VERMONT INSTITUTE
ON GOVERNMENT EFFECTIVENESS, INC.

September 8, 2005

Dear Fellow Vermonters:

In late 2003, Governor Douglas appointed seven private citizens to undertake an independent review of how well we are operating the largest organization in Vermont - Vermont State Government.

As concerned taxpayers, we answered Governor Douglas' challenge to provide him with recommendations on how to spend your precious dollars wisely and effectively. The Vermont Institute on Government Effectiveness was created to provide independent findings and support to improve government's effectiveness for the benefit of all Vermonters."

After nearly two years, our project plan is done. These results are summarized in the body of this report, and contain 20 separate recommendations that when implemented deliver Vermont taxpayers between $20 and $30 million every year in savings! If adopted, we believe these proposals create a historic opportunity to transform state government.

These recommendations are important considering that today your state government is Vermont's largest employer with nearly 9,800 fulltime and temporary workers. State government is a very complex organization with 62 principal business units with annual expenditures of state and federal money of over $3.6 billion. Every unnecessary dollar spent by state government is a dollar that Vermonters can keep in their wallets and pocketbooks.

The Vermont Institute did not do its work in a vacuum. We aggressively listened to the people who work hard on the front lines to serve their fellow Vermonters, whether it be those folks who keep our roads plowed, provide senior citizens and children with medical and social benefits, or those very skilled managers who lead state agencies. We also reached out and talked with Vermonters who have had prior experience in state government and now are successful in other careers. In almost every instance these conversations provided key insights and actionable opportunities for improving Vermont State Government. In fact, you will be pleased to learn that most Vermont state employees want to do their jobs more effectively and in a way that saves money. Therefore, many of the recommendations presented here came from the state workers themselves.

Our hope is that this report provides citizens, Legislators, state employees and the Douglas Administration with the roadmap to achieve these changes that will provide more efficient government service by better use of information technology. We are recommending nothing less than a total transformation of how state government works. We will do it by giving new technologies and new tools to empower state employees to serve Vermont citizens.

We have found ways to finance this effort by making strategic decisions on how to make efficient use of the upcoming retirement bubble in the state workforce, when 26 percent will be retirement eligible in five years, and 43 percent in ten years. In short we can do this once in a generation transformation without out-sourcing work or imposing across-the-board reductions in the state workforce.

We hope you will find the time to review this roadmap. We hope you will join us in traveling down this new road of opportunity to better serve Vermonters. That, after all, is what good government is all about.

Sincerely Yours,

Vermont Institute on Government Effectiveness, Inc.

www.VermontInstitute.org

SUMMARY OF CHANGE RECOMMENDATIONS
September 8, 2005

For More Information
www.VermontInstitute.org
802-229-3164

September 8, 2005

The Honorable Jim Douglas
Governor
State of Vermont
109 State Street
Montpelier, Vermont 05609

Dear Governor Douglas,

Nearly two years ago, you asked a group of private citizens to conduct an independent review and evaluation of the operational and administrative functions of Vermont state government. You asked that we leave politics aside and engage the state workforce and public in our process. Your insight and leadership on this oft ignored topic resulted in the formation of the Vermont Institute on Government Effectiveness, Inc. whose mission is *"To provide independent findings and support to improve government's effectiveness for the benefit of all Vermonters."* Governed by a Board of Directors, the Institute is a private 501 (C) 3 public benefit corporation which retained management consultant David Bradbury as Executive Director and garnered private financial support from over three dozen diverse contributors (Exhibit A).

With nearly 9,800 full time and temporary employees today, more than 62 principal business units and annual expenditures of over $3.6 billion, the organizational enterprise of Vermont state government (Executive, Legislative and Judicial Branches) is massive in scope, complexity and importance. Our review concentrated on certain Executive Branch areas that constitute 94% or 9,240 of the state's total employees in FY2005 and the bulk of annual expenditures. Examination of this very complicated organization resulted in a number of specific findings and recommendations for change. This **Summary of Findings and Recommendations** is attached and includes status reports on these select areas of opportunity. Most satisfying to note are the accomplishments and works in progress that demonstrate how the Institute and your Administration have taken *state employee input and citizens' ideas* and translated these into *actionable opportunities and operating results.*

Key project highlights and findings include:

INFORMATION TECHNOLOGY REORGANIZATION
Working with the Institute, then Secretary of Administration, Michael Smith, launched a bold initiative in July 2004 to reorganize the state's outdated information technology infrastructure and organizational management model into a contemporary enterprise managed framework. The goals of the reorganization are to improve the quality and availability of IT services, to reduce annual infrastructure inefficiencies and duplication, to empower skilled IT personnel and to create productive capacity for meeting future needs of citizens from state government.

Informal estimates provided to the Institute by qualified technology firms indicate a **$20-$30 million annual savings** potential from successfully transforming into an enterprise managed framework. The Institute remains convinced that this area is the single greatest opportunity for state government to save money, better support state employees, transform underlying business processes and serve the public more effectively. Secretary of Administration Charles Smith, Deputy Secretary Steve Gold and state CIO Denise Fehr should be commended for their commitment and ongoing efforts in challenging the status quo throughout government in formulating a strategic IT transformation plan.

E-GOVERNMENT VIA WEB PORTAL PARTNERSHIP
Currently, the state spends $2-$3 million per year to design, support and develop dozens of standalone websites, the www.Vermont.gov indexing site, and custom application development by third party vendors. However, the **availability of e-government services for state employees and citizens today is anemic**. In addition to fundamental service improvements, a web based customer transaction can be 9 times less expensive than a transaction or question fulfilled via an email or telephone response (Exhibit B). In March 2005, the Institute conveyed its findings on the transformation of Vermont state government into an e-government leader via a revitalized vermont.gov web portal (Refer to Exhibit F). Subsequently, the Institute now believes that a public/private partnership should be established to develop, manage and service a consolidated website portal. A self-funding model is prevalent across the U.S. and has been particularly impressive in result in peer states such as Utah, Rhode Island and Maine.

STATE WORKFORCE TRANSFORMATION

With the average cost per state employee exceeding $60,000 per year (Exhibit C), technology solutions and process re-engineering now create more significant fiscal and customer service opportunities than ever before. Additionally, there is an upcoming retirement bubble among state employees that creates a related opportunity for transforming the workforce. Of the Executive Branch's 7,935 full time equivalent employees (FTE) in FY2004, 26% were retirement eligible in 5 years and 43 % in 10 years. Managerial categories such as Administrators & Officials are 26% retirement eligible today, 53% in 5 years and 74% in 10 years. As a result, there is a **once-in-a-generation opportunity** to flatten the managerial, processing and bureaucratic layers of the state government organization using smarter technology deployments, workforce attrition and departmental reorganizations.

On behalf of the Board of Directors, our supporters and the hundreds of individuals and state employees who shared their ideas, voiced their frustrations and hoped for changes, the Institute is pleased to share its final summary of findings and recommendations in order to help make Vermont state government operate more effectively to the benefit of its citizens and employees. These findings and reports will stay available at www.vermontinstitute.org for reference and download.

Thank you for accepting our innovative process, receiving our recommendations, providing access to state personnel and creating this opportunity to be of service.

Respectfully,

MARY POWELL   *DAVID COATES*

_____   _____
Mary Powell   David Coates
Chair and President   Vice-Chair and Secretary

VERMONT INSTITUTE
ON GOVERNMENT EFFECTIVENESS, INC.

CHANGE LEADERSHIP

"I will seek to change the culture of government from one that is so attached to the status quo it resists even those changes that will move us forward, to one that embraces positive change."

-Governor Jim Douglas, 2003

WORKFORCE DEVELOPMENT

"If we can put all the knowledge and experience of the State's managers and employees to work in a special effort, we can make Vermont's government even better prepared…"

-Governor Madeleine M. Kunin, 1990

ORGANIZATIONAL LEADERSHIP

"Effective management and compassionate government are not mutually exclusive. People in need are better served when the entities which serve them are well run."

-Governor Richard A. Snelling, 1977

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SUMMARY OF FINDINGS AND RECOMMENDATIONS

I. OUR BACKGROUND AND MISSION

Created in 2003 at the behest of Governor Jim Douglas, the Vermont Institute on Government Effectiveness, Inc. is an independent 501 (C) 3 public benefit corporation whose mission is *"To provide independent findings and support to improve government's effectiveness for the benefit of all Vermonters."* Governed by a Board of Directors, the Institute retained management consultant David Bradbury as its Executive Director and garnered private financial support from over three dozen diverse contributors which are listed in Exhibit A.

For nearly two years, the Institute has solicited, received and researched many ideas and suggestions from the public and private sectors on improving the operations of Vermont state government. The Board and staff have met with the Agency Secretaries and independent state Department Commissioners, hosted meetings with state employees and their union representatives, reviewed past Vermont government reports, and studied government effectiveness efforts of other states and countries. With nearly 9,800 full time and temporary employees, more than 62 principal business units and annual expenditures of over $3.6 billion, the organizational enterprise of Vermont state government (Executive, Legislative and Judicial) is massive in scope, complexity and importance. Our review concentrated on certain Executive Branch areas that constitute 94% or 9,240 of the state's total employees in FY2005 and the majority of annual expenditures. Even as we approach the September 2005 conclusion of our project plan, we acknowledge that the Institute and our change partners have really just started to scratch the surface in effecting positive change in state government operations.

II. INFORMATION TECHNOLOGY HOLDS THE KEY

Much of our public input, third party research and internal state discoveries resulted in a high concentration of initiatives, opportunities and wants for improving the adoption and use of modern technology applications and the creation of a contemporary information technology infrastructure. The impetus for change using technology investments is largely to make government more accessible, convenient and less time consuming for state employees and the general public. Improved customer service, annual operating savings, security and workplace productivity are the primary anticipated benefits.

Why Change from the Current IT Environment?

