
CASE STUDY IV-2

STATE ECONOMIC DEVELOPMENT AGENCY

The State Economic Development Agency (SEDA) was established by the state legislature with the mission of fostering economic development throughout the state by supporting the state's existing industry, developing new business enterprises, and attracting new industries to the state.

David Prince, director of SEDA, felt that it would be difficult to assess the economic health of the state and assist in economic development when no one knew what businesses existed, where they were located, what goods and services they provided, how many people they employed, and so on. Therefore, one of Prince's first decisions was to develop a State Enterprise Database (SED) containing data helpful to those interested in economic development in the state.

Rather than building his own data processing department, Prince decided to contract with the State University Center for Business and Economic Research (CBER) to explore the development of the SED. Robert Mixon, SED project director for CBER, began the project in June 1990 with a needs analysis. CBER asked economic developers throughout the state what they needed to know and how they would use that data. CBER found that (among other things) economic developers wanted detailed data on the existing businesses in the state, and they wanted it by location. They wanted the name and address of each business with more than eight employees, the products and services it provides, historical employment by quarter, wage data by quarter, sales data by quarter, whether the business imports or exports, standard industrial classification, and often a product description. They needed an actual local address in addition to a legal mailing address, which might be the home office rather than the local address.

It quickly became clear that such a database for the entire state would be so massive that they needed to narrow the scope of this initial project. Therefore, Prince and Mixon

decided to restrict the initial SED project to Washington county, a typical county in the state that had about 1,800 businesses of interest.

Because it was impractical to collect the needed data directly from the businesses, they began to search for sources that might already collect the data they needed. The Internal Revenue Service (IRS) collects financial data from businesses, but access to this data is heavily restricted by law. They considered the state Department of Revenue, the state Employment Security Department, the state Department of Commerce, the chambers of commerce in the state, and also such business organizations as Dun and Bradstreet.

During this investigation they found that the state Employment Security Department collected much of the data that they needed. So Mixon assigned his senior systems analyst, Ruth Blair, the task of determining what data Employment Security collected and how the data on the businesses in Washington county might be obtained. In early January 1991, Mixon arranged a meeting with James Hogan, executive director of Employment Security, in which he explained the purpose of the SED project, introduced Blair, and requested permission for her to work with Employment Security people to explore what data might be available and how they could be obtained. Hogan was quite agreeable and suggested that Blair start with Jean McAnally, deputy director for Statistical Services.

The mission of the state Employment Security Department is to collect unemployment insurance taxes from businesses in the state and to distribute unemployment benefits to workers who have been laid off. Because the tax rate for a business depends upon its past layoff history, Employment Security must collect and maintain detailed quarterly employment data for each business. Ruth found that Employment Security has highly complex computerized systems that support collecting unemployment insurance taxes and distributing unemployment benefits.

McAnally's Statistical Services unit analyzes some of the data, but this analysis is not the central focus of Employment Security. The systems for supporting operations and for statisti-

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cal services are quite separate, and just a small part of the data collected for operations goes to statistical services. One reason for this separation is that Employment Security is legally required to protect the confidentiality of the data it collects, and therefore the organization is very security conscious. Upon being hired each employee is required to sign a disclosure form stating that he or she understands that unauthorized disclosure of data is grounds for dismissal and that violators will be prosecuted to the full extent of the law. The law pertaining to Employment Security states in part:

Information obtained or obtained from any person pursuant to the administration of this article and the records of the department relating to the unemployment tax or the payment of benefits shall be confidential and shall not be published nor be open to public inspection, in any manner, revealing the individual's or the employing unit's identity, except in obedience to an order of a court.

A claimant at a hearing before a referee or the review board shall be supplied with information from such records to the extent necessary for the proper presentation of the subject matter of the appearance, and the director may make such information available to any other agency of the United States or of the state.

Despite this emphasis on confidentiality, Blair was pleased to note that "the director may make such information available to any other agency . . . of the state."

