

Response to MACS – from SED, John Monson

November 3, 2005

Mark, in the interest of being transparent, I would like to respond on paper to the concerns you raise on behalf of MACS membership. Feel free to share my responses publicly with MACS members. I will follow-up with a discussion as our schedules permit.

FLO Relocations:

MACS Perspective – relocations should be tempered with input from DD's and local offices.

SED Response – Agreed. We utilize DD's as a liaison to share the perspective of the local office and the perspective of the STO in the reassignment process.

MACS Perspective – Are there options to relieve workload burden from outsourcing to other offices, sharing FLO's, detailing employees and contracting?

SED Response – Yes. That is something we look at in every case every time before reassigning a FLO. We have to look at every available resource to getting the job done (local solutions).

MACS Perspective – The assistance provided to the employee once the relocation decision has been made has been inconsistent in the past.

SED Response – Dan will get a checklist together. Bill Walker is the relocation contact in the STO.

MACS Perspective – Encourage STO to follow FLO preferences for reassignment to the degree possible. Communicate reassignment early as possible and follow-up with relocation assistance.

SED Response – Agreed.

State Office Directives and Procedure

MACS Perspective: Policy direction and procedure interpretations are provided verbally at meetings or in other less official forms such as DD minutes, emails, and memos.

SED Response: This is not a new issue. There has always been uncertainty as what issues rise to the issuance of an official notice or using email to relay the interpretation/policy. It appears that there are a few reasons for why communications using less formal methods has increased. The first is technology and email capabilities. The speed and number of

communications from the National Office to State Offices to County Offices and in reverse has never been faster or higher. As time has marched on, email communications have become more and more accepted as “official notice”. State Offices do not expect the vast majority of guidance received from the National Office to be reduced to official notices. Emails from the NO are genuinely accepted and treated with the same weight as official notices and instructions. States in turn have increasingly relied on emails to communicate with County Offices. The Tech Newsletter contains information on dozens of issues. It does not seem practical to reduce each individual issue to a formal notice. We do understand that does create some issues. Help from MACS to assist in developing parameters or guidelines would be welcome.

MACS Perspective: FLP is operating without official instructions in several critical areas.

SED Response: It is agreed that offices are operating without official, updated instructions in some areas. The two that are noted concern closing real estate loans and foreclosures. Current information has been relayed to offices and we are not aware of any offices being criticized for operating under formal updated instructions/guidance nor are we aware of processes being delayed due to informal, updated instructions. In the big scheme of things, this has not been a priority from the State Office’s perspective. We would appreciate MACS informing STO of any other critical instructions that have not formally been updated.

MACS Perspective: Concern on timely update of state instructions when the streamlined regulations are received.

SED Response: Tom DeCock has identified and organized a lot of the instructions that will need to be updated and put into Handbook form. MACS offer to assist in updating instructions is greatly appreciated. We would also like MACS help in identifying instructions or parts of instructions and exhibits that can be eliminated.

Personnel/FLP Restructure:

MACS Perspective – Concerned that MACS’ Guideposts for FLP office structure are not being considered; such as making decisions as early as possible and gathering input.

SED Perspective – SED will commit to a discussion with MACS President on this issue. Appreciate MACS acknowledgement that budget and staffing limitations and imbalances are becoming very challenging and the process for decision-making is changing. We do not take consolidation lightly or without input. We gather input all the time and make the decisions necessary. The SED is responsible for use of resources statewide, just like CED’s and FLM’s are responsible for the use of resources in their offices. We work with DD’s very closely on potential consolidations and in both recent cases, the DD’s showed strong support. We look to the DD’s to provide an understanding of the implications of those decisions. Locally, we know every office finds value in its own local presence.

We understand those reasons and agree there is value in local presence. We also recognize there is a cost to local presence that staffing limitations have acutely demonstrated in FY 2005. We must examine other perspectives which indicate opportunities to maximize resources statewide, including options and reasons for potential consolidation. We can not ignore budget limitations, staffing limitations, changing technology and changing agricultural demographics. All options have to be on the table. As staffing base and customer base decreases, our employee resources are thinning in various locations. This is a trend that can not be sustained. As attrition occurs, we have to look at all options to optimizing limited staffing resources statewide, not just in one location. My responsibility is statewide, not just local. We have a lot of data to help guide us in these decisions. It is the SED's responsibility to act on situations which elicit better use of limited resources, including options for consolidation. We know individual employees have strong feelings about these situations and we have to be mindful of the impact to those employees. As the value of limited resources and staff grows, these decisions become more difficult, stir more emotion and attract more attention and criticism. The guideposts MACS supports are not forgotten. They are a resource to us as we wade through each decision.