Although there is recent progress, the state has limited coordination and central planning for technology standards, investments, personnel and application development. In effect, most all principal organizational units operate separate IT departments and as such,

are included independently within each unit's annual budget.   The Department of Information and Innovation (DII) is only a two year old Department which operates by assessing negotiated internal service charges onto other state Agencies and Departments for various IT related services and products. In effect, DII has the "authority to sell" nearly $13 million per year of support and services like the mainframe, WAN, contract review, email platform, project management, etc to other independent state organizational units. The Agencies and Departments, however, do not necessarily have to buy these services from DII and may develop or acquire their IT needs in-house or via outside vendors. Also, DII and the Chief Information Officer do not have any formal control over the widely distributed IT budgets, personnel, outside vendors or new projects being considered. **Today's organizational model is not conducive to operating a contemporary IT system with efficient operations and modern capabilities**. Some facts and findings help best illustrate the critical need to change from today's "dozens of silos" approach to an enterprise wide perspective for IT infrastructure, personnel and investment.

a. **Worst in Nation:** In a 2003 Digital Cities survey, Vermont state government ranked dead last at 50th position among U.S. states for its overall IT system, infrastructure and online services.

b. **Dispersed Infrastructure**: State government does not have an adequate accounting of annual IT resource commitments and does not have an enterprise wide capabilities assessment on the IT assets already in service.   Total expenditures across government are estimated at $50-$70 million per year.

c. **Technology Skill Sets Unknown:** The skill sets and technical capabilities of over 330 state IT personnel are not fully understood or compiled for cross agency knowledge sharing, major project teams and skills modernization planning. This group of dedicated employees represents an estimated minimum payroll and benefit cost of over $19.8 million per year.

d. **Coordinated Planning Mostly Absent:** The annual, legislatively mandated *Five Year Technology Plan* is viewed by many as a *wish list* for IT projects, as suffering from *lack of oversight and project vetting* by a central, qualified authority and as a *principally useless plan*.

e. **Massive Savings Possible:** Qualified technology firms informed the Institute that the state IT system taken as a whole is grossly outdated in terms of infrastructure, personnel skill sets, management model and resource allocation process. If operating under a contemporary enterprise management framework, the state could expect **$20-$30 million annual cost**

savings from today's $50-$70 million level. At the same time, services and capabilities would improve across state government and for the general public. Even with this informal estimate, the magnitude of this potential opportunity is too large to ignore.

f. **Legislative Oversight:** The Institute observed that there exists no standing Legislative Committee with the word "Technology" in its name or specific to the Committee's charter. This is surprising given how the aggregate $50-$70 million in IT resources compares to other areas of state government operations which benefit from oversight and assistance from the Legislature. For comparison, this amount is larger than some state Agencies like Commerce and approximates the state's annual debt service expense.

g. **Low Overall Investment:** As a percentage of Vermont's total annual authorized expenditures ($3.6 billion), the state's IT expenditures ($50-$70 million) are less than 2%. By comparison, the average annual IT budget for non-technology, private sector firms, falls into the 3%-6% range in order to drive operating efficiencies, free assets and capital for redeployment to areas of greater need and to better support employee services for customers.

h. **Growing Employee Costs:** With the average cost per state employee exceeding $60,000 per year (Exhibit C), technology solutions and process re-engineering are significant fiscal and service opportunities to pursue. For example, if 10% of annual position turnover, or 50 positions, could be replaced with smarter use of existing technology resources that could reduce personnel expenses by $3,000,000 per year.

i. **Workforce Retirement Bubble:** Of the Executive Branch's 7,935 FTE's in FY2004, 26% were retirement eligible in 5 years and 43 % in 10 years. Managerial categories such as Administrators & Officials are 26% retirement eligible today, 53% in 5 years and 74% in 10 years. There is a once-in-a-generation opportunity to flatten the managerial and bureaucratic layers of the state organization using smarter technology deployments, planning and departmental reorganizations.

j. **Job Transformation Opportunities:** Each year the state has roughly 1,100 positions or almost 14% of the workforce subject to position reclassification or re-hiring. In total, these positions average $66 million in annual personnel expenses. There should be an annual goal and bipartisan commitment to reviewing each position vacancy and assessing the opportunity for transition to an effective technological solution to meet customer needs.

Transform into an Enterprise Management Model

Information technology reorganization, planning and investment as a common organizational "enterprise" can create significant productive capacity to fulfill the future demands on government and improve customer satisfaction.   "IT Enterprise Management" is an articulated and formalized plan for using policies, personnel, resources and technical infrastructure to manage the state's investment in distributed IT assets (workstations, routers, servers, websites, personnel, etc.) to minimize total life-cycle costs while maximizing benefits for transacting the state's internal operations and external delivery of services to its citizens. In simpler terms, an enterprise model operates as one, common and integrated information technology system, rather than as a loose collection of independent IT departments. Some of the principal benefits from transforming from a distributed or fragmented model for IT into a more cohesive and aligned enterprise model for *core IT assets and services* include:

- **Synergy**: Combining technical and operational expertise and resources that a single Agency or Department cannot accomplish alone. Examples would include web site development, security, network architecture, etc.
- **Economies of Scale**: Witness direct savings for elimination of redundant and independent facilities, personnel, applications and third party contracts.
- **Critical Mass:** Building a robust, evolving technical infrastructure to enable scale, flexibility and new services delivery.
- **Transparency and Accountability:** Distributed assets, personnel and marginal projects are exposed and part of the annual vetting and prioritization process.
- **Performance:** Utilization, systems reliability and return on investment benchmarks across the organization are enabled.

Examples of Change in an Enterprise Model

In practical terms, *core IT assets and services* can include things such as email, web filtering, remote desktop management, servers, software applications, disaster recovery, websites, equipment standards, security, master software licensing agreements, network infrastructure, etc. Some layperson examples of what "enterprise model" changes might include are:

- **Less Space – Less Equipment:** In the state's Waterbury complex alone there are eight dedicated computer rooms with redundant equipment and supporting personnel. Classified state IT personnel indicated that only 1 or 2 secure, modern equipped rooms are necessary.

- **Desktop management** can be performed from a central location to all desktops and remote devices on the network throughout the state. Typically overnight, this enables software updates, virus definition updates, disaster recovery backups and other services to be offered to all users simultaneously from a central office with only a handful of dedicated IT staff. Given the state's distributed and fragmented IT model today, these processes are predominantly performed one PC or laptop at a time by staff within each Agency and Department.

- **Common Email, Web Filtering and Calendar services** can be deployed to all state personnel. Today, there are 7 different email systems (down from nearly two dozen), dozens of separate and redundant email computer servers and very little web content filtering or common calendaring features in place.

"IT" is the most readily available solution

The Institute finds that a comprehensive IT reorganization is the single greatest opportunity for state government to save money, better support state employees, transform underlying business processes and serve the public effectively. Given that today's average state employee costs over $60,000 per year and the pending bubble in employee retirements, the more employee (and outside contractor functions) that can be transitioned to a technology solution or transformed from *administration/basic processing to front line/value-adding service* functions, the better positioned Vermont state government will be to more effectively serve its citizens and employees sustainably.

Please refer to a copy of our presentation dated March 2005 summary in Exhibit E for further elaboration and recommendations on IT Enterprise Management and Workforce Transformation opportunities.

III.   SUMMARY OF MAJOR PROJECT ACCOMPLISHMENTS

Below is a partial listing of accomplishments, findings, recommendations and works underway that highlight how the Institute, the Douglas Administration and other change partners have taken *state employee input and citizens' ideas* and translated these into *actionable opportunities and operating results*. These highlights and findings include:

1. **INFORMATION TECHNOLOGY REORGANIZATION:** Working closely with the Institute, a major undertaking began in July 2004. Just one year ago, former Secretary of Administration Michael Smith issued an Administrative Memorandum that initiated a bold and long overdue IT Reorganization Process (Exhibit D). This began a major internal effort towards remedying the current legacy (i.e. outdated) model for IT and sets the stage for the development of a strategic IT transformation plan throughout state government by year end 2005. The Administration launched this multi-year reorganization process to modernize the state's information technology infrastructure and organizational management model into a contemporary enterprise managed framework**.**

    Today, the state has limited coordination and central planning for technology standards, investments, personnel and application development. In effect, most all principal organizational units operate separate IT departments. However, steady progress is being made by the Department of Information and Innovation and other Agency taskforce members in driving this IT Reorganization process forward. Conversion and assimilation into an enterprise centric mode of thinking, planning and operations for *core IT assets and services* remains a monumental, multi-year task. This change process can be further emphasized and sustained via authorizing legislation or Executive Order.

    The Institute wishes to recognize and support the ongoing efforts and commitment by current Secretary of Administration Charles Smith and Deputy Secretary Steve Gold along with the Department of Information and Innovation and its taskforce in exposing the status quo and enlisting partners and personnel throughout government to help in formulating a strategic IT transformation plan. This current IT situation has taken decades to devolve, has no one leader or group for which to hold responsible, and yet must have unilateral collaboration and commitment for ensuring IT reorganization success. The stakes and current inefficiencies are too high to avoid any longer.

2. **IT REORGANIZATION LEGISLATION:** Modifying a successful template used for recent AHS and ANR reorganization processes, the Institute prepared legislation, if necessary, to transform the IT environment from a widely distributed, vastly

inefficient system today into a contemporary enterprise wide managed framework. Given the strong resistance to change, the importance for success and the multi-year time horizon required, most every other U.S. state has used Executive Orders and/or formal legislation to reorganize their information technology infrastructure and management model.

3. **E-GOVERNMENT SERVICES VIA WEB PORTAL:** Currently, the state spends $2-$3 million per year to design, support and develop dozens of independent websites, the www.Vermont.gov indexing site, and custom application development by third party vendors. On March 17, 2005, the Institute conveyed its findings on the transformation of Vermont state government into an e-government leader via a revitalized www.vermont.gov web portal (Refer to Exhibit F). Subsequently, the Institute believes that a public/private partnership be established to develop, manage and service a consolidated website portal for Vermont state government. A self-funding model for this already is prevalent across the U.S. and has been particularly impressive in result for states such as Utah, Maine and Rhode Island. State Chief Information Officer Denise Fehr deserves special recognition for her innovative work and development of this topic area.

4. **STATE EMPLOYEE AND PUBLIC INPUT:** State employees and the general public submitted several hundred ideas, suggestions and comments on how to make state government more effective during public events and via our website. The input from state employees was particularly welcome and resonated greatly in our process. A partial listing of input received can be found at Exhibit G. The Institute wishes to thank the Vermont State Employees Association for participating with the Institute in the discovery process and for encouraging ideas from rank and file state employees who know their customers' needs best.

