

Government Efficiency and Accountability Review (GEAR) Board Meeting Minutes

July 13, 2017

Committee Introductions:

Secretary Geisenberger called the third meeting of GEAR to order, attendees were asked to introduce themselves.

Board Members and/or Designees in Attendance:

The Honorable James Collins, CIO of the Department of Technology and Information

The Honorable Richard Geisenberger, Secretary of Finance

The Honorable Ken Simpler, State Treasurer

The Honorable Michael Morton, Controller General

The Honorable Susan Bunting, Secretary of Education

Evelyn Nestlerode, designee for The Honorable Leo Strine, Jr., Chief Justice

Lisa Bond, designee for The Honorable Kara Walker, Secretary of Health and Social Services

Ernest Dianastasis, CEO of The Precisionists, Inc.

The Honorable Michael Jackson, Director of the Office of Management and Budget

Other Attendees Introductions:

- Jason Clark, Department of Technology and Information
- Jessica Stump, DNREC
- Carla Cassell-Carter, Office of the Secretary, DNREC
- Robert Zimmerman, Chief Operating Officer, DNREC
- James Dawson, Public Media
- Glen Gray, Computer Aid, Inc. (CAI)
- Syd Swann, OMB
- David Blowman, DOE
- Donna Owens, Department of Finance
- Dan Madrid, Director of Customer Engagement and Innovations, DHSS
- Nathan Roby, Office of State Treasurer

- Gwen McElrath, OMB
- Jim Myran, GEAR Director, Department of Finance
- Bryan Sullivan, Director of Management Efficiency, OMB

Minutes from May 18, 2017 GEAR Meeting:

Secretary Geisenberger requested a motion for minutes from the May 18, 2017 GEAR Meeting. Mike Morton made a motion to approve; Treasurer Simpler seconded the motion. All in Favor: Unanimous; No opposed; Minutes Approved.

Old Business

- There are two upcoming meetings scheduled for September and November. At the next meeting, goal is to put together the schedule for 2018 meetings.
- Meeting turned over to Jim Myran and Bryan Sullivan to discuss the lightning rounds that have occurred.
 - Preliminary meeting was held with representatives from AFSCME and another meeting will be scheduled for a deeper dive.
 - Meetings were also held with Treasurer Simpler and a great deal of time was spent talking with the Department of Education in regards to focus area development.
 - Secretary Geisenberger interjected that a very productive meeting was held with Mike Begatto, Executive Director of AFSCME Council #81, and the role they can play as the new Department of Human Resources is ramped up and the efficiencies that can be gained through them.
 - Jim Myran mentioned that a meeting will be scheduled with the State Auditor to gain his perspective; and in particular as we look at financial processes.
 - Secretary Geisenberger recognized Jim Myran and Bryan Sullivan for the work they are doing; especially difficult during the end of the fiscal year.
 - Jim Myran discussed the primary topic of today's meeting is to look at whatever legislative changes may have some effect on the scope of GEAR and talk about the focus areas of charters; at our last GEAR Meeting we proposed a set of focus areas.
 - The next GEAR meeting is September 12 and charters ought to be moving projects; we will ask for updates on progress. By November 16 we need to make sure we have substantial material for contribution to the annual report wherein we make recommendations.
- Treasurer Simpler inquired as to whether we have an operational website yet?
 - GIC was prepared to pull the trigger; but a judgement call was made to wait until the focus area charters were complete. Content is available now to post to the website.
- **New Business**

a. Focus Areas Reconnect

- Secretary Geisenberger comments:
 - A number of focus areas proposed at our last meeting and its worth some discussions right now around a lot of the developments that have occurred in the context of the General Assembly.
 - In all of our focus areas identified, there has been some kind of significant legislation or house resolution that says let's take a look at this area.
 - I thought it would be useful to take a look at what those resolutions are or are not? And what extent those resolutions create a separate process for looking at a particular set of issues or create a common process.

