

# **Government Restructuring and Operations Review Commission**

## **Final Report**

### **November 15, 2016**

#### **Summary of Legislation**

The Government Restructuring and Operations Review Commission was created under 2015 Act 58 Sec. C.107 to identify opportunities for increasing government efficiency and productivity in order to reduce spending trends and related resource needs. Pursuant to the legislative charge, the Commission was asked to review areas where governmental reorganization and partnerships between the public and private sectors could provide long-term improvements in quality and cost-effectiveness of management or service delivery; review the State government's organizational structure for consistency with a results-based and outcomes-based focus; and provide an opportunity for members of the public to submit recommendations to the Commission for its consideration.

#### **Introduction**

The Commission took on this task with enthusiasm and optimism, but with a clear sense of the scale of the charge and the limits of our capacity. Vermont government's operations and programs stem from our 225 year history of work to address regional and statewide needs. The resulting structure is certainly not perfect, and government is not designed to move quickly in any direction, or respond to the types of signals that a private business might. As one commissioner noted, "politics can be the enemy of progress," and what some consider progress is to others nothing of the sort. At a series of regular meetings in Montpelier, the Commission listened to a number of citizens and government officials. (See list of witnesses in Appendix and link to meeting minutes below.) Most of our testimony was from people who have spent time in government or thinking about how government could behave. Several open hearings around the state were held. With the limited staff and budget of the commission, there was no comprehensive way to obtain a wide range of input from Vermonters with divergent experiences and opinions in the time available. Clearly, the evaluation of the structural organization and performance of operations should be part of a larger and long term systemic effort within the Executive Branch aimed at continuous improvement.

Our interim report, submitted on February 16, 2016, focused on a number of broad areas that had been raised by numerous witnesses:

- Public private partnerships
- Human capital and organizational culture
- Strategic Planning and Management
- Service delivery alignment
- Communication and Collaboration
- Data management and utilization
- Information technology

Given the scope and timeline of its efforts, the Commission did not find clear and specific opportunities for structural reorganization of agencies or departments that would result in “increasing government efficiency and productivity in order to reduce spending trends and related resource needs,” either through direct changes in governmental structure or programs, or in the way of public-private partnerships. In other words, there was no silver bullet, and very little in the way of silver buckshot for departmental reorganization. Recommendations to make structural changes or create partnerships seemed to generally have had marginal fiscal or operational impacts. The Commission’s emphasis instead focused on the opportunity to improve the performance of state government by advancing a view of “State government’s organizational structure for consistency with a results-based and outcomes-based focus.” That raised fundamental questions of leadership, culture and structure that need to be addressed in a systemic and on-going way before more concrete operational and organizational recommendations can bear fruit.

The [Report of the Special Committee on the Utilization of Information Technology in Government](#), commissioned under 32 V.S.A. §315 Sec. 3, (report available at <http://aoa.vermont.gov/stay-informed/special-committees> ) and issued on January 15, 2016 reached some similar conclusions, and we recommend that the legislature and executive branch look at these two reports as complementary, but separately drawn, conclusions about the direction our leaders should consider for state government.

## **Our Methodology**

Beginning in October 2015 and concluding in November 2016 the Commission met monthly.

Each meeting was publicly warned. The Commission took “testimony,” really a series of frank conversations, and heard from a variety of stakeholders ranging from current and former Secretaries of Administration and the legislators who drove this Commission’s creation, to the Secretary of State, classified state employees and their union, well-recognized thought leaders and members of the public. Additionally, the Commission held field meetings in Manchester, St. Albans and White River Junction. The Commission issued a press release asking for public feedback on our charge, and set up a link on the Secretary of Administration’s website to enable those who could not attend a meeting to send comments or ideas via email or U.S. mail. Links to the minutes of meetings are available at <http://aoa.vermont.gov/stay-informed/special-committees> , listing those who provided testimony, as well as the full legislative charge and the Commission’s interim report.