5. **STATE LABORATORY SYSTEM REVIEW:** In response to a Governor's call-to-action communication to state employees to bring ideas and issues to the Institute on a confidential basis, a potential opportunity within the state laboratory system emerged. State labs include Public Safety, Health, Agriculture, Transportation and Natural Resources. One classified state employee's confidential input details potential operating cost inefficiencies, private/non-profit sector alternatives, cost comparisons for individual tests, and consolidation opportunities within the state laboratory system. This proactive input has led to an internal Administrative Review of the State Laboratory System over the summer of 2005. This is a complex and long storied topic, but one where the opportunities for smarter asset and facility purchases, shared and better focused services and new management models could produce meaningful operating savings and potentially avoid capital expenses as our state laboratories strive to upgrade, take on new testing responsibilities and retain qualified personnel.

6. **REDUCING EMPLOYER COSTS:** The Institute encouraged and supported the Department of Labor's (DOL) exciting project to design and deploy a web based interface and database system for business filings of the **Quarterly Unemployment Insurance and Wage Data Reports.** Due for launch in spring 2006, this quarterly report is performed by 21,000 Vermont employers and includes wage data on each employee. The process is principally paper based, human error prone and consumes DOL staff resources for processing around each filing period. This new format of reporting will greatly benefit DOL staff efficiency, transform staff positions from "data-entry" into "customer service agents" and save hundreds of thousands of dollars in direct costs associated with postage and paper. Moreover, the private sector in our estimation will save over 100,000 labor hours per year by having a pre-filled employer account and quarterly form available for web accessed updating, rather than re-creating from scratch each quarter. Time saved is equivalent to 50 full time equivalent private sector positions that are no longer required to use an antiquated state process. Deputy Commissioner Tom Douse and Director David Tucker are to be commended for their vision and implementation of this powerful initiative.

7. **STRATEGIC SHIFT AT DEPARTMENT OF LABOR:** Evaluation and provision of a Letter of Support to the Department of Labor (then known as the Department of Employment and Training) regarding efforts to change from a fixed, walk-in satellite office delivery model to a proactive, dynamically staffed outreach model. We are particularly encouraged by the strategic shift to work with the 75% of Vermont businesses that <u>do not use</u> DOL services today. We are optimistic that by proactively working with these 15,000 "job creators" for the first time, DOL's initiatives will result in net new job creation and placement opportunities for Vermonters seeking employment (Exhibit H).

8. **AGENCY BUSINESS PROCESS REVIEW:** Support provided to the **Agency of Agriculture** as it conducted a formal business process review from an information technology perspective. This management inspired initiative undertook a top-to-bottom review of business processes, personnel functions and customer requirements in order to identify process changes, internal service improvements, and the design of a contemporary information technology system. The Agency stands ready to serve as perhaps the best opportunity for rapid IT and business process transformation to the benefit of employees, other Departments across state government and the Agency's customers alike. Secretary Steve Kerr, Deputy Secretary Louise Calderwood and IT Director Bob Troester are commended for their commitment in confronting legacy IT systems, complex business functions and Agency personnel concerns to craft a strategic plan for transforming the Agency.

9. **COMBINING VOICE AND DATA COMMUNICATIONS:** A formal study will be conducted by the Department of Information and Innovation on the savings and service opportunities around converting the state to a **Voice Over Internet Protocol (VOIP)** network system from two separate systems for analog voice communications and digital data networking. This is an exciting area that has many possibilities to improve customer service, employee productivity and reduce base line costs in providing voice and data systems across state government. Senator Matt Dunne should be recognized for sponsoring this study based upon his witnessing a very successful VOIP conversion at Dartmouth College.

10. **PROVIDED EXPERT ADVICE AND RESOURCES:** Acting as ad hoc management consultants and technical advisory resources to Commissioners, legislators and state personnel who benefited from independent advice and research on various operating issues, change management strategies, best practices and information technology decisions.

IV.   FACTORS INHIBITING CHANGE WITHIN VERMONT STATE GOVERNMENT

Vermont State Government is a relatively stable, slow evolving organization with nearly 9,800 full time and temporary employees and $3.6 billion in total expenditures seeking to serve, protect and govern its citizens and resources for generations to come. Somewhat by design, the management structure and organizational culture changes slowly over time so as to not have too great a change occur during any given two year electoral cycle. This characteristic of the state organization makes nurturing an environment of process innovation, individual productivity and customer services quite challenging. However, **the Institute has found that the majority of Vermont state employees are skilled, motivated and very capable in the performance of their duties**. The opportunities for change tend to emerge above the *layer of the individual* when attention is focused on how whole departments innovate, how customer processes improve, how technology is utilized and how other state departments interact with one another. It is at this organizational layer that the Institute attempts to offer assistance and input.

During the course of this project, several macro issues appeared time and time again from a variety of sources. Each negatively impacts nurturing a culture of change, suppresses process innovation and degrades employee motivation. These observations and issues include:

o **Time Horizon Too Short:** Vermont's two year election term results in a continuous cycle of short-term planning and near term resource allocation that must be addressed for the benefit of future generations. This short term cycle protects a culture of

"status quo" and is not conducive to a "pro-active" organization that effectively meets the changing needs of its citizens or employees. A longer term approach and shared commitment among the public and elected policymakers should be forged to better manage the proverbial forest, rather than fighting all its bi-annual fires. Factors such as appointed position management churn, continuous "election year" focus and a pervasive "waiting them out" mindset thwart innovation, undertaking multi-year process re-engineering projects, motivating and managing personnel optimally and identifying opportunities for technology investment to reduce costs and improve services. Simply stated, meaningful outcomes are extremely difficult to effect in any organization and much more so given a less than 24 month timeframe for state government.

o **Outdated Information Technology Environment:** Management, resource allocations and performance accountability of the information technology systems and personnel within government remains largely distributed across individual organizational "silos". Although there are pockets of IT excellence, the whole of state government fails to benefit from a contemporary enterprise management model for information technology. This "legacy model" for IT management and infrastructure planning carries a massive annual price in lost operating savings and diminished employee productivity. The issue is not so much about *how much money is committed* to IT infrastructure and personnel, but rather *how these resources are allocated, managed and better aligned* for vastly improved performance.

o **State Employees Hold the Answer:** Vermont state employees are the organization's greatest asset. To effect positive and lasting change, state employees must be better trained, managed and supported while held to reasonable and fair market-based performance standards. Technology skills, process innovation training and customer service skills should become a compulsory part of the state employee – employer relationship rather than a sporadic, "as able" variable. Ultimately, state employees are the answer to making the organization the most effective provider of services to its citizens.

o **Enterprise Knowledge Sharing Hidden:** Government efficiency and effectiveness success stories are both large and small. Due to habitually tight budget years, the underlying frugality and creativity of the state workforce, Legislative initiatives and the Administration's daily pursuit for incremental improvements, dozens of innovative process improvements are deployed each year across state government. Unfortunately, there is no one person or office responsible for aggregating and sharing best practice behaviors and process improvement results across state government. Each "silo" of government is largely left to learn, gather, spend, report and consider opportunities for organizational, technological and process changes by itself. Knowledge and innovation sharing are not yet pervasive across the organizational enterprise of government. Many potential

savings and customer service improvements are left by the wayside or subject to redundant, delayed and costly discovery processes.

o **No Reward for Innovation Success:** There is no state government recognition process or awards program to highlight the innovators within state government. These groups of people or individuals often defy the odds, push through the institutional barriers for change and accomplish positive, measurable improvements to the benefit of Vermonters and other state employees. Unlike organizations that are committed to cultivating and sustaining a culture of change, there is very little attention given to exceptional state employees, innovators and change leaders within Vermont state government. As is customary in the private sector and several other U.S. states, there is a tremendous opportunity for state government to **promote the positive** by periodic recognition of the best and brightest innovators and change agents within the state's workforce. This is great for morale, knowledge sharing and moving forward as a modern organization.

V.   CHOICES TO MEET GROWING ORGANIZATIONAL DEMANDS ARE CLEAR

In a broad sense, the fundamental challenge before all organizations is to meet the ever increasing demands for goods and services by their customers. Unfortunately, the choices are relatively few for all organizations, including Vermont State Government. These are:

   o Increasing the **financial inputs** by taxing and spending more on operations,
   o Hiring **more employees** into the existing workflows to meet new demands for services and programs,
   o Finding **substitute providers** or **eliminating services and requirements,**
   o Changing the workflows and utilizing technology for **increased productivity and capacity** to provide.

These choices are not mutually exclusive of one another. **The Institute has concluded that the greatest operational opportunities for meeting Vermont's growing resource needs for providing services are principally through the adoption of a contemporary technology infrastructure and enterprise wide management model**. The intended results are for improvements in workforce productivity, workforce development and customer service improvements by better utilizing existing commitments to information technology infrastructure, services and personnel.

VI.   HIGHLIGHTS OF RECENT ADMINISTRATION INITIATIVES

These are but a few of the recent and ongoing process and service improvements undertaken during the Douglas Administration to make state government more responsive and effective in its delivery of services. These actions are independent of any Institute involvement. A partial list includes:

o   The **Unemployment Insurance claims call center within the Department of Labor** generated internal efficiencies, new capacity to serve and improved client services for those Vermonters out of work.

o   Nationally recognized **web and database extranet application named VIPER within the Agency of Transportation** that combines disparate databases, road management tools and applications into a centralized information management system.

o   The **Agency of Human Services Reorganization** for better mission focus, reduced program sprawl, improved teamwork and better customer service offerings.

o   The initiation of a new **Fleet Management Program** to better track vehicle assets and transition high cost travelers into state owned cars for reduced operating costs and lower environmental emissions.

o   **Human Capital Management System** installed to replace the antiquated "pre-internet" IT system with a contemporary enterprise solution.

o   Creation of a **Chief Marketing Officer** position in fiscal 2006 to have oversight and formal authority over widespread departmental marketing activities and budgets.

o   A Business Manager doggedly pushed through a vendor's red tape, questioned the state procurement process and produced over **$150,000 in direct savings** for postage and mailing equipment for her Agency alone.

o   Creation of the **Department of Labor** from two separate Departments with an overlapping customer base.

o   New **Online Services** for Hunting and Fishing License renewals, campsite reservations and the sex offender registry.

