

CHALLENGES FOR CHANGE: PROGRESS REPORT

TO THE JOINT LEGISLATIVE GOVERNMENT
ACCOUNTABILITY COMMITTEE

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PROGRESS REPORT

PROGRESS REPORT

This is the first progress report on Challenges for Change, a plan to make Vermont government and services more effective so that better results are delivered at lower cost to taxpayers. Challenges for Change was authorized by Act 68 (the Challenges Bill) of the 2009-2010 legislative session; this report and subsequent quarterly reports are required by the act.

The Challenges Bill specifies the broad areas from which savings must come and identifies those outcomes which agencies and programs must achieve. This initial report details the progress made by the executive branch since the passage of the bill one month ago; this report is not intended to be a full or final plan, but rather an update to solicit feedback and promote refinement of ideas. The report also contains, as required by the bill, proposed measures by which the General Assembly can track progress towards the outcomes and proposals for changes in existing legislation necessary to achieve the outcomes and meet the budget constraints.

Although much of the initial planning since the Challenges Bill was passed has been done internally, we have now reentered a very public phase of the Challenges for Change approach. This is the beginning – not the end, not even the middle – of a process that needs ongoing and robust public participation. Direct feedback and creative alternatives from lawmakers and members of the public will enhance these plans and help the State achieve the required outcomes.

Not Traditional Cost-Cutting

Although the initial impetus for the Challenges was a need for constructive ways to address part of our anticipated \$154 million fiscal year 2011 budget gap, this is not a traditional cost-cutting exercise. In cutting, one starts with the way we do things today and asks: How can we reduce the cost? There is usually no consideration of the outcomes involved. The focus is on trimming inputs, e.g., the number of people involved, office equipment, travel, or other such expenses.

By contrast, this reform package starts with the desired outcomes and the amount of money Vermont can afford to spend and then asks: If we rethink how we do things, how could we improve our outcomes with this amount of money?

In fact, the appropriations decision for Challenges has already been made with the passage of the initial Challenges bill in February. In FY2011, agencies and programs under the Challenges umbrella must deliver desired outcomes for \$38 million less in general funds, as well as relieving \$11 million of property tax pressure. These endeavors pave the way to \$72 million less in general funds and \$26 million of property tax relief in FY2012.

These budget goals are critical as the State grapples with the lingering recession. To meet these targets without the Challenges process, the alternative is to revert to the usual cost-cutting methods – an option all parties are trying to avoid.

After a month of planning, it is possible to identify much of the \$38 million in required General Fund savings. The next report, due in three months, will have sufficient detail on all of the plans to see how money will be spent in a way which accomplishes the outcomes while achieving all of the savings.

Emergence of Key Redesign Themes

State employees and private citizens have worked hard and with great energy and innovation to make these initial plans. The plan to meet each challenge is different, but several broad themes have emerged across many of the challenges:

1. Program & Service Integration: Clients and taxpayers are better served by a few coordinated programs with more flexibility than a confusing morass of hundreds of programs. Service delivery needs to and can focus on clients rather than programs. Geographic and administrative consolidation of some functions is essential to effective delivery of many services.
2. Better Outcomes through Improved Technology: In the age of the Internet, technology can often be used to provide service more quickly and conveniently to clients at lower cost to the State. Automation of basic administrative functions frees skilled professionals to have more direct personal contact with clients when in-person time is crucial to good outcomes.
3. Path to Independence: The success of many aid programs is best measured not by how many they serve but by how many they help toward self-sufficiency and independence.
4. Performance Incentives: Just as a focus on outcomes allows state workers to deliver better service at lower cost, state contractors and grantees will perform better at lower cost when they are offered incentives for performance and judged by results rather than having to jump through bureaucratic hoops.

Improving Outcomes, Acknowledging Impacts

The savings which have been identified and will be identified come through being more effective rather than from abandoning clients or slashing services. Nevertheless, when government spends less, someone receives less – and someone pays less taxes or someone else has benefits preserved. Our decisions will have an impact.

In some of the easy cases, when we purchase fewer postage stamps or less fuel oil, the effect is mainly felt out-of-state. In other cases, we will purchase less from in-state non-profit partners or for-profit vendors; where we can, we give them an opportunity to recoup by being more effective themselves.

In some cases, because of our budget constraints, we must choose either to provide more effective service to Vermonters or to retain the existing administrative infrastructure within organizations. There simply are not enough resources to support both.

In other cases, being more effective over time will reduce the need for workers at the state or partner level. Given the upcoming demographic bulge in retirements, attrition

should allow most of these internal economies to be achieved, but, given economic uncertainty, there is no guarantee against selective reductions in the future.

That said, without the constructive approach of Challenges for Change, there would be few options outside benefit cuts and further reductions in force to close persistent budget gaps for FY2011 and beyond. There is no doubt that those impacts would be much more severe than the plans presented within this progress report – and, more importantly, without the corresponding benefits of improved outcomes.

Form of this Report

The portion of this report dealing with the Education and Special Education Challenges was prepared independently by the Commissioner of Education. The Corrections Challenge report was produced by the Agency of Human Services in conjunction with the Judiciary and law enforcement representatives. All other reports were produced by appropriate departments of the executive branch. The official report to the General Assembly consists of this book and its Human Services addendum. However, agencies have developed and will develop further information in support of their plans for use by the various committees of jurisdiction.

In general, each section details:

1. Progress Report: General discussion of work to date, process to brainstorm ideas, key plans and implementation outlines.
2. Challenge Outcomes and Proposed Measures: The outcomes and measurements as required by the Challenges Bill.
3. Savings Identified To-Date: These are preliminary estimates based on available data. These estimates will continue to be refined as the process continues and plans are informed with legislative feedback and public input.
4. Legislation Required: If plans require statutory changes, those modifications are outlined.

Next Steps

The Challenges for Change process is new territory for everyone. We are confident that this initiative will prove a better way to deliver the highest quality services to Vermonters in the years to come. Public participation is critical for its success. A joint public hearing will be scheduled within the next ten days and the legislative committees of jurisdiction will take testimony and receive public input beginning immediately. Based on feedback and new ideas, we will continue to fine tune plans to achieve the desired outcomes.

If an individual or group disagrees with a proposal offered in this report, we will ask for and welcome an alternative that achieves the mandated outcomes, is fiscally sustainable, and does not raise taxes or use reserve funds. The pace will continue to be swift and creative proposals will be a positive addition to the dialogue. We look forward to working with the General Assembly and all Vermonters on this important endeavor.

CHARTER UNITS

CHARTER UNITS

A. Progress Report

We have identified seven “first wave” charter units:

- Tax Department
- Department of Information and Innovation
- Fish and Wildlife Department
- Department of Liquor Control
- Department of Labor
- Department of Forest, Parks and Recreation
- Buildings and General Services

Each Charter Unit offers Vermonters the benefits of a “better deal.” These along with the individual legislation requirements of each charter unit are listed below. More charter units may be added prior to the next quarterly report; these will not be dependent on new legislation.

The Secretary of Administration will grant appropriate administrative flexibility to each charter unit to allow that unit to more effectively achieve its goals. These flexibilities may include but are not limited to relief from bulletin 3.5 (contracting procedures), flexibility in part time and seasonal hires, exceptions from requirements to use certain BGS services, and latitude in website and marketing material development. Where flexibilities prove effective, they may be extended to other units; where appropriate, flexibility can also be withdrawn.

