases, is generally given too little attention and is not continuous.

MAJOR IDEAS . . .

- ** Policy-makers at all levels of government should identify a new role in decision-making for outside sources of assistance: to provide input at the earliest possible stages, when the problem or question to be addressed is just being defined.
- ** Rather than being used solely to *come up with the answer*, we are urging that consultants, both paid and unpaid, be used to help policy-makers *ask the right question*.
- ** This shift in emphasis will require changes in the way that paid consultants are used by government. Specifically, government at all levels should:
 - Use consultants on an hourly or per diem basis in informal inter-action with policy-makers to help define the problem.
 - Provide for more substantive review of proposals for consultant studies which will be used in making major policy decisions.
 - Buy consulting services in increments, the first increment being the use of per diem or hourly consultants to assist in problem definition.
 - Focus consultant reports chiefly on analysis of alternatives, not the consultants' own recommendations.
 - Continue problem definition and re-definition right up to the point at which a decision is made, including, when appropriate, the use of paid or unpaid advocacy consultants.
- ** In addition to this better role for paid consultants, we believe much greater attention should be paid by government to the role of *unpaid* sources of assistance in defining the problem.
- ** Individual agencies of government may not be aware of the variety of outside sources of assistance available. To correct this gap in awareness and to encourage greater sharing and exchange of consultant work between levels and agencies of government we believe:
 - Requests for proposals and notices of contracts let for all state, metro, and local consulting contracts should be published.
 - All consultant reports contracted for by state, metropolitan, and local agencies of government should be centrally filed, and open and easily accessible to citizens and to agencies of government other than the agency for which the study was done.
- ** Our **emphasis on defining the problem stems from realization that credit for much of the Twin Cities' high level of innovation must go to the willingness of policy-makers to reappraise broadly-accepted and strongly-held beliefs and, in effect, re-define problems.** Exemplary of this attitude are changes which took place or are now evolving in our area's definition of "problems" relative to transportation, sewers, and medical and social services.
- ** Despite this willingness, we believe that, overall, policy-makers give too little attention to defining the problem. We have found, for example, that:

. . . IN OUR REPORT

- Problems are usually defined by operating agencies which most often generate the proposals on which policy-makers are asked to make a judgement. It may only be natural for an operating agency, charged with day-to-day management of a particular function or service, to be somewhat inhibited in stepping back and questioning something as basic as the nature of the problem with which it deals every day.
- Few consultants are marketing their services in the manner in which we have found to be of special assistance in defining the problem.
- Policy-makers may be reluctant to admit that they need help in defining the problem, especially when outside consultants used in direct interaction with policy-makers may command a sizeable daily or hourly fee.
- Even *when* consultants are used, traditional consultant selection procedures do not ensure that a governmental agency will define or re-define the problem. There is, for example, no requirement that a statement of the problem being investigated be made in the contract review, or that there be public review and input to any such statement of the problem.
- The traditional practice of hiring a consultant to do a study resulting in a report which makes recommendations may tend to inhibit a governmental agency in giving adequate consideration to defining the problem.
- Rather than closing off the definition of the problem too early, as often happens when a large study is contracted for from a single consultant, a conscious effort to properly define the problem should continue right up until that time at which the decision is made.

* * * * *

** There is also, in state government, and in the public at large, a degree of concern about the use of consultants in the more traditional roles -- to perform studies and to provide professional services. To combat the causes of this concern we believe government should take steps to reduce the potential for favoritism and conflicts of interest by:

- Posting notices of all upcoming consultant contracts in a central place for all state and metropolitan agencies and in a central place for each individual unit of local government.
- Requiring that consideration be made of more than one consulting firm in the selection process.
- Establishing criteria for consultant selection in advance of considering firms.
- Including citizens and persons from other governmental agencies on the consultant selection panel.
- Requiring a statement from both the consultant and the governmental agency that a conflict of interest is not represented in any other contracts which the consultant is currently engaged in.
- Taking steps to eliminate potential conflicts of interest when consultants are being used to replace staff or to make recommendations for further studies.

FINDINGS AND CONCLUSIONS

Forming the basis for our recommendations are four, inter-related findings and conclusions:

- I. Defining the problem, even before consideration of alternative solutions begins, is essential to improving the process by which government makes important policy decisions.
- II. In defining and re-defining policy-related problems, there are important advantages to going beyond the perspective of a given governmental agency.
- III. In making important policy decisions, however, government often gives inadequate consideration to defining precisely what the problem is.
- IV. Problems or concerns also exist relative to the use of consultants who are used by government to perform studies and provide professional services.

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Our findings and conclusions in more detail:

- I. DEFINING THE PROBLEM, EVEN BEFORE CONSIDERATION OF ALTERNATIVE SOLUTIONS BEGINS, IS ESSENTIAL TO IMPROVING THE PROCESS BY WHICH GOVERNMENT MAKES IMPORTANT POLICY DECISIONS.

- A. A number of critically important policy decisions are and will be facing state, metropolitan, and local government in Minnesota. These decisions are of such significance that they require more careful consideration than ever before to defining or even re-defining the problems being addressed.

These critical policy decisions reflect a rapidly changing society which includes:

- ** Increasing reliance on state and local governments for development and implementation of new, innovative programs geared to best meet the needs of a given locality.
- ** Questioning, within the state-local system, itself, about the future roles of local government in light of pressures to shift authority to regional and neighborhood levels.
- ** Mounting pressures to increase the role of the average citizen in governance.
- ** Competing demands, on one hand, for economy in government, and, on the other hand for a better quality of governmental services provided.
- ** Uncertainty about the impact of declining birth rates on construction of schools and other capital facilities.
- ** Coping with realignment of priorities in the consumption of energy and other resources.

B. Giving careful attention to defining and even re-defining problems is resulting in discussion and implementation of new, innovative ideas and programs in the Twin Cities and in Minnesota.

Much credit for our area's high level of innovation must go, to the willingness of elected and appointed policy-makers to reappraise broadly-accepted and strongly-held beliefs and, in effect, re-define problems with which they are dealing.

Just a few examples of what this has meant or may mean to solving "problems" in Minnesota and in the Twin Cities.

1. The "sewer problem" wasn't just an engineering problem: In the 1950's and early 1960's, the Twin Cities "sewer problem" was largely couched in engineering or technical terms of how to best meet the regional problem of disposing of sewage and other wastes. Proposals to resolve this problem were advanced by the various parties to the dispute.

The conflict remained, however, until the Legislature created the Metropolitan Council in 1967. The Council began by looking at sewers in the traditional, technical manner, but quickly re-defined the problem as how to allocate the various capital and operating costs of the system fairly around the region and how to insure that the decision-making body which would make this cost allocation would be representative. The solution to this statement of the problem, then, became much different but did result in resolution of the region's dilemma over sewers.

2. The "transportation problem" may not be the automobile per se: Traditionally, transportation planners have seen the "transportation problem" to be *the automobile*, which results in too much air pollution, congestion, energy consumption, and a range of other evils. The solution to this problem became *transit*, traditionally defined as being public, running on fixed routes and schedules, and using relatively large vehicles.

If, however, the transportation problem, as is now gradually taking place in the Twin Cities, is re-defined as being the wasteful and inefficient use of the automobile and the roadways on which it runs, an entirely different -- and more effective -- solution begins to emerge. This evolving understanding of what the transportation problem really is is reflected in the highly successful commute-a-van programs now being operated by several major Twin Cities employers; by Governor Anderson's program to provide computerized car-pool matching services to every resident of the seven-county area; and by the careful evaluation now being given by the Metropolitan Transit Commission to new transit developments such as dial-a-ride and subscription bus service.

3. The "medical/social services problem" isn't just a shortage of public funds: The traditional "problem" facing government in responding to the increased expectations of lower income groups has been seen as a shortage of funds. Yet, despite continually increasing funds, the needs of society don't seem to be fully met.

This dilemma has forced a re-evaluation of the traditional 'shortage of funding' explanation for the medical/social services problem. Re-evaluation, in turn, exposes more far-reaching explanations of what the problem really is.

The absence of incentives within the current delivery system to either improve services or cut costs, for example, quickly becomes apparent. This, along with understanding the related absence of competition within the medical/social services delivery system, leads to innovative, exciting new approaches to meeting the problem such as the use of health maintenance organizations, purchase of services, de-centralization of social services delivery, and direct payments or vouchers.

II. IN DEFINING AND RE-DEFINING POLICY-RELATED PROBLEMS, THERE ARE IMPORTANT ADVANTAGES TO GOING BEYOND THE PERSPECTIVE OF A GIVEN GOVERNMENTAL AGENCY.

In government as in any enterprise there is and can be no substitute for internal competence. We strongly support the critical efforts now underway to improve the competence of individuals in government.

There are, however, important advantages to being able to draw into the problem definition process sources of assistance beyond that agency which is making the decision. We have found, for example, that outside sources of assistance, both paid and unpaid, can be helpful by lending the kind of expertise, experience, or perspective needed to define or even re-define the difficult problems which government is facing.