VII.   SUMMARY LIST OF CHANGE RECOMMENDATIONS

During our consideration of high opportunity areas for improvement, the Institute adapted a presentation model from IBM Government Consulting Services. Our findings and recommendations for change are aligned into four areas. These constituent groups or "change areas" are:

- o **Government-to-Citizen,**
- o **Government-to-Employee**,
- o **Government-to-Business/Local Government** and
- o **Government-to-Government**.

Many recommendations for implementation touch two or more of these change areas and so, these appear in the area of greatest expected impact.   These "change areas" are:
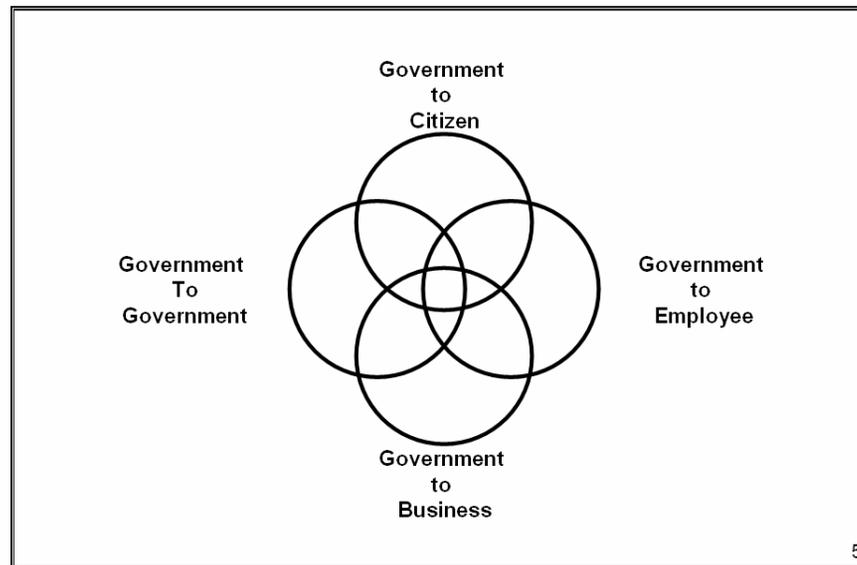
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Government-to-Citizen:
- o Common point-of-entry website and application for New Business Startups
- o Make www.Vermont.gov an E-Government Leader via a Public-Private Partnership
- o Enable Electronic Purchases and Payments For Government Services

Government-to-Employee:
- o Establish an *Annual Innovation Awards* Program
- o Web enable Employee Time & Expense Reports
- o Direct Workforce Communications from Governor and Secretary of Administration
- o Evaluate Web Based Travel Services Partner for out-of-state travel

Government-to-Business/Local Governments:
- o Web enable the Quarterly Wage and Unemployment Insurance Reports
- o Web enable Online/Electronic Applications and Reports for Regulated Entities

Government-to-Government:
- o Transformation of Information Technology infrastructure and resources into an Enterprise Model.
- o Extend the Term of Office for Elected Officials to Four Years.
- o Establish the *Governor's Productivity Taskforce.*
- o Modernize Document Management workflows and capabilities.
- o Evaluate Voice Over Internet Protocols (VOIP) for Communications Between State Campuses.
- o Create a Strategic Technology Oversight and Investment Commission (STOIC)
- o Provide and Train on Collaborative Meeting Tools.
- o Initiate a Telecommunications Expense Management (TEM) program.
- o Adoption of Direct Deposits and Electronic Transfer of Funds.
- o Utilization of the State Lottery Electronic Ticket System for Public Service Announcements.
- o Eliminate surcharges for Directory Assistance calls from state offices and cellular phones.

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GOVERNMENT ⟷ CITIZEN

These are interactions where state government services interface with the general public. Examples include: Obtaining your driver's license, making an unemployment claim, and participating in the Dr. Dynosaur program, etc.

Common point-of-entry website and application for New Business Startups.

<u>Change</u> from today's situation where at least three separate state government departments must be contacted. Each with vastly similar data and all interrelated from the customer's perspective.

<u>Benefits</u> of user friendliness, time and expense savings for entrepreneurs, increased business start-ups, and common application data shared among the Secretary of State, Labor (UI), and Business Tax. Other departments can be added. Refer to New York State's web based small business registration services.

<u>Status:</u> Phase one consists of a small working group from Tax, Labor and the Secretary of State who are preparing a common application format that could replace the existing paper forms and be replicated as a web based form. The primary advantages are reduced time and expense for entrepreneurs and corporations starting a new business. Phase two developments could include electronic integration from the common web based form into each departments pre-existing application system to eliminate the paper based submission, state personnel data entry steps and increase throughput capacity per employee. A distant Phase three could possibly be a shared data bank for corporations from which departments share common information under various access rights and privacy protocols. The benefits of this shared data bank would be the elimination of redundant databases, increased security of information, drastically easier information updates by corporations, and better information/customer management capabilities by participating Departments. December 2005 is targeted for Phase one development of a potential common application form.

Make www.Vermont.gov an E-Government Leader via a Public-Private Partnership

<u>Change</u> from individual agency and department websites and brands to a common State of Vermont web portal. Today, there is $2-$3 million per year spent on website design, application development, hosting, online services and management. Standards for design, programming languages, database linkages and online services are all across the board and without any centralized oversight authority or check point. Each Department's funding stream is different and therefore the availability and quality of services are inconsistent. Our recommendation is to change the management and development model to that of a strategic partner format as proven successful in over two dozen other U.S. states. Using better allocation of existing funding or dedicated transaction fees to

self-fund development, hosting and customer services, a private vendor contracts with a public/private entity to manage and develop a host of online services. Refer to the successful web portals and online services in Utah, Rhode Island and Maine among others.

Benefits: Better promotion of Vermont.gov website on advertisements, state vehicles, stationary and Public Service Announcements. Supports the concept of one state workforce rather than independent Department and Agency efforts, logos, themes, etc. Potential reduction in web design fees to outside vendors due to standard design templates, content management system and elimination of redundancies. Greater ease of use for employees, tourists, businesses and state employees. Online services will expand greatly from today's anemic, last-in-nation level.

Status: A request for information or request for proposal is expected for Fall 2005 to identify a strategic partner to develop this enterprise managed website solution for state government.   In March 2005, the Institute conveyed some findings and recommendations for development of the web site portal and its criticality for improving services, creating net new productive capacity and reducing overall expenses by eliminating redundancies. For reference, this paper is located in Exhibit F.

Enable Electronic Purchases and Payments For Government Services.

Change: There is inconsistency across state agencies and departments on payments being accepted for goods & services.

Benefits: Improved convenience to the customer and faster internal processing times for depositing funds, net of transaction fees. Consider credit, debit and other electronic payment options.

Status: There has been no common solution or protocol identified of which we are aware.   One encouraging development is the possibility for a private/public partnership to develop, manage and service a modern web portal for most of state government. This would reduce the independent website operations that have different credit card fees, shopping cart procedures and payment account protocols. It is likely that this new portal would produce a common transaction platform for the enterprise of state government so that fees can be standardized, user experience and security consistent and cash management of funds collected improved. Also, we should acknowledge that the Secretary of State is proceeding with an online service and transaction platform to enable the annual renewal of for-profit corporations for better customer service, improved cash management and reduced processing time by state employees.

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GOVERNMENT ⟷ EMPLOYEE

These are interactions between the organizations and procedures within state government and the public workforce. Examples include: Completion of time and expense reports, computer skills training, productivity tools and employee recognition, etc.

Establish an *Annual Innovation Awards* Program

Change from distributed and inconsistent instances of employee and group recognition at the Department and Agency levels into an organization wide program to focus on innovation, measurable productivity gains and technology improvements. The Davis Productivity Awards presented in the state of Florida can serve as a solid model for a devising a Vermont recognition program.

Benefits of improved productivity, higher morale, and nurturing a culture of innovation. Cash rewards and Governor's public recognition are recommended. If leaders within state government make employee innovation "a big deal," then employees, managers and appointed leaders will more frequently seek and achieve success at process change and customer service innovation.

Status: NEW RECOMMENDATION.

Web enable Employee Time & Expense Reports.

Change from a manual, paper based and duplicative process to a web based form with secure employee login accounts.

Benefits of worker productivity, morale, lower paper costs, enterprise wide reporting/controls and data verification/fraud detection.

Status: With the fiscal 2006 implementation of the new Human Capital Management System, this functionality will be available and required across the Agencies and Department. In addition to paper and HR processing time savings, the workforce is estimated by the Institute to save nearly 48,000 hours per year from a new Time and Expense system that does not require multiple people to input numbers, add/subtract columns, copy and then verify, etc. Across state government that frees up the equivalent of 24 FTE positions. At the average employee cost of $60,000, this productivity gain totals $1.44 million per year.

Direct Workforce Communications from Governor and Secretary of Administration.

<u>Change</u> from the historical and structural disconnect between the Governor's Office and the state's workforce. There are no regular and direct communications from top leadership directly to the state workforce. Communications have been relegated to the extended cabinet, press and state employee's union. This communication gap is an anomaly within most all organizations today and a material weakness in the organization of state government.

<u>Benefits</u> of regular communication & reporting, executive leadership & educational opportunities presented, employee recognition and expressions of thanks provided, fiscal and operating results shared with the workforce, outcomes reporting for all of government to see, and the development of sense of a "Vermont team" among the workforce.

Status: Since Spring 2004, the Governor and Secretary of Administration have conducted periodic open house style meetings and direct communications with the state workforce. The Institute is optimistic that this outreach and interaction program continues at least quarterly into 2006 and beyond. As a direct result, several important change initiatives began from Governor Douglas' outreach to state employees.

Evaluate Web Based Travel Services Partner for out-of-state travel.

<u>Change</u> from individual travel planning, personal use of credit cards/advances, no incentive for forward planning (state does not reimburse until conclusion of trip) and accrual of affinity program benefits to individuals.

