

Report of the Governor's Commission on Innovation, Efficiency, and Transparency

Delivering 21st Century Operating Performance

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Highlights: Report of the Governor's Commission on Innovation, Efficiency, and Transparency

Delivering 21st Century Operating Performance

New Hampshire State Government's record on innovation and efficiency is more a reflection of individual initiative and ad hoc efforts than an institutional commitment to the sort of informed transparency, management processes, and resource commitments that can permanently change the trajectory of the state's operating performance. As a consequence, state government operating performance lags its peers and the private sector. What the citizens of New Hampshire deserve and should require is not a few innovations, but state government that is innovative; not a set of efficiency efforts, but state government that drives efficiency constantly; and not a state government whose expenses only are transparent, but one whose performance is transparent. Fortunately, there are ample opportunities for improvement...not just in a set of projects....but in the operating management of the institution. To that end, we recommend creating an operating management framework that:

- Balances control and informed focus on operating performance, e.g., establishment of the role of Chief Operating Officer and the adoption of Balanced Scorecards to measure and manage Executive Branch operating performance, (see pp. 19-23)
- Commits resources to innovation, efficiency, and transparency, e.g., the establishment of an Innovation and Efficiency Fund to resource appropriate investments that meet target hurdle rates, refreshing the state's employee classification system to better enable the right resources in the right roles, and investing prudently in technology, (see pp. 24-26)
- Organizes to enhance operating performance, e.g., immediately reduces the Governor's span of control by consolidating certain smaller bodies, explores more fundamental Executive Branch reorganization, and tests the value of organizing around "client" segments, (see pp. 26-28) and
- Incentivizes superior operating performance, e.g., ensuring that some portion of the fiscal dividends produced by innovation and efficiency efforts are retained in the enabling organizations and providing meaningful incentives to individuals and teams that innovate. (see p. 28)

In the end, changing the state's operating performance simply requires doing the right things the right way. New Hampshire's political leadership makes the choice of the right things. Doing things the right way will require changes in the organization and management of the state's resources. The recommendations detailed below chart a path to accomplish that objective.

We are mindful that innovation, efficiency, and transparency are not a "free lunch", even if the returns are substantial over time. We have strived to craft a fiscally prudent approach to changing the trajectory of the state's operating performance, one that starts quickly and focuses initially on low hanging fruit. Some will argue that now is not the time; that current fiscal constraints are too severe. We argue that now is precisely the time for without significant change in the state's operating performance there will be no relief.

Report of the Governor’s Commission on Innovation, Efficiency, and Transparency in State Government

Delivering 21st Century Operating Performance

Executive Summary

Governor Hassan’s charge to the Commission on Innovation, Efficiency, and Transparency in State Government is both far reaching – “to reposition state government for the 21st century” – and quite specific. The Commission tasked with:

- “Examining the organization of state government,”
- “Examining and making recommendations for improving government processes, including the use of technology,”
- “Examining and recommending methods for improving the State’s contracting and relationship with partners,” and
- “Making recommendations for performance metrics for state government and improving transparency.”

New Hampshire State Government’s political leadership and policy institutions decide what New Hampshire State Government does. We accept those decisions as given, beyond this Commission’s scope and purview. Our focus is on the State’s operating performance – doing things *the right way*. In particular, we gauge and seek to improve the State’s operating performance through the lens of innovation, efficiency, and transparency.

The small government that the Founding Fathers envisioned and on which New Hampshire still prides itself today has in fact grown to become a large institution with a 10,000 person workforce and nearly \$6 billion in annual expenses. But the State’s operating resources, institutions, and mechanisms have not kept pace with the world in which New Hampshire State Government operates or with state government’s increasing scale. As a consequence, the State’s operating performance has lagged.