House Concurrent Resolution 39 – School District Consolidation

- This concurrent resolution establishes a Task Force to study and make recommendations regarding the impact of consolidating school districts in Delaware. The general focus of the resolution seem to be largely around literal consolidation; it didn't say whether it meant consolidating 2 school districts or 19 school districts fully, or by county. It does have in it's whereas clause that it refers to some of the things we talk about in the GEAR meetings whereas there may be some efficiencies to be gained in the area of transportation.
- Meeting was turned over to Secretary Bunting to talk about the process and how it will interact with GEAR or separate from GEAR.
 - Secretary Bunting believes that this process will be a complement to what we are doing here at GEAR.
 - We are in the process of contacting the parties named who are to be a part of this conversation; the first meeting has been set for August 1st at Legislative Hall.
 - Secretary Bunting reached out to Representative Jaques to set a time and place for a meeting and will begin to look at a variety of possibilities to include the physical/geological consolidation; transportation, nutrition services; IT processing; benefits of what happens when districts pull together as well as look for other ways to work together to create efficiencies.

House Joint Resolution No. 7 - Healthcare

- Secretary Gisenberger talked about the Healthcare House Joint Resolution that deals with the idea of establishing a healthcare benchmark, and designated FY18 as a planning year to develop what that healthcare benchmark would be; it did not specifically touch on employee healthcare or Medicaid, but it is related to what we do in the area of human resources.

House Bill No. 4 – Create the Department of Human Resources

- Meeting turned over to Mike Jackson, Director of the Office of Management and Budget to discuss House Bill No. 4 that deals with creating the Department of Human Resources.
 - The legislation adopted by the General Assembly and introduced as a Governor's initiative will established the Department of Human Resources which will take the statewide human resources functions that currently resides under the Office of Management and Budget including Classification and Compensation; Training; Labor Relations; and a few other functions and lift them into this new department with a new Cabinet Secretary appointed by the Governor. The other two pieces associated with it are creating a Diversity and Inclusion division would be new to state government and the other piece is restructuring the Commission for Women from the Department of State into the Human Resources function but to be partnered with the Diversity and Inclusion work group.
 - The other piece that is relevant to GEAR because much of this is simply lifting and moving to something different to create a greater focus on the workforce. There is a provision in the legislation for the new Cabinet Secretary to develop an implementation plan for the human resources functions that exist throughout state government in the agencies and have a single reporting structure into the new department. There is about 136 human resource personnel that exist within the agencies. One of the initiatives of the new Cabinet Secretary will be to (85 human resource positions within OMB and 136 human resource positions within agencies) see if there are areas to streamline or reallocate human resources, similar to the structure at DTI, where there are reporting structures within the department and some employees physically housed in the agencies.

House Joint Resolution No. 8 – Fiscal Controls/Budget Smoothing

- Secretary Gisenberger discussed Financial Services Delivery. House Joint Resolution No. 8 deals with fiscal controls and budget smoothing and creating a task force.
- Meeting turned over to Treasurer Simpler who wanted to recap and suggested it would be helpful to keep track of what members of this committee are part of these other study committees.
 - Secretary Bunting is heading up the consolidation task force for the Department of Education of which Mike Jackson is on as well.
 - Health task force is being run by Secretary Walker with no other GEAR members.
 - Human Resources Task Force with no other GEAR members.
 - Financial Services Delivery Task Force - The issue with this committee is that it is underneath DEFAC and a number of us are on it. (Treasurer Simpler, Controller Mike Morton, Director Mike Jackson, and Secretary Gisenberger). This was framed as a complement to and is very consistent as to what Secretary Walker is doing in healthcare. Is there some kind of construct that we can agree upon, politically that will frame for all of us in state government, the trend at which we define sustainable growth? So right now missing from our architecture, because

as a government of the people, we don't have a construct for thinking about how large or how quickly this whole enterprise can expand or contract.