A. Using consultants in problem definition can take any of several forms.

We were most impressed with the "brain-picking" or "over-the-shoulder" consulting now being used in the Metropolitan Council and some legislative committees. This process usually involves bringing in acknowledged experts who spend perhaps no more than an afternoon with policy-makers or key staff people. The result of such consultant use may not be a report at all, but rather the transcript of the inter-action between the consultant and members of the policy body or staff.

If a consultant is used in this manner, he often is paid on a per diem or hourly basis plus expenses. Because of the quality of the talent sometimes used in this manner, the per diem or hourly fee of such consultants may be quite high, perhaps even hundreds of dollars per day.

This use of consultants is a recognition that policy-makers usually do not have time to read long consultant reports. A written report often isn't the most important product of a contract with a consultant. Retaining a consultant for dialogue and interaction with policy-makers and/or their staffs may provide an important part of the education process needed to improve their perspective as to the precise nature of the problems being confronted.

B. In addition to hiring *paid* consultants in this manner, there are a number of other sources of *unpaid* advice and assistance available to policy-makers in Minnesota and in the Twin Cities. Some of them are:

1. Business, labor, or community leaders, academics, or officials of other governmental agencies. Often times their input can be obtained informally by telephone or over a cup of coffee.
2. A citizen advisory group created for a study: Hennepin and Ramsey Counties currently have local government study commissions which might fall into this category. Adequate, independent staff is sometimes provided for.
3. Business executives on loan: Governor Anderson, in 1972, created the Loaned Executives Action Program (LEAP) which in many ways acted as a consultant to state government. A similar program is now underway using local business people in Mankato and LeSeuer County.
4. Reports or other consultant work done for other levels or agencies of government: Some problems are common to different governmental units or agencies as well as to other geographical areas. Access to, and cross-fertilization of ideas generated in other agencies can be an important part of the education needed in precisely defining the problem.
5. Community organizations and institutions: Fortunately our area subsidizes a number of idea generators. Such resources are found in agencies like the Center for Urban and Regional Affairs of the University of Minnesota, in quasi-governmental organizations such as the League of Minnesota Municipalities, and in private citizen-based organizations like the Citizens League, the League of Women Voters, and MPIRG. All act, in effect, as 'consultants' to government by aiding in evaluating and defining or re-defining the area's problems.

III. IN MAKING IMPORTANT POLICY DECISIONS, HOWEVER, GOVERNMENT OFTEN GIVES INADEQUATE CONSIDERATION TO DEFINING PRECISELY WHAT THE PROBLEM IS.

- A. Policy-makers often assume the problem or accept a statement of the problem which has, in effect, been defined by solutions proposed by an operating agency.

Policy-makers, whether elected to a board or commission or elected or appointed as the head of an administrative agency, usually do not initiate the proposals on which they are asked to make a judgement. Traditionally, proposals are shaped by the operating agency, at that point in the system where the decision will ultimately be implemented.

This arrangement sets up the opportunity for the operating agency, which may have a vested interest in the outcome, to define the problem in such a manner that a particular solution which it wants is assumed. By this point in the decision-making process, it becomes too late for the policy body to publicly consider or reflect on the nature of the problem in an objective setting.

Leaving problem definition only to the operating agency may also tend to restrict government from a complete evaluation of what the problem is. It may be only natural for an operating agency, charged with day-to-day management of a particular function or service, to be somewhat

inhibited in stepping back and questioning something as basic as the nature of the problem with which it deals every day.

One pragmatic consideration here is that problem definition or re-definition takes a considerable amount of time. Most policy bodies are heavily involved in administration of their particular agency. The fact that most policy bodies are part-time only adds to this problem. As a result, adequate time to think through a statement of the problem being confronted may not be provided for.

- B. The important potential of using outside sources of assistance to improve the ability of government to define the problems it faces is not being fully realized.

We have found, for example, that:

1. Individual agencies of government may not be aware of the variety of sources of assistance available.

A wide range of potential sources of outside advice is available to government at every level to draw upon for assistance in defining problems. Much of this expertise exists in the community and can be tapped for free by making a few phone calls or arranging an informal meeting.

Knowing where to get this kind of assistance may, however, be quite another problem facing government in the Twin Cities and in Minnesota. There is, for example:

- ** No central source of information on skills possessed by paid consultants.
- ** No formalized contact point for individuals or organizations which are sometimes tapped on a more informal basis for assistance in problem definition.
- ** No central file of consultant studies and reports done by the large number of state and local agencies operating in Minnesota.

2. Few consultants are marketing their services in the manner in which we have found can be of special assistance in defining the problem.

Generally speaking, the consulting industry is organized to produce reports. Most large consulting firms have personnel who collect data or produce maps, charts, and other material which find their way into polished looking consultant reports.

The kind of innovative, brain-picking consulting which we have identified as being particularly helpful in problem definition is, on the other hand, done almost entirely by principals in the firm whose experience, expertise, and perspective are usually purchased for a very healthy fee.

Such consultant utilization can be both very demanding and very rewarding for the principals in the firm, but may reduce dramatically the demand for services performed by the majority of employees

in a large consulting firm. As a result, most consulting firms attempt to 'sell the firm' rather than market the individual expertise of their top people.

3. Policy-makers may be reluctant to admit that they need help in defining the problem, especially when outside consultants used in direct interaction with policy-makers command a sizeable daily or hourly fee.

Because of political considerations, there may be a certain amount of reluctance on the part of elected and appointed policy-makers to admit that outside expertise, experience, or perspective is required in something as basic as defining the problem. As a result having to be "educated", especially in full public view by outside experts, may be viewed as an admission of weakness and a clear opening for political opposition.

Along the same lines, there is a certain amount of political liability involved in asking the kind of "dumb questions" sometimes required in the process of educating policy-makers in direct interaction with outside experts.

Perceived taxpayer attitudes may also tend to work against hiring or considering many and varied sources of advice which command a significant fee.

- C. Even when consultants are used, traditional consultant selection procedures do not ensure that a governmental agency will define or re-define the problem.

When a consultant is hired to perform a study, there appear to be several steps in the consultant selection process which could be used to aid a governmental agency in defining the problem.

Hiring a consultant means that recognition must be made that help is needed. The expenditure of public funds for a very visible purpose must be justified. A time frame is set. A contract must be negotiated and signed.

The opportunity to use the consultant selection process to assist in defining the problem is often lost, however. While our findings here reflect our investigation of consultant selection procedures in state government, we were given no reason to believe that, on the whole, selection procedures in other levels of government ensure that adequate attention is given to defining the problem under consideration.

1. The existing review and approval process for state consultant contracts, requires no statement of the problem being investigated.

Under existing state procedures, a contract for \$50 for a doctor to give a lecture on hygiene to a migrant labor camp and a contract for a \$400,000 corridor study by the Department of Highways are given the same basic review. The review process of the Department of Administration is to ensure, as it does for all contracts, that necessary funds are available for the consultant study in the particular department's budget. In addition, the Attorney General's

office determines that the contract is in correct legal form and the Department of Personnel may be asked to determine if the work being contracted out could be performed by state employees.

A statement of the problem being investigated or a guarantee that defining the problem preceeds the study is not required.

2. A request for proposal (RFP) or study design is not required in the selection of a consultant to perform a study.

The request for proposal is a method by which the governmental agency solicits proposals to do a given study from various consulting firms. The RFP process forces the governmental agency to put into writing some notion of what the problem is and some direction to the consultant in coming back with a response.

The study design is a document, usually prepared by a consultant in response to an RFP, in which the problem is described and a proposal is made on how the consultant will undertake to resolve the problem in the form of a study. Some study designs are contracted and paid for as a supplement to the main study.

We have found both of these tools to be of assistance to a governmental agency in defining the problem. There is, however, no general requirement in state consultant selection procedures for the use of either an RFP or study design, except for technical and engineering contracts let by departments other than the Highway Department.

3. There is no requirement in state procedures that more than one consulting firm be considered in the awarding of a contract to perform a study.

Also beneficial to a governmental agency in defining the problem may be the informal give-and-take which occurs between competing consulting firms and the agency during the consultant selection process. When an agency is interviewing several consulting firms and evaluating study designs or other less formalized responses to a request for proposal, pressure is greater to think through more precisely just what it is that the agency is asking the consultant to do.

There is, again except for architectural and engineering contracts, no state policy on whether more than one (or how many) firms should be considered or interviewed in the consultant selection process. A 1967 study by the Senate Civil Administration Committee found that the average consultant contract resulted from consideration of only 1.7 consulting firms.

4. Public review of a statement of the problem or of important data or assumptions used in the consultant study is not required.

The fact that a request for proposal and study design are being drafted and that consulting firms are being interviewed, provides an excellent opportunity for a governmental agency to get public input to the problem definition process. Community input to this

process might take the form of a formalized citizen advisory committee or a less formalized public hearing. Either forum could be asked to review and evaluate basic data and assumptions in the study and the content of the RFP and study design which set forth a statement of the problem made by both the agency and the consultant.