Political debate will continue over what services and functions state government should deliver. But once decided, there should be no argument about achieving those results in an innovative, efficient, and transparent manner. The repositioning of state government that we seek, then, is an organization that delivers 21st century operating performance. By that, we mean a government that efficiently and effectively delivers services, that embraces innovation, and transparently describes its stewardship of resources and the results it achieves. The repositioning the citizens of New Hampshire deserve and should demand is not just a few innovations, efficiency projects, and improvements in transparency in the first decades of the 21st century, no matter how individually worthwhile, but a New Hampshire State Government that is innovative and drives constantly to be more efficient and more transparent through

this century. If this is to be about repositioning for the 21st century, it can't be just about the level of operating performance; it must be about State Government's operating performance trajectory. This will require continuing tangible change, ranging from smaller efforts like optimizing the check run process in Treasury and the Department of Administrative Services, modernizing the state's physical inventory process, and significantly reducing the use of mail, to larger undertakings like retooling the entire contracting/outsourcing process, capturing economies of scale across all routine, repetitive back office activities, organizing for "customer" service, and effectively using technology. In short, it will require changes in the way New Hampshire State Government operates; how it is organized, managed, and overseen. Doing the same things the same way that they have always been done will not transform operating performance.

In brief, we conclude that:

- Despite progress on innovation, efficiency, and transparency, there is compelling internal and external evidence that New Hampshire State Government has significant opportunities to improve operating performance.
- Seizing those opportunities should yield significant fiscal and service returns to State Government's multiple constituencies, whether by reducing revenue requirements, improving services, and/or enhancing the career opportunities for and productivity of state employees.
- While there is always risk associated with change, most of these opportunities will not require the sort of risks associated with invention, merely the risks associated with doing things differently. Still, change is not embraced by state government. Thus, the path proposed herein is a measured approach to change designed to test proposals, to learn and to adapt while ensuring fiscal responsibility.

The essential ingredients for delivering 21st century operating performance will be 21st century operating resources, management, and oversight. What New Hampshire State Government requires in our view is an operating management framework that:

- Balances control and informed focus on operating performance,
- Commits resources to innovation, efficiency, and transparency,
- Organizes to enhance operating performance, and
- Incentivizes superior operating performance.

Detailed herein, we examine New Hampshire State Government's record on innovation, efficiency, and transparency. We report and reflect on what we heard in our discussions, in particular in an extended set of NH Listens dialogues. We review a case for change that focuses on the opportunity to improve performance, the need for fiscal relief, and the potential benefits of improving operating performance. We outline a long-term framework for sustained improvement in the trajectory of New Hampshire State Government's operating performance. We suggest possible initial undertakings. And we recommend a roadmap for beginning the process of achieving 21st century operating performance.

But why now? After all, change inevitably involves risk. It often requires investment. And already there is much on State Government's plate. Some will argue that the State should wait for a more fiscally advantageous moment. But the State's current fiscal distress is not a matter of cyclical timing. There is no reason to believe that the state's fiscal position will dramatically improve by the next budget or the one after that. Why defer the benefits of innovation and the service opportunities and the fiscal dividends that could be realized? The sooner New Hampshire State Government deliberately and institutionally drives for innovation, efficiency, and transparency; the sooner the state will reap real rewards.

The Record on Innovation, Efficiency, and Transparency

New Hampshire State Government's roots lie in political innovation. Our original constitution, the Constitution of 1776, was the first written constitution in the colonies, preceding the Declaration of Independence by six months. And "the first draft of the permanent constitution was produced by the world's first modern constitutional convention, held in Concord, New Hampshire in 1778."¹ An essential part of that political framework was and is transparency. Article 8 of the New Hampshire Bill of Rights of 1784 (and as amended in 1976) creates a constitutional obligation for transparency: "Government, therefore, should be open, accessible, accountable and responsive. To that end, the public's right of access to governmental proceedings and records shall not be unreasonably restricted." As recently as 2008, legislation further clarified and generally extended State Government's transparency obligation. In this most recent instance, the extension was to ensure access to government meetings and records. But the state's operating mechanisms, the cadence of its operating processes, and its structure have not kept pace with the environment within which state government operates or the requirements of a large, complex institution.

