

S.286

An act relating to challenges for change.

The House proposes to the Senate to amend the bill as follows:

Sec. 1. LEGISLATIVE INTENT

(a) This act is intended to implement the concepts laid out by the report “Challenges for Change: Results for Vermonters,” as prepared by the steering team to the joint legislative government accountability committee and presented to the committee on January 5, 2010.

(b) Vermont state government is faced with a substantial gap between available revenues and projected expenditures based on the current manner of providing services. This act challenges us to redesign how we provide government services. If the challenges are fully met, we will create better methods for providing government services, while spending less money and still achieving the outcomes specified in this act.

(c) This effort will address an estimated \$38 million of the general fund projected shortfall and \$11 million in property tax pressure in fiscal year 2011; and in fiscal year 2012, would reduce spending by \$72 million in general funds and \$26 million in property taxes from fiscal year 2010 levels.

(d) Unlike traditional cuts in spending, these challenges focus both on available funding levels and on the outcomes expected, in order to give our citizens better results with less money.

(e) These challenges would require continued efforts in design and implementation work. This act is starting the reform process by issuing challenges and providing some tools to succeed in meeting those challenges. State agencies, school districts, local governments, and other recipients of state funds will have the opportunity to use their expertise to shape the changes necessary to meet these challenges.

(f) This effort addresses only one-quarter of our fiscal year 2011 shortfall. Efforts to address the remaining budget shortfall will be part of the regular budget process.

(g) This act summarizes the eight challenges in the Challenge Report, establishes the outcomes for each challenge, and requests a design for implementation of each challenge and its related accountability measures. The legislature recognizes and expects this initiative to evolve as all parties together seek to meet these challenges.

(h) The outcomes identified for each of the challenges will be used to guide administrators, policy makers, executives, service providers, and employees in taking action to meet the challenges.

Sec. 2. CHARTER UNIT CHALLENGE

(a) The charter unit challenge is to identify units of state government which agree to improve specified results while spending a combined total of \$2 million less in fiscal year 2011 than in fiscal year 2010 and, in fiscal year

2012, spending \$4.5 million less than in fiscal year 2010, or by generating all or a portion of these amounts in entrepreneurial revenue. The charter units will enter into formal agreements with the secretary of administration to specify between three and eight measurable results to improve, and the flexibility in practices and procedures needed to accomplish the target results.

(b) Outcomes for the charter unit challenge:

(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.

(2) Increase employees' engagement in their work.

(3) Produce outcomes for Vermonters that are the same as or better than outcomes delivered prior to redesign.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system

shall include measures that are simple, objective, consistent, and based on data that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

Sec. 3. PERFORMANCE CONTRACTING AND GRANT-MAKING
CHALLENGE

(a) The performance contracting challenge is to institute performance contracting and performance grant-making to achieve better results from contractors and grantees at a fiscal year 2011 cost which is 3.5 percent lower than fiscal year 2010 spending, and at a fiscal year 2012 cost which is 10 percent lower than fiscal year 2010 spending. The goal is to pay contractors based on results, while reducing the total price of contracts and grants. It is also to reduce the cost of compliance for vendors while maintaining compliance with essential state requirements. This challenge is directed to areas of government other than programmatic service grants and contracts in human services which are addressed in Sec. 4 of this act. It does apply to administrative and operational vendor contracts in human services, including such items as Medicaid claims, out-of-state beds, and prisoner health care.

(b) Outcomes for performance contracting and grants:

(1) Increase the use of performance contracts with the goal of converting \$70 million of contracts to performance-based contracts.

(2) Contractors and grantees meet performance targets specified in contracts.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system shall include measures that are simple, objective, consistent, and based on data that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

Sec. 4. HUMAN SERVICES CHALLENGE

(a) The client-centered, results-based, human services challenge to the state's human service administrators, employees, and service providers is to redesign delivery of the state's human services programs and health care system as a client-centered, integrated system that improves outcomes within budget constraints. There are four parts to this challenge:

(1) Client-centered intake and client-centered coordinated and managed services. Improve the outcomes for individuals and families receiving services from the agency of human services, while spending five percent less in fiscal year 2011 than in fiscal year 2010 and in fiscal year 2012 spending 10 percent less than in fiscal year 2010, by redesigning the delivery of services to be more efficient, interconnected, and targeted to achieve the essential outcomes with less duplication of services.