<u>Benefits</u> of speed, 24x7 access, negotiated transaction rates, state travel portal created by vendor, enterprise wide reporting, control, centralized accrual of travel mileage and affinity program benefits. Workforce does not have to use personal credit cards. Better fiscal year accounting of accrued travel expenses.

Status: The Institute is not aware of any pilot program underway on this topic at this time. There is a likelihood that once the new Human Capital Management System is in place that the optional Employee Travel and Expense module may provide a better option for creating efficiencies with out-of-state travel by state personnel.

![Vermont Institute on Government Effectiveness, Inc. logo]

GOVERNMENT ⬌ BUSINESS/LOCAL GOVERNMENTS

These are interactions where state government impacts and interfaces with businesses and local governments. Examples include: Federal school program payments, worker's compensation filings, business expansion permitting, voter registration etc.

Web enable the Quarterly Wage and Unemployment Insurance Reports.

Change from a manual, start-from-scratch, paper based process. Multiple mailings and reminders from the Department of Labor are required to complete this survey.

Benefits of postage & production savings, paperless system, speed for processing, data basing, warehousing, and automated delivery (email) and 24x7access.

Status: Each quarter over 21,000 Vermont businesses file a UI and Wage Report with the Department of Labor (DOL). A web based interface and database solution are scheduled for launch in spring 2006. Our internal estimate indicates that employers will save nearly 100,000 hours per year in compliance time collectively when converted to this new system. That equates to nearly 50 private sector jobs consumed in this antiquated state process per year. DOL will save on direct paper & mailing costs, staff interruption during processing peaks, and transition staff from basic processors to customer service agents.

Web enable Online/Electronic Applications and Reports for Regulated Entities towards a completely paperless reporting system.

Change from paper based system and filing process which carries burdensome storage/copying costs. Lowers cost for both customer and government.

Benefits of modern regulatory departments, electronic document sharing, parallel processing and warehousing,   Regulated entities include: Banks, Insurance Companies, Non-profits, Hospitals, etc. Must coordinate and comply with national reporting standards where applicable.

Status: Opportunities are being assessed by individual departments.

GOVERNMENT ⟷ GOVERNMENT

These are interactions where state government impacts and interfaces within itself. Examples include: Joint agency planning, information technology services, and state buildings and facilities, etc.

Transformation of Information Technology infrastructure and resources into an Enterprise Model.

<u>Change</u> from mostly disjointed and separate IT departments, platforms, email systems, network architecture and separate databases across state government. In 2003, Vermont was ranked in last place at 50th among U.S. states for its IT system, online services and infrastructure.

<u>Benefits</u> of significant annual savings, increased IT capabilities, and improved security. There will be new infrastructure and personnel synergy, sharing and savings. The Department of Information and Innovation is leading this change for "core systems and services" to be provided via an enterprise managed model.

Status: An IT Reorganization initiative was launched in July 2004 by the Administration. The process is on target to produce a strategic implementation/assimilation plan by year end 2005. The principal reasons are to reduce the waste and redundancies associated with the current IT model. This savings has been estimated informally to the Institute at <u>$20-$30 million per year</u>. Other reasons for change include improved motivation and skills training for state IT personnel, support for online services and business process re-design. Also, the state's workforce is entering a dramatic period of *retirement eligible* people, particularly for IT personnel, Administrators and Managers and processing positions. A contemporary, enterprise wide IT infrastructure and management model can help transform vacant positions (principally due to attrition or retirement) into a technology provided solution or service. Cost savings, increased productivity and the sustainability of government are other motivating factors given that the average state employee costs $60,000 per year for salary and benefits.

Extend the Term of Office for Elected Officials to Four Years.

<u>Change</u> from the very short, two year electoral cycle for statewide leadership so that every year doesn't operate like an election year and that the associated inefficiencies and adversity to change across the organization can be largely removed. 48 other U.S. states have a 4-year term for Governor and 39 of these have the election in a non-presidential year elections.

Benefits include reduced voter fatigue and greater voter participation, a more stable leadership team can be attracted, employee relationships and morale can be positively impacted, a greater focus and accountability on programmatic operations, an opportunity to drive positive change over 3-4 years and realize efficiency in operations, fewer television commercials, donation requests and greater potential for political stability and cooperation among elected leaders of all parties.

Status: NEW RECOMMENDATION. This topic has appeared before in the public domain, but without serious public consideration in over three decades. Below is a schedule of how this might occur and was provided by Professor Eric Davis at Middlebury College.

The Process:
Amendments to the Vermont Constitution may be considered in the State Senate every 4 years. The next time when amendments will be in order will be 2007. A 4-year term amendment would have to go through the following steps to be approved:

2007-08	Consideration in Legislature
	Requires 2/3 vote of State Senate and majority of House of Representatives
2009-10	Second consideration in Legislature
	Requires majority in both chambers
2010	On ballot in November general election

If Vermont switches to a 4-year term, the gubernatorial elections should be held in non-presidential years for greater focus on the state political races versus the national contests. If the amendment were on the ballot in 2010, the four-year term for Vermont officers should begin in 2014.

Establish the *Governor's Productivity Taskforce*

Change from a lack of centralized focus on identifying and delivering new operating efficiencies across Departments and Agencies of government. Most all belt-tightening and budget reductions today result from a top-down budget reduction request/directive, or an external source of funds reduction. The private sector and innovative state governments assemble a rotating group of senior business managers and innovation leaders to identify cross agency opportunities for operating synergy and personnel productivity.

Benefits include direct time and expense savings and promotion of innovation across government. Given the total size of state government at over $3.6 billion in spending per year, the opportunity to identify at least $10 million or .3% in systemic savings per year from process re-design, consolidation and redundancy elimination appears realistic. This permanent taskforce with rotating members should include Departmental business managers, Commissioners and members of the Joint Fiscal Office. An annual target to identify and realize **$20 million per biennium** in structural savings from technology upgrades, process re-

design and employee attrition should be targeted for this group to think big, boldly and creatively.

Status: NEW RECOMMENDATION

Modernize Document Management workflows and capabilities.

Change from standalone fax machines, copy machines, file cabinets, central storage, etc into an office system whereby documents are scanned or received in digital form, logged and distributed internally for appropriate processing. Paper use and printing can be minimized.

Benefits of electronic format documents received as workflow "inputs" from customers. Enables auto responses and email confirmations of document receipt. Enables parallel processing, for increased thru put, electronic storage, less office space required and annual operating savings.

Status: The Agency of Agriculture, as part of a top to bottom business process review and IT assessment, has identified several paper processes associated with inspections of livestock, weights and measurements (gas stations & bulk tanks), and other areas within its Agency. Central to this digital documentation effort for the Agency is the construct of new relational databases and supporting applications. Future applications could include the registration of food products for sale in other U.S. states.

The Administration has indicated a desire to "follow the paper" in order to identify processes to transform. Examples for future process re-engineering include the annual registration renewal processes at the Department of Health for approximately 10,000 Emergency Medical Technicians and nearly 5,000 food & lodging establishments. This is now a paper and telephone process with potential to convert to a self-service, web based model for renewal and application. The development of a contemporary web portal with a build-out of online services would greatly address this issue. Of importance, self-service web forms must have a near term plan for integration into Department applications and databases. Otherwise, the key benefits for reducing operating costs might go unrealized.

Evaluate Voice Over Internet Protocols (VOIP) for Communications Between State Campuses.

Change from traditional voice lines for internal government calls between main state employee campuses.

Benefits of reduced voice call costs of service and infrastructure savings from being associated with the digital network infrastructure.

Status: A Legislative study conducted by the Department of Information and Innovation will be performed by year end 2005.

Create a Strategic Technology Oversight and Investment Commission (STOIC)

Change from lack of central Legislative and Administrative review of enterprise level decisions, investments and commitments regarding information technology in state government. This model has been utilized in several other states to assist ongoing and special IT Reorganization periods. STOIC serves to advise and monitor the state's annual and longer term decisions for IT projects and overall IT system performance outcomes across the state enterprise. This commission would seek to be a resource to the Administration and Legislature on strategic technology decisions and annual IT resource commitments. An early priority would be to provide business and political support to assist the framing of a strategic plan to convert state government into a contemporary, enterprise managed model for information technology. The composition of STOIC members should include Legislators, private sector IT and business experts, and senior members of the Administration. The Institute's hope is that this model of IT oversight can replicate the success and effectiveness like that of the Debt Affordability Committee model has proven for advising on appropriate levels of capital bill spending.

Benefits include an increased likelihood for a credible, non-partisan process and solution set to emerge to address the gross inefficiencies in the current IT model of management and resource allocation.

Status: NEW RECOMMENDATION

Provide and Train on Collaborative Meeting Tools.

Change from today where there is no widely available, Montpelier based, electronic collaborative meeting system, limited adoption of Instant Messaging, Private chat rooms, Web or VOIP conferencing and other desktop tools that alleviate costs and lost productivity associated with travel time and expense.

Benefits of increased productivity by state workforce, higher utilization of modern conferencing and collaboration systems and improved public access. Speed process workflows and the delivery of services across government. Potential to greatly reduce in-state employee time and travel expenses which now cost an estimated $15.8 million per year.

Status: Legislation in Fiscal 2006 calls for a $300,000 redirection from employee in-state travel expense reimbursement into utilization of the Vermont Interactive Television (VIT) system. VIT is heavily subsidized (over $800,000 in FY2006) by state government to operate its network of interactive group meeting rooms. By comparison, unlimited desktop video conferencing services are available for less than $70 per year, including two video cameras. This desktop collaboration solution would benefit individual and small teams primarily. The Institute prepared and conveyed to the Administration an analysis on the true cost of state employee travel by including newly available data on labor and mileage costs. This summary is available as Exhibit I. The more accurate cost per mile is $1.07 when the average labor cost is included, not simply the 40 ½ cents per mile for direct reimbursement. The state spends roughly $6,000,000 per year on employee mileage reimbursements which implies that there is over $9.8 million per year in employee time spent in travel per our

analysis. The Institute wants to call attention to the larger cost variable associated with state personnel time and provide a better cost metric for managers and Legislators. This can vastly improve any return on investment decisions when evaluating various travel, collaborative meeting tools and desktop solutions. For example, an employee round trip from Waterbury to Montpelier approaches $45.00 in cost to the state alone, excluding any cell phone usage. This is a great example of the declining costs of using contemporary IT tools versus the status quo.