There is, however, no requirement that governmental agencies submit for public review and scrutiny a statement of the problem which it is attempting to address. Neither is there any requirement that important assumptions or data which are being accepted prior to beginning the study are submitted for public review.

- D. The traditional practice of hiring a consultant to do a study resulting in a report which makes recommendations may tend to inhibit a governmental agency from giving adequate consideration to what the problem is.

We have found that when consultants are hired to perform a study, they nearly always are also asked to make recommendations. When the consultant reports to the agency, attention quickly shifts to acceptance or debate over recommendations. The statement of the problem is 'a given', is 'understood' in light of the solutions proposed, or is ignored.

By this time in the decision-making process, the consultant may be somewhat defensive and inflexible on his statement of the problem. The consultant, by the very nature of his assignment, argues forcefully for his understanding of the problem as reflected in his recommendations. The consultant's reputation is, in many ways, on the line. He must do all possible to back up his understanding of the problem to the detriment of other possibilities that he may have considered and perhaps could argue more objectively for if he were not required to make one recommendation.

When a single recommendation is made by a single consultant, it may be given a great deal of credibility because the consultant is thought to be an expert in a given subject area. Conversely, opinions or alternative statements of the problem presented by citizens or others not possessing this "aura of the expert" may be given less consideration than they might if the governmental agency had not already contracted for and received an expensive consultant study and report.

- E. Rather than closing off the definition of the problem too early, as often happens when a large study is contracted for from a single consultant, a conscious effort to properly define the problem should continue right up until the time at which the decision is made.

After consultants or staff have identified and researched various alternative solutions to the problem, a decision must be made. Occasionally, the issues or positions in a controversy may be drawn such that there are a few, clearly identifiable positions. In such cases, it may be advantageous to a truly open-minded policy body to encourage a high level 'clash' of viewpoints as to what the problem is or what solutions best meet the problem which has evolved through this sometimes exhausting process. In such a case, professional advocates may be hired to argue forcefully each of the positions in the controversy in an open forum.

A slight variation on this practice might be the hiring of two or more consulting firms to work from a given set of data and assumptions to independently arrive at recommendations for solving the problem. In such an instance it seems to us that there would be a great incentive for each of the consulting firms to provide maximum output since their work will be compared directly to that of a competing firm.

IV. PROBLEMS OR CONCERNS ALSO EXIST RELATIVE TO THE USE OF CONSULTANTS WHO ARE USED BY GOVERNMENT TO PERFORM STUDIES OR PROVIDE TECHNICAL SERVICES.

There is, in state government, and in the public at large, a degree of concern about the use of consultants or other contracted professionals by government. This concern is suggested by:

- ** Staff studies currently underway on the use of consultants by state agencies in both houses of the Minnesota Legislature.
- ** Bills which were drafted or introduced in the 1973-74 Legislature to require substantive review of consulting contracts by the Department of Administration, to restrict the consulting activities of University of Minnesota professors, and to license planners and appraisers.
- ** Recommendations by the Governor's Loaned Executives Action Program (LEAP) that some consulting work done by the Department of Education be eliminated; that the Department of Administration study the use of consultants in state government to determine if tasks now being performed by consultants could be performed by permanent employees; and that the establishment of greater internal consulting capability be investigated.
- ** A follow-up study to the LEAP recommendations by the Department of Administration.
- ** New legislation adopted in 1974 which establishes greater control over the use of architects and engineers in state government.

Our findings with respect to the more traditional roles:

- A. Consultants are often retained to perform valuable functions in investigating and evaluating alternative solutions. There is, however, a general absence of policy and guidelines on the use of consultants to perform studies for the state or for other units of government.

Assuming that the policy body has given sufficient thought to the problem that it is attempting to deal with, a period of the time then is usually reserved for investigating and evaluating alternative solutions. This stage or increment in the decision-making process may be either undertaken by staff or contracted out to a consultant in the form of a study.

This study portion of decision-making may involve surveying the literature, collecting data, examining alternative programs which might be applicable and which are being utilized elsewhere, determining of public opinion through a survey, etc.

Consultants may have particular expertise in performing studies which might justify their being hired in this stage of the process. Whether

to hire a consultant to carry out the study portion of decision-making may also depend on the size of the agency, with large agencies probably better able to undertake this type of work on a staff basis.

However, when hiring and using consultants to perform studies, governmental agencies are given very little direction from policy or guidelines which might ensure that the problem is properly defined and that the consultant performing the study is at all times under control. For example:

1. There is no state policy on the use of consultants.

There is no explicit recognition in state law or administrative procedures of the importance of being able to draw on needed outside experience, expertise or perspective, or other important justifications for using consultants which we have identified.

Statutory references to the use of consultants by state government are brief. All state agencies are generally authorized to hire outside consultants. Consultant contracts are specifically exempted from statutory competitive bidding requirements, but must be approved by the Commissioner of Administration.

Except for the new legislation on selection of architects and engineers, the balance of state policy on consultants is apparently unwritten and made on a case-by-case basis.

2. Lessened accountability sometimes results from consultant studies which are not funded by the client agency.

A substantial portion of the funding for certain types of consulting in state and local government has come, in recent years, from the federal government. This is especially true in areas involving heavy federal spending for categorical aids such as health, education, and transportation. Much of the funding for community planning consultants also came from the federal government through the 701 Program authorized by the 1954 Housing Act.

It is probably only natural that lessened accountability sometimes results from non-local or non-state financing. It may result, however, in contracting for studies by consultants which might not be directed toward a specific problem which the agency is confronting at that time.

3. There are no policies or guidelines to assist a state agency in using consultants to their fullest potential in performing a study.

There are, for example:

** No guidelines to assist an agency in determining whether it should, in the first place, go outside for assistance or whether it should hire that assistance in the form of a consultant.

** No guidelines on how an agency should go about the process of framing the charge to the consultant.

- ** No guidelines on how an agency should go about the process of selecting a paid consultant; whether an RFP or study design should be used; or whether more than one (or how many) consultant firms should be considered or interviewed.
- ** No guidelines on how an agency should go about the process of finalizing the arrangement with a consultant; no standardized contract or fee schedule is available.
- ** No guidelines on how an agency should relate to the consultant during the course of the study.
- ** No guidelines on what form the report or other output from the consultant study should take.
- ** No guidelines on what role, if any, the consultant should be expected to play in implementation of the report.
- ** No guidelines on how open the process should be in relationship to the press, to the public, and to other levels and agencies of government.

- B. In implementing decisions of government, consultants may also be used as 'instant staff' when the manpower or particular expertise needed is not a full-time requirement. Concerns, exist, however, over potential conflicts of interest or favoritism in the use of consultants to perform these types of services.

In overload situations which are seasonal or so unpredictable that the agency involved could not justify staffing to a level which might be required at the peak of demand upon it for services, outside consultants are used. In this sense, consultants can be thought of and used as a kind of professional 'Kelly Service' or 'instant staff'.

Also, many smaller units or agencies of government cannot or will not afford the ongoing costs related to hiring the level of professional staff sometimes required for planning, engineering, legal, or accounting advice or services. As a result, outside consultants are hired, either on a project-by-project basis or on retainer.

Having the flexibility to draw upon the services of outside consultants may not only relieve a governmental agency of having to hire specialists on a continuing basis, but may also improve the quality and depth of services performed by that governmental agency at a relatively low cost.

There are, however, potential conflicts of interest and problems of political favoritism in the manner in which some levels or agencies of government are using consultants to implement decisions. For example:

- ** Procedures for consultant selection leave open the possibility that consultants will be hired on some basis other than qualifications or quality of proposal submitted.

Because of professional, ethical, and sometimes even legal considerations, consultants are not subject to the kinds of standardized

selection procedures required of governmental agencies in making purchases. It is generally accepted that professional services should not be purchased on a strict cost-bid basis. The quality of the experience or expertise do not necessarily relate to the consultant's fee. The lowest cost bid isn't necessarily the best buy.

The real concern here is that without an open selection process in which any qualified consultant can be considered, the selection of consultants may be based on some basis other than qualifications.

Except for architects and engineers covered under the new law, there is:

- 1) No requirement that Requests for Proposals be published or even posted. There are now elaborate requirements for the selection of suppliers of materials or supplies by state government. For all contracts over \$2,500 a notice of the upcoming contract must be published. All upcoming contracts are posted in a central office in the State Administration Building. Any potential supplier may get on a mailing list to receive notices of upcoming contracts in his particular area of interest.

The federal government publishes upcoming consultant contracts along with other upcoming contracts in its "Commerce Business Daily". Consultants and other suppliers may subscribe to this publication which is published by the Department of Commerce.

- 2) No requirement that more than one firm be considered. Some departments, like the Highway Department for example, make an internal judgement on which *single firm* should be invited to submit a proposal. If the firm is not interested, or for some other reason negotiations break down, another firm is then contacted.
- 3) No established criteria for selection. If selection of a consultant is not to be based only on cost, what then will it be based upon? We have found no requirement in state government that there be disclosed at the time that proposals are solicited on what basis the selection of a consultant will be made. How much weighting, for example, is being given to cost; how much to qualifications; experience; innovation of the proposals; or any other criteria?