Strategic Plan:

MACS Perspective – Emphasis on loan-making, caseload, processing times, state rankings, office rankings and other goals are obscuring the intent of FSA Farm Loan Programs. We shouldn't go too far with liberal interpretations of eligibility, repayment, security requirements that put program integrity at risk and puts undue risk on the FSA customer.

SED Response – The Strategic Plan is NOT intended to obscure the intent of FLP, it is intended to work in concert with the intent of FLP. The pre and post strategic plan credit decisions should be the same. FLP programs and our strategic plan are intended to reach out to non-traditional producers and market our programs to all customers in a measurable way. The focus of our plan is not to be #1, or to be the biggest. However, our goal is to become an anomaly compared to other states due to our effort. Our focus is to market our tools in a changing ag environment. However, we need to make this plan accountable. The only way we can do it is to make it measurable. Universally, any organization that establishes measurements as a way to ensure accountability cause concern that the numbers are focus rather than the content of the message. I can assure every employee that the focus of the strategic plan is the content of the plan. The numbers are the result of our implementation effort. We care about how we conduct business as much as the results. We do not care about results at the exclusion of the business process and rules. In fact, we have spent a lot of time working on examples to show how we can be more proactive and supportive within the boundaries of the rules. We can view the program as a delivery mechanism which operates between rules-based parameters or as a tool-based program to meet diversifying customer needs strategically. I will and have personally challenged every employee to move from delivering service from a rules-based perspective to becoming more strategic-minded and tools oriented. It is the difference between viewing our role as sitting back in judgment over the

information before us versus a role which actively seeks opportunities to link tools strategically to developing and diversifying needs. Assuming a rules-based perspective, we would have not done any loans to Southern Minnesota Sugarbeet Coop in SW Minnesota in 2001 because of the questionable risk due to a freeze, pending litigation and short-term financial limitations. Instead, we viewed it as an opportunity and an obligation to take a lead in demonstrating support to a company that was important to Minnesota's future. Regardless of our perspective, the rules remained our foundation, but the perspective we took sent signals to private lenders and growers that the government stood behind that industry. I believe our tools-based perspective in part saved Southern Minnesota Sugarbeet Coop from failure. Had we viewed it more from a rules-driven perspective alone, it would have been unlikely we would have accepted the risk and Southern MN may have failed. Today, Southern MN is acquiring new businesses and more financially sound than ever. At no time will we or have we suggested we bend rules and push loans that don't cash flow and place the customer at risk. Again, to the contrary, we need to proactively offer our programs to those that are already at risk and need stability. Any effort that creates greater instability for the customer runs counter to the intent of the Strategic Plan and Farm Loan Program rules. Measurement of our effort is absolutely necessary. Measurements cause discomfort because many view them competitively, and that isn't always a bad thing. I argue strongly that those viewing our efforts as obscuring program intent do not understand the real message or real intent to diversify our marketing, change our behavior or strengthen our portfolio (which happens to be in our own self-interest). The lack of measurement, the lack of emphasis on results and the perception that we are intent on being first at the expense of program integrity ignores the real message and only serves to maintain status quo. The strategic plan is built on sound business principles and the emphasis on results and measurements is essential. We will continue to push for a more business-like approach, rather than a government like approach, to meeting ever-increasing and diversifying customer needs. Thankfully, due to the efforts of our FLP staff statewide, we are seeing a growing, strengthening, and quality portfolio.

I am very honored and proud of our balanced approach to implementing our plan in Minnesota. Any SED would be envious over the FLP portfolio we have and the employees who carry it out. My job is to challenge and inspire us to be the very best we can be. My approach and message is usually bold and challenging, causing some discomfort. I accept that my approach isn't always popular or very government-like. However, I believe it is an approach that is more business-minded and will take us to a higher level of performance and results. Everyone responds differently to that style of leadership. I accept and acknowledge the concern of MACS that we cannot send a message that is too focused on numbers. It is our intent to stay focused on marketing our FLP tools to the growing and changing needs of agriculture. The numbers are used as an imperfect means to track our progress. The STO will make the commitment that we will work hard to maintain balance in promoting our strategic plan and defuse unintended perceptions and consequences.