Initiate a Telecommunications Expense Management (TEM) program

Change Move from a principal focus on negotiating long term price contracts for the state's central exchange telephone system to a focus on optimization of the plans, usage and justification for fixed land lines, cellular devices and other telecommunications assets. TEM is a rapidly growing, vendor provided service to larger reorganizations that seek to optimize telecommunication plans, eliminate billing errors, establish employee privileges and usage parameters. Published reports from organizations undergoing TEM programs indicate all-in savings range from 15% to 30% from existing telecommunications expenses. This should be considered independent of a VOIP study given the potential near term cost savings.

Benefits include likely net year one savings opportunities, improved employee productivity and better data capture of telecommunications infrastructure.

Status: **NEW RECOMMENDATION** for Administration and Department of Information and Innovation to consider.

Adoption of Direct Deposits and Electronic Transfer of Funds

Change from paper check process for payroll, pension payments and other transfers of funds to a fully electronic system. Exceptions may be made and phased in over a period of years.

Benefits of faster delivery of funds by state, lower transaction costs and same day funds availability for recipients.

Status: The state currently operates four check processing functions at the Treasurer's Office and at the Departments of Tax, Social Welfare and DET. The average cost at the Treasurer's Office is cited as $2.16 per check issued. The Treasurer's Office issues over 1 million paper checks per year. The majority of state employees and retirees receive electronic transfers of wages and retirement benefits. However, 1,100 vendor payments on average are issued each day. A small working group is identifying options for an improved vendor payment module to require electronic payment of funds without creating a reconciliation burden for vendors and state employees.

Utilization of the State Lottery Electronic Ticket System for Public Service Announcements (PSA)

<u>Change</u> from only a game promotion space on tickets to include other Departments who have PSA's, programs that are heavily advertised or have seasonal safety and recreation messages.

<u>Benefits</u> of synergy and cooperation between government departments. Highlight government services and programs such as the 511 road conditions, Smoking Cessation, Online Services, Free Fishing Day, etc.

<u>Status</u> Public Safety and Lottery System now have agreement in place for initiating an Amber Alert. Other Agencies and Departments have been encouraged to contact the Lottery for PSA inclusion and special events promotion as space and opportunity permits.

Eliminate surcharges for Directory Assistance calls from state offices and cellular phones.

<u>Change</u> from varying standards among Departments and Agencies where charges are assessed for directory assistance.   Educate the workforce, block phone systems and/or negotiate with voice providers. Cost is upwards of $1.25 per call.

<u>Benefits</u> of annual operating savings. Note: Investment banking firm CSFB saved $2M per year on directory assistance charges by blocking and having employees use web and phone books.

<u>Status:</u> This would be included in any Telecommunication Expense Management review undertaken as described in a previous recommendation.

CONTACT INFORMATION

For copies of this report and exhibits, please visit www.VermontInstitute.org for downloads and other information.

For inquiries and questions, please send to info@vermontinstitute.org

After September 30, 2005, inquires may be directed to David Bradbury at david@aggregatecapital.com

EXHIBITS

OFFICERS & DIRECTORS

Mary Powell, Chair and President
Senior Vice President and Chief Operating Officer
Green Mountain Power Corporation

David Coates, Vice-Chair and Secretary
Executive Vice President
New England Culinary Institute

Douglas Wacek, Treasurer
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CONTRIBUTORS

The Vermont Institute greatly appreciates the contributions received in support of its two year mission and objectives to improve Vermont state government.

THANK YOU!

Windham Foundation
Vermont Society of CPA's
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Lake Champlain Transportation
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Private Sector Benchmark Data

Customer Support Costs Per Incident

Method of Customer Service	Average	High	Low
Web Self-Service	$ 0.50	$ 5.00	$ 0.25
Interactive Voice Response (IVR)	$ 1.85	$ 12.00	$ 0.85
Automated Email	$ 2.50	$ 28.00	$ 1.50
Basic Email	$ 4.50	$ 42.00	$ 2.00
Telephone	$ 4.50	$ 28.00	$ 2.50
Automated Web Chat (Instant Messaging)	$ 5.25	$ 27.00	$ 4.50
Web Chat (Instant Messaging)	$ 7.50	$ 57.00	$ 3.00

Data Source: Gartner Group

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EXHIBIT C

Vermont State Employees
Salary & Benefit Summary
Based on Fiscal 2004 data

		Annual	Per Hour*
1 Average **Salary**** per State Employee:		$ 46,000	$ 22.12
2 Average **Benefit***** Package per State Employee:		$ 14,100	$ 6.78
4 **Average Total Compensation Cost Per State Employee:**		$ 60,100	$ 28.90

Notes:

   "State employees" include Executive Branch classified, exempt and elected officials

* Hourly rate based upon 2080 hours per year

** Salary includes regular salary, overtime, and other payments. Excludes expense reimbursement for meals, etc.

*** Benefits include state's share of Medical, Dental, Life, Long Term Disability, Employee Assistance Program,
      Retirement, FICA, and Worker's Compensation.

Source: Vermont Department of Human Resources

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EXHIBIT D

PAVILION OFFICE BUILDING
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MONTPELIER, VERMONT 05609-0201

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TEL: (802) 828-3322
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MICHAEL K. SMITH, SECRETARY

STATE OF VERMONT
AGENCY OF ADMINISTRATION

MEMORANDUM

TO: **Charlie Smith, Secretary of Human Services**
Kevin Dorn, Secretary of Commerce
Elizabeth McLain, Secretary of Natural Resources
Pat McDonald, Secretary of Transportation
Richard Cate, Commissioner of Education
Kerry Sleeper, Commissioner of Public Safety

FROM: **Michael K. Smith**

DATE: **July 22, 2004**

SUBJECT: **IT Reorganization**

Following is a plan for reorganizing information technology management in Vermont state government. The Department of Information and Innovation does not have the resources to lead a change in organization. The plan outlined below aims to add resources and strategic alliances among state agencies.

Information Technology Committee
Rather than having DII solely lead change, a collaborative effort among the larger agencies will be created.   A committee of the lead IT managers will be established. This will include the Commissioner of DII and the IT managers from:

Human Services
Commerce
Natural Resources
Transportation
Education
Public Safety

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The Commissioner of Information and Innovation should lead the committee. The Vice Chair should be the IT manager from Human Services, as the largest state entity.

The mission of the committee – integration of IT resources – will be established by this meeting, (although Agriculture is an Agency, it has not been included because of a limited IT presence. Education is included because of the K-12 network). You will need to commit your IT managers to this task. It is extremely important that all Secretaries and Commissioners view this mission as part of the core mission of managing your departments. A line item on progress in this area should be included in the weekly reports.

In order to get this project off the ground, the committee will need to meet on a weekly basis (turns out this is similar to the Michigan model, the difference being that the committee was advisory to the CIO, who was not a member). This can be changed to biweekly or monthly after milestones are established and met.

This group will meet with the Agency Secretaries on a monthly or bi-monthly basis in order to track progress and assure the commitment to – and profile of – the task.

The Technology Advisory Board, created in statute to advise the Commissioner of Information and Innovation, would provide input and advice to the newly formed committee.

The committee has a few basic tasks. All of these tasks should be approached with the premise that much good work has been done in other states. It makes sense to review and adopt what is already best practice, rather than trying to re-invent the wheel. This approach is crucial; it should speed the task and assure reasonable approaches are adopted.

Strategic Plan
A strategic plan for implementing consolidation and improvement of IT management must be written. There are two states that should serve as models – and pretty much road maps, since so much work has been done there already – Virginia and Michigan.

The strategic plan should include two key elements:
- An inclusive approach. Meetings with IT staff around the state should be held.
- Draft legislation, which outlines the approach and inclusive strategy (the Vermont Human Services model is an excellent starting point).

Policies and Procedures
The group should create standard IT policies for state government. Michigan – which has an excellent list on their website – and other states have already created excellent policies. These can be used as a resource.

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The current role of the Information Resource Advisory Committee (IRMAC) in attempting to draft policy is not inclusive enough of IT management. Staff are aware of the areas that require policies, but are not at the administrative level to draft documents that meld with global and personnel management practices.

Internet and Web Based Services

The group should review and establish guidelines for web services. Vermont.gov should become the portal for state government. The group should also identify areas within their own agencies for improving online services.

Several Agencies and Departments have major contracts with outside vendors for web services; information on these should be compiled and reviewed. It is possible that redirecting the funding for these services could assist in consolidation and improvements.

The new committee will be crucial in helping meet the demand for improved internet and online services, since currently, web services are not part of the core competency of the Department of Information and Innovation.

The new committee would assist the CIO in implementing surf control across state government.

Inventory of Assets

The Department of Information and Innovation has already been tasked with creating an inventory of state IT assets and spending. The new committee would help expedite and facilitate this task.

Administration

In order to bring adequate resources to the tasks outlined above, the IT managers on the above committee will be expected to utilize staff within their agencies.

The Commissioners of Finance and Personnel should make themselves available to assist in review of funding or personnel management proposals.

Administrative Bulletin 1.5, which creates IRMAC, will be rewritten and reissued. IRMAC will be an important tool in including IT staff in discussions. Policy formulation will rest with the IT managers on the newly created committee, rather than within IRMAC. IRMAC should include lead IT staff from the smaller departments.

The webmasters group is an informal entity that includes web administrators from across state government. This group should be formalized in the revision of Bulletin 1.5, and its relationship with the new committee and IRMAC clearly identified.

The experience of most states is that passage of legislation is a crucial component of succeeding in this area. Draft legislation must be prepared and presented in 2005.
[END]

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March 2005 Update

Vermont Institute on Government Effectiveness, Inc.

Our mission is to provide independent findings and support to improve government's effectiveness for the benefit of all Vermonters.

