

# Government Efficiency and Accountability Review (GEAR) Board Meeting Minutes

March 23, 2017

## Introductions

- Rick Geisenberger called meeting to order and made welcoming remarks. Governor John Carney was introduced.

## Governor John Carney's Comments

- Thanks for coming and thanks to Rick G. for agreeing to head up this effort.
- Later today will be making public our solution to significant budget challenge.
- Governor explained that he attended town hall meetings to engage the people we work for. What came out of meetings was that people wanted a balanced approach; shared sacrifice; and an ongoing commitment to government efficiency.
- When he was Secretary of Finance his department engaged in continuous improvements (Baldrige Criteria). The obligation to use tax dollars efficiently and effectively led him to establish GEAR. Typically, these efforts are a top to bottom audit. This effort needs to be an ongoing commitment.
- Governor thanked everyone around the table; encouraged members to engage their people and challenged all to think outside the box.

## Board Member Introductions

- The Honorable Richard J. Geisenberger, Secretary of Finance
- The Honorable Michael S. Jackson, Director of the Office of Management and Budget (OMB)
- The Honorable Michael Morton, Controller General
- Faith Morris, Proxy for Mike Begatto, AFSCME
- The Honorable Ken Simpler, State Treasurer
- James Collins, Chief Information Officer, Department of Technology and Information (DTI)
- The Honorable Leo E. Strine Jr., Chief Justice
- Ernest Dianastrasis, Head of the Precisionists Inc. also representing the Delaware Business Roundtable and the Delaware Chamber of Commerce
- The Honorable Susan Bunting, Secretary, Department of Education
- The Honorable Kara Walker, Secretary, Department of Health and Social Services.

## Other Attendees Introductions

- Rick Geisenberger introduced Jim Myran, hired from the private sector to work as Program Director for the GEAR Initiative.
- Chris Fox, Fiscal and Policy Analyst, AFSCME International
- Gwen McElrath, Executive Secretary, OMB
- Bryan Sullivan, Director of Management Efficiency, OMB
- Bill MacLachlan, Department of Finance
- Erin Innes, Budget Analyst, OMB
- Valorie Luke, Budget Analyst, OMB
- Mary Parker, Deputy Director of Management Services, DHSS
- Michele Stant, Budget Manager, DHSS
- Dan Madrid, Director of Customer Engagement and Innovations, DHSS

- Courtney Stewart, Deputy Secretary, Department of State
- Annie Norman, State Librarian, Division of Libraries
- Melissa Marlin, Budget Analyst, OMB
- Bryan Gordon, Deputy Chief of Staff for Lt. Governor Bethany Hall-Long
- Regina Mitchell, Budget Analyst, OMB
- Glen Gray, Computer Aid, Inc. (CAI)
- Stephanie Tatman, State Auditor's Office
- Nick Johnson, Deputy Director, BDPA, OMB
- Evelyn Nestlerode, Controller, Administrative Office of the Courts
- Kimberly Reinagel, Chief of Fiscal and Policy Analysis, Controller General's Office
- Nohora Gonzalez, Deputy, Office of the State Treasurer
- Susan Stewart, Office of the State Treasurer
- Sheila Grant, Governor's Deputy Chief of Staff
- Rebecca Goldsmith, Department of Finance
- Donna Owens, Division of Revenue, Department of Finance
- Chris Hudson, Director of BDPA, OMB
- Carla Cassell-Carter, Office of the Secretary, Department of Natural Resources and Environmental Control (DNREC)
- Bob Zimmerman, Chief Operating Officer, DNREC
- Jackie Griffith, Office of the Controller General
- Mary Nash Wilson, Fiscal and Policy Analyst, OMB
- Baranski, Kyle, Fiscal and Policy Analyst, OMB
- Bob Byrd, Byrd Group

Executive Order appoints 3 executive sponsors who are Rick Geisenberger, Mike Jackson and Mike Morton to provide financial support.