The Commission hopes that this report will stimulate conversation and action that will benefit all Vermonters over the long run. What we were unable to create over a short and busy year is a comprehensive blueprint for a governmental structure and operational recommendations. Vermont needs a 21<sup>st</sup> century model of state government that is lean, efficient, responsive and continuously improving - with citizens at the center. Toward this goal, these recommendations serve as a starting point for action and further exploration, not the end.

## **Executive Summary – Findings and Recommendations**

The recommendations below are not “one and done.” This work truly is continuous, and it requires a commitment by executive branch staff, the Governor and the Legislature that the focus will continue. If a new administration wants to put its mark on the work, then by all means change the name, or reword the outcomes. A responsive, citizen-centered government, however, will require continuity of effort and the expectation by classified staff that the focus on continuous improvement, using RBA, LEAN or other techniques will still be there when the commissioner, secretary and governor are gone. Below are summaries of the categories within which we make findings and recommendations.

### **Build Continuity for Effective Statewide Leadership**

This Commission, like others before, recommends increasing the term of statewide elected officials to four years. Examples of initiatives focused on longer-term change that were abandoned with the end of an administration or administrator abound, and include the Community Report Cards issued by the Agency of Human Services under Secretary Con Hogan and Governor Dean, the Strategic Enterprise Initiative undertaken under Secretary of Administration Charlie Smith and Challenges for Change under Secretary of Administration Neale Lunderville during the Douglas Administration. To be effective, cultural and systems change initiatives need buy-in, continuity and champions that don't cycle through every two years. Longer terms will also encourage longer term planning as the state identifies needs and develops programs to respond to long term economic development opportunities, infrastructure, and financial and human resource allocation.

### **Advance Performance Management**

There are great examples of performance management happening in Vermont state government right now. To succeed, these efforts require excellent leaders, encouragement and coordination from the Governor's office, along with the access to the necessary tools, training and support for the participation of state employees. The changes in leadership happening within the next few months offer a crucial opportunity to continue initiatives that are making a difference. That means documenting the work that has been done, transferring the knowledge between outgoing and incoming leaders, and empowering career staff to hold, manage and continue what's working. There is a significant opportunity to build deep participation in a culture of continuous improvement that will reduce redundancies and red tape and encourage the best use of the creative energy and abilities of all state employees, boosting morale and improving the cost effectiveness and performance of state government.

We again would like to reinforce the findings and recommendations from the Special Committee on the Utilization of Information Technology in Government that makes the case for a performance management system which sets longer-term goals and has an executable plan to achieve them.

We recommend professional and empowered leadership training in this area and providing agency staffs with time and resources that reflect its importance to making this state work for us all.

## **Regionalize Government Service Areas**

A paradox in Vermont is the desire to have decisions made at the town level while desiring efficient government services that are easy for citizens to understand. That can be challenging when in the absence of County Government coordination, there are 256 towns, and dozens of village governments, and the state. Added to that is the patchwork of overlapping service areas for different departments, services and management areas. From Agency of Human Services (AHS) and Agency of Transportation (AOT) regions, to watershed planning areas, to our regional planning and regional development services – it's said that if you overlay all the service territorial boundaries, the entire state turns black. While that is an exaggeration, the situation is a serious one that impedes thoughtful planning and is confusing to citizens who want to know where to go for information and assistance.

Change in this area will take serious commitment and time, but we believe it is worth both. It has begun with work by regional planning commissions and regional development corporations exploring new structures and systems. Act 46 is a step in regionalizing education governance. We recommend that existing efforts be continued in a way that preserves the “small d” democratic values this state cherishes and brings our citizens along in an inclusive process that evolves more effective regional delivery systems for state services.

## **Expand Longer Term Planning, Policy Development and Implementation**

The compartmentalizing of planning and the lack of networked planning functions at the state level is doing a disservice to Vermonters. Agencies and departments plan without any systemic way to share findings and insights with one another. There is no functional role that looks across the full planning spectrum making connections so that everyone has access to the complete picture and the cross-cutting impacts. This is true at the state level and compounded by the fact that no coordinative entity looks at state agency plans, and gathers and integrates Regional Plans toward the more effective delivery of state services. Different regions have different strengths and challenges, yet there is not an economic development strategy that examines what the citizens in those different regions have said they want and don't want, or what is already developing that can be steered into a center of excellence.