Some of the General Fund relief from charter units will actually come from an increase in entrepreneurial revenue; examples are more paid visits to state campsites and better collection of taxes owed.

B. Challenge Outcomes and Proposed Measures

1. Meet challenge target of reducing spending or generating entrepreneurial revenue of \$2 million in general funds in FY2011 and \$4.5 million in general funds in fiscal year 2012.
 - Measured from financial reporting
2. Increase employees’ engagement in their work.
 - Measured by employee and client surveys
3. Produce outcomes for Vermonters that are the same or better than outcomes delivered prior to redesign.
 - (See individual charter unit summaries below)

C. Savings Identified To Date (FY11 target net \$2,000,000)

The \$2 million target will be met partially by entrepreneurial revenue increases and partially by savings apportioned over the Charter Units.

D. Legislation Required

Below is general legislation required for the Charter Unit Challenge as a whole. In addition, some of the charter units need some specific legislation in order to accomplish their missions. Charter unit specific legislation is listed in Section E below under the appropriate units.

1. Notwithstanding any other provisions of law, for a period of two years the Secretary of Administration may grant to designated charter units the ability to discount statutory fees, retain and reinvest savings or revenues in excess of the \$3 million savings or revenue target, and transfer appropriations or funds as deemed necessary to accomplish the results specified for the Charter Unit Challenge and consistent with plans to improve business processes presented to the Secretary.
2. Notwithstanding any other provision of law, the Secretary of Administration may authorize web site and web portal development necessary for meeting the Challenges when either funded by the investment funds available for challenges or through the state's current web portal contract.

E. Individual Charter Units

Department of Taxes

Vermonters will get:

- More personal income tax revenue owed that is collected, as measured by the amount of income tax revenues above the amount currently estimated.
- Greater taxpayer satisfaction, as measured by customer surveys of the specific categories of taxpayers affected.

The primary initiatives the Department will undertake:

- Electronic filing of many W-2s
- On-line business tax applications

Legislation required:

- A mandate for businesses with more than 250 employees to electronically file their W-2s.

Department of Information and Innovation

Vermonters will get:

- Rapid development of online alternative to traditional ways of dealing with Charter and other Challenge units.
- Much more information available and searchable online.
- Faster processing of applications and permits.

The primary initiatives the Unit will undertake:

- Create a fast-response unit within DII to provide and/or contract for rapid development of web sites, the myvermont.gov web portal, document handling, and other appropriate online technology

Legislation required:

- Add a member of Joint Fiscal to the Web Portal Board and remove the requirement that both the Board and Joint Fiscal approve self-funding web portal development (note broader authority requested for the Secretary of Administration in Section D above)

Department of Fish and Wildlife

Vermonters will get:

- Additional revenues into the state's economy based on increased outdoor opportunities for families and people of all ages, as measured by license sales and the National Survey of Fishing, Hunting, and Wildlife-Associated Recreation.
- Improved public safety as measured by the number of shooting-related deaths and injuries.
- Improved shooting and hunter education as measured by number of graduates from hunter education and conservation camp programs.
- Improved access to and safety of public and private shooting facilities as measured by the number of publicly accessible shooting ranges in the state.
- Better licensing, registration, and permitting services, as measured by reduced turnaround times and applicant satisfaction as measured by surveys.

The primary initiatives the Agency will undertake:

- Develop a more effective, streamlined process for selling Department licenses and permits
- Generate additional revenues by promoting the sale of Department merchandise such as t-shirts, mugs, hats, books, posters, patches and stamps
- Reduce fee-for-space costs
- If feasible, collaborate with VT Lottery Commission to develop new mutually beneficial products

Legislation required:

- Allow permanent licenses to be sold by Point of Sale license agents [Title 10, Chapter 105, Section 4255 (c)]
- Change the amount a Point of Sale license agent can charge for a lost license to \$1.50 [Title 10, Chapter 105, Section 4261 (a) and (b)]

Department of Liquor Control

Vermonters will get:

- Additional revenue for the general fund through increased sales.

The primary initiatives the Unit will undertake:

- A gift card program generating \$50,000 in new revenue the first year of sales.
- Updates to the retail portion of the Department website

Legislation required:

- None

Department of Labor

Vermonters will get:

- Faster resolution of disputed worker's compensation claims
- More accurate and timely receipt of the benefits to which they are entitled
- More timely payment of medical bills
- Reduced and stabilized W.C. insurance premiums paid by employers and a stabilized W.C. special fund assessment on those premiums
- More accurate data in a timely fashion to allow better utilization of resources, including better targeting of safety and health consultation and enforcement resources
- Potential General Fund or Other Savings -- Since W.C. is a special fund program this initiative may not result in immediate direct savings to the general fund, but, over time, efficiencies may allow funding fraud enforcement through the special fund – returning approximately \$308,212 to the General Fund

The primary initiatives the Unit will undertake:

- A review and refinement of existing processes and procedures to streamline processes and reduce paper handling and processing and allow active electronic case management
- Fully implemented electronic filing of W.C. claim information, forms, medical records into an improved, more responsive database, utilizing tested programs developed by IAIABC and other W.C. jurisdictions. This data system will be either integrated with, or at least fully compatible with the U.I. database systems
- Active electronic claim file case management

These outcomes will be measured by:

- Comparing time of injury report/notification of dispute to time of informal/formal resolution
- How quickly injured workers entitled to benefits receive them and how quickly medical providers are reimbursed for their services
- Changes in W.C. cost per case and W.C. premium paid

Legislation required:

- Statutory authority to fully implement electronic filing and data collection, a statutory change to 21 V.S.A. §660a is needed to permit collection of more information electronically and to permit the Commissioner of Labor to adopt an electronic signature protocol. Language similar to that provided the Commissioner of taxes a few years ago would be a start.

Department of Forests, Parks and Recreation

Vermonters will get:

- More and better state park and other recreational opportunities
Measure: Total Park Utilization Increase of 15%-20%/2 years
- A park system that is financially sustainable, more resistant to cyclical downturns in General Fund revenue and increasingly less reliant on taxpayers
Measure: Total Park Revenue Increase of 5%/year and 10%/2 years
Measure: A Decrease in the Park's General Fund Expenditures of 50%/ 2 years & 100%/4 years
- An increase in the ancillary economic benefits of a robust park system
- A Forestry Division better able to sustain its natural resource stewardship mission and capable of sustaining its contribution to Vermont's forest products economy
Measure: Preservation of Core Programmatic Services
Measure: Diversification of Revenue and Decreased Forestry General Fund Expenditure of 10%/2 years
- Improved access to conservation, land management and recreation information

The primary initiatives the Department will undertake:

- Develop more effective, targeted, system-wide promotional efforts
- Boost outreach and cross-promotional opportunities with local community-based enterprises
- Provide an incentive system to seasonal staff to build and maintain expanded community relationships
- Improve the process for marketing and sales of season passes, punch cards and merchandise
- Develop an internet-based data management system to improve collection, sharing and use of state lands stewardship data; streamline the Department's license and special use permit process; and provide the public dramatically improved access to information like maps and recreation trail information.
- Augment seasonal staff levels to improve guest experiences and allow fulltime staff to prioritize state lands stewardship activities like timber treatments and other critical forest management activities
- Implement a fleet management pilot project in its Essex District
- Collaborate with the Department of Fish and Wildlife to leverage additional cross-promotional opportunities

Legislation required:

- Flexibility to use Special Funds for operational investments that produce necessary increases in non-General Fund revenue.
- Ability to reinvest proceeds of the sale of surplus FPR land into priority capital investments.
- Authority for the Commissioner of FPR to set fees through an exemption from, or through an abbreviated form of, the rulemaking process.
- Streamlining of the AA-1 process to accept donations or grants greater than \$5,000 into the State.
- Eligibility to receive reimbursement for staff time associated with enforcement of water quality, AMP, Act 250 or Heavy Cut regulations.