(2) Support services promoting independence of elders and individuals with disabilities. Maintain or improve services for elders and individuals with disabilities by redesigning how support services are provided and by allowing family members who desire to be caregivers to provide part of the support services, while spending two percent less in fiscal year 2011 than in fiscal year 2010 and five percent less in fiscal year 2012 than in fiscal year 2010.

(3) Expand the policy of using payment methods based on outcome measures. Redesign grants and contracts made by the agency to service

providers to use payment methods to achieve spending five percent less in fiscal year 2011 than in fiscal year 2010 and 10 percent less in fiscal year 2012 than in fiscal year 2010, while maintaining or improving service.

(4) Outcomes-based contracts with the designated agencies. Improve the outcomes of individuals and families served by the 17 agencies designated under 18 V.S.A. § 8905 to provide mental health services and services to individuals with a developmental disability, while spending five percent less in fiscal year 2011 than in fiscal year 2010 and 7.5 percent less in fiscal year 2012 than in fiscal year 2010, by enhancing collaboration among these agencies and by redesigning the contracts.

(b) The agency of human services shall be governed by the general outcomes in subdivision (1) of this subsection, while achieving the specific outcomes in subdivision (2):

(1) General outcomes.

(A) Children, families, and individuals are engaged in and contribute to their community's decisions and activities.

(B) Pregnant women and children thrive.

(C) Children are ready for school.

(D) Children succeed in school.

(E) Children live in safe, nurturing, stable, supported families.

(F) Youths choose healthy behaviors.

(G) Youths successfully transition to adulthood.

(H) Elders, people with disabilities, and individuals with mental health conditions live with dignity and independence in settings they prefer.

(I) Families and individuals live in safe and supportive communities.

(J) Adults lead healthy and productive lives.

(K) Vermonters receive affordable and appropriate health care at the appropriate time, and health care costs are contained over time.

(L) Families and individuals move out of poverty through education and advancement in employment.

(2) Specific outcomes.

(A) Client-centered intake.

(i) Individuals and families will direct their own lives and will be supported in pursuing their own choices, goals, aspirations, and preferences.

(ii) Individuals and families will have access to apply for health and human services programs for which they are eligible through any department or office of the agency.

(B) Client-centered coordinated and managed services.

(i) Individuals and families will direct their own lives and will be supported in pursuing their own choices, goals, aspirations, and preferences.

(ii) The individual will be at the core of all plans and services and will be treated with dignity and respect.

(iii) Individuals and families with multiple needs will have coordinated services with a single point of accountability to manage the services.

(iv) The agency and service providers will work across departments and organizations to interweave funding sources to ensure efficient and effective use of available funds to meet individuals' and families' needs in order to promote the outcomes in this subsection (b).

(v) The agency and service providers will involve employees and consumers of services in developing the strategies to meet these outcomes.

(C) Support services promoting independence of elders and individuals with disabilities.

(i) All service providers will have performance measures or indicators based on the outcomes in this subsection (b).

(ii) The individual's personal and economic independence will be promoted.

(iii) Families who choose to be caregivers will be supported to provide available and appropriate services for elders and individuals with disabilities.

(iv) Families will receive relief from caregiving responsibilities in order to continue to provide care over the long term.

(D) Expand the policy of using payment methods based on outcome measures.

(i) The administrative and reporting burden for nongovernmental service providers will be reduced.

(ii) Each nongovernmental service provider will have performance measures or indicators based on the outcomes provided for in this subsection (b).

(iii) Nongovernmental service providers will report performance measures or indicators of outcomes once for all grants or contracts with the agency to ensure efficient and simple administration.

(E) Outcome-based contracts with the designated agencies.

(i) The administrative and reporting burden for the designated agencies will be reduced.

(ii) The designated agencies will have performance measures or indicators based on the outcomes provided for in this subsection (b).