**** Procedures for consultant selection leave open the possibility that a consultant might be working for more than one party to a given controversy at the same time.**

Because of the nature of their business, consultants usually must serve more than one client at a given time. We have found no general policy in government which requires disclosure by a consultant of contracts currently engaged in which might involve a conflict of interest. Similarly, we have found no general policy in government requiring that the agency hiring the consultant certify that no known conflict of interest exists.

For example, a consultant could be working for a city planning commission at the same time that he is working for a private developer

making a proposal to that planning commission. Similarly, a consultant could be working for a regional agency such as the Metropolitan Council at the same time that he is working for a unit of local government with a comprehensive plan or other proposal before that agency.

This problem is, of course, compounded in smaller units or agencies of government which do not have professional planning or engineering staffs to oversee and evaluate the work of consultants.

**** A conflict of interest might also exist for a consultant who is, in effect, recommending more work for his firm.**

Certain studies (such as feasibility studies or study designs) are of the nature that additional consulting work may be required in order that the benefits to be gained from the initial study will be realized. Consultants who are awarded the contract for such a preliminary study are nearly always eligible to be considered for any studies which might follow.

It is only natural that the consultant getting the initial contract may also want to receive the contract for the follow-up study. In some cases, it might be advantageous to have the same consultant do both studies so that continuity may be maintained and so that the experience gained in the first study may be most effectively utilized.

The desire to get a follow-up study could conceivably affect the recommendations made during the initial study, however, in order that particular talent, expertise, or even hardware available in the firm doing the initial study would be *required* in any follow-up study for that agency. In fact, we were told that consultant firms will often price their proposals for a feasibility study or study design 'below cost' with the hope that they will get the larger study contract which will follow.

A similar problem exists in smaller municipalities or townships which rely on consulting engineers for advice on whether studies or design work should be undertaken. In these circumstances, there might be the temptation to the consulting engineer, acting as staff, to recommend additional work knowing that his firm will more than likely get the contract.

RECOMMENDATIONS

Based on our findings and conclusions, we are making recommendations which fall under two major headings:

- I. Identify a new role for outside sources of assistance in governmental decision-making: to provide input at the earliest possible stages, when the problem or question to be addressed is just being defined.
- II. Take steps to improve the more traditional roles of consultants: by encouraging greater sharing of consultant work, by improving the capability of government to effectively utilize consultants to perform studies, and by reducing the potential for favoritism or conflicts of interest in the use of technical consultants.

We believe that government at all levels must give much greater attention to defining the problem each time a major decision is under consideration. In effect, we are asking government to take one step back in the decision-making process to consider what the problem is before alternatives are raised and before the problem becomes unconsciously defined by the solutions which are proposed.

In the course of our study, we have identified an important new role for outside sources of advice, including consultants, which we feel could assist government at all levels in defining and re-defining problems. Effective utilization of consultants in problem definition will, however, require changes in the role of consultants and their use.

In addition, we have found that better interchange and sharing of consultant work between levels and agencies of government and earlier and more effective use of unpaid sources of assistance can be important ingredients in improving the capability of government to define problems.

While the primary focus of our recommendations is on the use of consultants in policy-making, we have also identified a degree of concern over the more traditional uses of consultants to provide professional services and have directed recommendations toward alleviating that concern.

Many of our recommendations can be implemented by various levels of government through specific statutory or procedural changes. In some cases, the committee felt that obtaining acceptance of the overall thrust of its recommendations might be unnecessarily delayed if discussion focused too early on specific, detailed proposals for implementation.

Our recommendations in more detail:

- I. Identify a new role for outside sources of assistance in governmental decision-making: to provide input at the earliest possible stages, when the problem or question to be addressed is just being defined.

A. *Change the emphasis in using consultants, from solving the problem to assist-*

ing policy-makers ask the right question.

Consultants have traditionally been seen and used by government as a source of answers and solutions. Their most important role, however, may be to assist in defining the problem by asking questions and posing possible alternatives. Government should recognize that role. Such recognition will require changes in the way in which consultants are used by government.

Specifically, we recommend that government at all levels:

- ** Use consultants on an hourly or per diem basis in informal inter-action with policy-makers.** This informal interaction should be an integral part of the problem definition process and should take place before large consultant studies are initiated and before alternative solutions begin being discussed. Per diem use of consultants is probably one of the most effective and efficient methods of consultant use. Policy-makers should be able to utilize per diem consultants in their own best judgement, without being inhibited by selection and contracting procedures which apply to the use of consultant to perform studies or technical services.
- ** Provide for more substantive review of proposals for consultant studies which will be used in making major policy decisions.** (This review would be in addition to any existing fiscal and legal reviews.) We urge that the substantive review require that a statement of the problem be made by the agency requesting the study and that there be opportunity for examination and discussion of that statement of the problem by citizens, by affected governmental agencies, and by others having a more generalist perspective.
- ** Buy consulting services in increments, the first increment being the use of per diem or hourly consultants to assist in problem definition.** In some cases, we recommend that the increments each have separately negotiated contracts. In all cases, we recommend that termination of the contract(s) be possible at the end of each increment.
- ** Focus consultant reports chiefly on analysis of alternatives, not the consultants' own recommendations.**
- ** Continue problem definition and re-definition right up to the point at which a decision is made including, when appropriate, the use of paid or unpaid advocacy consultants.**

B. *Recognize the role, solicit, and make more effective use of unpaid sources of assistance early in the decision-making process to assist in defining the problem.*

The traditional forums for getting citizen input to major policy decisions - the public hearing and the citizen advisory committee - are basically reactive. They contribute very little to defining the problem since, by the time citizen input is usually provided for, the problem has either consciously or unconsciously been defined by the agency involved.

In changing the role of unpaid sources of assistance, we would urge government to seek out the early input of unpaid advisors in many of the same ways that we have urged that consultants be used.

- II. Take steps to improve the more traditional roles of consultants: by encouraging greater sharing of consultant work, by improving the capability of government to effectively utilize consultants to perform studies, and by reducing the potential for favoritism and conflicts of interest in the use of technical consultants.

- A. *Get better interchange and sharing of consultant work between levels and agencies of government.*

Specifically, we recommend:

- ** Publish requests for proposals (RFP's) and notices of contracts let for all state, metro, and local consulting contracts.** We urge the Department of Administration, in cooperation with local government organizations, to assess the economic feasibility of publishing the RFP's and notice of contracts let in a Minnesota version of the federal government's Commerce Business Daily. The Administration Departments' evaluation would be to determine subscription rates which would be commensurate with expenses and the organizational details of publishing a Minnesota Commerce Business Daily, including the possibility that the service be contracted-out to a private-sector publisher.
- ** File centrally all consultant reports contracted for by state, metropolitan, and local agencies of government.** We urge that the reports be properly indexed and stored, open to public access, and available to anyone for the cost of reproduction. Filed with each report should be a follow-up statement on how the report was used. The Department of Administration, in cooperation with local government organizations, should be responsible for implementing this recommendation.

- B. *Develop guidelines and provide training for effectively using outside consultants.*

We would hope that portions of our report would act as minimal guidelines to government in more effectively utilizing consultants. Considering what the problem is first, using per diem consultants in direct interaction with policy-makers, and buying consultant services in increments should all help to get greater productivity from both the consultant and the client governmental agency.

In addition, however, we would urge that state, metro, and local government develop guidelines for more effectively utilizing outside consultants. These guidelines might include recommendations made in this report, as well as those dealing with the selection of consultants, monitoring consultants during a study, what to expect in the final report, and openness of all working documents and meetings throughout the study to the press, to the public, and to other levels and agencies of government. In addition, effective utilization of consultants might be part of broader training efforts to improve the management capability to key staff persons at all levels of government.

- C. *Reduce the potential for favoritism or conflicts of interest in the use of consultants by government.*

Specifically, we recommend that government at all levels:

- ** Post notices of all upcoming state and metropolitan agency consultant contracts in a central place to be determined by the Commissioner of Administration. We recommend that a similar procedure be adopted for posting contracts at a central place in each county, municipality, school district, and township. (This would be in addition to publishing RFP's as recommended above.)
- ** Require that consideration be given in consultant selection to more than one consulting firm or that an explanation be provided in the contract review as to why consideration of one firm was sufficient.
- ** Establish objective criteria, before the consultant selection process begins, which will be used in determining which firm among those who have submitted proposals is to be selected.
- ** Broaden the consultant selection process to include citizens or representatives of other agencies on the consultant selection panel.
- ** Require a statement by both the governmental agency and the consultant who is selected that a conflict of interest is not represented by any other contracts which the consultant is engaged in at the time of selection.
- ** Consider whether other consulting firms should be utilized for studies and design work if a consulting firm is being used to replace administrative or technical staff.
- ** Consider whether a new consultant should be hired for follow-up studies or design work in order to have greater assurance that the original feasibility study and alternatives presented were made objectively.

DISCUSSION

Persons reading this report may have questions about points made in our findings and conclusions or in our recommendations. It is the purpose of this discussion section to try to anticipate some of those questions and to offer our response.