Building and General Services

Vermonters will get:

- More of the state budget allocated to directly serving Vermonters rather than to government operations overhead
- More accessible and modern state facilities
- Buildings returned to local tax base
- Freed up capital funds to be used for purposes other than major maintenance of state buildings.

The primary initiatives the Department will undertake:

- BGS will work to divest the State of up to 500,000 square feet of state building assets to reduce future Capital Bill requirements, to provide flexibility to the changing face of state government, to improve and sustain the quality of facilities, and to reduce operating expenses in the next three years.
- In the Postal Service mission area, BGS will increase participation in usage of their services through a focused customer education initiative, the elimination of redundant and duplicative processes, and the maximizing of the use of electronic communications to create economies and standardize the quality of service in central Vermont.

Legislation required:

- Relief from certain Title 29 leasing and selling restrictions to provide flexibility.
- Legislative mandates that restrict leasing and purchasing of mail services equipment and permits.

PERFORMANCE CONTRACTS

PERFORMANCE AND GRANT MAKING CHALLENGE

A. Progress Report

Instituting the philosophy and adopting the practice of Performance Contracting and Grant Making will result in better outcomes for Vermonters receiving services; more clearly defined goals for consultants, contractors, and community partners; more efficient and effective programs for the same or less money; and a more transparent and responsive government. Aligning contracts and grants by evaluating them based on performance indicators and outcomes will provide a more cohesive approach to contracting and grant making.

State contractors and grantees will be given the freedom to concentrate on specified outcomes rather than on a set of bureaucratic specifications of how they should do their jobs. It is expected that this freedom will permit them to pass on reduced costs to the State. This reduced cost along with reduced payments in cases where outcomes are not achieved and direct or indirect savings when outcomes are exceeded will result in the required savings.

The challenge team has begun negotiating a performance based consultant contract to work with department contract owners targeting the largest GF or GF equivalent funded contracts and grants to negotiate or renegotiate in order to achieve the net savings target of \$2.6 million. The vendor will be responsible for the tracking of performance measures, and reporting of savings. Incidentally, this vendor's contract will be this challenge's first to incorporate performance contracting principles.

Additionally, the team has already contracted for training services during April for approximately 80 Contract and Grant Managers from around the state that will provide specific training in performance based RFP's, best practices, etc. The training will focus on developing the scope of work, identifying incentives and disincentives, monitoring, etc.

Long Term – FY12 and beyond

While we have the consultant focus on achieving the \$2.6 million in FY11 savings, the Challenge Team will be in a position to focus on creating systems and business processes that will go to the longer term goals of designing, documenting, implementing, and training necessary for the statewide performance contracting and grant making systems will be developed and instituted.

We will work with the Performance Measure Group to expand on their initiative to define, design, create and document standard statewide performance measure guidelines. The Performance Measure Group is the first step necessary to define mission goals for each department/program that will then lead to measurements used to determine if goals are being met; which then leads to specific performance measures in each contract that show the mission is being achieved. A training course will result from this document and become part of the annual curriculum at The Summit Center. The document will be

applicable to both grant making and contracting and may well become a new Administrative Bulletin when published.

We are currently working with the Department of Information and Innovation and Finance and Management to develop a mechanism to track performance contracts and grants, and compliance with performance measures.

B. Challenge Outcomes and Proposed Measures

1. *Increase the use of performance contracts with the goal of converting \$70 million of contracts to performance-based contracts.*
 - The percent of all contracts that contain performance measures and the value of same will be tracked by use of a modified contract database already in use within the State's financial system.
2. *Contractors and grantees meet performance targets specified in contracts.*
 - A survey will be used to determine if specific performance measures were met or not among the departments, contracts and grants with performance measures – reported based on percent of measures met.

C. Savings Identified To date (FY11 target net \$2,600,000)

The FY11 target will be met through renegotiations of our largest contracts.

D. Legislative Language Changes:

No legislation is needed to implement the Performance Contracting and Grant-Making Challenge within the executive branch. However, if the Legislature's intent is to include the Judiciary, elected offices, the Legislative Branch, and/or quasi government units (i.e. Vermont Veteran's Home) under this challenge then new language similar to that below is required:

It is the intent of the legislature that all branches, elected offices and units of government participate in the performance Contracting and grant making challenge, as defined in Act 68 Sec. 3 of the 2010 session, and notwithstanding any other provision of law, memorandums of understanding be executed between the administration and the afore mentioned government units to achieve the desired outcomes and implementation of this initiative.

REGULATORY

**REGULATORY CHALLENGE
ACT 68, §7 (2010)**

A. Progress Report

The Regulatory Challenge was charged with achieving the current standards, goals, and requirements of federal and state environmental and energy laws and regulations through improved administrative, application review, and compliance processes while achieving spending targets for fiscal years 2011 and 2012. Significant outcomes of the Regulatory Challenge include permitting and licensing processes that are timely, predictable, and cost effective; enabling applicants to readily obtain information and determine regulatory requirements; allowing citizens to understand and comply with the environmental laws; and providing a user friendly, transparent decision-making process for citizens. The proposals below have been developed through an intensive series of meetings by the Regulatory Challenge agencies: Agency of Natural Resources (ANR), Natural Resources Board (NRB), Public Service Board (PSB), Public Service Department (PSD), and the Court Administrator (collectively Team Regulatory Challenge or TRC). TRC and its subgroups have been meeting weekly and bi-weekly to develop these proposals. Specific proposals will, however, continue to be refined based on additional input by agency staff, legislative committees, and the public.

Central to achieving the objectives of the Regulatory Challenge is the use of Information Technology to improve the way information is delivered to the public and to enable state agencies to process permit and license applications and court filings using more efficient, fully electronic, paperless systems. Web Portals devoted to Permitting and Licensing requirements, Compliance Information, and Rulemaking, will be developed to enable citizens to more readily determine regulatory requirements and which specific permits and licenses are necessary to comply with those requirements. Deploying a Rulemaking Web Portal, in particular, will not only provide citizens with 24x7 access to current and proposed rules, but will also result in significant savings in newspaper publication costs to state agencies. Clear instructions will be provided so that the public can subscribe to automatic notification of proposed rules of interest by email, RSS feed, or twitter. The use of electronic Case Management Systems will enable citizens applying for permits and licenses to submit applications on line using smart forms that incorporate a master cover sheet to eliminate redundant data entry and separate schedules for individual regulatory programs. Electronic Case Management Systems will also enable state regulatory agency staff to process applications in an efficient manner using electronic work flow and to post permit applications and associated documents on agency web sites, providing transparency for agency decision making and opportunities for citizen participation.

