



Government Restructuring and Operations Review Commission
Meeting Minutes No. X

DAY/DATE: **Tuesday, March 29, 2016**
TIME: **2:00PM—4:30 PM**
LOCATION: Ethan Allen Room—Vermont State House
ATTENDEES: John Sayles, Paul Costello, Jeff Wilson, Ian Davis, Jeb Spaulding, Peter Gregory, Lisa Ventriss
ABSENT: Susan Zeller
PURPOSE: Regular meeting
DISTRIBUTED Email and post

Item Number	Item Description	Action By
1.0	2:00PM—Call to Order	John Sayles
2.0	Review Agenda	
3.0	MOTION: Approve meeting minutes from 2/17/16 as presented. 1 st by Jeff, 2 nd by Paul; unanimously approved.	
4.0	<p>Peter Gregory—Executive Director, Two Rivers Ottauquechee Regional Commission.</p> <ul style="list-style-type: none"> While the GRORC Commission has a charge to look at Public-Private Partnerships we should also be reviewing public-to-public partnerships; regional bodies such as TRORC also have the “capacities and managerial adeptness” (Interim Report). With regards to state employees and organizational culture, RPCs often have an even closer relationship to the consumer (i.e. citizens) and should therefore play a role in implementation. In terms of communication and collaboration, Hurricane Irene led to a lot of ‘silo busting’ that was good for RDCs and RPCs but not all state agencies are equal to this day. For example, in the Agency of Commerce, the Department of Economic Development and the Department of Housing and Community Development are separate but unequal. You don’t see collaboration between those two departments and it plays out at a regional level between RDCs and RPCs; we are one of the only states in the country that does that. The Council of Governments Law—introduced last year—talks about shared services. Currently the statutes allow for union municipal districts but it is cumbersome for communities who have to vote to make it happen. The Inter-Municipal Services Bill is what was finally passed, not the COG bill; it enables those regions that want to regionalize services to do so, though not every RPC and RDC are interested. New duties RPCs can provide is generally any service as long as the town wants it. That includes planning, consulting, hiring, etc. 	

State of Vermont

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	<ul style="list-style-type: none"> • Paul Costello: When you think about regional governance, the RDC/PC territories seem to be the most logical area for regional collaboration. Challenges for change built a platform for regional development planning functions. Not every state has regional planning functions. If we were to create a new state, would these responsibilities be divided? • Answer—Peter Gregory: I don't think so, but you should also have some RDC people come in and testify. • Jeff Wilson: Besides the suggestion that state government should treat RPCs more consistently, what other suggestions do you have? • Answer—Peter Gregory: I will say there are agencies that would probably give more authority to RPCs if things were different, but it is a tough thing when dealing with state employees. If decisions were made, we know that RPCs could provide those services. 	
<p>5.0</p>	<p>Jeb Spaulding—Chancellor, Vermont State Colleges</p> <ul style="list-style-type: none"> • Let me start by saying that if you want to improve the management of state government, we need to move to four year terms for governor. Two-year terms lead to short term solutions for long-term problems. Some of these complex problems require long term planning and well-qualified managers. That being said, when I hear people say we currently have incompetent managers, I disagree. The quality of management is fine; it's the policy decisions that are driving the expenditures. Managers are merely carrying out the policies that are expensive. 60% of state spending goes to education and Medicare. My recommendation to the Commission would be to look at the 5-10 biggest state expenditures and talk about those in comparison to Vermont's financial foundation. • Paul Costello: When you say it's the policies that are expensive, could you provide examples? • Answer—Jeb Spaulding: I am not making a value judgment. I am saying it is what it is. Pension funds, the costs to support hurting children and families, costs are going up millions on an annual basis. You cannot blame that on incompetent managers. • Jeb Spaulding: When meeting with people from other states, as Secretary I came to understand that—compared to others—Vermont is doing pretty well. As Secretary I looked to identify in there were opportunities akin to your charge, the answer was that we had already done much of what was recommended, so we didn't see the benefit to an RFP to fund waste, fraud, and abuse. • Regarding transparency and data, I think there is more out there than a lot of people realize. We now have the Governor's dashboard, Outcomes and Indicators, and the Financial Spotlight. Vermont used to have an F, now we have an A. • My experience has shown me that when it comes down to people, there is not a lot of wiggle room for managers. Downsizing, for example, goes by seniority. That leaves managers the ability to only get rid of the new, perhaps 	



