



State savings initiative about \$8 million short

November 15, by Nancy Remsen

Neither the Douglas administration nor lawmakers have panicked yet that an experimental initiative to restructure some areas of state government — known as Challenges for Change — hasn't yielded financial savings as fast as planned.

The budget bill the Legislature passed and Gov. Jim Douglas signed this year banked on \$37.8 million in savings from dozens of changes intended to improve services and cost less. Estimated savings to date: About \$8 million less than the goal.

“The bottom line to me is this was an ambitious project. It was all new,” said Sen. Diane Snelling, R-Chittenden. She helped write the budget bill and now heads the Government Accountability Committee, a panel charged with overseeing the restructuring initiatives. “I don't think anybody ever thought it was going to be easy. I do have faith we can get there.”

State officials have yet to identify about \$3 million in savings but have earmarked \$5 million “bridge funding” to cover some of the \$8 million gap. Other projections also may not be firm, Finance Commissioner Jim Reardon noted in an Oct. 19 update.

However, Reardon said in an interview this week that the focus should be on what has been achieved.

“We all have accomplished a lot in terms of moving us in a different direction.” That direction is performance-based budgeting where the focus is on outcomes, not work done, he said.

“I think it is a great initiative,” Reardon said. “I think it is going to take a while to mature.”

Advocates for the disabled worry that sluggish progress in achieving savings in at least one area of government could result in some clients' being put on waiting lists despite desperate circumstances.

Todd Centybear, executive director of HowardCenter in Burlington, said he just received the state's draft procedures for putting developmentally disabled clients on waiting lists when money runs out. HowardCenter is one of the regional agencies with state contracts to provide services to clients with disabilities and mental illness.

Barbara Prine, staff attorney with the Disability Law Project, raised concerns about the waiting

list in a letter she delivered this week to Snelling and other members of the Government Accountability Committee.

“Not only was Challenges specifically intended to not result in cuts in services for Vermonters, it was also intended to create better outcomes for Vermonters,” Prine wrote.

How can the Department of Disabilities, Aging and Independent Living propose a waiting list, Prine asked, when the Challenge legislation spells out that benefits can’t be reduced and eligibility can’t be limited?

Rep. Donna Sweaney, D-Windsor, said the accountability panel just learned of the prospect of a waiting list as a remedy for a shortfall in challenge savings. “There has got to be a better way,” she said. “We want to find out what’s going on.”

Challenging challenges

The consultants who guided the Legislature and Douglas administration into this experiment a year ago came back in September to offer reminders about the goals and observations about the state’s challenge plan.

“Finding savings is business as usual,” wrote Babak Armajani and Jeff Zlonis of St. Paul-based Public Strategies Group. “In issuing the Vermont Challenges for Change, Vermont’s elected officials signaled their desire to go beyond ‘finding savings.’ The Challenges process portends redesign as the principal approach to providing better outcomes even when less money is available.”

Redesign, the pair explained, begins with a blank page. “The big payoff from redesign usually comes from challenging basic assumptions,” Armajani and Zlonis wrote. “If one starts with the existing system and asks ‘How can we make this system more efficient?’ then there is little opportunity to explore different assumptions.”

The consultants provided written comments on all the redesign proposals, noting the hurdles the challenges offered.

For example, the consultants saw the ambitious redesign proposed in human services — to turn an array of services into a client-centered, integrated system that produces better outcomes — as “a very complex design question requiring a sophisticated design process.”

Reardon summed up the progress he sees across all the challenges. “What I’m seeing is good ideas, but they are taking longer to roll out.”

He cited human services, corrections, economic development, centralizing postal services and reducing the use of private cars by state workers as areas struggling to meet financial benchmarks.

Still, Reardon said, “I don’t want to come across as saying we should take our feet off the pedal

or that we haven't succeeded."

He wasn't ready to suggest lawmakers try to remedy any of the challenge shortfalls when they consider other midyear budget fixes this winter.

"One of the things you have to be sensitive to," Reardon said, "is that throwing in the towel in budget adjustment may take some of the momentum out."

Thinking anew

The Department of Buildings and General Services began promoting the use of state-owned vehicles rather than private cars for state trips three years ago, before the launch of Challenges for Change. The effort has become part of the Challenges initiative because it fits the philosophy of providing a service for less.

Commissioner Gerry Myers said the state pays 50 cents a mile when someone drives a personal vehicle on work-related business. It costs 38 to 39 cents a mile to drive cars in the state's fleet, he said.

"There are about 8 million miles reimbursed each year," Myers said. Last year, the state paid \$4.47 million in mileage reimbursement to employees. Myers saw an opportunity to cut expenses.

"Our first goal is just to reduce the miles" by encouraging employees to use teleconferencing, he said. If they must travel, buddy up, he said. Finally, he promotes the use of fleet vehicles.

He estimated \$500,000 in potential savings, but Reardon has projected only half that in a recent update to lawmakers.

"A mandate is being considered as we speak," Myers said. "A mandate I would think is a last step."

Centybear said HowardCenter also began rethinking how it delivered services three years ago — before the challenge process. The agency's initiative focused on outcomes just like the state's Challenges for Change, he said.

The agency has also seen two years of funding cuts as the state's revenues shrunk, he said.

"The pressure has been significant to try and do things in a more efficient way," Centybear said.

"The Challenge call was said as if people had been sitting in lawn chairs and not doing very much, and that is simply not true," Centybear said. Rep. Ann Manwaring, D-Wilmington, a member of the accountability panel, said the state's challenge process seems trickiest to carry out when the state doesn't directly control the provision of services — such as in mental health, education and economic development.

Still, she said she wasn't discouraged by the problems being reported.

“That fact that we have a little chaos right now is totally understandable,” she said. “It is complex. It represents a shift in thinking. I clearly think it is too early to panic. I personally hope we stay the course.”