Key Takeaways:
1. IT Creates Future Productive Capacity
2. State Workforce Attrition is an Opportunity

1
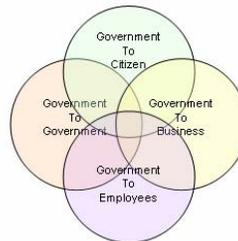
IT Creates Future Capacity

Our Finding:
Information technology reorganization, planning and investment as a common organizational "enterprise" can create significant productive capacity to fulfill future demands on government and improve customer satisfaction.

Case Support:
- An enterprise management approach for the IT network, core applications, IT personnel, departmental budgets and Vermont.gov web portal are essential for change to occur.

- "IT Enterprise Management" is an articulated and formalized plan for using policies, personnel, resources and technical infrastructure to manage the state's investment in distributed IT assets (workstations, routers, servers, websites, personnel, etc.) to minimize total life-cycle costs while maximizing benefits for transacting the state's internal operations and external delivery of services to its citizens.

- The "e" in "e-government" means: *electronic* processes, *efficient* operations, *effective* customer services and *empowered* state employees.

- Technology and process re-engineering can create opportunities for the reassignment of state employees to more valuable and productive responsibilities while lower value activities are handled by improved technology.

2

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IT Creates Future Capacity

Recommended Actions:

Create the basic conditions for e-government transformation to occur.

- Executive Order and/or Legislation to mandate changes and support ongoing IT Taskforce.

- Elevate CIO to a Deputy Secretary of Administration position to lead the charge.

- Conduct a third party inventory and assessment of today's IT assets and personnel.

- Prepare a five year e-government transformation plan for IT.

- Recognize, reward and promote individuals that lead innovation within state government.

3

State Workforce Opportunity

Our Finding:

There is a "once-in-a-generation" opportunity for systemic change to the underlying cost structure and functional composition of the state's workforce due to the eligible retirement of 26% of the state's workforce by the end of fiscal 2009.

Case Support:
- The average state employee's wages & benefits cost $60,000 per year in 2003 and rising.
- Technology is generally declining in price over time, offers scalability and is more accessible.
- Opportunity is to deploy technology and conduct process re-engineering to sustain service levels during expected periods of unprecedented attrition in state employee retirement levels.
- State employee roles shift away from "processing" functions to "customer service" roles.
- Some upfront investment, employee training and reallocation of IT funding may be required.

Recommended Actions:
- Establish a planning and evaluation process for **Job Position Transformation** due to resource reallocations, annual attrition and upcoming retirement bubble from "processing and reporting functions" into higher value adding "customer service" roles. Identify positions that will not be replaced once vacated.
- Conduct an **inventory of the major functions and processes** of state government and pre-determine which are best suitable for technology investment and process re-engineering.

4

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EXHIBIT F

March 17, 2005

The Honorable Jim Douglas
Governor, State of Vermont
109 State Street, Pavilion
Montpelier, VT 05609-0101

Re: Transformation of Vermont.gov into E-Government Leader

Dear Governor Douglas,

Recognizing your ongoing priorities for improving customer service from state departments <u>and</u> increasing efficiencies in government operations, the Vermont Institute on Government Effectiveness, Inc. has enclosed our findings and recommendations on the transformation of the multitude of state government websites with very limited online services into a 21st century leader for e-government, operational efficiency and customer service.

The Institute is a private, public benefit corporation that provides independent findings and support to improve government's effectiveness for the benefit of all Vermonters. In February 2004, the Institute conveyed a set of preliminary findings and recommendations for change to the Administration. With this current offering, our intent is to assist the ongoing and early efforts that your Administration has initiated with the State Technology Collaborative (STC) taskforce.

Context for Change*:* As state governments across the U.S. began to introduce websites and services online for their citizens in the mid 1990's, the overall operating costs of governments actually increased. The web was added as a fourth option to the existing delivery channels of *in-person*, *by mail* and *by telephone*. During this *"experimental era,"* the primary results were that citizens, customers and state workers were better served by having general and programmatic information and paper forms accessible via websites and email for greater convenience. In some cases, there were relatively modest cost avoidance savings associated with reduced counter visits, telephone calls and mailing fulfillments. However, the anticipated net benefits for operational efficiency, net workforce levels and overall savings proved elusive to most all state governments, including, we believe Vermont state government.

In today's *"transformation era,"* state web portal organization, content offerings, and online services are generally managed as enterprise wide services, not disjointed activities within the various units of government. Enterprise management of a state's web resources enables clearer focus on identifying and

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supporting larger enterprise wide opportunities for organizational change, net cost savings, process re-engineering, employee training and customer adoption of the web delivery channel. Rather than grappling with websites and services for all of the proverbial "departmental trees," policy makers can focus on the "organizational forest" and the larger systemic opportunities for positive change using web based technology for the benefit of citizens and state employees alike.

Leading states such as Maine, Massachusetts and Utah are also deploying web based technologies to create productive capacity from the existing state workforce. This is targeted primarily to slow the increases in overall government employment and expenditures while meeting the future needs of its citizens. Today, Vermont is on the cusp of joining this transformation era for e-government. Your continued leadership for championing this transformation in Vermont state government is crucial for success.

Today's Web Portal: Vermont state government operates over 60 separate websites with many different names, services, navigation schemes, font & page sizes, etc. Although there are some underlying coordinating facets, most are independently run, financed and planned out by separate agencies, departments and commissions. There are separate marketing, technology, vendor and servicing approaches. The Department of Information and Innovation (DII) does operate an "indexing web site" at Vermont.gov that primarily links to the other existing and independently operated websites. The current structure and function of Vermont.gov should not be considered a modern web portal, or represent an enterprise management mode for web activities. It is a very good start, but the assimilation of over five dozen web sites into an energized Vermont.gov portal will take detailed planning, outside expertise and ongoing commitment. Operational synergy, coordinated service planning and state employee expertise in web portal management and development are not yet forthcoming. Vermont is just starting in earnest to move forward on common web portal management and this enterprise approach is something that the Institute wholly supports and encourages.

Please accept our observations and recommendations attached with respect to an **Enterprise Management Model for Vermont State Government Websites.**

Sincerely,

MARY POWELL   *DAVID COATES*

_____   _____
Mary Powell   David Coates
Chair   Vice-Chair

Cc: T. Hayward
           C. Smith
           D. Fehr

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Opportunity Area:	**Enterprise Management of State Operated Websites**
Web Portal Vision:	Organized to more effectively serve customers and operate more efficiently, the State of Vermont's web portal at www.Vermont.gov provides 24 x 7 access to state information, programs, services and online transactions by offering a widely branded, well organized, secure, accessible and easy-to-use website. Vermont.gov will become the first and best economic choice for the general public and state employees to obtain information, access services and find assistance as a result of fresh and relevant content, robust search capabilities and convenience.
Key Drivers for Initiating Change:	▪ **Customer satisfaction gains** with modernized and coordinated management of content, infrastructure and personnel. ▪ **Lower annual website operating cost**s for development, content updates, security and new services introduction ▪ **Minimize transaction and processing costs** for state services now provided via the traditional channels of delivery: *in-person, telephone or mail.*
Summary of State Websites Today:	At present, each branch of government, Agency, Independent Department and most Commissions and Boards operate separate websites with varying designs, user navigation, search capabilities, content management and online services. The Institute has identified over 60 separate websites being operated and maintained annually. Some websites are of very high quality while others remain rudimentary. This highly distributed asset and site management model for websites likely resulted from rolling development and upgrading by each unit of government as funds were available. Units of government have independently done *what they can*, *when they can* since introducing websites in the early 1990's. Vermont has very few online services available to its citizens, businesses and state employees by comparison to other U.S. States. These "online services" are typically ones where an application, form, or fee submission can be accessed and completed online.

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	The Department of Information and Innovation (DII), like most areas of government, does not have staff expertise in web development, site hosting or content management despite its ownership of the Vermont.gov gateway website. Nearly all departments rely upon outside providers to consult, construct and operate state websites for the benefit of citizens, employers, tourists and state employees. Nearly everyone involved with the state's websites from state IT personnel, customers, Legislators and IT vendors believes that there is a better model for design, planning, funding and access to a Vermont state web portal. However, most are strongly embedded with their own websites and methods, so the resistance to change is strong. At present, DII and the State Technology Collaborative (STC) taskforce are developing a plan of action for transforming the state's websites into a gateway web portal at www.Vermont.gov. The Institute applauds this initiative by the Douglas Administration and hopes that our input assists and expedites this effort forward.
Current Expenditures:	Unknown and not tabulated by this function across the enterprise of government. Estimates are that **$2-$3 million annually** is appropriated for the development, maintenance and offering of new web services principally through vendor services contracts. This excludes state IT personnel expense associated with website activities.
Current Usage and Access	Cumulative metrics on web services and information usage are unknown across the enterprise of government given the highly fragmented operation of over 60 websites and lack of centralized reporting authority for the state's web infrastructure and online services. The necessity for organization wide measurement is to easily quantify the success or failure of the web delivery channel in migrating customers, realizing net transactional savings and increasing customer satisfaction from online services and sources of information. Annual and long term goals and targets may then be set and then managed for results.