In early February 1991, Blair started working with the Statistical Services unit to determine what data it could provide on businesses in Washington county and to define reports containing that data. During February and March, they negotiated a price and developed a contract between Employment Security and SEDA to produce the desired reports. Blair received the results of the first run at the end of April. It was full of mistakes caused by programming errors, and Blair requested a rerun, which was completed around the first of June 1991.

As Blair began to work with the data in this report, it became obvious that the data had some severe limitations for the SED. In the first place, there was no unique identifier for each record. For example, if there were two McDonald's restaurants in a county, there would be two records that could only be distinguished by their quantitative data, such as number of employees. Second, she did not understand the meaning of some of the data elements. For example, employment data by quarter was collected, but she did not know whether this was an average, or at the end of the quarter, or what. Finally, she suspected that there was other data in the Employment Security system that might be quite useful for economic development if she knew what was there. Therefore, Mixon suggested that Blair find out more about the data in the Employment Security operational systems.

Starting the middle of June 1991, Blair began trying to find out details about the data in the Employment Security operational systems. It took two weeks for her to obtain a data dictionary, and when she got it she found that it was a brief programmer's data dictionary that did not contain the user's data definitions that she needed. It did, however, give her enough hints about the contents of the Employment Security files to indicate that they might contain much useful data for economic development. For example, there was a "foreign ownership code" that might be of tremendous interest. She was not sure what it meant, however, because many state departments define foreign ownership to mean that the business is not incorporated in the state.

It took Blair several weeks to locate people who could answer some of her questions about the data in the programmer's data dictionary. These people were very helpful, and she eliminated some possibilities and highlighted others that might turn out to be important. During these discussions Blair found that Employment Security was in the process of adding an ad hoc reporting system to its software. Based on this, she questioned whether SEDA ought to be developing the SED. Perhaps SEDA should simply use the existing Employment Security system to serve the needs of the economic development community.

When Blair suggested this possibility to the Employment Security people that she was working with, they responded positively and invited her to a training session on the new system. After this introduction to the ad hoc reporting system, Blair was even more interested in determining whether the Employment Security system might eliminate the need for much of the proposed SED system.

Blair asked Employment Security to have someone work with her to evaluate the economic development needs and determine whether the Employment Security system could serve some or all of them. Employment Security could not make anyone available to perform that evaluation, so in early October 1991, Blair suggested that perhaps she could perform that evaluation herself. The programmer she had been working with thought that was a good idea. He introduced Blair to a supervisor of data entry who could assign her to a clerk who could walk her through the system, but there was a problem. According to the supervisor, she could not see the system without having a "sign-on" (which was a user number, password, and security authorization to access the system). Blair did not need to access the system; she merely wanted to know in detail what data it contained and how it worked. But the supervisor was adamant that she must have a sign-on to look at the system.

After several weeks of frustration trying to find out how she could get a read-only sign-on, Blair and Mixon decided she was getting nowhere, and they set up a meeting on November 23,

1991, with Prince and Hogan. In this meeting Mixon explained the objectives of the SED project, the possibility of using the Employment Security system instead, and the difficulties that Blair was experiencing. He asked for Hogan's assistance and support. Hogan assured them of his support and promised that he would facilitate getting a sign-on for Blair. Hogan's memo to Frank Hall, automation project manager of Employment Security, is shown in Exhibit 1.

Exhibit 2 on shows Hall's reply to Hogan's memo. As suggested, Blair contacted Harvey Moore and set up a meeting with him on December 11 to discuss her needs and how they could be met. When she arrived at Moore's office for the discussion with him, he told her that he had set up a conference room for the meeting because he had invited a few more people to join them. When she was ushered into the conference room, she found that all the deputy directors of the Employment Security Department were waiting for her.

