



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038

(212) 442-0632 • FAX (212) 442-0350 •EMAIL: ibo@ibo.nyc.ny.us
<http://www.ibo.nyc.ny.us>

**Testimony of Ronnie Lowenstein
Director of the New York City Independent Budget Office
To the New York City Charter Revision Commission
On Improving the Efficiency of City Services**

May 29, 2003

Good afternoon Chairman Macchiarola and members of the Charter Revision Commission. I am pleased to have been invited to testify at today's hearing.

It is important, during both good and bad fiscal times, to not lose sight of the need to continuously improve the efficiency of municipal services. These improvements can take a number of forms: from maintaining our existing service delivery levels at lower cost, reducing duplicative or poorly coordinated services, and creating genuine improvements in the quality of service delivery. To do any of these requires imaginative management within city agencies and the commitment to implement projects that may take years before they see fruition.

Today I would like to touch on three techniques for making these improvements. The first is administrative restructuring of agencies, as in agency consolidations or decentralization efforts. A second approach is to contract out city services where that approach is likely to lead to cost containment or service delivery improvements, or some combination of the two. A third approach relies on the redesign of the core activities within city agencies, which leads to innovative improvements in internal operations, often leveraging state of the art technologies. What is common to all three approaches is a desire to add real value to what is purchased and delivered with city tax dollars.

Let me first turn to agency restructuring as one of the three approaches to improving management. Over the years, New York City agency consolidations have been proposed as a way to improve services or reduce costs, or both. There have been many examples. Three separate police departments—the NYPD, the housing authority police, and the transit police—were merged in the mid 1990s. The fire department absorbed the ambulances and personnel of the Emergency Medical Service. The Department of General Services and the Department of Personnel merged into a new Department of Citywide Administrative Services. More recently, the separate health and mental health departments were merged into a single Department of Health and Mental Hygiene.

There have also been examples of planned reductions in the scope of city departments. The most prominent example is probably the city's Human Resources Administration (HRA). Its objectives were so diverse that new departments were created to more closely manage key components of the former HRA. In 1979, juvenile detention responsibilities were removed from

HRA and lodged with a new Department of Juvenile Justice, which later went on to win a national Ford Foundation award in 1986 for its innovative case management and aftercare programs. In the 1990s, it was felt that a new child welfare department, called the Administration for Children's Services (ACS), would work better than continuing those services within HRA. ACS also absorbed day care and child support enforcement operations from HRA, and was given increased funding to help it achieve its central goals of improving contracted child welfare services and internally managed child abuse and placement investigations. A third agency, the Department of Homeless Services, was created to absorb yet another highly visible HRA function.

So we have examples of both consolidations and purposeful reductions in scope of some agencies. A relevant question to ask is what underlies these decisions to reorganize? What is the precise goal of a specific decision to meld agencies together or take them apart? Is it a belief that the services delivered to the public will be improved? Or that certain duplications in service delivery will be eliminated, so that the service becomes more rational and efficient? Or is it a back door approach to reducing the level of service, producing dollar savings but no apparent efficiencies? Even that approach might have merit if dollar savings are paramount, and efficiencies cannot be carried out when the savings are most needed.

If the problem to be resolved by the reorganization (that is, the rationale for the decision) is well specified, it helps in two ways. It provides an internal direction for aggressive implementation of planned changes, and a reasonable framework for agency managers and the public to measure whether the changes accomplished their intended effect over time. Without skillful implementation, any decision will not result in the intended benefits. But it's hard to imagine a skillful implementation occurring if the purposes of the initiative are not at all well defined in the first place.

In a recent fiscal brief, IBO looked at the consolidation and restructuring of social services proposed in the 2004 Executive Budget. The well-defined goal of the consolidation was to reduce city spending by \$75 million a year without reducing services, by replacing city dollars with federal and state funds, reducing spending on administration, and substituting less expensive for more costly services. Although IBO's analysis questioned whether the reorganization would succeed in maintaining service levels, the plan's clear-cut goals will allow the city to determine whether or not the reorganization has succeeded over time.