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| Enterprise Management Models Provide: | • Centralized and formal authority and planning over all of the state's websites and online services.
• Universal standards for design, fonts, formats and page sizes.
• Central platform management of the related IT assets (servers, databases, telecom lines, etc.)
• Distributed content management capabilities so that web pages can very easily be updated, remain relevant and managed by existing departmental staff.
• Universal navigation to reduce user confusion and difficulty accessing information across state government.
• E-government portals are customer centric and embrace *intentions based* design around four primary user groups:
    ▪ *Citizens*
    ▪ *Businesses*
    ▪ *Tourists*
    ▪ *State Employees*
• Current news, events and bulletins.
• Public Services: Weather Updates, Lottery Results, Amber Alerts, Fishing Days, etc.
• A real time calendar function for posting public meetings, Legislative calendars & government events.
• A common, user friendly brand for Vermont.gov is marketed and promoted, rather than dozens of separate department website names and addresses at present.
• Purchasing scale and enterprise wide vendor relationship(s) can be secured for effectiveness, efficiency and accountability.
• Control over disaster recovery planning and capabilities across the enterprise.
• Real time usage statistics to measure the access and performance of online services and portal information areas.
• Support to departments for process re-engineering as new online web services and transactions are proposed.
• Prioritization of proposed web projects according to basic hurdles for service improvements, savings, productivity, etc. |
| **Change Leadership & Project Ownership** | Enterprise technology efforts emanate from the top leadership positions in public and private organizations. These multi-year transformation efforts require persistence, commitment and resources to drive change throughout the organization. The barriers to resistance are high as a new organizational structure and operating environment are implemented and a new operating equilibrium |

	realized. With the visible and ongoing support of the top administration and Legislative leaders, the state's Chief Information Officer must be the evangelist and protagonist driving change enterprise wide change.
Anticipated Benefits:	• Common website brand for **efficiency** in marketing and public awareness of www.Vermont.gov. • A detailed and **prioritized enterprise plan** for new and improved online services. • Improved customer satisfaction, operating savings and increase in state employee productivity. • Improved web portal **accountability** for design, ease of use, security, disaster recovery planning, etc. • Enterprise wide website **statistics** on visitors, transactions, requests for information, topic searches, etc. • 15%-30% in **vendor services savings.** That approximates to $300,000 to $900,000 annually from current estimated expenditures. These savings, if realized, can be redeployed into the common portal assimilation process and to launch new services development. • Much easier and more accurate Executive and Legislative **oversight capabilities** for long term website services planning, funding requirements and customer satisfaction.
Key Metrics for Success:	1. Adoption of enterprise management, funding and planning of state's website assets and online services. 2. 75% of state websites under Vermont.gov portal umbrella in FY2007. Achieve 95% by FY2008. 3. Recognition in the Top 10 State Web Portal Rankings by NASCIO or Centers for Digital Government. 4. Establishment of baseline usage and statistical data by Citizens, Businesses, Tourists and State Employees so that annual goals for online services utilization can be established at the Department and functional levels. 5. Integrated and coordinated marketing plan for Departments to leverage and promote the Vermont.gov portal name to their constituencies for operating synergy and heightened site utilization.

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EXHIBIT G

MARCH 15, 2004 OPEN MEETING SUMMARY NOTES

MONTPELIER, VT - On March 15, 2004, the Vermont Institute on Government Effectiveness, Inc. hosted a Public Meeting in Montpelier to gather input, suggestions and ideas for improving the effectiveness of Vermont state government. The meeting was attended by over sixty persons during the two hour public meeting at the Capital Plaza Hotel. A short overview was provided by members of the Board on the Institute's mission, process, and primary objectives. A short question and answer period ensued.

Attendees to this meeting included: Ed Stanak, President of the VSEA, Auditor of Accounts Elizabeth Ready, John McClaughry, President of the Ethan Allen Institute and UVM Professor Frank Bryan and his Masters in Public Administration class. The Board of the Vermont Institute was particularly impressed with the numbers of state employees who attended this meeting on their own time and shared their stories, ideas and hopes for improving the effectiveness of Vermont state government,

Please find below a partial, non-prioritized summary of points and perspectives voiced during the open meeting:

- o Concern over privatization and outsourcing of state jobs was voiced by several members of the audience. The Institute responded that at the moment, privatization discussions have not been considered by the Institute.
- o The Institute was strongly encouraged to pursue "effective" government not necessarily "efficient" government. Testimony highlighted in great detail the social costs and risks in pursuing simply bottom line efficiencies in government.
- o A state employee suggested a four days on, four days off work schedule that would permit state government to operate 24x7 each day of the year.
- o Strong and empowered municipalities were encouraged for better quality, smaller state government and cost efficiencies. Municipal workers & citizen volunteers may be cheaper than state employees.
- o Be careful and balanced when moving to private contractors for services. State should keep the marketplace competitive for best price and service.
- o VSEA committed to assisting the Institute in this process in identifying and addressing key employee issues for improving government and urged the Institute to focus on the rank & file workforce who are frustrated.
- o Several public employees voiced that "willy nilly" personnel cuts via vacancy savings and entry level employees is not "smart government." They urged that the Administration look more systematically at the "middle management" layer of government when making difficult program, budget and personnel decisions.

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- When government is inefficient, inaccessible or just confusing, it imposes a "tax on time" to its citizens.
- Salt reduction program on highways proved dangerous and likely will lead to higher insurance rates, repairs, etc for citizens.
- The Institute is "disingenuous" and "not doing its jobs" if privatization of certain state services is not considered.
- AOT brown bag series was cited as productive engagement of the workforce by appointed managers.
- Move Bennington Battle Day holiday to Town Meeting Day so that state employees can have the day off to participate in town meetings.
- Look into telecommuting and car pooling incentives for state employees.
- Rank & file state employees are largely unaware of the Institute's efforts and that it must reach down further for success.
- State IT systems need to be consolidated to <u>serve across</u> government departments. Waterbury complex server rooms were cited as an example.
- State might offer and promote a Help or Information desk to guide citizens within government services.
- Federal policies are pressuring state workers adversely to make clients find work when in fact it may not be in the best interests of the family or have an unrealistic timeline.
- State actions and policies are more "reactive" than "proactive,"
- State Auditor called attention to her hotline for reporting fraud and waste and cited whistleblower protections.
- State government should identify common delivery of service regions.
- State government should make lines of communication, accountability and transparency clearer to the public and municipalities.
- Determine the ratio of middle managers to front line workers and compare against other states for better alignment.

Finally, the Institute's Board wished to express its sincere thanks to everyone who attended this meeting, contributed their thoughts via the website and for the unexpected applause at the meeting's conclusion.

Initiated by Governor James Douglas as a privately supported corporation, the Vermont Institute is an independent, 501 (C) (3) public benefit corporation sponsoring change leadership and improvements in the operating effectiveness of Vermont state government. The Vermont Institute's mission is to "provide independent findings and support to improve government's effectiveness for the benefit of all Vermonters."

For more information on the Vermont Institute, please visit the website at www.VermontInstitute.org or telephone 802-229-3570.

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EXHIBIT H

January 28, 2005

Patricia A. McDonald, Commissioner
Department of Employment and Training
P.O. Box 488
Montpelier, Vermont 05601-4022

Re: **Field Office Service Delivery Model Changes**

Dear Commissioner McDonald:

Thank you for meeting with us and discussing the fundamental business drivers and decision process associated with proposed plans to improve the service delivery model for employment and training services throughout Vermont. Please accept this letter of support from the Vermont Institute on Government Effectiveness as you pursue implementation of these well reasoned and necessary changes in the months ahead.

The Vermont Institute on Government Effectiveness, Inc. is an independent, privately supported public benefit corporation whose mission is *"To provide independent findings and support to improve government's effectiveness for the benefit of all Vermonters."*

Effecting positive change is never easy or entirely comfortable for customers, dedicated employees and organizations. After review, the proposed changes in delivering existing and new services within the Department's budget by community based DET offices have attracted the Institute's support for the following principal reasons:

o **Sustainability:** Given significant and continued decreases in federal support ($3 million since FY 2004), the status quo for continued operations of the DET field offices does not seem possible. The management decision to focus on a reduction of fixed overhead costs associated with underutilized offices as opposed to personnel cuts or service eliminations at this time is a reasoned approach.
o **New Areas Served:** The commitment to expand your presence and services into the communities of *Enosburg, Island Pond, Vergennes, Manchester, Randolph, and Bradford* is encouraging for these areas' employers, employees and job seekers.
o **New Business Outreach:** Employment and Training services now are utilized by approximately 5,000 of the 20,000 Vermont businesses. We are encouraged that this model will better enable DET personnel to make outreach contact into more of the 75% of businesses not now benefiting from these

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DET services. Our hope is that by helping employers proactively, DET will experience greater success in decreasing unemployment, identifying job skill and training needs, and assisting businesses expand. This aspect is very exciting.

o **DET Employees:** As we understand, the plan provides for current DET staff to be repositioned and empowered to serve new areas and more customers.

o **Increased Efficiency:** Your description of some current offices being structurally understaffed and underutilized by the public further support your intended plan of reorganization. These offices no longer appear justified to remain *status quo* as fully staffed, standard work week facilities when other areas remain underserved by DET. Your goals to better align the needs of the local communities against the realities of the Department's overhead costs and desire to utilize personnel more optimally seem appropriate. There is greater flexibility to deliver needed DET services *where needed, when needed* with this new model for delivery.

o **Customer Convenience:** On the whole, we believe the switch from a "walk-in" service model to a "by appointment" or "limited hours" format will serve individuals and employers better moving forward.

Based upon our discussions and review of available data and materials, on the whole we view the proposed service delivery changes proposed as a net benefit to the Department's sustainability, its employees and, most importantly, the job creating employers and Vermonters served by DET.

Sincerely,

DAVID BRADBURY

David Bradbury
Executive Director

Cc: T. Hayward
   M. Smith

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EXHIBIT I

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Model for ALL-IN Costs Associated with In-State Employee Travel

$	6,000,000	Mileage Reimbursement Budget Request in FY06
$	0.405	Reimbursement Rate in FY2005/2006 (subject to GSA)
	14,814,815	Implied Total Mileage Reimbursed in FY06
$	28.90	Avg. Hourly Cost Per State Worker in FY04 per Dept. Human Res.
	4.0%	Adjustment for two fiscal years. Salary & All benefits.
$	30.06	Avg. Hourly Cost per State Worker in FY06
	45	Assumed Avg. Rate of Travel in MPH
$	0.67	Implied Labor Cost per Mile Traveled (Single person, No stops)

ALL-IN State Employee Costs For In-State Travel

Per Mile:	$	0.67		Labor/Productivity Loss
	$	0.405		Mileage Rate
	$	**1.07**		**Total per Mile Avg. Cost to State**

Annual:	$	9,894,979	62%	**Labor Cost/Productivity Loss**
	$	6,000,000	38%	**Mileage Reimbursement**
	$ 15,894,979		100%	**Total per Mile Avg. Cost to State**

THE OPPORTUNITY:

The RIGHT strategic and budgetary question should ask how to divert state employees from auto travel to other readily available, secure and cost effective communication options.

Options include: Email, Teleconferencing, IM, Video IM, Private Chat Rooms, Wiki's, etc.

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