**Comments from the Board Members:**

Chief Justice Strine: What kind of time and talent do you want from us would be most useful? Our office has been doing a process improvement program with the University of Delaware business school, along with Department of Correction (DOC), Department of Justice, Public Defender, Department of Services for Children, Youth and Their Families, Division of Youth Rehabilitative Services (YRS) and the police (we have funded their participation) working around process improvement and information sharing. We want to make sure we plug in the right people in this process. Let us know if we need these people to help with GEAR.

Ernie Dianastasis: This is a nice opportunity with the growth agenda planned from the roundtable and it's very consistent. My goal will be what we work on as a group here that we get the strongest support possible from the private sector. I think there will be lots of opportunities for the business community to participate and be a part of this project and hopefully all work together towards the same goals.

Secretary Bunting: Very interested in getting help from the group.

Secretary Walker: During my first month, I heard from staff about ways to do things differently and there is already enthusiasm to think about how to improve efficiencies and identify areas for cost savings.

Governor Carney: We need to think about ways to incentivize employees, financially or personally, for their ideas. We also need to partner with state employees to find ways to save money. One of the big issues that we face is health care costs; more flexibility and less money coming down the road from the federal side in the long term. If we save one percent of current health care costs, that's a big number. If we work with employees in this area we could move savings to employee salaries.

Director Jackson: One of the outlines with this group is taking a look at the strategic planning process; but more importantly performance metrics and how they are used in the budget process; not just how they are developed by how they are monitored with regard to allocating resources. That is a process that we used to use very well in the budget process but needs to be looked at again. And also how we define implementing quality improvement initiatives within the overall planning process.

Governor Carney: To that end, with the next budget process we generally focus on the next increment; we don't look back at the money we've been spending; Four billion dollars, are we spending it efficiently? Are we getting bang for our buck? Are we getting a return? Should we not do it at all? Are we maximizing our opportunities to make investments that will pay off in the future by eliminating some of the things that aren't getting the results we need? We need to push ourselves to think outside the box in ways we can do things differently for better results or use that money to do something different.

Mike Morton: That is certainly a major thrust with the finance committee, performance metrics, and performance measures, how programs operate. It is also key here that this isn't a one and done board, it's ongoing. We can take a look at some of the bigger programs, more difficult things that we don't have a timeline for.

Faith Morriss A recently retiree employee from state service; for years employees heard that state officials are going to try to balance the budget on the back of state employees; happy that this board has been put together; and happy to hear let's think outside the box; let's think of how we can do things differently; and also happy to hear Governor say that we should make incentives for workers and focus attention on state workers. Employees understand that we need to work with state government; we also want our state to run more effectively and efficiently.

Treasurer Simpler: Thanked Governor for putting this committee together and allowing him to serve. He's only been here two years but can't think of a better use of his time. Now he knows that the Governor were the author of the executive order which he felt was drafted with precision, articulated so clearly, the shared services, the performance metrics, and the notion throughout the order of continuous improvement is absolutely critical and one thing that he has learned in rooms around the state is that it's great to talk about whether we are going to spend more or collect more but there's no getting around the idea of creating value and that is what is the heart of this order.

Secretary Collins: Governor it takes courage to do this and everything is all nice until we start touching those sacred vows. We have the opportunity at DTI to participate with almost everyone here in bringing about change and leveraging technology to do that. Many times we see people taking bad processes and wrapping technology around it; it takes a lot of courage to get into the processes. He's looking forward to doing this work and partnering with this group.

Chief Justice Strine: On the bigger picture, the fact that an idea has been around, doesn't mean it's not a good idea. Republican democracy was around as an idea until the American Revolution. Abolition was around as an idea for many years before it was tried. One of the things we have to figure out is whether we are resolved to do it, for example if we were to consolidate school districts. Are we going to do it in a way that's like the private sector does? Only in government, when we did electronic filing, they told us we needed more staff; that's absurd; you need fewer staff; so one of the things I hope we don't do is think pockets of real opportunity and rule things out just because people say it can never be done. I know this about First Best, if I want to get to a destination on my GPS, I do a lot better when I put in the final address. Focus on that vision. Put it this way, if I put in that address, I may not end up exactly at it; but I end up a lot closer to it.