(iii) The designated agencies will report performance measures or indicators of outcomes once for all grants or contracts with the agency to ensure efficient and simple administration.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system shall include measures that are simple, objective, consistent, and based on data that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

Sec. 5. CORRECTIONS CHALLENGE

(a) The corrections challenge is to the secretary of human services, commissioner of education, and administrative judge to collaborate to develop a plan which if implemented would reduce the number of people entering the corrections system, decrease the recidivism rate, improve community safety, and reduce the corrections budget by \$10 million in fiscal year 2011 and \$10 million in fiscal year 2012. In fiscal year 2011, \$3 million of the \$10 million saved, and in fiscal year 2012, \$2 million of the \$10 million saved shall be

reinvested in programs and services which will reduce the number of people entering the criminal justice system and decrease the recidivism of those who do enter the system.

(b) Outcomes:

(1) The number of people returned to prison for technical violation of probation and parole, while ensuring public safety, shall decrease.

(2) The number of people coming into the corrections system shall decrease.

(3) The number of nonviolent offenders diverted from prison into the community while ensuring public safety and providing effective consequences for criminal behavior shall increase.

(4) Recidivism shall decrease.

(5) A unified crime prevention and justice system shall be established.

(6) Revenues realized within the corrections system from programs designed to develop skills of offenders shall increase.

(7) Short-term lodgings in department of corrections facilities shall decrease.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system shall include measures that are simple, objective, consistent, and based on data that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

Sec. 6. EDUCATION CHALLENGES

(a)(1) The focus on learning challenge is to education policy makers and school administrators to improve student learning and reduce costs of administration, resulting in education spending savings of \$13.3 million in fiscal year 2011, and education spending savings of \$40 million in fiscal year 2012. In fiscal year 2012, 25 percent of the total savings will be reinvested in instructional activities.

(a)(2) The special education incentives challenge is to education policy makers and school administrators to improve special education student

outcomes, including graduation rates and employment, while spending five percent less in fiscal year 2011 than in fiscal year 2010, and 7.5 percent less in fiscal year 2012 than in fiscal year 2010.

(b) The outcomes for education for the focus on learning and special education challenges, each of which outcomes is equally important, are:

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

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

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

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

(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.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system shall include measures that are simple, objective, consistent, and based on data that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

Sec. 7. REGULATORY CHALLENGE

(a) The regulatory reform challenge is to the state's environmental and energy regulatory systems to achieve the current standards, goals, and requirements of federal and state law and regulation through improved administrative, application review, and compliance processes while spending three percent less in the agency of natural resources' and agency of agriculture, food and markets' budgets in each fiscal year 2011 and 2012 than in fiscal year 2010.

(b) Outcomes for regulatory reform: The secretary of natural resources, the secretary of agriculture, food and markets, the chair of the public service board, the chair of the natural resources board, the commissioner of public service, and the administrative judge shall protect Vermont's natural resources and collaborate to develop a plan that when implemented will meet the following outcomes:

(1) The permitting and licensing processes achieve environmental standards, and are clear, timely, predictable, and coordinated between agencies and municipalities.

(2) The permitting process enables applicants to readily determine what permits and licenses are needed and what information must be submitted to apply for those permits and licenses.

(3) The permit and enforcement processes enable citizens and visitors to the state of Vermont to understand and comply with the laws protecting our natural and agricultural resources.

(4) Permitting, licensing, and environmental protective services are cost-effective and user friendly.

(5) The decision-making process is transparent, and citizens understand and participate in the process.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system shall include measures that are simple, objective, consistent, and based on data that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

(d) The proposal for a system of accountability measures described in subdivision (c)(3) of this section shall also include measurements to determine the rate of compliance with time limits established under 3 V.S.A. § 2822(g) (time limits for agency of natural resource permit applications) and 10 V.S.A.

§ 6083(d) (time limits for Act 250 permit applications) and whether those time limits can be reduced.

Sec. 8. ECONOMIC DEVELOPMENT CHALLENGE

(a) The economic development challenge is to improve economic development results while spending \$3.4 million less in both fiscal years 2011 and 2012 than in fiscal year 2010.