Permitting and Licensing Efficiencies will be achieved through the expanded use of expedited Agency of Natural Resources (ANR) permitting methods such as general permits, permits by rule, conditional exemptions and acceptance of professional certifications. In addition, the permitting process will be streamlined by revising permit thresholds in some cases to match federal requirements, eliminating duplicative permit requirements, and increasing the duration of some certifications. Similarly, the Agency

of Agriculture, Food, and Markets (AAFM) seeks the flexibility to administer its regulatory programs with multi-year terms instead of currently mandated annual terms, thereby gaining administrative efficiencies and reducing the filing and compliance burden on the regulated community. ANR also proposes to obtain reimbursement from applicants for a portion of the costs associated with some types of permit reviews and appearances before the Act 250 District Environmental Commissions, Environmental Court and Public Service Board.

Increasing Compliance is also a primary objective of the Regulatory Challenge. Better compliance will be achieved through a comprehensive review of educational and compliance related agency web and print resources to allow consumers to better understand requirements and comply with the law. In addition, compliance will be increased through improved coordination between local and state permitting processes by, for instance, placing a notice on all local permit application forms and local permits to inform permittees of state permit requirements. State agencies (NRB, ANR, PSB, AAFM) also seek the authority to require permittees to periodically file a Certification of Compliance. Additional Municipal Outreach will include targeted training of town staff by ANR, AAFM, and Act 250 staff in coordination with the Vermont League of Cities and Towns and UVM Extension Service. Funding for these efforts is proposed by expanding the scope of Supplemental Environmental Projects (SEPs) currently authorized under 10 V.S.A. §8007(2) to cover education and outreach through information technology.

B. Challenge Outcomes and Proposed Measures

1. *Permitting and licensing processes achieve environmental standards and are clear, timely, predictable and coordinated.*
 - Applications and renewals are processed more quickly, meeting statutory and internal permit processing times.
 - Phosphorus in Lake Champlain is decreased.
 - Vermont air quality program tracks federal program for Green House Gases.
 - Fewer permits are needed for the same activity.
2. *Applicants are able to readily determine what permits and licenses are needed and what information must be submitted.*
 - Permitting and Licensing Web Portal is used by the majority of citizens seeking information about permits and licenses.
 - Incomplete applications to regulatory agencies are reduced after Electronic Case Management Systems and Web Portals have been implemented.
 - Staff time is redeployed from ministerial functions to customer service and technical assistance.
3. *Permit and enforcement processes enable people to understand and comply with environmental and agricultural laws.*

- Compliance increases as permittees are required to give attention to permit terms.
 - There is a decrease in enforcement cases/costs in which lack of understanding of state permit requirements plays a role in the cause of the violation.
 - Education and outreach increases with the expenditure of Supplemental Environmental Program (SEP) funds.
4. *Permitting, licensing and environmental protection services are cost-effective and user friendly.*
- More permits are issued as general permits and permits by rule.
 - Applicants use professional certifications to meet permitting requirements.
 - Applicants submit more permit applications on line.
 - Investigators from other state agencies refer more cases to environmental regulators for enforcement and compliance.
 - Service of process is accomplished more easily and less expensively.
5. *Decision making is transparent and encourages citizen understanding and participation.*
- Citizens use web portal to review notices and draft permits, read rules, determine hearing times, and make comments on proposed rules.

C. Savings Identified To date (target net \$360,000)

1. *ANR*

- ANR estimates that reimbursement of certain costs in permitting, including Act 250 and PSB proceedings, will save \$75,000 per year as an offset to staff costs.

2. *Rulemaking*

- State agencies currently pay to have notices of proposed rules published in newspapers; over 51 rule proposals per year, on average. The Secretary of State recently reduced publication costs effective January 27, 2010 to \$1900, 2100, 2300, depending on word count, from \$2100, 2300, and 2500. Even using these reduced costs, changing to online publication will save upwards of \$96,900 statewide, on an annual basis.

D. Summary of Proposed Legislation

- Revise the State APA to allow for expanded use of electronic data
- Put notices of rule making on state website rather than newspapers
- Have all state rules in one location and accessible for free
- Allow for electronic filing of proposed rules

- Change permit terms for some AAFM permits, registrations and certifications to allow for increased efficiency in processing applications
- Allow PSB to publish notice of certain applications and hearings on PSB website rather than newspaper
- Give ANR authority to issue permits in various ways for categories of activities that are subject to the same regulatory requirements
 - General Permits, Permits by Rule, Conditional Exemptions
 - Authorize ANR to accept professional certifications that permit applications are complete and accurate and eliminate application review
- Authorize ANR to implement specific program efficiencies such as notice on website v. newspaper, extending the term of some permits, and eliminating permit duplication.
- Revise the permit threshold for Air Pollution Permits to track federal program
 - Necessary to avoid unanticipated expansion of permitting requirements to farms, some small businesses, schools, etc.
- Provide authority to require people with existing permits to certify compliance with the permit
- Allow some penalty moneys to be used for enhancing public awareness of environmental laws
- Make method of service for enforcement orders consistent with the means of service for other court documents
- Allow ANR and the NRB to retain that portion of a penalty that covers the actual costs of enforcement (ex: mediation, discovery)
- Allow ANR to seek reimbursement of costs from an applicant before ANR, Act 250 and the PSB and from a person appealing in Environmental Court under limited circumstances
- Require local applications and permits to clearly state that a state permit may be required.
- Seek legislative authority to create cross-agency task forces and assign positions as required to implement the Challenge tasks and expectations

ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT CHALLENGE

A. Progress Report

The challenge is to improve economic development results. The specific charge is to create sustainable non public sector jobs, improve median income in Vermont and to expand telecommunications infrastructure and usage throughout the state. The financial goal is to reduce spending included in the Unified Economic Development Budget (UEDB) by \$3.4M in FY11 and FY12. The agencies represented in the UEDB have met to analyze current programs and to develop strategies for meeting the challenge.

Those agencies considered that there are now many regional entities supported by the state through the UEDB, including:

- 12 Regional Development Corporations
- 11 Regional Planning Commissions (heavily involved in economic development activities)
- 14 Regional State Employment Offices
- 5 Regional Micro Business Development Programs
- 8 Regionally deployed Small Business Development Center Councilors
- 4 Statewide and simultaneous, employer outreach programs for employee training

There are significant redundancies and overlaps in regionally provided services and many opportunities for enhanced services by reducing the number of regional offices and combining their operations into no more than nine Regional Service Centers (RSCs) that will provide the following services:

- The full range of planning functions currently provided by the Regional Planning Commissions.
- The full range of economic development services currently provided by the Regional Development Corporations.
- A single employer outreach program for employee training delivering multiple products in each region.
- Micro and small business development services for very small and small business assistance as well as agricultural based businesses.
- All the employment services currently provided by the Department of Labor at 14 locations.

Clients will benefit from a one-stop shop for employer assistance, integrated planning and economic development for more effective site location, permit assistance, and economic development planning, and reduced employer outreach from four different, product-centered programs to one outreach program which includes all existing, training products.

The plan is to issue a request for proposals to procure services in no more than nine regions. This requires memorandums of understanding with Department of Labor, Agency of Human Services and Vermont Small Business Development Center for continued operations in the new regions. The RFP will allow for any configuration of

region and organizational structure that achieves the RFP's required outcomes. The state would offer performance based contracts to the successful proposing entities. These contracts would be for three years with renewable options. RSCs would be required to report to the state on their performance quarterly during the first year and semiannually thereafter. Annual compensation would be adjusted to reflect performance or lack thereof for each RSC. The contracts would require collocation within the first three year period. There will be no further funding for any regional or statewide economic development or planning entities outside of the nine regional service centers. However, there will be no limitations on other activities of Regional Service Centers. The state will provide up to ten \$10,000 grants to help existing grantees develop proposals

The RFP will be issued as soon as the reconciliation bill enabling the necessary changes was passed into law and contracts will be issued for FY11.