ON TO WHOM THE VARIOUS RECOMMENDATIONS ARE ADDRESSED . . .

Some of our recommendations will require changes in state laws and are directed to the Legislature. Others will require specific changes in policy or procedures with respect to the use of consultants. These recommendations are directed to the Commissioner of Administration and to county administrators, city managers, superintendents of schools and the chief administrative officers of the Metropolitan Council and the metropolitan special districts. The recommendations which could be implemented by statutory or policy and procedures changes are:

- ** Publishing RFP's and notices of contracts let for all state, metro, and local consultant contracts.
- ** Centrally filing all state, metropolitan, and local consultant reports.
- ** Using per diem consultants in direct interaction with policy-makers to assist in problem definition.
- ** Providing for substantive review of consultant studies to be used in making policy decisions.
- ** Buying consulting services in increments.
- ** Focusing consultant reports chiefly on examination of alternatives rather than the consultants' own recommendations.
- ** The appropriate use of advocacy consultants.
- ** Making earlier and more extensive use of non-paid sources of assistance in problem definition.
- ** Posting in a central place all upcoming consultant contracts.
- ** Considering more than one consultant firm in the selection process.
- ** Establishing criteria for consultant selection in advance of considering firms.
- ** Including citizens and persons from other governmental agencies on the consultant selection panel.
- ** Requiring a statement from both the consultant and governmental agency that a conflict of interest is not represented in any other contracts which the consultant is currently engaged in.
- ** Using a different consulting firm for design or engineering work if a consulting firm is being used to replace staff.

**** Using a different consulting firm for follow-up or implementation work if the initial recommendation was made by a consulting firm.**

It shouldn't take more than a quick reading of our report to note that some of our most significant recommendations can not be implemented by changes in the law.

The problem which we have identified -- inadequate attention by government to considering what the problem is very early in the decision-making process -- will not be solved by statutory changes or by the creation of some new board or commission.

Rather, we are asking for a very basic change in attitude and behavior on the part of policy-makers. In making this change, government must not neglect the importance of generating new, innovative solutions and answers. We must, however, give much greater attention to defining, clearly, problems and questions.

We would also hope for major changes in the way in which the consulting industry organizes itself. One change might be the emergence of a "new breed" of consultant who works alone, or with a small personnel staff, much more in the kind of direct inter-action with policy-makers which we have recommended. Hopefully the demand for this kind of "generalist consultant" will increase and he will be able to economically survive.

ON THE OVER-ALL COST OF CONSULTING TO GOVERNMENT . . .

The fact that we are recommending the use of per diem consultants, some of which may be somewhat expensive, doesn't necessarily mean that we are suggesting that the total expenditures of government for consultants be increased. It is possible, in fact, that by using consultants in the new roles which we have identified, expenditures by governmental agencies for large consultant studies may actually go down. By buying consulting services in increments, and by separating problem definition and recommendations from the larger study, governmental agencies might be more inclined to do themselves, on a staff basis, the more routine data collection, surveying of the literature, map drawing, etc., which contribute significantly to the high cost of consultant studies.

ON WHETHER OUR RECOMMENDATIONS WILL END ALL POTENTIAL ABUSES IN THE USE OF CONSULTANTS . . .

Probably nothing we could recommend would eliminate all potential abuses. We feel, however, that if governmental agencies more consciously define the problem, with ample opportunity for public input, the chances are much less that the consultant will be "used" to come up with the answer which the agency wanted all along but which the agency needed outside justification in getting adopted. This is especially true if the recommendation is separated from the study, as an individual stage in the decision-making process.

The same is true for political favoritism concerns over the use of consultants. We would hope for example, that by opening up the consultant selection process, by considering more than one firm, by requiring RFP's, and by establishing criteria for selection, consultants would be hired on the basis of competence, rather than campaign contributions, friendships, or illegal attempts at influence.

We also hope to deal with conflict of interest matters by requiring that consultants expose other contracts they have and that governmental bodies certify that, after review of these other contracts, they see no conflict of interest.

ON THE ROLE OF UNPAID SOURCES OF ASSISTANCE . . .

The committee had brought to its attention several general suggestions on making more effective use of unpaid sources of assistance in defining the problem. They included:

- ** The establishment of some sort of "citizen talent bank" which would contain the names of citizens who were willing to be called upon from time to time to provide input to policy-makers. Such a resource could be organized privately, by agencies or units of government, or by the state for the use of any agency which wanted to draw upon the resource.
- ** Creation of a permanent forum for utilizing the expertise of the business community, perhaps modeled after the LEAP program. If local business people in smaller units of government were so close to the decision-making process so as to present a potential conflict of interest, local government organizations might act as a central pooling place for the assignment of persons to units of government other than their own.
- ** Establishment of a "governmental policy institute" which, on a more structured basis, could give greater attention to thinking about the nature of problems and their solutions. While we did not have the opportunity to investigate it in depth, we do refer the reader to the recommendation for the establishment of such a governmental policy institute contained in an earlier Citizens League report, "State Fiscal 'Crises' Are Not Inevitable".

While the committee did not make specific recommendations on these or any other vehicles for making more effective use of unpaid sources of assistance, we do urge that they be considered carefully. We made our recommendations on using unpaid sources of assistance somewhat general in the hope that debate over specific strategies for implementation would not get in the way of recognizing the important new role which we have identified -- providing early input to defining the problem.

In making this recommendation, we are not asking for more public hearings or for the creation of citizen advisory boards which are only asked to react to proposals made by their parent agencies. There is some feeling that, while such traditional vehicles for getting citizen input may improve communications between citizens and policy-makers and may have impact in stopping a proposed project, they do little to take proper advantage of the important contribution which citizens can make in assisting policy-makers define the problem. In order for that contribution to be made, unpaid sources of assistance must be involved much earlier in decision-making, and be used in the same kind of informal, "brainpicking" format in which we recommended that paid consultants be used.

ON WHAT WE MEAN BY "DEFINING THE PROBLEM" . . .

By identifying 'defining the problem' as a critical, and separate, stage in the decision-making process, we certainly don't mean to suggest that we believe that problem definition ought to end when the next stage in decision-making begins.

What we are saying is that the time at which the problem is considered is critical and that persons other than the operating agency affected ought to participate in the problem definition process.

The *timing*, early in the decision-making process, is critical since objective thought as to the true nature of the problem is much more likely if those doing the thinking are not inhibited by specific proposals for solutions.

Who the participants in defining the problem are is also critical. The kind of perspective needed to really think through the problem can be broadened by including citizens, per diem consultants, or persons from other levels or agencies of government.

ON WHAT WE MEAN BY "BRAINPICKING CONSULTING" . . .

"Brainpicking consulting" means, simply, the hiring (although sometimes only expenses may be paid) of someone on an hourly or per diem basis to interact directly with policy-makers or key staff people. The process usually takes the form of question asking, possibly following a brief presentation prepared by the consultant. The process works best in an informal, perhaps seminar-like, format where policy-makers may feel more free to ask the kind of "dumb questions" so necessary in getting themselves educated as to the real nature of the problem. It may be helpful if a transcript or detailed minutes of the meeting are taken so that the points made and understandings arrived at are not lost.

It should be emphasized that some of the kinds of persons which we would suggest be used in this manner will be expensive, perhaps costing hundreds of dollars per day, plus expenses. We would urge government not to be inhibited by the cost of "brainpicking consulting", however, because of the positive effect we feel it could have on improving the ability of government to more effectively and efficiently confront the problems which with it deals.

ON WHAT WE MEAN BY "SUBSTANTIVE REVIEW" . . .

We have recommended that consultant studies be given "substantive" as well as fiscal and legal review. We urged that the review require a statement of the problem by the agency requesting approval for the study. We did not suggest who should perform the substantive review.

The precise details of the substantive review and which agency or department should be responsible for that review is best left to the judgement of the state legislature or to individual city councils and county boards.

What *is* important, is that such a review take place and that the difficult question 'just what is it that *is* the problem here?' get asked. We have found it more likely that this question will get asked objectively if the substantive review is placed in some agency with a more generalist perspective about the variety of problems facing government.

ON WHICH RECOMMENDATIONS APPLY TO WHICH TYPES OF CONSULTING . . .

We should make it clear that some of our recommendations do not apply to all types of consultants used by government.

We are recommending that per diem consultants, for example, be used in assisting policy-makers make important policy decisions. We would not want our recommendations for requiring a substantive review, consideration of more than one firm, publication of RFP's, etc., applied to per diem consultants which are used in direct interaction with policy-makers in defining the problem. We would leave maximum flexibility to governmental agencies in using this type of consultant in

their own best judgement.

We did not make recommendations on the kinds of professional or other services purchased by government for delivery to constituents. Recommendations on "purchased services" (as opposed to services provided directly by government) are made in two previous Citizens League reports, "Why Not Buy Services?" and "Overcoming Obstacles to the Purchase of Service."

ON WHEN ADVOCACY CONSULTING SHOULD BE USED . . .