- The goal of this fiscal group is to (1) try to have a dialog around that because what Secretary Walker is trying to do in healthcare is capitate growth rate. We are trying to apply the same construct with government at large. What is it possible to grow or trend at? Our needs our means, how do we define it? And the other part is how do you complement that with another concept, right now ride the waves, whatever we take in, we are allowed to appropriate.
- Affectively for this committee's understanding, whatever we ultimately forecast for revenue plus whatever unencumbered cash we have plus whatever the debt test allows us to borrow, all those are affectively driven off our forecast of revenues. So, if the revenue forecast is volatile, then we are going to have volatility in our aggregate budgeting. And this is very disconcerting for those of us in state government that have mostly fixed expenditures.
- If the idea of this panel is to study how we eliminate some of that volatility from year to year, to put us in a better position to plan year to year, but also to harvest and capture excess revenues in high years and apply to years when we have deficits so that we can smooth out over time our capacity to fund this enterprise at a stable, predictable rate.
- I think these are complementary to the Governor's proposals that didn't pass trying to get the biggest piece of a revenue bucket passed.
- Secretary Gisenberger reiterated that this is an important point that it is clear that this budget smoothing mechanism or fiscal control will need to be tied to some kind of structural revenue reform. He also indicated that there was some structural revenue reform that did pass which was a structural change in corporate franchise tax.
- There was an Advisory Council on Revenues which met two years ago that made a number of recommendations; a number of the recommendations have been implemented including the elimination of estate tax enacted by the General Assembly, making modifications to the corporate franchise tax, and there were other significant notables that were not enacted such as age based tax preferences, increase in gross receipts taxes to offset corporate income tax reform that were enacted a few years ago.
- The two groups are going to be integrally tied; if you fully implement what that Advisory Council recommended on revenues; it becomes a lot easier to get people to buy into the budget smoothing idea. That group has a report due by May 1; the Chair is also the Chair of DEFAC and the Vice Chairs and other members are the Chairs of the Revenue and Expenditure DEFAC Committees, Ed Ratledge and Ken Lewis. We need to work with the Governor's Office to name three public members. The hope is to have the task force meet prior to the September DEFAC meeting.

House Bill 226 – Public Private Partnership for Economic Development

- Secretary Geisenberger discussed House Bill 226 which created a Public/Private Partnership in which DEDO moved into a new division with the Department of State focused on small business and tourism and broke off the traditional recruitment of

meeting large businesses and marketing of Delaware into a separate private partnership.

- Ernest Dianastasis, CEO of The Precisionists, Inc. spoke about the tremendous amount of excitement throughout the business community. The next step is going to be the formulation of a 15 person board; 6 seats appointed from the private sector; and 6 seats appointed by legislation. The early stages will be an Interim Executive Director with a strong national search to evaluate best candidate to eventually lead this organization. Items being addressed now are working on developing a charter; first 100 day objectives; developing objectives for the first year. There is a lot of excitement over the opportunity to collaborate and share the resources across the private and public sector to drive growth and business attraction to Delaware in terms of moving forward.

General Enterprise-Wide Legislative Package

- Secretary Geisenberger spoke of another focus area the general enterprise-wide legislative package on Performance Metric and Data; there was a possible resolution circulated that everyone was generally fine with but never got turned into a resolution.

Senate Concurrent Resolution 33 – Administrative Law Improvements

- In talking with the Chief Justice, he expressed interest in reforming the Administrative Procedures Act. Evelyn Nestlerode spoke about Senate Concurrent Resolution 33 is a task force that came out of a study that the Judicial Branch had done on itself which was a survey sent out to attorneys asking what areas of the Judicial Branch could be improved or what areas were strong. A group of attorneys outside the Judicial Branch started looking at efficiencies and how we handle administrative tribunals and it turns out that this area hasn't been modernized since the 70s. The Task Force is an opportunity to allow a broader audience and affected constituents to come look at it and talk about practical issues with it and then we will have a strong plan to present to the General Assembly next year.

House Joint Resolution 7 - Healthcare

- Secretary Geisenberger spoke about House Joint Resolution 7 and Healthcare Benchmarking. Lisa Bond explained that it gives DHSS some teeth in terms of reaching out beyond just exclusively our Medicaid purchasing in DHSS to a more broad work toward establishing a more global healthcare benchmark. DHSS is moving toward a broader stakeholder engagement under leadership of Secretary Walker.
- Secretary Geisenberger stated this could be the biggest thing we can make a lot of progress on; with the cost of healthcare growing at 6 or 7% it's just not sustainable and with revenue growing on at .6% and the natural growth rate over the last few years has been under 1%.

- There is lots of stuff we can do as it relates to Medicaid and employee healthcare but if all it does is shift the increase cost of healthcare from the private sector or the exchanges, we really haven't accomplished anything.