As soon as the meeting began, it became obvious that the attendees intended to stop Blair from getting her sign-on. They questioned her need for a sign-on, and she explained that she did not really want a sign-on, just to obtain sufficient understanding of their system and its data to determine whether or not it could be used to support economic development in the state. Pointing out their legal concerns and constraints, they questioned whether Blair should even be allowed to see their system, much less to access it. Blair felt that the meeting was a disaster, and at the end she suggested that they delay processing her request for a sign-on.

After the meeting Blair sent the conciliatory letter shown in Exhibit 3 (p. 648) to Moore, but she was very discouraged. After almost a year of effort working with Employment Security to get access to its data, it seemed that she had made very little progress. And the contract between the CBER and SEDA was coming up for renewal soon.

EXHIBIT 1

Memo to Hall

DEPARTMENT OF EMPLOYMENT SECURITY

TO: Frank Hall
FROM: James Hogan, Executive Director
DATE: November 27, 1991
SUBJECT: Sign-On Capabilities for Ruth Blair

Please check with DP Security and complete all pertinent forms necessary to give Ruth Blair sign-on capabilities which will allow Ms. Blair to inquire into the new tax system. It would also be a good idea for you to give Ms. Blair a quick review of the new tax system.

Also, please process request forms authorizing Ms. Blair a sign-on for CQS so that she may have access to employment data.

Ms. Blair is aware that she will have access to confidential data and understands the limitations of informed consent.

Thank you for your assistance in this matter.

JH:bj
cc: Ruth Blair

EXHIBIT 2***Hall's Reply***

DEPARTMENT OF EMPLOYMENT SECURITY

TO: James Hogan, Executive Director
FROM: Frank Hall, Automation Project Manager
DATE: December 5, 1991
SUBJECT: Sign-on for Ruth Blair

The following is in regard to your memorandum on November 27, 1991, requesting that I provide Ruth Blair sign-ons for the new tax system and CQS.

CQS sign-ons are comprised of two basic parts. One, identifying the user (Ms. Blair) and two, identifying the data accesses. The first is very simple. The second is more complex. Both are needed to have a CQS sign-on.

I talked to Ms. Blair on 11/30/91 to find out what data records or files she needed access to and she informed me that she did not know what records or files she needed. She indicated that she wanted to see the tax inquiry system so that she could determine:

- (a) if there was any data she could use
- (b) if she would need access to the tax inquiry
- (c) if she needed a CQS access.

I have referred her to Harvey Moore so that she can sit down and go through the tax inquiry screens with Mr. Moore and/or a qualified tax employee. I made sure that she understood that I would do everything in my power to get her access to tax inquiry and/or CQS as soon as she could tell me which she needed and in the case of CQS what data she needed.

I did talk to Mr. Moore personally, so that he is aware of the situation. I talked to Ms. Blair on 12/4/91 so that she could schedule a meeting with Mr. Moore as soon as convenient.

cc: H. Moore
R. Blair

EXHIBIT 3***Letter from Blair***

December 19, 1991

Harvey Moore
Department of Employment Security
Street Address
Capital City, State

Dear Harvey,

We discussed several important issues in Monday's meeting. We decided to put a hold on the processing of a sign-on for me. I understand the need for timely consideration of such a precedent setting move.

As I indicated, the purpose of the sign-on request was to facilitate data analysis. It is most likely that the analysis can be accomplished using the existing system documentation, training manuals, and most important, the expertise of those who know the data. I will appreciate your help in providing access to these materials and the expertise, as appropriate.

The ultimate objective of this endeavor is to provide a more efficient and effective system to make information collected by one state agency (Department of Employment Security) available for use by another state agency (Economic Development Agency). It is my understanding that the law permits such interagency sharing and a policy that promotes and facilitates such sharing is critical. I hope that those who were in attendance at Monday's meeting will continue to think strategically toward such an objective.

Sincerely,



Ruth Blair

cc: Robert Mixon
David Prince
James Hogan