Advocacy consulting, again, involves the hiring or soliciting of advocates to appear and argue forcefully for each of several positions to a given controversy before the policy body which will be making the decision.

We would *not* urge that advocacy consultants be used unless there are, in fact, a very few clearly identified alternatives. Neither would we urge that policy bodies base their entire decision on a single debate over alternatives. The danger, of course, in using advocates is that the decision might become polarized or over-simplified, or that reasonable alternatives might even be excluded from the debate.

Careful use of advocacy consultants, could, however, help to focus key issues and give much greater visibility to the policy implications of various alternatives under consideration. As such, we believe that the appropriate use of advocacy consultants could make an important contribution to improving the process of decision-making and should be encouraged.

ON OUR RECOMMENDATIONS FOR THE CENTRAL FILE OF CONSULTANT REPORTS . . .

Persons reading this report may wonder if establishing a central file of all consultant reports prepared for all state, metropolitan, and local units of government in Minnesota would really be worth the money and effort which would be required.

We believe it would.

We would hope that such a file could be an important resource to governments at all levels in both defining and solving problems. Hopefully, it will encourage less duplication of effort. And we feel strongly that accountability and good government requires that such work be open and easily accessible to citizens and to agencies of government other than only the agency for which the study was done.

ON PUBLISHING RFP'S AND THE "COMMERCE BUSINESS DAILY" . . .

We have recommended that all state, metro, and local requests for proposals (the forum by which an agency solicits proposals from consultants) and notices of contracts let be published, but have left to the Department of Administration determination of the precise format for this publication. We urged that the Department of Administration work with local government organizations, such as the League of Minnesota Municipalities and Minnesota Association of Counties, in making this determination.

During our study we were made aware of the "Commerce Business Daily" which performs this function for many types of contracts let by the federal government. The CBD is published by the U. S. Department of Commerce with subscription rates

set to raise revenues sufficient to pay expenses. Subscribers include both consultants and potential purchasers of consulting services.

While we refer the Department of Administration to the Commerce Business Daily, we are not in a position to recommend the precise format in which we would like to see RFP's and notices of contracts let published. We would urge that the cost of publication be borne by the users, however, and that consideration be given to contracting for the service with a private-sector publisher such as "Finance and Commerce".

Our reasons for recommending publication of RFP's and notices of contracts let are similar to those which led us to recommend a central file of consultants reports. We hope that publishing RFP's would open up consultant selection to anyone wishing to submit proposals. In addition, broader knowledge of what studies are taking place may tend to decrease unnecessary duplication of studies and generally broaden the awareness of governmental officials of problems and solutions being worked on in their sister agencies. And, we hope that requiring a written request indicating a thoughtful analysis by the agency about what the problem really is will make use of the consultant more worthwhile.

ON WHY WE DIDN'T RECOMMEND A LIST OF APPROVED CONSULTANTS . . .

We did not recommend that there be established a list of "approved consultants" which could be turned to when an agency is about to hire a consultant to perform a study.

One goal in establishing such a list would be to guard against using unethical or poorly qualified consultants. Another would be to reduce the potential for consultants being "used" to come up with a solution which the agency wanted but could not get without outside help.

It was our feeling that, as with publication of RFP's and the central filing of all reports, there will be much greater awareness of past clients of individual firms if our recommendations are implemented. Past experiences and evaluations of those firms will then be much more easily, and appropriately, obtained by visiting individually with past clients.

With respect to guarding against consultants being "used", it didn't seem to us that agencies which "use" consultants would be very likely to report unfavorably on them. We feel that generally opening up the process and giving much more careful attention to defining the problem are our best safeguards against abuses both *by* and *of* consultants.

BACKGROUND

I. Broadly defined, 'consultants' are used by most units or agencies of government in the Twin Cities and in Minnesota.

If 'consultant' is defined broadly enough to include any kind of professional service which is *purchased* or contracted for rather than *hired* on a full time basis, most units or agencies of government make some use of consultants. We have included within this broad definition of consultant: engineers, architects, accountants, auditors, lawyers, and appraisers; as well as the more traditionally regarded management and planning consultants. We have excluded from our definition health and social service professionals, unless their use falls into one of the above categories.

Perhaps a more general way of making this distinction in our definition is to say that we consider consulting services to be those purchased by government *for its own use* as opposed to those, in the health and social service areas, for example, that are purchased *for the use of constituents of government*. Recommendations on the broad categories of services being purchased by government, rather than provided directly, are made in two previous Citizens League reports, "Why Not Buy Services?" and "Overcoming Obstacles to the Purchase of Service."

A. Consultant services purchased by state government in Minnesota are included within a broad category of expenditures known as 'non-state employee services'.

Until fiscal year 1974 (the current fiscal year), the state accounting system could provide totals of only the total state expenditure for 'non-state employee services' during a given fiscal year. 'Non-state employee services' include not only our rather broad definition of consultant, but also any kind of professional or even non professional service which is purchased by state government. Within this budget item, might be such dis-similar services as management consulting services purchased by the Department of Administration, engineering services purchased by the Highway Department, and even medical services purchased by the Department of Public Welfare or barbering services purchased by the Department of Corrections.

1. Despite the lack of specificity in the state accounting system, it may be possible to detect a general trend in the use of consultants in state government by looking at past expenditures for all non-state employee services.

When compared to total operating disbursements and expenditures for civil service personnel in state government during the past ten years, we can see the following: ¹

| <u>Fiscal Year</u> | <u>Non-state Employee Services</u> | <u>Civil Service Employees</u> | <u>Total Operating Disbursements</u> |
|--------------------|------------------------------------|--------------------------------|--------------------------------------|
| 1963 | \$3.0 million | \$108.7 million | \$622.6 million |
| 1967 | 6.7 " | 157.0 " | 995.4 " |
| 1972 | 13.2 " | 263.4 " | 2046.4 " |
| 1973 | 18.3 " | 290.6 " | 2401.6 " |

The total budget for non-state employee services for fiscal year 1974 is approximately \$18.9 million.

Examination of this and other data presented to the committee during the course of our study would seem to suggest:

**** Expenditures for consultants are a relatively minor percentage of total expenditures of state government.** In 1973, expenditures for non-state employee services totaled about .76 percent of all state operating disbursements. This compared to the roughly 12 percent of state operating disbursements made for civil service employees. This is not to say that the amount of money spent by the state to hire consultants and other contracted professionals is insignificant. It is to say that our primary concern was not over the amount of money spent on consultants by the state, but rather over the impact which the use of consultants has, or could have on improving the operations or decisions of government.

**** Expenditures by the state for non-state employee services have grown over the past ten years about twice as fast as total state operating disbursements.** In 1963, expenditures for non-state employee services total approximately .48 percent of total operating disbursements of state government. By 1973, that percentage had grown to roughly .76 percent. In those ten years, expenditures for non-state employee services grew by about 510 percent while total operating disbursement grew by roughly 286 percent. Expenditures for non-state employee services grew about three times as fast as those for civil service employees between 1963 and 1973.

**** The new state accounting system makes it possible to identify the individual departments or agencies which have the largest expenditures for non-state employee services.** For example, approximately 56 percent of the nearly \$19 million budgeted for non-state employee services for 1974, is budgeted for six departments: Administration, Education, Highways, Public Safety, Public Welfare, and the State Planning Agency.

The individual budget items for non-state employee services for these six departments for fiscal year 1974 are:

| <u>Department</u> | <u>Budget for Non-state Employee Services</u> |
|-----------------------|---|
| Administration | \$ 2,016,441 |
| Education | 1,526,631 |
| Highways | 2,614,017 |
| Public Safety | 1,031,442 |
| Public Welfare | 2,428,566 |
| State Planning Agency | 1,044,588 |

The new accounting system breaks down the general budget item 'non-state employee services' into ten categories, including management and systems consultants, architectural and engineering services, and educational and instructional consultants.

For the first seven months of the 1974 fiscal year (July, 1973-January, 1974) the following expenditures for state government in Minnesota have been reported:

| <u>Type of Expenditure</u> | <u>Amount of Expenditure</u> |
|---|------------------------------|
| Management & Systems Consultants | \$ 624,664 |
| Appraisers | 96,303 |
| Architectural & Engineering Services | 266,664 |
| Auditing & Accounting Services | 12,472 |
| Medical & Dental Services | 1,024,727 |
| Legal Services | 275,555 |
| Educational & Instructional Consultants | 637,465 |
| Consultant Expenses | 109,460 |
| Other Professional Services | <u>2,945,297</u> |
| Total Non-state Employee Services | \$5,992,607 |

Since about \$11.66 million had been budgeted for non-state employee services during the same seven month period, either the accounting system has not yet recorded all the expenditures for the first part of the fiscal year, or, because of the manner in which consultant and other professional services contracts are billed, much more money is spent on hiring outside professionals during the latter part of a given fiscal year.

One major weakness in the present accounting system is the general category 'other professional services', into which most studies other than educational and management studies go. For example, for the first four months (July-October, 1973) of the current fiscal year, the State Planning Agency's expenditures for non-state employee services included a single reported entry:

Other professional services \$135,655

This, obviously, is of very little value in evaluating the nature of expenditures for non-state employee services by the State Planning Agency.