Longer term outlooks for planning, policy and implementation require continuity and political will. In Vermont we have found that difficult to come by with our two-year election cycle. We recommend that the governor's development cabinet be staffed with people who can bridge the political cycle and help coordinate excellent planning efforts happening now across the administration and more effectively encompass local and regional plans into action at the state level.

## **Advance Systems Integration**

The technology exists today to integrate the systems that provide state services, whether that's a job training program, a fishing license or a storm water permit. There are areas of significant progress here, but also legacy barriers that still need to be breached. For example, speech and language pathologists are licensed by the Department of Professional Regulation at the Secretary of State. However, if a licensed provider works in a school (and many do) that person must also be licensed as a teacher by the Vermont Agency of Education. Likewise, applicants to the various programs at the Agency of Human Services can face burdensome paperwork that requires the same information to be provided multiple times and may be only available to agency staff in one bureaucratic silo causing discoordination of services, duplication, and overwhelming complexity to clients. This inefficiency for clients and the agency and could result in people not getting the necessary support to get a job, rent an apartment or otherwise move ahead with their lives.

We recommend that, where possible, services be unified and duplication eliminated. The Agency of Human Services is making strides in this direction that should be encouraged and nurtured. Licensing, for example, could be consolidated in one place, reducing costs and confusion to citizens. There are many more opportunities across state government to advance integration that should be systematically addressed by the Executive Branch.

## **Take Action on Legislative Report Findings**

The legislature requires numerous studies every year. Some, like this one, charge outside groups with gathering information that the legislature does not have the time, expertise or resources to take on. More often, agencies and departments are required to report on existing efforts or the prospective impact of efforts that are being speculatively proposed. It can be relatively easy to pass study language, particularly when, as here, little or no resources are provided to undertake the work. While some commissions result in useful, actionable information, often the work results in a few committee hearings and no real action, but may have taken leadership energy within agencies that could have been spent more proactively in improving or coordinating services.

We recommend that a legislative committee be charged with reviewing and approving all legislative studies and reports, whether requiring an appropriation or not, so that we eliminate duplicative or low-priority studies, and start building some institutional memory and record of the reports, their impact, and the resources expended. The status quo seems to be a not-so-virtuous cycle of reports, little action, and more reports. We certainly hope this report results in positive actions, and perhaps a positive outcome can be more action on the results of legislatively mandated findings and recommendations.

# Government Restructuring and Operations Review Commission Recommendations to the Governor and Legislature of Vermont

## Findings and Recommendations

<b>Build Continuity for Effective Statewide Leadership</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>Vermont is one of two states in the nation with two year terms for governor.</p> <p>The two-year election cycle does not provide sufficient time to conduct planning for and execution of initiatives in a manner characteristic of efficient and effective state government. Its brevity interrupts the long-range policy viewpoint needed to plan, implement, continuously improve, and evaluate the impact of efforts in areas including, but not limited to, economic development, energy, land-use, fiscal planning, health care, and a wide range of human services.</p> <p>Two-year election cycles tend to put elected leadership in a constant mode of campaigning which in turn minimizes the power of planning within state government and creates barriers to coordinating planning between state and regional partners. In year one, elected leaders are advancing their agenda, while in year two they are focused on their re-election</p> <p>Finally, two-year election cycles present challenges to recruiting top level leadership in government agencies.</p>	<p>The Commission recommends that Vermont’s terms for governor, other statewide elected officials, and all legislators in the House and Senate be extended from two to four years.</p>

<b>Advance Performance Management</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>State government does not devote enough resources to continuous improvement, particularly throughout the Executive branch.</p> <p>Results Based Accountability™ (RBA) and Lean, frameworks for improving and measuring system performance, are being implemented successfully throughout the country.<sup>1</sup></p> <p>.</p>	<p>The governor and legislature need to make a serious commitment to performance management and continuous improvement.</p> <p>The Governor should create a fifth floor Office of Continuous Improvement (or another structure that achieves the same result) that supports a network of interagency collaboration committed to bringing about continuous improvement through the ongoing use of RBA and Lean.</p>

<sup>1</sup> Research cited in the UVM report [Trends in State Government/UVM Report](#), identifies thirteen states including Vermont that use the RBA framework in a variety of governmental projects (pp 8 - 10) and eight states that use Lean practices within government (pp 14 - 16).