B. Challenge Outcomes and Proposed Measures

1. Vermont achieves a sustainable annual increase in non public sector employment and median income.
 - Create one non public sector job for every 200 persons in the region served per year.
 - Retain one job for every 100 persons in the region served per year.
 - Seventy five percent of non-incumbent Workforce Education and Training Fund participants will have wages reported in the first quarter following completion of training.
 - Eighty five percent of non-incumbent WETF participants with wages reported in the first quarter after completion will have wages reported in the second and third quarters.
 - The average WETF training program participants will earn between 150 – 200% of the minimum wage.
 - Ninety five percent of incumbent workers participating in WETF programs will retain their employment in the first and second quarter following completion.
 - The average earnings increase for those incumbent workers who retain their employment in the first and second quarters following completion will be up to four percent.
 - Sixty percent of internship participants will be post secondary students.
 - Ten percent of post secondary internship participants will enter employment following completion of the internship.
 - US Department of Labor statistics on Vermont's median household income.
 - RSCs will be required to record the range of household income for every served person before and after assistance is provided. This information will be provided by region and in the aggregate annually.

2. Vermont attains a statewide, state of the art telecommunications infrastructure. [note: currently the budget for telecommunications initiatives is not in the UEDB; so, although broadband is essential for economic development, it is not controlled or managed by any of the agencies represented by the UEDB. The legislature may want to change this in future years. The metrics below will be supplied by the Vermont Telecommunications Authority]

- Percentage of residence with broadband access using the current Vermont definition of broadband
- Percentage of cellular coverage on major roads
- Percentage of cellular coverage on minor roads

C. Savings Identified To Date (target net \$3,030,000)

The savings below are achieved through the consolidation proposed above. Organizations shown with zero funding from UEDB may actually receive funding as sub-contractors to the Regional Service Centers.

ACCD	Now	After	Savings
RDC Grant	1,076,468	839,645	236,823
RPC Grants	2,632,027	2,052,981	579,046
SSJF	233,890	0	233,890
VCRD	47,500	0	47,500
VEOC	23,750	0	23,750
VWBC	19,000	0	19,000
One Position	75,000	0	75,000
Total	4,107,635	2,892,626	1,215,009
AHS			
Micro	328,000	0	328,000
Labor			
Adult Tech Ed	430,000	0	430,000
WIB Funds	145,000	80,000	65,000
Total	5,010,635	2,972,626	2,038,009

D. Legislation Required

1. Repeal of 24 V.S.A. Chapter 76 on Economic Development Grants: Chapter 76 establishes a grant program authorizing the ACCD secretary to provide subsidies to Regional Development Corporations (RDCs). Repeal of this Chapter would allow incorporation of the economic development elements into 24 V.S.A. Chapter 117 related to Regional Planning Commissions.
2. Amendment of 24 V.S.A. Chapter 117 on Municipal and Regional Planning and Development: Chapter 117 establishes, among other things, the Regional

Planning Commission (RPCs). Provisions from Chapter 76 of Title 24 would be added to Chapter 117 to consolidate the services and activities of the RDCs and RPCs into a new organization called a Regional Service Center.

3. Repeal of 24 V.S.A. § 4305 on the Council of Regional Commissions: The Council of Regional Commissions has been inactive for several years and is not needed for the transition to a Regional Service Center model.
4. Amendment of 10 V.S.A. § 541 on the Workforce Development Council: Delete language requiring one third of the governor's appointees to be selected from a list of names provided by the regional Workforce Investment Boards, as well as delete the Council's responsibility for establishing and overseeing workforce investment boards and make other programmatic changes.

AGENCY OF HUMAN SERVICES

OVERALL HUMAN SERVICES CHALLENGE

Overall Human Services Challenge

A. Progress Report

The solutions developed by the Agency of Human Services to meet the Challenges for Change are based partly on the rapid expansion of existing successful programs like Blueprint for Health and integrated service delivery initiatives in the Department of Children and Families and partly on rapid innovation by agency management and employees in response to the challenges.

There are several unifying themes in the responses to the four sub-challenges posed by the legislature to the agency:

- Integration of the services offered to a family or individual across the many silos of existing programs
- Substituting more effective lower cost strategies like preventive care for more disruptive and expensive treatments like emergency room care
- Providing a pathway to full or partial independence
- Managing vendors and grantees by outcomes

Brief descriptions of the sub-challenges are on the pages that follow in this report. Much more complete descriptions of the progress made to date on these challenges as well as detailed measures for the outcome mandated by the legislature can be found in an appendix to this document devoted to the AHS Challenges.

In order to enhance its response to all the challenges, AHS is also undertaking two agency wide initiatives outlined here and detailed in the AHS appendix.

Employment Workgroup Initiative

Employment research has repeatedly shown that having and keeping a job reduces dependency on services and benefits for Agency of Human Services (AHS) consumers. The Challenges Workgroup has developed a consolidated and coordinated approach to employment services, moving from services dispersed across AHS to a single entity within AHS called Creative Workforce Solutions (CWS). CWS will provide equal access to meaningful work in the competitive job market for all AHS program participants. It will also offer employers a single point of contact for coordinated job development and placement services across AHS programs. This approach will significantly improve ease of access for employers.

IT Enterprise Infrastructure

As a foundation to all these specific proposals and in an effort to promote more client centric intake and care management, AHS proposes to modernize the IT infrastructure. The redesign relies on constructing an enterprise architecture for technology, information

and the business of AHS. An enterprise architecture creates a roadmap for the use by the same or similar technologies across the all of AHS. These will provide guidance for future investments. It is built on the principles and products of a service oriented architecture (SOA) of common technologies and shared services that provide reusable components for various needs. For example, AHS would purchase and install one master-person index or one imaging solution that was configured for Agency wide utilization.

B. Legislation required

- legislation that exempts IT investments made in conjunction with the Challenges initiatives, including the purchase and implementation of components of the enterprise architecture including Master Person Index, work flow engine, enterprise bus and rules engine. The exemption could sunset at the end of FY12

Client Centric Intake and Care Management

A. Progress Report

Integrated Family Services

AHS will design and implement a family and child centered system of early intervention, treatment and support. Funding will be flexible and based on best practices and family needs. The system will strive to intervene early in a preventive fashion, and provide services to the family unit, not just the child. Each child and family in the early intervention, treatment and support system will have measurable goals against which progress will be assessed. We believe this approach will produce better outcomes for children and families, reduce unnecessary administrative work, and save money through earlier intervention and family support.

As part of integrated family services, we propose to improve early childhood services for families while increasing effectiveness by consolidating child development services for families and children through a single community partner contract within each region. This will include consolidating child care referral services for families by changing from 12 local service providers to one statewide entity supported by modern web-based technology and communication systems. Supports for early childhood and after school practitioners and programs will be improved to assure a systemic approach to program consultation, quality improvement, and professional development.