So going for First Best, and there are things that I was telling Ken about double State share; I don't like asking current employees who have one state job to be paying a higher rate than for people who are lucky enough to have two State jobs. If all we are asking for is people who have two State jobs to get the same high quality coverage at the same affordable cost as other people, then they should consider the fact that they have had a windfall of gratitude and so we need to work with you and support you but I think when we look at things, for example "dollars for the classroom". The State funding formula is pretty equitable but we pay more money to teachers that get masters degrees and national certification. We don't say what the agreement to get that extra salary comes with, you will be deployed where you are most needed in the most challenging schools. We allocate dollars to schools districts, and more funding ends up at the easiest schools. I could be principal at North Star or Brandywine Springs next year and they will be in the top ten percent of test scores, and I know nothing about being a principal. And the reason that I know that is because when they opened up, within the year they were in the top ten percent.

So I think what we have to do and, I'm glad to see the business community and labor here, is are we willing as a group to support the Governor and our leadership and treat people fairly. There is a difference between being fair to teachers and maybe having fewer superintendents or purchasing people. There are ways to be good for workers. There are two words that I know we have to do and that is "Try" but the other thing we found is "Why"? And the Governor is right on about the people who do what they always do, the people who we work with have to understand the "Why" of why they are doing something". And to explain how things on their working life will be better when they get through the process. I think sometimes we skip that and create a lot of resistance to change. I applaud Mike's (OMB's) look at the base budgets, but what was done this autumn was the budget process put a lot of people in this room under a lot of unnecessary stress for no apparent advantage. And that was to purport to do a base budget review with no extra assistance, no time to do it, and if we are going to do things like look at the base I think we need to pick out strategic pockets of opportunity and make the investment in employees and people that are doing it to do it right. For example, putting the agencies on a cycle where every four or five years, everybody does a deep dive and we apply the resources that allows the Joint Finance Committee and the Governor to make more rational decisions. I think what we did before was to ask every agency to do a base budget review. No one was given any extra resources, no consultant, and it's not really a base budget review. But a lot of busy people came out of that feeling like, I feel a base budget review is stupid because they never really did it.

Governor Carney: To the Chief Justice's last point, I think you are right and I think it goes to the commitment of continuous engagement, a continuous process. Instead of one and done, then you

are going to figure some of that stuff out. Doesn't make any sense, but don't have the resources to do a deep dive on every agency either every year.

Chief Justice Strine: When we entered the partnership with the Lerner School, we expressly did it on a ten year basis. And we just had our second class and we continue to add other people to train and the idea is for everyone to be part of a continuous improvement process and realize it's not going to happen overnight. You are building muscle, and your approach must reflect this. What you said was very heartening that you realize that this is an ongoing thing, that the people around the room that make it happen are really critical.

Governor Carney: Thank you and look forward to your first set of recommendations in about a month.

### Presentation

- Review of Executive Order Number 4
- Purpose and Scope:
  - Rick Geisenberger discussed the budget gap at currently at \$386 million. Slowed economic growth; decline in labor force due to aging population all has an impact on the state's revenue mix which creates the budget challenge that we have before us today and expected budget gaps thereafter.
  - Challenges are driven by modest increase in salaries- a lot of that growth is driven by the addition of more people in the education realm; significant annual increases over the last eight years due to increases in Medicaid/Pensions/Fringe Benefits; not so much the pensions, it's Medicaid and Fringe Benefits which makes up an \$800 million line item for Medicaid and \$800 million in GF and ASF spending In the employee benefits, rising 6 and ½ percent a year in terms of the employee health care costs. All Other Spending has been kept to 0.5%. We are doing the kind of things to not grow the size of government but some things are because of the way that statutes are written and guarantees around making sure we don't have to increase class size in our schools and eligibility for Medicaid. Meanwhile on the revenue end of things, and these numbers have changed slightly as a result of DEFAC and FY 2017 numbers only growing 0.3% as a result of coming out of the last DEFAC meeting. The FY 2018 numbers growing 1% and FY2019 numbers growing 1%. The next two years for FY 2017 and FY 2018 the revenue sources for Franchise Tax and Personal Income Tax are growing on an annual basis of 2.9% and all of our other 20 or so revenue sources are shrinking 2.7%. It creates a real challenge for us when total revenue over the next two years is only growing 0.7% per year.
  - State government is down about 800 employees over the last 9 years. On the school district side of things, there is a fairly significant increase in the number of school personnel (about 3,000 positions) that's being drive by two factors. One factor is increased enrollment, some of that is demographics, some people switching to public education partly because private education is becoming more expensive. The Governor has spoken about some of the parochial schools closing. But the other major factor is the formula as it relates to special needs children and the formula depending upon whether you are a lower level special needs children or a could be as much as 8 times what you would get for non-special needs children in the classroom and that has driven a dramatic increase in school district personnel.
- Executive Order #4 Discussed/GEAR Objectives:

- Our charge is to develop recommendations every single year for increasing efficiency and effectiveness across State government. Looking at ways to improve the State's strategic planning process. Improving the use of metrics in resource allocation decisions which means focusing on making sure we have the right metrics and holding agencies accountable. And lastly, develop continuous improvement practices, whether it's Six Sigma, the Baldrige criteria, the Delaware Quality Award, or ISO 9001. We need to "Try" and know "Why" we are doing this. We won't get this done in every agency in the first few years, but it is a process and one that by having a permanent Board that is ongoing.

- GEAR Objectives Include:
  - Challenging assumptions and patterns of management and look at different ways to deliver service; if we have three agencies all working toward the same program; all delivering the same product we should look at ways to combine them, force them together. One of the recommendations of the Government Performance Review was to look at ways to combine the Drinking Water and Wastewater programs together; they had a lot of commonality. They are still working on to refine this program. Each year they are finding better ways to do things and be more efficient while delivering better quality service to their customers.
  - Find opportunities to improve customer service and experience.
  - Provide common measurements and communication mechanisms to highlight cooperation and successful efficiency gains across agencies.
    - One area to look is where are people not paying full price for the services that state government provides. For example, charging \$5 for something that costs us \$10. Where people are not paying "full freight" we need to recover the costs of providing the service.
  - Identify non-tax revenue sources tied to service delivery.
    - Important to take a global perspective, because if an agency is getting this pot of money but it costs another agency another pot of money, it makes no sense.
    - We need to look within our own agencies where we aren't really trying to charge more, we are actually trying to give people more value, and because if we are giving them more value, they are giving us more revenue. One area to look at is where can we provide better value to citizens, better value may induce citizens to give more money. For example, State park passes and hunting licenses are sold on a calendar year basis (all end in December) a better value may be to have rolling renewal dates so citizens get a full year's value each year.
    - Over the years once a fee is established in statute, it becomes a political effort to change it, that no one wants to take it on; it stays there until it reaches a crisis level.
    - The classic example is with the Division of Professional Regulation which is basically saying the cost of regulation needs to be passed onto the folks that want to be licensed and the statute provides some flexibility to look at fixed costs and non-fixed costs associated with each particular licensee allocate those costs and reset them annually but traditionally its done every two years. An outgrowth of that recommendation was

that some of those powers were given to DNREC. Where it's a business and we're charging \$.10 and in Maryland they are charging \$1.00 we should have agencies come forward with those types of recommendations to hopefully give support to the Governor and to Legislators to say that a group of people looked at this and support it.

- There is a lot of ideas out there by employees, they know what we should or shouldn't do but there is legislation, we have to change legislation. Part of the idea of having this annual report is to give the Governor some ideas on what are some legislative changes that are necessary to carry out some of these great ideas that employees have.

- GEAR Scope of Work:

- Find cost saving opportunities through shared services:
  - Public Education
    - Whether we consolidate school districts or not, at the Governor's town hall meetings people definitely think we need to cut school administration across the board. Does it make sense to have 42 business managers?
    - Also need to look at the financial structure, the diverse way of keeping books, which come back to central agencies as audit exceptions is problematic. This is something we have to take a look at in Public Education. How do you do the back office things more efficiently?
    - We have a lot of variation in the services we deliver in each branch of government that varies by county and we haven't evolved into one consistent approach. There ought to be a rational reason why services delivered in a different way.
  - Human Resources
  - Information Technology
    - A lot of work has been done in IT although we aren't fully there.
  - Accounting and Financial Management
    - Not a lot of work has been done in this area; is there a more efficient way to deliver financial services?
  - Management of State assets
  - Professional development and use of administrative support positions
- Establish statewide continuous improvement programs
  - Task existing quality improvement initiatives to find ways to work together
    - We should look to the outside i.e., Lerner School at the University of Delaware, the Delaware Manufacturing Extension Partnership to figure out where all these sources are and how they can help us.
    - It's important to make clear to the employees that it is an investment in them.