(1) The challenges for change initiative calls for a \$3.4 million dollar reduction in economic development spending in both fiscal years 2011 and 2012 on economic development programs identified in the unified economic development budget in the agency of commerce and community development; the agency of administration; the agency of agriculture, food and markets; the department for children and families; the department of labor; and the department of public service, as well as economic development-related tax expenditures, incentives, and subsidies identified in the unified economic development budget, and in telecommunications.

(2) Of the \$34.26 million of appropriations in the unified economic development budget, approximately \$24.3 million comes from state funding and approximately \$9.95 million comes from federal funding.

(3) The challenge is to improve economic development results as described in this subsection by:

(A) identifying measurable results of improvement;

(B) designing evidence-based economic development strategies to achieve these improvements and the four goals of economic development identified in 10 V.S.A. § 3;

(C) directing available state funds to these strategies; and

(D) using objective, data-based indicators to measure performance of these strategies.

(b) Outcomes for economic development:

(1) Vermont achieves a sustainable annual increase in nonpublic sector employment and in median household income.

(2) Vermont attains a statewide, state-of-the-art telecommunications infrastructure.

(c) Design and implementation: Within four weeks of the enactment of this legislation, the persons to whom these challenges are issued shall provide the general assembly and the committees of jurisdiction with the following:

(1) A progress report on the plan of implementation.

(2) A request for any changes to or exemptions from existing law, rules, and regulations, or additional authority necessary to meet these challenges and achieve these outcomes.

(3) A proposal for a system of accountability to measure success in meeting the challenges and achieving the outcomes. The proposed system shall include measures that are simple, objective, consistent, and based on data

that are currently collected or could easily be collected. The proposed system shall also include a schedule for accountability in meeting these challenges and achieving these outcomes, and shall identify milestones, include assessments of effectiveness, and provide for quarterly meetings with the house and senate committees of jurisdiction. The proposed system shall be submitted for approval as provided in Sec. 10 of this act.

Sec. 9. APPROPRIATIONS; REDUCTIONS AND INVESTMENTS

(a) In creating the challenges for change and design for implementation, the general assembly and the executive branch have worked together. In implementation, the executive branch will take the lead, in accordance with established outcomes and accountability measures and reporting, with a joint executive and legislative steering team, appointed by the joint government accountability committee, to oversee the implementation.

(b) In fiscal year 2011, the secretary of administration is authorized to reduce general fund appropriations or reduce other appropriated funds and make transfers to the general fund and is authorized to reinvest a portion of the reduced funds, as specified in the following subsections. The secretary of administration, in consultation with the steering team, shall develop an initial outline for the use of these reinvestment funds in one-time expenditures which will most successfully implement the challenges. This outline should include investment criteria, should reserve a portion of the funding for future

innovations not yet identified, and should provide both guidance and flexibility to the implementing agencies and departments. Agencies and departments may apply to the secretary of administration for reinvestment funds in accordance with the outline. The secretary of administration shall report at least monthly to the steering team and the joint legislative government accountability committee on funds reinvested to meet these challenges.

(c) The secretary of administration shall have the following authority for each of the challenges:

(1) Charter Units. In fiscal year 2011, the secretary may reduce up to \$3 million of general funds appropriated to units of government that become charter units or make similar transfers to the general fund and may reinvest up to \$1 million of these funds to foster Charter Unit innovation.

(2) Performance Contracting and Grant Making. In fiscal year 2011, the secretary shall reduce general fund appropriations or make transfers to the general fund, or both, by a total of at least \$2,600,000.00; and to achieve this reduction, the secretary may reduce total appropriations up to \$7,000,000.00. The secretary may invest in performance contracting up to \$500,000.00 at any time during fiscal year 2011, so long as the general fund appropriation reductions under this subsection, by the end of fiscal year 2011, after this investment, equal or exceed \$2,600,000.00.