Statewide Expansion - Blueprint Coordinated Health Systems

We propose to reduce overall healthcare expenditures through the accelerated expansion of the Blueprint model and to expand it to other populations and systems, building off a primary care foundation of medical homes and community health teams. Work is underway with the Office of Vermont Health Access (Medicaid), the Vermont Department of Mental Health, the Vermont Department of Health, as well as non-governmental organizations to develop models of sustainable integrated health services. As an example, planning is underway to establish Mental Health & Substance Use Medical Homes with similar financial reforms that can support high quality outpatient services and preventive care, with reductions in avoidable acute care expenditures. Similar work is underway to expand the Blueprint to pediatric services.

Modernization of Benefits Eligibility Determination

For the past two years, DCF has been involved in modernizing its processes for determining eligibility for various benefits programs, such as Three Squares and LIHEAP. Staffing will be reduced while consumer access and self service options are increasing. This is being accomplished by utilizing such tools as a Benefits Service Center (call center), Web Access, an Application Processing Center, Specialized Eligibility Determination and Supports for Community Providers. We propose to expand this effort to include eligibility determination for child care financial assistance. This will involve replacing private contracts at 12 community agencies (which have been in place for the past 15 years) and centralizing the work within the ESD eligibility system described above.

B. Challenge Outcomes and Proposed Measures

(see the detailed report from AHS in the appendix to this report)

C. Savings Identified To Date

(see the detailed report from AHS in the appendix to this report)

D. Legislation required

- Statutes detailing the power and authority of the Commissioner of DMH (18 V.S.A. § 7401 must be amended to include the concept of “at risk” into statutes related to serving the target population of children with a severe “Severe Emotional Disturbance” by the DMH. This would give clear authority to provide services earlier.
- Language will be necessary to require commercial insurers to participate, amending previous language (Act 204, 2008) that required commercial insurers to participate in the currently operating Blueprint Integrated Pilots.

Support Services Promoting Independence of Elderly and Individuals with Disabilities

A. Progress Report

DAIL intends to aggressively assist Vermonters to remain independent using home and community based services and as a result reduce nursing home utilization. In some counties in Vermont nearly 60% of all persons needing nursing home level of care are served at home or in alternative community based settings. In other counties, the utilization of home and community based services hovers around 40%. Greater utilization of home and community based services is achievable, with an accompanying reduction in nursing home utilization.

Vermonters who need long term care, and choose home based services, can benefit from more flexibility in how the dollar allocation in their plans of care are utilized. This strategy is intended to allow more participants to remain independent. For example, Choices for Care has a limited set of service options that are paid for on a fee for service basis, unless the consumer chooses the Flexible Choices option, where, with the help of a counselor, the consumer manages his/her budget. Only a small group of consumers have selected this option. DAIL is exploring different payment mechanisms that can provide more flexibility to consumers.

Providers can also benefit from flexibility. For example, moving away from a fee for service system could reduce paperwork requirements and time for both providers and State staff.

DAIL is exploring how to utilize the Developmental Services individualized service plans, which the Designated Agencies (DAs) and Specialized Services Agencies (SSAs) develop with consumers, as performance based contracts based on achieving better outcomes for consumers.

DAIL has also proposed legislative changes to Medicaid estate recovery law to increase revenues for the program to ensure persons most in need can continue to receive services.

Another concept involves redesigning the delivery and financing system to have home and community based providers in the long term care system receive bundled rates based on consumers' needs and preferences. The provider agencies, instead of being specialty providers, would accept the responsibility to provide or arrange for all the services a participant needs. In return the provider would be paid a bundled rate based on a plan of care and perhaps a tiered system of rates. We believe this would create opportunities for savings; but it is a large and complicated change that will require more discussion and design time.

B. Challenge Outcomes and Proposed Measures

(see the detailed report from AHS in the appendix to this report)

C. Savings Identified To Date

(see the detailed report from AHS in the appendix to this report)

D. Legislation Required

- Legislation will be needed to amend Medicaid Estate Recovery law. Such legislation is already under consideration in the legislature.

Purchasing Results, Not Units of Service

A. Progress Report

OVHA Direct Care Coordination

The Office of Vermont Health Access (OVHA) will expand its direct care coordination capacity in two additional areas of the state to improve the health care and outcomes for Medicaid beneficiaries with significant medical needs. FY11 will focus on two additional areas of the state. This expansion will directly reduce costs in the Medicaid program and if successful will be expanded statewide in FY12.

OVHA Clinical Utilization Review Board

No later than May 15, 2010, OVHA proposes to establish a Clinical Utilization Review Board, to ensure that medical treatments and services paid for with state health care dollars are safe and clinically effective. This board will work collaboratively with the DMH utilization board and jointly they will address both medical and mental health practices in the Medicaid program. It will also ensure that public funds are used in the most cost effective manner that promotes positive health outcomes. Ultimately, the goal is to provide coverage for evidence-based care that meets the specific needs of our beneficiaries in the most cost-effective manner.

B. Challenge Outcomes and Proposed Measures

(see the detailed report from AHS in the appendix to this report)

C. Savings Identified To Date

(see the detailed report from AHS in the appendix to this report)

D. Legislation Required

- Section 6 of 33 VSA §1903a must be amended to remove language requiring that a private entity administer the program.
- OVHA needs the statutory authority to:
 - Have the final authority to evaluate and implement recommendations of the CURB.
 - Develop rules if necessary for the specific recommendations, as prescribed by state and federal guidelines

Focus Designated Agencies on Client Outcomes

A. Progress Report

The Department of Mental Health

The Agency proposes to improve the mental health of citizens by increasing access, decreasing redundant services and documentation, and actively working with the Blueprint for Health and other areas of health care reform involving OHVA. The Department of Mental Health proposes substantial changes in the adult mental health services area, and smaller changes in other areas of care through partnerships with the designated agencies as well as the Office of Drug and Alcohol Programs and the Department of Disabilities, Aging and Independent Living.

Adult services are now composed of acute care services in Adult Outpatient Programs (AOP) and ElderCare Program (ECP), as well as in Community Rehabilitation and Treatment (CRT), the long term program for adults with serious mental health conditions. The changes proposed will begin to address several challenges. First, the need to provide more flexible services for those longer term consumers who wish to transition towards more independence but who are fearful that they will not have services if they need them in the future. Second, by creating a continuum of service for adults more consumers would be able to benefit from packages that are supportive of their individual choices and needs at the time.

Family and child program redesigns are encompassed in a larger effort to address services across all areas of AHS via Integrated Family Services (IFS) and addressed in a separate proposal. DMH is a full partner in that proposal.

DMH has a number of additional system efficiencies including changes in technology, a centralized crisis line for after hours' coverage, and streamlining of administrative oversight and paperwork to produce additional savings.

Department of Disabilities, Aging and Independent Living

DAIL is exploring how to utilize the individualized service plans the DA's have with consumers with developmental disabilities as performance based contracts based on better outcomes for consumers.

B. Challenge Outcomes and Proposed Measures

(see the detailed report from AHS in the appendix to this report)

C. Savings Identified To Date

(see the detailed report from AHS in the appendix to this report)

D. Legislation Required

- The Department of Mental Health (DMH) proposed two areas of legislation for the 2010 session which can be preferred methods for improving outcomes and reducing unnecessary expense to state government. Both bills are focused on the Challenges for Change main concept, to alter areas of service that do not achieve outcomes useful to clients, and/or are poor use of resources by which a better investment of funds could improve the lives of those persons. These two areas, involuntary medication and court ordered forensic observation, were proposed for legislative action in the form of two bills:
 - H. 616 An act relating to involuntary mental health treatment, and
 - H. 631 An act related to court ordered forensic evaluation of criminal defendants.