<b>Advance Performance Management</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>Models for the appropriate use of RBA are being advanced in the Agency of Human Services (AHS) and Agency of Agriculture. Lean management practices are being piloted in the Agency for Natural Resources and the Secretary of State’s Office.<sup>2</sup></p> <p>However, in the absence of comprehensive performance management and measurement practices being undertaken throughout government, the results of actions and initiatives can’t easily be gauged, which in turn undermines the state’s ability to make effective budgetary decisions.</p> <p>Performance management through Lean and RBA empowers staff to identify places where they are particularly effective and where staff resources are not used efficiently. The culture of continuous improvement benefits morale and teamwork of employees.<sup>3</sup></p> <p>The Legislature has made progress in applying RBA to measure executive branch results, and seeks to enhance this focus in the coming years</p>	<p>An Office of Continuous Improvement would include the current position of Chief Performance Officer and have adequate resources and staffing to expand its responsibilities to:</p> <ul style="list-style-type: none"> <li>• oversee a ubiquitous process of implementing LEAN management practices, building a culture of RBA and implementing RBA measures throughout state government</li> <li>• empower employees to expand efficiencies</li> <li>• eliminate redundancies and meaningless or purely bureaucratic tasks</li> <li>• evaluate duplicitous paper trails</li> <li>• cut busy work or unneeded projects</li> <li>• direct energy and creativity toward better serving the citizens of the state</li> </ul> <p>Additionally, this Office would:</p> <ul style="list-style-type: none"> <li>• promote holistic family and citizen services by reducing duplication, red tape, and the multitude of doorways in to artificially separated services</li> <li>• thoroughly analyze the separate electronic records and program applications for state services.</li> <li>• simplify record-keeping</li> </ul> <p>To further encourage a culture of continuous improvement, the Vermont State Legislature should concentrate on promoting the continued implementation of Act 186 (An act relating to reporting on population-level outcomes and indicators and on program-level performance measures) while nurturing a culture of continuous improvement and performance management in the legislative branch as well.</p>
<p>The current performance audits conducted by the Auditor’s Office are helpful, informative and valuable in evaluating performance.</p>	<p>The Office of Continuous Improvement:</p> <ul style="list-style-type: none"> <li>• would lead implementation of changes based on RBA and Lean performance results</li> <li>• shall review and consider recommendations made by the Auditor, and report back to the Auditor on the OCI findings on implementation of those recommendations.</li> </ul>

<sup>2</sup> In AHS the Vermont Department of Health’s Healthy Vermonters 2020 initiative has piloted RBA (p 9), and in ANR the Vermont’s Division of Environmental Conservation (DEC) has seen some early success with limited implementation of lean practices (p 16) Trends in State Gov’t/UVM Report

<sup>3</sup> Examples with data are noted in Trends in State Government/UVM Report (pp 14 - 16).

<b>Improve the Delivery of Regional Services</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>The complexity of service delivery at the regional level leads to inefficiencies, silos, duplications, and challenges to communication and coordination of services.</p> <p>In the absence of comprehensive county government, or some regional system of governmental coordination, the State of Vermont has a multiplicity of overlapping service territories and service partners for regional program delivery.</p>	<p>Many states have county forms of government. While a county-based model of government may not work for Vermont, we should look for ways to create a new Regional Governance Authority.</p> <p>The State should encourage and incentivize the coordination of services regionally resulting in a more regional system of government. Toward that end Vermont should gradually institute a policy direction that promotes the regional co-location of state services in order to:</p> <ul style="list-style-type: none"> <li>• strengthen regional and rural program delivery</li> <li>• achieve efficiencies of co-location</li> <li>• improve communication and collaboration between services and providers</li> <li>• improve access to local services for citizens</li> </ul> <p>This policy direction should evolve through incentivizing regional development corporations, regional planning commissions and other regional services such as waste districts, agricultural and forest products programs, and human services, to coordinate, co-locate and consolidate over time as “regional development offices” that other regional services could connect to over time.</p> <p>The power to govern these emerging regional entities would be derived through:</p> <ul style="list-style-type: none"> <li>• democratic participation from served towns, mirroring how Regional Planning Commissions are governed</li> <li>• contracts with state government</li> <li>• and, in the case of local state services, agency leadership</li> </ul>