- The court's Judicial Management Project with the University of Delaware uses graduate students who work on the projects with the teams gave our administrators the band width of a graduate student along with the professor, to drive the project.
      - Expand partnerships with:
        - Delaware Manufacturing Extension Partnership
        - Delaware Quality Partnership
        - Delaware's higher education network
    - Recommend changes to the Delaware Government Accountability Act to:
      - Better drive strategic planning
      - Develop meaningful performance metrics
      - Monitor performance and allocation of scarce resources as part of the budget process
      - Promote continuous improvement programs across the state

It came out in the JFC hearings over the last four years that they aren't satisfied with the information they are getting. They don't feel that it helps them and their decision making. We shouldn't rush and try to do this year but I would hope in our December 1<sup>st</sup> recommendations this year, we can recommend as a group minimum information requirements from every government agency.
    - Identify changes to the State personnel system to:
      - Foster a culture of continuous improvement and holding people accountable for their performance.
      - Improve recruitment, development, and retention of employees
        - Governor mentioned find ways to reward people, i.e., working toward a team prize, team effort, quality awards or actual incentives.
  - Deliverables:
    - May 1<sup>st</sup>, 2017
      - Director of OMB and Secretary of Finance report recommendations to Governor and General Assembly Joint Finance Committee
      - Input to be used to help finalize Fiscal 2018 budget
        - The Board was asked to provide via email to Rick Geisenberger any specific information that they would like to see included in the report to the Governor. It was decided the Board would send their top five recommendations.
    - December 1<sup>st</sup>, 2017
      - First issuance of annual GEAR report
      - Standing requirement to provide continuous improvement recommendations for inclusion in state budget to include:
        - Shared service opportunities
        - Methods to improve recruitment, development, retention of employees



- GEAR Board
  - Executive Branch:
    - State Treasurer
    - Director of the Office of Management and Budget
    - Secretary of Finance
    - CIO, Secretary of Technology and Information
    - Secretary of Health and Social Services
    - Secretary of Education
  - Legislative Branch:
    - Controller General
  - Judicial
    - Chief Justice of the Supreme Court
  - Business
    - Delaware Business Community Representative
  - Labor
    - AFSCME Representative
  
- Proposed Structure and Resources
  - Board Designees
  - Key Policy/Programmatic staff
    - The Board members were asked to list designees and/or key staff to be involved in the process
  - Key Financial staff
  - Key Quality and Performance staff
  
- Board Responsibilities
  - I. Ensure GEAR functions in accordance with the objectives defined by Executive Order #4
  - II. Certify all GEAR processes are executed effectively and efficiently
  - III. Promote government-wide support for GEAR
  - IV. Prioritize and approve slate of opportunities presented by agencies and interagency teams
  - V. Allocate funding for, and ensure fiscal responsibility of, all interagency projects
  - VI. Set direction in the event of conflicting strategic imperatives, i.e. combining something that stretches across agencies
  
- GEAR Responsibilities
  - I. Discover all viable shared service opportunities across agencies; an ongoing process to find opportunities
  - II. Oversee execution of key shared service initiatives; i.e., if an initiative or optimization spans over multiple agencies and may need to provide leadership
  - III. Engage State quality programs and partners to create statewide continuous improvement program(s)
  - IV. Oversee team to recommend changes to Government Accountability Act
  - V. Oversee team to recommend changes to State personnel system
  - VI. Inform board of all significant continuous improvement opportunities requiring prioritization