	<p>innovative, thinkers. Managers will often opt not to perform layoffs as a result. I think we need to eliminate or amend the seniority requirement placed on managers with regards to layoffs. Once people are in there, you can't get them out. The concept proposed, which would require statute, is a new collective bargaining agreement every 8-10 years. That could be a healthy thing for state government and takes leadership to accomplish.</p> <ul style="list-style-type: none"> • Paul Costello: Are there things we don't need to do anymore? What about LEAN, RBA, setting structures in state government to communicate with agencies on how that process is moving forward and also empower employees to make changes to improve efficiencies and effectiveness? • Answer—Jeb Spaulding: Each department is at a different state and time in terms of implementing these processes. I think it is a good thing to do, but you can't force the same solutions on different entities, different organizational cultures, etc. • Paul Costello: As I hear it, because we have such a generous state, with so many entitlements, this is part of our culture, and we don't know how or are unable to address it. That is very troubling. • Answer—Jeb Spaulding: What worries me, regardless of the statistics, I sense that we are pretty close to being a place that is so expensive to stay that people are beginning to leave. There is no silver bullet, but we need to start doing things that over time will create cost savings. Act 46 is a great example. 	
6.0	<p>Lisa Ventriss—President and CEO, Vermont Business Roundtable</p> <ul style="list-style-type: none"> • Like Jeb, the Roundtable thinks a four-year term would be well to solve some of the problems we are discussing. • Having contributed to the 2005 Vermont Institute on Government Effectiveness (VIGE) Report, I am familiar with the challenges we are facing. The 2009 VBR statement on tax and fiscal policy also reinforces what Jeb has just said—expenditures outpace general fund revenue. Our state spending per capita is 16% above the New England average and 46% above the US average. This needs to be a core component of the story you tell and should be what motivates policymakers to try and get spending under control. • In writing the 2005 VIGE report, we were on the cusp of a large retirement bubble and saw opportunities for savings—then the Great Recession happened and state employees were no longer able to retire. We are now the second oldest state behind Maine. • The emerging themes you identified in the Interim Report are a logical place to start. On the good news side of the story, Vermont is not alone in conducting Commissions such as the GRORC. Iowa, Pennsylvania, and Washington State have also done this work. 	

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	<ul style="list-style-type: none"> 3 Key Messages I would say: 1) Vermonters are a very generous populous and community. Sometimes that is great, but other times it does not make fiscal sense. We cannot sustain first world tastes on a third world budget. Keep in mind that in Vermont, we are attempting to run a government that is really the size of a city. We have the ability to try and find efficiencies; budget gaps need to be filled and we are the only ones to fill them. Your report should carry the unhappy news to the various constituencies. 2) The level of optimism within the business community is falling and has been since 2013. Part of the challenge that I acknowledge you are facing is not to do more with less but rather do better with less. Whatever recommendations you make, I hope you track them to see how they impact the constituencies found in the VIGE report. 3) Act 46 can help serve as an example. Try to create a similar kind of story that leverages data about what it looks like today and what will happen if we do nothing. I think you can show a very compelling story that can incite people to want to act. This will help inform, engage, and communicate. 	
7.0	<p>New Business:</p> <ul style="list-style-type: none"> Contact Sue Zeller about revenue and expenditure trends in state government. Arrange conference call for 4/8/16 to discuss open meeting/forum process Paul and John will be contacting additional stakeholders to testify. 	

This summary of the meeting forms the basis upon which we will proceed. Please respond with changes, corrections or questions to the originator within 5 working days. If no corrections, changes or questions are received within 5 working days, these minutes will become part of the permanent record.

By: Ian Davis
Cc: Committee Members