

Government Restructuring and Operations Review Commission

Interim Report

February 16, 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 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

Over the last five months the Government Restructuring and Operations Review Commission has sought input and heard expert testimony from a broad range of stakeholders—including elected officials, government appointees, Agency Commissioners, Department heads, managers from within state government, as well as private citizens. In collaboration with University of Vermont, the Commission is also conducting extensive research on past reports on government efficiency and effectiveness, both within the state and across the country. Prior Vermont state government initiatives include the Vermont Institute on Government Effectiveness (2005), the Blue Ribbon Tax Structure Commission (2011), the Special Committee on the Utilization of Information Technology in Government (2016) and the Government Accountability Committee Report (2016). Given the Commission's current research capacity, the findings and recommendations within these reports have helped inform the discussion on government restructuring and operations review. To date, the Commission's work has been focused on information gathering in an effort to identify opportunity areas for thoughtful recommendations. Throughout this process, the Commission's primary goal has been to remain transparent and apolitical. The following interim report includes an explanation of current programs pertaining to operational performance, emerging themes in state government, and direction as to our final report.

Continuous Improvement

The Commission acknowledges the work that is being done with regards to Continuous Improvement (CI), Results-Based Accountability (RBA) and LEAN. As the implementation of these processes continues, the Commission has been working with the Chief Performance Officer (CPO) to better understand the challenges and opportunities associated with these programs.

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With the passage of 2014 Act 186 – Population-Level Outcomes and Indicators—the utilization of performance measurement was expanded into the State's primary centralized budget development system and has been used to generate the Governor's Budget Recommendations. Vermont's CPO has been charged with overseeing the implementation of this initiative.

Vermont's current Population-Level Outcomes and Indicators include high-level, cross-agency goals focused on specific strategies and performance measures. Central to the idea of performance management is creating a culture of Continuous Improvement. Continuous Improvement represents not only a philosophy or cultural value, but also a structured approach to organizational initiatives through long-term innovation and improvement. Under the CI umbrella is a variety of processes widely employed by governments and businesses to improve the effectiveness and efficiency of service delivery to customers. In Vermont, the tools used to direct performance management and process improvement are RBA and LEAN. Currently, the agencies and departments implementing these Continuous Improvement processes are AHS, DEC, and AOT.

Moving forward, the Commission intends to further evaluate the implementation of Continuous Improvement as it pertains to Population-Level Outcomes and Indicators. Our initial conclusions are that opportunities exist that could improve the efficiency and effectiveness of these processes in state government.

Emerging Themes

To date, the Commission's efforts have begun to consider potential governmental restructuring opportunities and have identified several emerging themes throughout state government. These themes include the opportunity for public-private partnership, improving human capital and organizational culture, strategic planning and management, service delivery alignment, communication and collaboration, data management and utilization, and information technology. These recurring themes were determined based on expert testimony provided by a diverse range of stakeholders.

- **Public-Private Partnerships**

Pursuant to the legislative charge, the Commission is examining areas where partnerships between the public and private sectors could provide long-term improvements in quality and cost-effectiveness of management or service delivery. The Commission has heard testimony regarding the potential opportunity for Public-Private Partnership implementation—including within Department of Corrections, Department of Liquor Control, and Vermont Veterans Home. Research shows *public-private partnerships* continue to grow in popularity nationally as a governing model for the delivery of public goods and services. The Commission recognizes the potential benefits of engaging partners who have the necessary expertise, adeptness, and managerial capacity needed to partner on government responsibilities. We will continue to pursue specific recommendations that support transparency, accountability, and cost-effectiveness.

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- Human Capital *and* Organizational Culture

Organizational development to initiate change in state government is ultimately about people (e.g. *human capital*), not specific techniques or intervention methods. There needs to be a pledge to improve employee involvement and participation in all forms. State employees are the ones closest to the customer (i.e. citizens), and have the best vantage point to see redundancies, red tape, and historic ways of work that no longer support customers or effectively advance agency missions. Employees should, therefore, have an effective voice and discretion when dealing with organizational problems. Training—at all levels of state government—is an integral component of organizational development. This includes quality performance evaluations of employees, managers, and supervisors. Investing in *human capital* requires a commitment from leadership, buy-in from employees, managerial support, effective communication, and sufficient resources. This level of collaboration can foster better morale, stimulate innovative thinking and generally improve the *organizational culture* of state government. The Commission is committed to addressing issues of human capital and organizational culture as a core component of our final recommendations.