- VII. Regularly communicate state of all GEAR processes, team, and efficiency initiatives in flight; i.e., if an initiative is occurring in an agency and is being done in an excellent way, by communicating its structure and success we can spark interest in other agencies and people can learn from it.
- Next Steps
    - Set GEAR Board meeting schedule
    - OMB/Finance preliminary recommendations (May 1<sup>st</sup>)
      - Discussion: isn't the role of this group to develop first best alternatives that are fair to everyone involved but serve the public best; you risk if you do this too early bringing to the table, hear things like, I can't do this because I'm offending this vested interest, that you don't bring the hard ideas to the table; I think we serve the Governor and the Legislators better if we try to think through the hard ideas; be sensitive to people.
    - GEAR/Agency Lightning Rounds (Mar 15<sup>th</sup> – April 15<sup>th</sup>):
      - Meet with agency Leadership and/or Designee to discuss GEAR in depth
      - Confirm Designees
      - Identify additional resources needed by GEAR
      - Identify highest priority opportunities for each agency
      - Identify potential share/leveraged interagency opportunities
      - Summarize and communicate finding the GEAR Board
    - GEAR/Agency Planning Rounds (April 2<sup>nd</sup> – May 1<sup>st</sup>):
      - Implement key performance metrics (KPIs) for reporting Agency and interagency project progress to GEAR Board
      - Implement GEAR project pipeline dashboard
    - Document and publish GEAR core processes
    - Implement GEAR communications platform (Mar 15<sup>th</sup>-May 15<sup>th</sup>)
  - Timing
    - Kickoff GEAR Board March 23rd
    - GEAR Board to meet bimonthly
    - Rotate meeting location – Dover/Buena Vista
  - Ideas from Government Performance project:
    - These are ideas that came out of the Government Performance Slide to get folks thinking; many of the things around shared services. One of the exercises is to look back and to what extent what things were already recommended eight years ago, did they actually happen? Some of these things happened very quickly, some of these were processes that were left to bloom in the agency, an example of that was the Drinking Water/Waste Water consolidation where we planted an idea; we got a commitment from the secretary to work on it and they are continuing to work on it today.
    - The shared services ideas, we will get the same kinds of recommendations; idea is to make it more sustainable where we put together a working group and have them report back to us on a regular basis. How is this going, how do you make this better? And the project doesn't end. IT consolidation is a perfect example where we made a recommendation, we should do some things to make data centers more efficient. There should be some performance metrics of the success on how this is working and being

effective. The Chief Justice noted the need to be careful, the consolidation of OMB has put too much in one entity and on one person (its director) and has resulted in OMB becoming an impediment to moving things forward.

- **Public Comment:**
  - Bob Zimmerman, DNREC: as an agency that is very much interested in this whole initiative; our former secretary saw this coming and positioned us to do a number of things that are that are at a pivotal point right now; we were on the verge of pressing the send button for a lean internship program that is very much similar to what the judiciary had just announced that we read in the paper; the importance here of the communication; ours isn't patterned after a program that Colorado and so it's not affiliated with the university; at the moment we are on lock down; with all the stuff out there with internships and expenditures; looking forward to getting some kind of clarity about what the rules of the road are and how we can continue because we've teed up a lot of things with our employees to get them ready to engage and we need to continue moving. So we've asked for clarify for those of us in the state community. Our new cabinet secretary is supportive of the direction that has been laid.
- **Meeting Schedule**
  - Discussion was held about setting up a process for the Board to meet every two months/6 times a year and also to rotate between Buena Vista conference center and Dover. Suggestions were made as to what days and times would work for the board members. A recommendation was made that the meetings be scheduled early in the morning (perhaps a breakfast meeting) so that better use of members' time could be had. A poll will be sent to the board members to select dates that are best for them.

#### **Other Business**

- Communication will be sent soliciting each of the members asking for their comments on what they would like to be included in the May 1st deliverable.
- Jim will continue the work that he is doing to meeting with all of the contact people.
- Our hope is to bring that all together to start ticking off our priorities for the year at the May meeting; so that we have a sprint between May and December to start generating these recommendations to the General Assembly.

#### **Adjourn**

Thank you and meeting adjourned.