- The Department of Disabilities, Aging and Independent Living will need language will to ensure that efficiencies gained in the developmental services are not subject to continuing benefits during any appeal that might be filed. Individuals may appeal a change in their individual budgets, but continuation of benefits without change shall not apply to efficiencies identified and implemented during the pendency of any appeal.

CORRECTIONS

CORRECTIONS CHALLENGE

A. Progress Report

Central to achieving the objectives of the Corrections' Challenge is creating a unified criminal justice system. This system will utilize strategies to enhance community capacities so that offenders may receive services that reduce needs, such as transitional housing and treatment, at the lowest level of intervention by the Department of Corrections, consistent with public safety. These strategies will ensure that secure incarceration beds are prioritized for those offenders who need a higher level of correctional intervention.

By strengthening community capacities with additional probation office resources (such as staff and electronic monitoring equipment), creating residential substance abuse opportunities, using home confinement/incarceration as a sanction and expanding drug courts, technical violation behavior of lower level offenders can be more effectively addressed.

The incarcerated population and resulting costs can be decreased in line with the Corrections' Challenge goal by:

- Creating alternative sentencing options for the Court, such as home incarceration (24/7 at home) and home confinement (allows for participation in employment, treatment and community service).
- Expanding the time prior to serving the minimum sentence that an offender may be released to reintegration furlough.

A major result of this work will be an overall decrease in the use of incarceration within the Department of Corrections while maintaining public safety through enhanced supervision of offenders (consistent with their level of risk) in the community. Additionally, as this plan is implemented, there should be an increase in the use of alternative sanctions by the Courts, such as reparative board referrals and diversion, and a decrease in the number of people entering the Correctional system. Vermonters who commit crimes will be dealt with at the lowest appropriate level and diverted, wherever feasible, away from incarceration. In the past the Department has utilized electronic monitoring and alternative sanctions as deferring or release mechanisms. We believe that these strategies have lessened, though not erased, the rise in incarceration numbers.

B. Challenge Outcomes and Proposed Measures

(See the detailed report from AHS in the appendix to this report)

C. Savings Identified To Date

(See the detailed report from AHS in the appendix to this report)

D. Summary of Proposed Legislation

- a. Enact S, 292 as passed by the Senate and expand the bill to include the original Senate Judiciary Committee language regarding DUI 3 and greater.
- b. Amend the reintegration furlough statute, 28 V.S.A. §808(a) (8), to expand its timeframe from 90 days to 180 days for all offenses. DOC's current utilization of reintegration furlough is less than 20%.
- c. Amend 13 V.S.A. §7030(a) to include a sentencing option known as a "supervised release sentence" and prohibit the use of non-consecutive sentences such as a weekend interrupt sentence.
- d. Enact a statute to create a "Supervised Release" status based on the New Hampshire model.
- e. Establish home confinement as an optional condition of release to 13 V.S.A. §7554 and home incarceration as a sentencing option for courts.
- f. Authorize judges to grant "use immunity" to offenders charged with a violation of probation based on new criminal charges.
- g. Enact a statutory limitation on use of arrest warrants and incarceration for failure to pay a fine or surcharge.
- h. Authorize referral of misdemeanants to reparative boards at sentencing and authorize the boards to return such offenders to court for further sentencing for failure to comply with board requirements.
- i. Amend 28 V.S.A. §205(a) (3) (A) to standardize the probation term limit for felonies to a set period of years.
- j. Eliminate mandatory minimums for misdemeanor offenses by amending 23 V.S.A. §674(b) (DLS) and 13 V.S.A. §1028(a) (simple assault on a police officer).
- k. Adjust caseload ratios for lower level offenders.
- l. Combine Community Justice Centers and Diversion Boards to streamline and coordinate their efforts. This proposal was discussed by the stakeholder group as an option to explore for FY12.

EDUCATION

EDUCATION CHALLENGES

Introduction

1. Progress Report on the Education Challenges Plan of Implementation

A committee composed of a teacher, school board member, high school principal, supervisory union business manager, a superintendent, a technical center director, special education director, a State Board of Education member and a person from the private sector was formed and met six times with the Education Commissioner Armando Vilaseca, Bill Talbott and Tom Evslin to develop ideas for meeting the two challenges and six outcomes as stated in Act 68 of 2010, Section 6. The pros and cons of the ideas discussed at these meetings are the basis for this plan. While the complete discussion has informed my decisions, these recommendations are mine. I also include two other options as alternatives.

Status Report of the Plan

Act 68 of 2010 has fiscal challenges for FY 2011 and FY 2012. Given that school budgets adopted this past town meeting for FY 2011 were \$22,000,000 below “the 2009 estimates of fiscal year 2011 education spending used to determine property tax rate adjustments under 32 V.S.A. § 5402b” I am concluding that the FY 2011 fiscal challenge have been met. If my conclusion is not accepted we have estimated that \$3.5 million of the savings in the adopted budgets can be attributed to administration. This leaves a remaining amount of \$9.8 million to be reduced from the FY 2011. Given that budgets have already been adopted by the voters these savings could be made by assigning further reductions district by district using an allocation method sensitive to those districts that have been reducing costs or seen fewer spending increases. The rest of this status report refers to meeting the outcomes and the FY 2012 fiscal challenges.

General Education

The major driver of administration costs in the current system is the 307 schools in 280 schools districts administered through 58 supervisory unions and districts (two others are interstate school districts). Department staff point out that the cost of administration is mostly driven by the number of entities that need to be administered and less by the number of students. The most direct way to reduce administration costs is to reduce the demand for administration by reducing the number of entities needing administration. Ultimately, significantly reducing any costs in Vermont’s education system means reducing staff because at least 80 percent of the total cost of education comes from staff salaries and benefits. My proposal is as follows:

1. Merge the member districts of the 46 supervisory unions into supervisory districts by school year 2012-2013 so that the total number of supervisory districts (including the 12 already in existence) in the state is no more than 50. These districts averaging some 1800 pupils will be larger than what we are accustomed to but will still be small.

2. Establish minimum student-to-staff ratios in Year 1 at 4.75:1 (currently at 4.55:1) and 4.95:1 in Year 2. “Staff” refers to all staff employed by school districts and supervisory unions. “Pupils” refer to the full-time equivalent enrollment of the public schools. School districts should take advantage of attrition as much as possible to achieve the higher ratios. Even with the increased student-to-staff ratio proposed Vermont will still be among the fewest student-per-adult ratio of any state and, by national standards, our schools and districts will still be small. Arguably, our larger schools and districts will not lose the value of small size. They will be in a structure that gives the benefits of relatively small size complemented by at least some economies of scale.
3. Create a commission to review the viability of schools with enrollment of fewer than 75 students considering issues such as geographic isolation and the capacity of any surrounding schools. The purpose of the commission would be to identify small schools that should remain open.

I believe this plan will serve to reduce costs as well as increase learning opportunities leading to the desired outcomes for students. Simply put, smaller districts have fewer options financially and programmatically, larger districts have more.

Vermont’s 246 towns are served by over 280 school boards, with over 1,480 members, for approximately 92,000 students. Substantially reducing the number of school districts, and in turn boards, will provide consistent, high-quality opportunities to students. There is no magic number of school districts. However, they would have to be large enough to expand school choice for students, reduce the administrative inefficiencies we currently experience and economize the school staff.