- Strategic Planning *and* Management

While strategic planning has become ubiquitous in the public sector, the extent to which these planning efforts can bring about meaningful change relies on performance management processes. That is, the Commission will look to a shift from strategic planning to strategic management; move from performance measurement to performance management; and link strategy and performance management more effectively. Strategic planning will become more meaningful when agencies transition to comprehensive approaches that, for example, don't simply *measure* performance, but incorporate the resulting information into systematic efforts to actually *improve* performance. The Commission has identified comprehensive strategic management as an opportunity area for improving state government operations. Moving forward, our team hopes to offer recommendations that better integrate strategy with performance management.

- Service Delivery Alignment

The Commission has identified *service delivery alignment* as an opportunity area for potential cost savings and revenue enhancement. According to expert testimony, multiple delivery systems and overlapping service territories among state agencies and regional authorities continue to hinder state government operations. While attempts to foster collaboration among state agencies and regional partners are not a new phenomenon, the Commission will continue to work to identify specific ways for leaders in state government to better coordinate common functions across jurisdictions in order to efficiently deliver essential services. For example, opportunities to better align service delivery may exist in programs pertaining to workforce development and water quality. Establishing collaboration mechanisms and resource sharing opportunities can mitigate redundancies and yield better programmatic results.

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- Communication *and* Collaboration

A recurring theme throughout this process has been the idea of siloing. By siloing we mean the lack of *communication and collaboration* across state agencies. Good management in state government demands that people and organizations work together in pursuit of important—often crosscutting—goals. Currently, some of the insular nature of state agencies promotes a culture of fragmentation in which employees focus only on the specific mission confined to their agency. The consequences of siloing can lead to inefficiencies, competing practices and slow progress on addressing complex public problems. The Commission has been working to identify processes and best practices that promote communication and collaboration in achieving broader statewide goals.

- Data Management *and* Utilization

While valid concerns exist as to governance, security, accessibility and ownership, the reality remains that data—in the 21st century—is a key underpinning of effective and efficient state government. *Data* plays a critical role in ensuring that state resources support the programs and activities most likely to achieve policy goals. External evaluation and performance data is therefore critical in identifying those programs that are delivering desired outcomes in order to allocate necessary funding to those efforts. Equally important is the ability of performance and management data to identify and diagnose underperforming programs that may be candidates for elimination or reduced funding. Based on relevant testimony and research, the Commission finds that data continues to be underutilized and underfunded in state government. The Commission recognizes the need to pursue recommendations—specifically those outlined in the [*Special Committee on the Utilization of Information Technology in Government Report*](#)—that will support the increased use of data in driving decision-making and public policy.

- Information Technology

Information Technology (IT) includes the systems that enable citizens and businesses to interact with state government. While progress has been made in the last several years, opportunities to improve Vermont’s IT infrastructure still exist. The recent report submitted by the *Special Committee on the Utilization of Information Technology in Government* outlines several recommendations that are concurrent with the Commission’s initial findings. To improve the use of IT to facilitate engagement with the public, the Commission will consider the “e-governance” capacity of state government. The Commission intends to identify specific opportunity areas to better streamline the interface between citizens and state government.

Process Moving Forward

In partnership with University of Vermont, the Commission is developing a portfolio of government performance and operations review reports from throughout the country. In addition,

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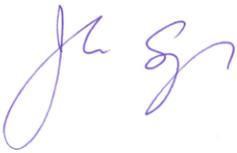
the portfolio will include a report on Public-Private Partnerships and the potential for their expanded role in delivering state government services. The Commission intends to utilize and adhere to principles of best practice in our final recommendations.

In preparation for the final report of June 2017, our team is working to identify specific recommendations pertaining to the emerging themes previously mentioned. Progress updates and opportunities for public comment are available [online](#). As we have done to date, the Commission's work will continue to involve scheduled hearings with relevant stakeholders, opportunities for public input at open meetings, external evaluation, and thoughtful deliberation.

Thank you.

Respectfully submitted,

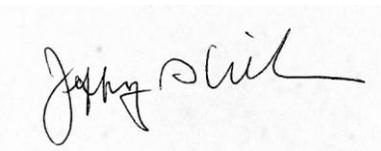
John Sayles

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Paul Costello

A handwritten signature in black ink that reads "Paul Costello".

Jeff Wilson

A handwritten signature in black ink that reads "Jeff Wilson".