**** These expenditures include broad categories of contracted professional services not coming under a traditional definition of 'consultants':** It should be emphasized that, for a number of state departments, a strict definition of consultants as being those who 'do studies' is a relatively minor percentage of the total expenditures for all non-state employee services. For example, the Department of Public Welfare, in fiscal years 1971 and 1972, spent approximately \$1.33 million in 499 separate contracts to hire medical and social service-type services for its institutions around the state. Similarly, the State Highway Department, in fiscal year 1973,

spent about \$191,000 to hire 39 appraisers who made 369 appraisals. The Highway Department also spent almost \$300,000 in fiscal year 1973 to hire 16 engineering firms to design 29 bridges in various parts of the state.

Some state agencies do make extensive use of consultants who perform studies: The State Planning Agency, for example, spent \$296,000 in fiscal year 1973 to hire 47 different consultants or firms who performed 57 studies or other services ranging from providing management training to local officials to determining the economic impact of the proposed Voyageurs National Park.

The Department of Education, in fiscal year 1973, spent \$678,000 for educational and instructional consultants, plus an additional \$160,000 for consultant expense reimbursement. In total, the Education Department issued 293 contracts for non-state employee services in fiscal year 1973, of which 156 contracts were for \$720,500 for 'program services' which are provided to, in the words of the Education Department, "assist in the planning, development, upgrading, analysis and/or evaluation of department programs and projects."

**** Most consulting in state government is done for executive agencies as opposed to constitutional officers or the Legislature:** For fiscal year 1974, for example, the budget for non-state employee services for the Legislature is \$179,000. The House of Representatives had budgeted \$60,000; the Senate \$25,000; and the Joint Coordinating Committee \$85,000. Most of the Legislature's expenditures for non-state employee services are not for consultants who are used to do research or provide other input to major policy decisions. For calendar year 1973, for example, total consultant expenditures for the Senate were just under \$6,000; for the House of Representatives \$6,644. About two-thirds of the Legislature's expenditure for consultants in 1973 were for consultants on federal-state relations which have since been discontinued.

- B. Expenditures for consultants and other contracted professionals form a more substantial percentage of the annual budgets of the Metropolitan Council and the major metropolitan special districts.

Perhaps the greatest percentage of budget expenditures for consultants and other professional services are made by metropolitan agencies which are heavily involved in planning, building and operating major capital facilities for the region. For example:

1. Several significant changes have occurred in the use of consultants by the Metropolitan Council since its creation in 1967:

**** Percentage of budget devoted to consultants is down:** When the Metropolitan Council was created by the Legislature in 1966, it had a staff of approximately 30 professionals, most of whom were inherited from the old Metropolitan Planning Commission. Important functions, such as resolution of the region's dilemma over sewers were assigned to the Council, action had to be taken, and important work had to be done before the Council could staff itself up to necessary levels. As a result, the percentage of the Council's budget devoted to consultants was rather high, approximately 60

per cent in 1967-68 and about 44 per cent in 1970.¹²

As the Council was able to develop more internal staff capability, however, this percentage of budget devoted to consultants has declined. By 1971 the Council was spending roughly 22 per cent of its budget on outside consultants.¹³ The Council's professional staff has now grown to over 100 persons and, in 1971, the expenditures included \$394,493 for program consultants in the various areas of Council responsibility; \$72,543 for data processing consultants and services, and \$30,015 for accounting and legal services. Total consultant expenditures for the Council for 1973 then were just under half a million dollars, representing about 14 per cent of its total budget.¹⁴

**** Role of consultants has changed:** Again, in the earlier years, consultants were used by the Metropolitan Council to perform functions, such as more routine data collection, which are now performed by staff. Consultants were also more likely to be asked to perform studies resulting in reports to the Council.

Now, however, the Metropolitan Council is increasingly using consultants to assist in educating Council members and key staff people on the critical issues which the Council is facing. Commonly referred to as 'brain-picking' or 'over-the-shoulder' consulting, this process usually involves bringing in acknowledged experts who spend perhaps no more than an afternoon or evening in intensive interaction with Council members or key staff people.

2. Significant expenditures for consultants and other contracted professionals are also made by the Metropolitan Airports Commission, the Metropolitan Transit Commission and the Metropolitan Sewer Board.

For 1972, total expenditures for consultants and other contracted professional services for these three special districts were:¹⁵

| <u>Agency</u> | <u>Expenditure</u> | <u>% of Budget*</u> |
|----------------------------------|--------------------|---------------------|
| Metropolitan Airports Commission | \$837,832 | 3.1% |
| Metropolitan Transit Commission | 997,932 | 3.7 |
| Metropolitan Sewer Board | 1,718,084 | 3.4 |

These expenditures fell into several major categories:

**** Long-range planning:** The Metropolitan Airports Commission and Metropolitan Transit Commission are both currently involved in long-range planning on airport and transit facilities. In 1972, for example, the MAC spent approximately \$109,139 on master planning consultants who are developing long-range plans for the future of International and other airports in the MAC system. Similarly, the MTC spent, in 1972, about \$360,067 for development and planning consultants. Another \$345,651 was spent on consultants by the MTC to assist in more short term transit operations, such as studies to determine the transit needs of a particular segment of the metropolitan area.

* Includes operating, capital, and debt service expenditures

**** Design or engineering of capital facilities:** All three of these special districts operate major capital facilities. In 1972 the Sewer Board spent just over \$1.5 million on engineering services for special services and the design of treatment plants and interceptors. The MAC spent \$542,556 in 1972 on civil engineering, architectural services, etc., for major capital projects.

**** General operations of the agencies:** As a matter of policy, all three of these agencies have kept their full-time staffs relatively small. All contract for certain legal, accounting, and other services required as a part of their normal operations. For example, in 1972, legal services were purchased by the Sewer Board in the amount of \$149,761; MTC for \$62,031; and MAC for \$30,577.

C. Most units of local government make use of consultants or other paid professionals.

A 1970 survey by the Metropolitan Council found 94% of the municipalities and 61% of the townships in the seven-county area reporting at least some expenditures for legal, engineering, or planning consultants. In all, the Metropolitan Council survey found municipalities and townships spend \$348,000 for planning consultants; \$1,889,000 for engineering consultants; and \$992,000 for legal consultants in 1970. ¹⁶

CONSULTANT USE BY MUNICIPALITIES AND TOWNSHIPS FOR 1970

MUNICIPALITIES

| <u>County Total</u> | <u>Planning</u> | <u>Engineering</u> | <u>Legal</u> | <u>Total</u> |
|----------------------|-----------------|--------------------|----------------|-----------------|
| Anoka County-14* | \$ 32,327 (7) | **\$ 164,276 (7) | \$ 83,372 (12) | \$ 279,975 (13) |
| Carver County-12 | 12,355 (2) | 88,623 (9) | 26,363 (7) | 127,341 (10) |
| Dakota County-19 | 110,166 (10) | 277,870 (8) | 115,215 (17) | 503,251 (17) |
| Hennepin County-40 | 101,180 (18) | 960,012 (27) | 407,087 (38) | 1,421,682 (38) |
| Ramsey County-14 | 64,752 (8) | 204,626 (10) | 152,304 (13) | 468,279 (13) |
| Scott County-8 | 14,050 (3) | 45,600 (5) | 23,975 (7) | 83,625 (8) |
| Washington County-23 | 832 (2) | 118,730 (14) | 106,375 (22) | 225,937 (23) |

TOWNSHIPS

| | | | | |
|-------------------------------|--------------|----------------|---------------|-----------------|
| Anoka County-7 | 5,480 (1) | 2,719 (2) | 13,159 | 21,358 (7) |
| Carver County-11 | (0) | 6,970 (3) | 3,100 | 10,070 (3) |
| Dakota County-14 | 2,600 (1) | 7,601 (2) | 26,409 | 36,610 (10) |
| Hennepin County-1 | (0) | (0) | 75 | 75 (1) |
| Ramsey County-1 | 2,500 (1) | (0) | 3,200 | 5,700 (1) |
| Scott County-12 | 2,000 (1) | 2,527 (2) | 8,200 | 13,243 (4) |
| Washington County-8 | (0) | 8,390 (2) | 22,298 | 30,688 (7) |
| Metro Area Municipalities-130 | 335,662 (50) | 1,859,737 (80) | 914,691 (116) | 3,110,090 (112) |
| Metro Area Townships-54 | 12,580 (4) | 28,207 (4) | 76,957 (32) | 117,744 (33) |
| Metro Area M & T Total | 348,242 | 1,887,944 | 991,648 | 3,227,834 |

* The number of municipalities or townships in each county

** The number of municipalities or townships reporting expenditures for each type of consulting service

Excluded from the Council's survey were five of the larger municipalities in the area: Minneapolis, St. Paul, Bloomington, Richfield, and Edina. Their total expenditures for consultants and other paid professionals for 1972 were as follows: ¹⁷

| <u>Municipality</u> | <u>Expenditure</u> | <u>% of budget*</u> |
|---------------------|--------------------|---------------------|
| Minneapolis | \$1,924,790 | 1.4% |
| St. Paul | 66,138 | .1 |
| Bloomington | 85,564 | .4 |
| Richfield | 185,574 | 3.6 |
| Edina | 65,000 | .9 |

A similar survey by the Citizens League found paid consultants used by all seven counties in the Twin Cities area, primarily for policy implementation purposes (engineering, architectural services, etc.) but also to assist in arriving at major policy decisions. For 1972, the following expenditures were reported for consultants and other contracted professional services: ¹⁸

| <u>County</u> | <u>Expenditure</u> | <u>% of budget*</u> |
|-------------------|--------------------|---------------------|
| Anoka County | \$ 66,000 | .4% |
| Carver County | 32,455 | .6 |
| Dakota County | 269,206 | 1.2 |
| Hennepin County | 3,077,200 | 1.3 |
| Ramsey County | 91,032 | .1 |
| Scott County | 2,815 | .1 |
| Washington County | 148,487 | 1.2 |

In the case of the five larger municipalities and the seven counties, the expenditures requested by the Citizens League were for legal, personnel, engineering, architectural, accounting and auditing services; planning, traffic, transportation, management consulting services; and miscellaneous contracted professional services and studies. Excluded were medical and social service-type services.