In a more streamlined administrative structure, opportunities not currently available to our students and families could be realized. If there were more schools within each educational district, districts could offer options based on the interest and needs of individual students and families.

Middle and high schools could offer different options for students in order to attain their diploma. These schools could offer specialties in particular areas, while still providing the liberal arts education our public schools have traditionally provided. Schools could offer students the opportunity to do semester-long internships while still attending their school of choice. Not all high schools would operate this way, as our current structure serves many students well. However, for those capable students who do not reach their potential currently, these schools would offer an alternative. Schools partnering with private business could provide workforce development, internships, job shadowing or other forms of real-life learning that could be enhanced by such a model.

Schools could expand their offerings to concentrate on having a richer curriculum in specific topics, while their neighboring school may have a different focus. This type of “magnet” school concept could allow for one school to have a focus on arts/humanities while another school in their district could concentrate on math/science/technology. The

convergence of theory and application could be accomplished, as schools would not be expected to offer everything to everyone because students/parents would have a choice in their education.

Special Education

Special education is part of Vermont's education system offered by school districts and is not a separate system. The plan for meeting the two outcomes referring to students who have or may have special needs (numbers 5 & 6) listed below must be taken as a whole. For example, Item 1, providing a block grant for special education funding, will not work if districts remain small and are not merged and the other four components are not implemented.

The timeline for this plan has yet to be established. One gauge of the process is to consider that the department has been working with schools to implement the Response to Intervention for three years reaching about one-third of the schools.

1. Institute a block grant for special education based on ADM with a weighted system regarding individual student services to determine required allocation.
 - a. A separate process for residential students would need to be created.
 - b. Continue current process for state-placed students.
 - c. Continue process for unexpected and unusual cost requests.
 - d. Create a statewide limit on what schools can pay for an hourly rate for related service providers and daily rates for outside placements in day school programs. (The remainder cannot fall to the local budget.)
2. Require a specific team process to determine the need for paraeducator services. When a paraeducator is necessary, require a fading plan in the IEP.
3. Increase implementation of co-teaching through Education Service Areas (ESA) using reinvestment funds.
4. Require all schools to implement Positive Behavioral Intervention and Supports, Differentiated Instruction and Response to Intervention.
 - a. Training would be facilitated through ESAs using reinvestment funds.
 - b. All educators and administrators would be required to participate in the training.
5. Require a specific process/protocol for all service decisions at an IEP meeting with required training annually of all individuals serving in the role of the Local Education Agency at team meetings.

Option 2

If the proposal above is not accepted the fiscal challenge in FY 2012 can be met by establishing minimum student-to-staff ratios to take effect in FY 2012 at 4.95:1 (currently at 4.55:1). “Staff” refers to all staff employed by school districts and supervisory unions. “Pupils” refer to the full-time equivalent enrollment of the public schools.

Option 3

If Option 2 is not accepted the fiscal challenges in FY 2012 can still be met by allocating to each school district a mandatory reduction amount so that its FY 2012 education spending will be lower than its FY 2011 education spending by that amount. Leave to the local boards and administrators to determine the manner in which those cuts should occur.

2. Needed Changes to Laws and Regulations

In order to meet the challenges outlined above, session law with a limited life of three years that overrides current law and permits the commissioner to organize the new district configuration would need to be created. Once accomplished a proper review of Title 16 can be made so that statutes can be amended or repealed as required.

Suggested language for session law

Sec. xx. Merging School Districts

- a. Notwithstanding any law to the contrary, the commissioner of education in consultation with the State Board of Education’s Policy Commission on Redistricting shall reorganize the current school districts so that each supervisory union comprises no more than one district. The commissioner shall also review all existing and new supervisory districts and merge smaller ones so that the total number is no greater than 50. Each new district shall be organized so that each member town is proportionally represented in the new district board either in number or by means of weighted voting.

- b. The commissioner shall establish a timeline so that boards of school directors for the new districts can be elected before the school year beginning on July 1, 2011. That year shall be used for planning the operation and staffing of the new district, preparing a budget for the ensuing year and presenting it to the voters on Town meeting day in 2012. Each new district shall begin providing for the education of its pupils for the 2012 – 2013 school year.

- c. A commission is established composed of xxxxx to examine the viability of each school operating with an enrollment in FY2010 of fewer than 75 students. In determining viability the commission shall consider the geographic isolation of the school and the capacity of the surrounding schools to accept more students. Upon completion of its review the commission shall determine which schools shall be closed and present this list the Legislature on January 15, 2012.

d. The commissioner shall review all pertinent statutes regarding the organization and governance of school districts and recommend to the Legislature necessary changes resulting from this reorganization.

3. System to Measure the Success for Meeting Challenges and Achieving Outcomes

Outcomes measures under the Act are to be “simple, objective, consistent, and based on data that are currently collected or could easily be collected.”

(1) Increase electronic and distance learning opportunities that enhance learning, increase productivity, and promote creativity.

This is more of a “how” or way to achieve the outcomes than an outcome itself. By the end of this month the Learning Network of Vermont will be up and running in 90 schools across the state. This system allows students to use internet video to engage in learning experiences from anywhere in the world. To increase the capacity of this type of system high-quality broadband access must be delivered to each school. Work is currently under way using Stimulus funds toward this end. We also have many schools without LNV that are taking part in Scopia desktop trainings which include Webcam connections, sharing of desktop content and connecting to LNV cameras. Ninety-nine percent of schools do have some form of broadband, however, the quality differs greatly throughout the state.

In addition, we are exploring ways to partner with New Hampshire to combine our two states’ initiatives on virtual high schools.

(2) Increase the secondary school graduation rates for all students.

Sec. 44 of Act 44 of 2009 established a goal for all secondary schools in Vermont to achieve a completion rate of 100 percent by 2020. Each year the department publishes the high school completion rate for each school so that the attainment of this goal can be tracked. Two measures are used: 1. the event rate or the percentage of seniors who graduate and 2. a cohort rate or the percentage of ninth-graders who graduate in four years. The cohort rate is now the standard measure across the nation.

(3) Increase the aspiration, continuation, and completion rates for all students in connection with postsecondary education and training.

Beginning this year (FY 2010) the department has subscribed to the data service of the National Student Clearing House. The Clearing House has a post-secondary database of all students attending post-secondary institutions eligible to receive federal aid. This would include trade schools as well as four-year higher education institutions. With this student-level data we will be able to track graduated seniors who are attending one of the institutions in the Clearing House database. FY 2010 will be the first year we have these data and this year can be used to establish the baseline. I propose achieving this outcome in the same way the graduation rate outcome is proposed. By 2020, 100 percent of high school graduates will be attending a post-secondary institution.

(4) Increase administrative efficiencies within education governance in a manner that promotes student achievement.

This outcome will be achieved when school districts have merged into no more than 50 supervisory districts. This will provide opportunities for increasing administrative efficiency because fewer governance units will need to be administered. This will also improve student outcomes and increase equal educational opportunities because larger districts will have more choices to offer students and more opportunities to effectively use limited staff.

(5) Increase cost-effectiveness in delivery of support services for students with individualized education plans.

(6) Increase the use of early intervention strategies that enable students to be successful in the general education environment and help avoid the later need for more expensive interventions.

Outcomes 5 and 6 will be measured by a reduction of the number of paraprofessionals needed and the number of referrals for special education services, as well as a decline in the special education child count.