Proposed Focus Areas

Performance Metrics and Data Focus Area

- Treasurer Simpler:
 - What is our identity within the framework of what was laid down in the Executive Order?
 - Conversation that has been framed is around efficiencies and accountabilities that are driven by cost savings. Strategy of go where the money is, so obviously education and healthcare have been identified as two areas that are our big programmatic spends. And also the way DEFAC looks at the world which is cross-sectional, across all the silos, including education and healthcare. More than half of our spend is on people and another big chunk is on procurement. In respect of measuring outcomes of programs across the board, this is again a cross-sectional slice of the whole budget, so if we are trying to think about where the money is, well all four billion of the operating budget is driven by how we think about the efficacy of what we do. If we are trying to say where is the money, this is something that would attack the totality, so how do we actually look at those things that drive performance in general and how do we frame our mission to the GA as to how we are performing. Routinely I am asked as an elected official, how do we ascertain improvement, how we getting better? What are the metrics that I have established? What are the metrics that the GA buys into? They don't exist today and I don't think they exist for most agencies.
 - How do we think about where the money is, the whole package? How do we improve a 1% efficiency on \$4 billion is \$40 million. We can take a narrower slice and study busing in schools; but that's not \$4 billion we are starting with, it's a much smaller number.
- Secretary Gisenberger spoke about the Report that is due December 1st. Some things we can do before December 1st to the extent we focus on a very specific line of questioning. If in Healthcare, looking at Medicaid. If it's in Education, looking at transportation whatever it might be to make some substantive recommendations in those categories. This is obviously more around the long-term mission of GEAR about putting in processes and procedures. If anyone has an expectation that GEAR is going to come back with a performance metric for every agency in state government by December 1st, it's not likely to happen. My question is how do we begin to get at some of these things?
- Director Jackson: One appropriate area for this group is the process. We do have in law requirements for performance based budgeting. A decade ago it was done,

implemented, and put in place. How do we do it from a statewide perspective? Once that is done how do we house the data? What is the central repository of data? Who says we are doing good; who says we are doing bad in certain areas? That gets balanced with the natural part of the budget process. Decisions get made for different reasons outside of performance metrics; the process when it was first put in place in 1996 was an exhaustive effort; to have a strategic planning process with each department; there were requirements we had to produce certain data based on law when a budget was proposed. The limitations of it were the follow up; the feedback, the tying of it to budgetary decisions was a limitation. The second limitation was our central repository for the data to look at it over time to see what's changed. Over the last several years it has become dormant. A procedure of how we can restart it and what would make it most effective for departments and agencies. Hearing from them would be a very good starting point.

- Controller Morton: To Ken's point even when it was started, it was focused on output measures, not measurement on how effective the program is. I think that was a limitation from the get go.
- Director Jackson: It was; the actual training that occurred in all of the agencies. There were strategic planning guidelines with four different categories of performance measures. Training was done with the agencies. The agencies put it in place and then it became institutionalized.
- Secretary Gisenberger: As an area of focus, what it is we need to work on and timing? Maybe there are some process changes we can have by December. Maybe there are some things we can include in this year's budget directions. How do we get at this?
- Lisa Bond: Being a large department, we have experience working through previous measures and understand why they turn into more of a quantity measure than a quality measurement. We know what barriers we ran into and why that was difficult for us and that it isn't a one size fits all in government. Even within our department, there is a lot of disparities in technology and how people capture data and record data. That is certainly something from an organization that has tried to do this, where we have succeeded and failed, we can certainly share that. I'm also looking at Dan, he is leading up our new office of performance innovation and they are doing some great work with this and really trying to get to this quality measurement piece. We can share what we are trying to do to address that and can give some tangible examples of what hasn't worked.
- Treasurer Simpler: It has to be organic; more from the bottom up than imposed from the top down. It is frustrating not being able to learn from the successes or failures from other agencies that are trying to do these things and moreover I get the question all the time, what other public entities are doing a good job of this? There are thousands of municipalities, counties and states. Who is doing a good job of this and we just haven't had the time to canvas the world to find out who does this well?
- Director Jackson: That gets back to my point of process. How we do it and for it to be effective? The current law has its limitations in terms of their requirements. And given

there are different branches and different agencies at this table, it would be great and see who does what, how and what would be most effective across state agencies. And then more importantly how it is used. That's the bottom line, how it is used in the final decisions to put a budget together.

- Treasurer Simpler: There is some general learning that we try to absorb that establishes some principals for what are the hallmarks of a good evaluation system. Most of it gets down to really having to grind through it and to think about what's important. There aren't perfect measures. At least try to frame what the principals are, particularly what the allocators of our budget want to see; but I don't know if they know what they want until we show it to them. It rests with us to say here's what we think.