It might be well to keep in mind that, for individual municipalities or counties, a given large expenditure may not be representative of that unit of government's use of consultants every year. It may be, for example, that design of a particularly large capital project happened to be undertaken in the year reported which will not be repeated by that unit for many years. Overall, though, this will be balanced out by units which did not have a major project undertaken in the year reported, but might undertake such a project in another year.

* Includes operating, capital, and debt service expenditures

FOOTNOTES TO BACKGROUND

- 1"Comparative Statements of Cash Receipts and Cash Disbursements by Classification", 1964-73, Office of the State Auditor, St. Paul.
- 2^{ibid.}
- 3^{ibid.}
- 4"Budget and Expenditure Status Report", Department of Finance, St. Paul
- 5^{ibid.}
- 6Report of the Department of Public Welfare to the House Research Department, St. Paul
- 7Report of the Department of Highways to the Citizens League
- 8Report of the State Planning Agency to the Citizens League
- 9Report of the Department of Education to the House Research Department, Report of the Department of Education to the Citizens League
- 10"Budget and Expenditure Status Report", Department of Finance, St. Paul
- 11Letters to the Citizens League from the Office of the House Chief Clerk and Secretary of the Senate
- 12Annual Reports of the Metropolitan Council for 1968-70
- 13Annual Report of the Metropolitan Council for 1971
- 14Annual Report of the Metropolitan Council for 1973
- 15Annual Reports of the Metropolitan Airports Commission, Metropolitan Transit Commission, and Metropolitan Sewer Board for 1972
- 16"Local Government Services and Structure in the Metropolitan Area-1970": A Metropolitan Council Staff Report dated May, 1972
- 17Citizens League survey of local government units in the Twin Cities area
- 18^{Ibid.}

WORK OF THE COMMITTEE

The Citizens League has had, for more than two decades, a commitment to improving the process of decision-making in the Twin Cities and in Minnesota. A number of reports have been issued which have offered suggestions for improving decision-making at the state, metropolitan, and local levels of government. Some of the more significant reports in this respect have included:

- ** "Organization for State Policy Making. Twenty-nine Proposals for Strengthening the Minnesota Legislature". February 19, 1968
- ** "Who Will Help Us Get Action?" A proposal to Answer the Appeal for Political Leadership in Solving Problems Confronting the City of Minneapolis.
- ** "Metropolitan Policy and Metropolitan Development" A Proposal for Government Organization in the Twin Cities Area.

In the course of work on these and a number of reports on substantive issues facing the Twin Cities, it was noted that outside consultants have often had a major role in shaping important policy decisions. It was with this realization in mind that the Citizens League Board of Directors authorized formation of the committee on the Role of Consultants. The committee's charge was:

"Some state, metropolitan and local units of government contract heavily with consultants to conduct studies on a variety of issues. Concern is growing over the sums of money devoted to consultant fees when compared to benefits received. We would explore the extent of the use of consultants, how they are selected, how their assignments are determined, and what role they play in further assistance to governments once their reports are written."

A total of 27 members participated actively in the work of the committee. The chairman was Kent Shamblin, director of communications for the St. Paul Companies. Other members of the committee were:

James G. Ahler
Bruce P. Anderson
Lawrence G. Anderson
Douglas W. Barr
David C. Cordes
Pat Davies
Raymond J. Giske
Robert B. Harrigan
Glenn L. Hendricks
Sally Howard
Stephen Kahne
Rita Keintz
Hy Kilborn

Benjamin F. Kilgore
Cheryl-Lee Leppa
Naomi Loper
Richard L. Manning
Steve McCormick
John G. Ohrn
Peter S. Popovich
Rosemary J. Rockenbach
John Shiner
Wyman L. Spano
Emily Anne Staples
Jack J. Takemoto
Anne Weyrauch

The committee was assisted by Jon Schroeder, Citizens League research assistant, and Paula Werner of the League's clerical staff.

The committee held 34 meetings from July 11, 1973 - April 17, 1974 an average of one per week. For the convenience of committee members and resource people, meetings were held in both Minneapolis and St. Paul.

The committee spent the first four months of its work hearing from a number of resource people on the role of consultants in government. Included were governmental officials, consultants, and others generally interested and involved in public affairs. The committee devoted each of three sessions to more intensive "case studies" of specific experiences of individual governmental agencies in using consultants.

A survey of local government units and metropolitan agencies in the Twin Cities was undertaken to determine the extent of consultant use. The committee was also fortunate to have had made available to it data on consultant use in state government prepared for use by legislative staff. Additional budgetary information on the use of consultants and other contracted professionals in state government was prepared for the committee by the state departments of administration and finance. In all cases, the committee is extremely grateful for the cooperation shown by various agencies in compiling data used in this study.

Detailed minutes were prepared of each meeting, with copies being made available to members who were not present, and to a number of persons outside of the committee who were interested in the subject matter under study. A limited number of copies of the minutes are on file at the Citizens League office, as are copies of background articles, staff reports, and survey data.

After the orientation portion of the committee's study, several months of internal discussion resulted in a series of drafts of findings and conclusions. Following general agreement on the findings and conclusions, the committee's discussion shifted to recommendations and, finally, to adoption of this report.

As is always the case with Citizens League reports, the work of this committee would not have been possible without the important participation of a number of resource persons. The following resource persons met with the committee on one or more occasion. We offer them our sincere thanks.

Tom Anding, associate director, Center for Urban and Regional Affairs (CURA),
University of Minnesota

Dr. John Borchert, director, Center for Urban and Regional Affairs (CURA),
University of Minnesota

Richard Braun, vice president, Barton Aschman Associates
State Senator Jack Davies

Douglas Dayton, chairman, Governor's Loaned Executives Action Program (LEAP)
F. Robert Edman, F. Robert Edman and Associates

Robert Einsweiler, planning consultant; president, American Institute of Planners
(AIP)

Dr. Paul Ellwood, president, Interstudy

Richard Erdall, (then) president, Minneapolis City Council

Vern A. Freeh, assistant director, Agricultural Extension Service, University of
Minnesota

John Herman, attorney; former staff attorney for MPRC

David Graven, chairman, Human Resources Committee, Metropolitan Council

James L. Hetland, vice president, First National Bank of Minneapolis; former chairman, Metropolitan Council

Gunnar Isberg, (then) planning director, Dakota County

Verne Johnson, vice president and director of planning, General Mills, Inc.

Robert Jorvig, executive director, Metropolitan Council

Ronald Kaliszewski, community assistance director, Office of Local and Urban Affairs, State Planning Agency

Frank Lamm, director of environmental planning, Metropolitan Council

Ray Lappegaard, commissioner, Minnesota Department of Highways

David Norrgard, assistant executive director, League of Minnesota Municipalities

Dr. John Olin, deputy director, Minnesota Pollution Control Agency

Tom Olson, chairman, Hennepin County Board of Commissioners

Wayne Popham, attorney, former state senator

Omar Schmidt, executive director, Health and Welfare Council of Hennepin County

James Solem, director, Office of Local and Urban Affairs, State Planning Agency

Frank Stanton, president, Frank Stanton Associates; president, Association of Management consulting Engineers

Bernard Steffen, (then) administrator, Anoka County

Steven Woolley, (then) director of organization and program analysis, Minnesota Department of Administration

ABOUT THE CITIZENS LEAGUE . . .

The Citizens League, founded in 1952, is an independent, non-partisan educational organization in the Twin Cities area, with some 3,600 members, specializing in questions of government planning, finance and organization.

Citizens League reports, which provide assistance to public officials and others in finding solutions to complex problems of local government, are developed by volunteer research committees, supported by a fulltime professional staff.

Membership is open to the public. The League's annual budget is financed by annual dues of \$15 (\$25 for family memberships) and contributions from more than 500 businesses, foundations, and other organizations.

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