(3) Human Services. In fiscal year 2011, the secretary shall reduce human services general fund appropriations or make transfers to the general fund, or both, by a total of at least \$16,816,000.00; and to achieve this reduction, the secretary may reduce total appropriations up to \$46,040,000.00. The secretary may invest up to \$4,000,000.00 as needed to accomplish this challenge at any time during fiscal year 2011, so long as the general fund appropriation reductions under this subsection, by the end of fiscal year 2011, after this investment, equal or exceed \$16,816,000.00.

(4) Corrections. In fiscal year 2011, the secretary may reduce general fund appropriations in the department of corrections or other criminal justice system organization budgets by up to \$10,000,000.00 and may reinvest up to \$3,000,000.00 to accomplish this challenge; but shall reduce general fund appropriations by at least \$7,000,000.00 plus the amount of reinvestment.

(5) Education. Focus on Learning. In fiscal year 2011, the secretary shall reduce the general fund appropriation and transfer to the education fund by \$3,966,375.00. It is expected that as part of the implementation plan developed in this act, total local education spending related to administration, which includes expenditures related to general administration, school administration, and other support services as defined in the Summary of Annual Statistical Report of Schools (SASRS) as determined by the commissioner of education in consultation with the secretary of administration,

will be reduced by \$13,332,500.00 from the 2009 estimates of fiscal year 2011 education spending used to determine property tax rate adjustments under 32 V.S.A. § 5402b; and up to \$2,000,000.00 of education funds may be allocated for reinvestment to meet this challenge, and savings in excess \$3,966,375.00 plus the amount of the reinvested funds will result in lower property taxes.

(6) Special Education Incentives. In fiscal year 2011, the secretary shall reduce the general fund appropriation and transfer to the education fund by \$2,100,000.00. It is expected that as part of the implementation plan developed in this act, total special education spending will be reduced by \$7,000,000.00, and of this total, \$1,000,000.00 of education funds will be allocated for reinvestment to meet the challenge, and the remainder will result in lower property taxes. It is anticipated that \$4,200,000.00 of this reduction will have an impact on the special education grant.

(7) Regulatory Reform. In fiscal year 2011, the secretary shall reduce total general fund appropriations in the agencies of natural resources and agriculture, food and markets by \$360,000.00, and to achieve this reduction, the secretary may reduce total appropriations to these agencies by up to \$1,720,000.00, and may reinvest up to \$400,000.00 to accomplish this challenge, so long as the general fund reductions under this subsection, by the end of fiscal year 2011, equal or exceed \$360,000.00.

(8) Implement an Economic Development Strategy. In fiscal year 2011, the secretary shall reduce total general fund appropriations related to economic development by \$3,030,000.00, and to achieve this reduction, the secretary may reduce total appropriations related to economic development by up to \$3,430,000.00, and may reinvest up to \$400,000.00 to accomplish this challenge, so long as the general fund reductions under this subsection, by the end of fiscal year 2011, equal or exceed \$3,030,000.00.

(d) In fiscal year 2010, up to \$4,000,000.00 of general funds are appropriated to the secretary of administration for one-time investments authorized in this act to meet the challenges. These funds shall be subject to requirements of subsection (b) of this section. The investments made in each challenge with the general funds appropriated in this subsection shall be offset within each challenge by a like amount of appropriation reductions or transfer of other funds to the general fund in fiscal year 2011, and reduction by a like amount of the investment identified in subsection (c) of this section for that challenge.

Sec. 10. ADDITIONAL LEGISLATIVE STEPS TO IMPLEMENT THE
CHALLENGES FOR CHANGE

(a) Within two weeks after submission of the proposed systems of accountability to the committees of jurisdiction, including all committees which participated in the design of the outcomes, those committees shall

consider the proposed systems and make their recommendations to the joint government accountability committee (GAC) on whether the proposed systems will provide sufficient information for legislative oversight of progress toward the outcomes.

(b) GAC, upon recommendation from the committees, shall vote whether the proposed systems are sufficient and should be accepted, in whole or in part. For any portion of the proposed systems not accepted, GAC shall request the secretary of administration to revise and resubmit new proposed systems to the committees for their review and recommendation to GAC, followed by GAC's vote for acceptance or further request to the secretary of administration for revision and resubmission.

Sec. 11. EFFECTIVE DATE

This act shall take effect upon passage.