<b>Expand Longer Term Planning, Policy Development and Implementation</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>Compartmentalization of planning no longer works. Currently, each state agency has its own planning office and functions independently without any statewide network or office to bring these plans and planners together.</p> <p>No coordinative network or office exists currently to provide a comprehensive and additive review of regional plans at the state level. As a result, regional land use, economic development, energy, and other plans are not as proactively used by state government to drive services as they could be.</p>	<p>Vermont should be evolving systems to network services. Planning and policy coordination is needed to look to the future and needs of state government. Toward that end, an Executive Branch Planning and Development Office (or another structure that achieves the same result) should be established on the 5<sup>th</sup> floor and be responsible for:</p> <ul style="list-style-type: none"> <li>• coordinating infrastructure, economic development and land use planning</li> <li>• serving as the convener of planning staff in all agencies of state government to receive and coordinate planning efforts</li> <li>• coordinating regional plans in order to expand and improve economic and resource development and wise land use for the future of Vermont</li> </ul> <p>In reporting directly to the Governor, this office should:</p> <ul style="list-style-type: none"> <li>• staff the Governor’s Development Cabinet</li> <li>• coordinate planning within the Governor's Development Cabinet to evaluate future opportunities for economic development at both the state and regional levels</li> <li>• receive and review regional plans as foundation documents for overarching state evaluation of key needs and opportunities for Vermont’s future</li> <li>• establish priority opportunities for Vermont’s economic future</li> <li>• facilitate better cooperation, communication and coordination between service providers and stakeholders at the regional level</li> <li>• devise long range strategies directed at multi-year fiscal and management plans</li> </ul>

<b>Advance System Integration</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>The current amount of paperwork required to deliver services coupled with the multiplicity of service delivery systems and delivery sites can be overwhelming and unduly stressful for vulnerable Vermonters in need of services.</p> <p>Project Vision, Rutland’s response to coordinating services to combat opiate abuse, could serve as a partnership model for service co-location and cross systems communications intended to benefit Vermonters in need.</p>	<p>The Agency of Human Services should be encouraged to continue its evolutionary path for integrating systems (i.e., the current Integrated Family Services Initiative) breaking down silos, and coordinating the delivery of services for Vermonters and their families.</p> <p>Related state services functioning within discrete regions should be co-located whenever possible toward facilitating the delivery of services to Vermonter in need.</p>
<p>The Commission heard testimony that the AHS departments’ individual information technology systems can’t talk to one another. This inability to easily share information between departments continues to present significant challenges and inefficiencies for those delivering services and unwarranted complexity for clients in need of services from multiple AHS departments.</p>	<p>The Commission recommends that the legislature closely review the report of the Special Committee on the Utilization of Information Technology in Government (presented on January 15, 2015) and advance its recommendations.</p>
<p>Licensing of Vermont professions and occupations is handled by many different agencies and departments which can lead to duplications and inefficiencies.</p>	<p>In order to improve the efficiency of licensing across agencies, the legislature should evaluate the idea that all licensing be handled by the Secretary of State’s office.</p>