Along with well-defined goals and skillful implementation, measurement is very important. If the purpose is to improve a service delivery indicator, say response time in medical emergencies, what was response time like before the planned change? Did it improve significantly afterwards? If people aren't getting to the hospital any quicker, or the care on the way isn't significantly different, did it really make sense to invest scarce resources in such a change?

Although measuring the impact of any reorganization is critical, it is often particularly difficult, in part because many other things are also changing over time. For example, the merger of the three police departments was designed to reduce crime by increasing the city's flexibility to deploy police to where the problems were greatest. At about the same time, however, the city introduced its COMPSTAT initiative, a program that used computerized mapping to highlight

high crime areas and to hold police precinct commanders accountable for aggressively pursuing crime in those areas. Moreover, other changes were happening as well, including increased police staffing and changing demographics. In short, while crime in New York City declined sharply during the second half of the 1990s, it is difficult to determine how much of the drop was attributable to the police merger and how much was the result of other factors.

In other words, we hope that the basis in each case to carry out organizational restructuring is sound, the reasons for it have been carefully articulated, and that implementation is skillful and the results are measured both before and after planned changes. If this is done, we may learn about what works, case by case, and steadily improve the management of city services as we move forward. If it is not done, restructuring may fail to increase the responsiveness of city agencies and may make very little difference to those it is meant to serve.

A second tool to consider is contracting out. A significant portion of city services is already contracted out, in such diverse areas as child welfare services, home care for the aging, and in new waste disposal contracts to export our refuse to other states. Contracting out can be done with not-for-profit organizations, as is common with child welfare and home care, or it can be done with profitmaking firms. The same questions that were asked about agency reorganizations need to be asked about contracting out. Are the goals of contracting out well-defined? Is implementation skillful and are the results measurable? Are costs likely to be reduced or service delivery improved? There are also other questions specific to contracting out. Is there a competitive private-sector market in place that has the resources to expand and serve a huge city like New York, or at least some part of it? Does the agency have the necessary managerial resources to adequately monitor and evaluate contracts once they have been awarded to a particular firm? And can the agency maintain its ability to step back in and provide the service if the private market is no longer competitive?

One potential advantage to contracting out occurs through using private-sector competition to gain leverage with municipal unions to increase the productivity of *city* employees. As an example, many localities across the country use private refuse companies to collect all or part of residential garbage. It would be possible to divide the city into zones, with the municipal workforce competing against private sector companies to provide residential garbage collection for each zone. This “managed competition” model allows for the possibility of either public or private provision, whichever is most cost effective.

Finally there is a third technique to explore that does not necessarily involve putting agencies together or taking them apart, or contracting out. For simplicity's sake, I'll just call the third technique internal redesign of agency services. It requires the management of city departments to take a step back and ask if their customers and stakeholders are truly well served by the current way services are being provided. If the services could be provided in more user friendly ways, that make access easier and less time consuming, then opportunities exist to redesign. In virtually all cases, fundamental redesign requires introduction of new technology, new work processes that involve worker retraining, and input from a variety of stakeholders—from the workers themselves, the municipal unions, the customers and the internal team of managers who will stay the course over the long period that is often required to effect these changes.

Of course, a specific internal redesign effort may be poorly designed or poorly implemented, or both, and in either case the hoped for service delivery and or cost benefits will not be captured. But with careful attention to both the redesign phase and the implementation phase, significant improvements in municipal services can result. A promising effort of that kind is currently underway in the Department of Buildings, where the Commissioner has laid out a series of detailed plans to improve the responsiveness of her agency, particularly with respect to access to building permits and the professionalism of building inspections. And in the Department of Finance, property records such as deeds and mortgages are now accessible as images over the Internet 24- hours a day, replacing cumbersome searches by microfilm that usually required an in-person trip to city offices during business hours. That eight-year long project, called ACRIS, was awarded the Citizens Budget Commission Prize for Public Service Innovation in 2003.

My hope is that the next few years will be remembered not only as a time when the city had to tighten its belt, but also a time when innovative techniques were used to manage the reduced resources at our disposal as efficiently as we could. The three techniques I've outlined can be a useful set of tools to improve city services, as long as the management commitment is there at both the planning and implementation phase, and we keep in mind what our specific goals are at each stage and honestly measure our progress as we go forward.

Thank you and I will gladly answer any questions.