<b>Take Action on Legislative Report Findings</b>	
<b>Findings</b>	<b>Recommendations</b>
<p>Legislators and Executive Branch officials agree: too many studies and reports are required but not acted upon.</p> <p>Oftentimes at the end of a session, Legislators may be at an impasse or see no clear consensus forward around an issue that has come to their attention and so charge a state agency with investigating and reporting on the topic.</p> <p>These studies are problematic in the following ways:</p> <ul style="list-style-type: none"> <li>• to undertake, complete and present multiple requests for reports, agency and/or departmental leadership time is taken away from setting the course of the agency and considering longer term directions</li> <li>• the final product, for all the resources invested in producing it, may be read by only a small number of interested legislators, and in many cases limited or no action follows.</li> </ul> <p>In some instances the constancy of this back and forth pattern, where the Legislature is calling on administrative leaders to produce report after report, can misallocate scarce resources, and as such, should be carefully avoided.</p>	<p>Legislators should review a number of recently submitted reports (e.g., the Blue Ribbon Tax Commission, VT Institute for Government Efficiency Report, the Special Committee on the Utilization of Information Technology in Government), to consider the range of recommendations offered and determine whether, and on which recommendations to take action.</p> <p>This Commission recommends that the legislature establish a requirement that any requested study first receive the approval of an oversight committee (i.e., Government Operations or Rules) before it is required by legislation.</p>

## **Acknowledgements**

We would like to expressly thank Sue Zeller, Vermont's Chief Performance Officer, for her support and dedication throughout this process, as an addition to her many other duties.

We also are thankful for Ian Davis who, as a master's degree candidate at the UVM School of Public Administration, volunteered his time and considerable talents through the first half of our journey. We are happy to report that Ian has graduated and his skills are being put to use making some of these recommendations a reality.

Thank you to the fall 2016 UVM Masters in Public Administration class for taking the Commission on as a project and putting together **Trends in State Government Reforms: A Report to the Vermont Government Restructuring and Operations Review Commission** Report co-authors: Christopher Koliba, Ph.D.\*, Shelley Bissonnette, Ruth Checketts, Marcella Dent, Carmen Ekert, Nathan Fry, Sarah Koblin, Kelly Lamothe, Gabrielle Malina, MPA, Nicole Marcheterre, Mia Schulz, Amanda Simpfenderfer, and Melyssa Woods.

And finally, we thank all those who took the time and made the effort to think deeply about these issues and share those thoughts with the Commission.

The findings and recommendation contained in this report are those of the Commissioners alone. Respectfully submitted:

John Sayles, Chair

Paul Costello, Commissioner

Jeff Wilson, Commissioner

## APPENDIX

### **Government Reorganization and Operations Review Commission**

#### **List of witnesses (listed in order of appearance):**

Jim Condos, Secretary of State  
Justin Johnson, (then current) Secretary of Administration  
Steve Whitaker, citizen  
Susan Zeller, Vermont Agency of Administration, Chief Performance Officer  
Alyssa Schuren, Commissioner, Department of Environmental Conservation  
Bill Shubart, citizen and member of Blue Ribbon Tax Commission  
Steve Howard, Vermont State Employees Association (VSEA) Executive Director  
Adam Norton, VSEA  
Doug Hoffer, Vermont Auditor of Accounts  
Michael Shirling, Chair of Special Committee on the Utilization of IT in Government, ED of BTV Ignite and retired Burlington Chief of Police  
Doug Racine, former Secretary of the Vermont Agency of Human Services, Lt. Governor and State Senator  
Senator Jane Kitchel, Chair of Senate Appropriations Committee  
Rep. Mitzi Johnson, Chair of House Appropriations Committee  
Jeb Spaulding, Chancellor of Vt. State Colleges and former Secretary of Administration, Treasurer and State Senator  
Peter Gregory, Executive Director, Two Rivers-Ottawaquechee Regional Commission  
Lisa Ventriss, President, Vermont Business Roundtable  
Martha Maksym, Executive Director of United Way of Northwestern VT  
John McClaughry, Vice President, Ethan Allen Institute  
Jim Reardon, former Commission of Finance  
Jan Demers, Executive Director, Champlain Valley Office of Economic Opportunity (CVOEO)  
Karen Horn, Vermont League of Cities and Towns (VLCT)  
Maura Carrol, VLCT  
Neil Schickner, VLCT  
Mike Smith, former Secretary of Administration, Commissioner of Agency of Human Services, and legislator

Numerous comments were submitted by the general public through the website and at the regional meetings.