Innovation and Efficiency

Innovation and efficiency have been complementary forces, fueling expense reductions and service level improvements in New Hampshire State Government. In large part, that progress has been the product of individual initiative and leadership. But it is also been a product of a growing institutional commitment to Lean, a continuous process improvement methodology that provides an approach for transforming state processes, emphasizing activities and resources that add value to customers and constituents while reducing or eliminating low value activities and resources. The Executive Branch's first foray into Lean was driven from the ground up in mid-2009. Later, several departments broadened their application of Lean. Today, sixty state staff members are certified as Continuous Improvement Practitioners. The Department of Administrative Services' Bureau of Education and Training provides a Lean curriculum. And more agencies are applying the Lean approach.² The state also has a Suggestion and Extraordinary Service Award Program to incentivize and reward state employees for innovation and

¹ The New Hampshire State Constitution A Reference Guide by Susan E. Marshall, 2004, p. 1.

² For a more complete description of LEAN activities and resources in New Hampshire State Government see www.lean.nh.gov.

service.³ Yet, over the past two and a half years, only five state employees have received awards totaling \$3250 for four different projects. Finally, looking ahead, the State's budget process is being significantly revised via RSA-94, which requires agencies to submit efficiency expenditure requests as part of the biennial budget. This change could have a significant effect on innovation and efficiency in State Government.

Process transformation and other innovations have been applied across the Executive Branch to good effect. Even a partial list of recent efforts illuminates the scale of the commitment and the progress achieved. For example, in the Department of Administrative Services, Lean scanning of images at the agency saves nine tons of paper and 10,000 gallons of gasoline annually. The Department of Environmental Services' Hazardous Waste Remediation Bureau now automatically generates cost-recovery bills, saving staff time, improving cash-flow, and accelerating site clean-up. The Department of Health and Human Services' Bureau of Behavioral Health and New Hampshire Hospital have instituted "Project RED": Reengineered Discharges, reducing 30 day readmission rates by 25 percent, decreasing utilization of hospital emergency rooms, and improving patient readiness for discharge and continuing care. The Department of Safety revised processes, reducing time from arrest to prosecution for misdemeanors handled by State Police Prosecutors from 153 to 51 days. In addition, by introducing a traffic ticket arbitration system, the Department of Safety has reduced its court overtime budget. And the Turnpike Bureau of the Department of Transportation has introduced Lean staffing in Toll Operations, saving \$2 million annually.

Clearly progress is being made. Today, innovation and efficiency are a part of the fabric of Executive Branch operations.⁴ Yet, it is striking that since 1932, and then at approximately decade intervals from 1950 to the present, New Hampshire State Government leaders have empaneled similar efficiency commissions. And as there is no regular reporting framework for monitoring and reporting innovation and efficiency efforts and results, the State's commitment should still be viewed as ad hoc.

Transparency

Public sector transparency has deep roots in New Hampshire's political framework. New Hampshire State Government's most complete pan-government effort at transparency is www.nh.gov/transparentNH, started in 2010. The website describes TransparentNH as a "portal for information about how New Hampshire spends tax dollars and other revenue to provide services to residents."⁵ The site is essentially an open check book on budget and actual revenue and expenses at a remarkable level of detail. For example, in the Employee Pay Scale section of the website, pay information can be searched and viewed by agency, job title, pay type, salary range, and year. Other than headcount, TransparentNH includes no non-financial data on such things as physical assets, outcomes, or service levels. From January 1, 2014 through October 15, 2014, there were 13,594 unique visitors to the website, making 16,845 visits and viewing 34,916 pages. However, most visitors don't

³ For more information on this program see www.admin.state.nh.us/hr/employee.asp.

⁴ For a more complete list of innovations and efficiency efforts see Appendix A.

⁵ www.nh.gov/transparentnh/, p.1.

appear to spend much time on the site: 84.3 percent of visits were for less than 30 seconds and 91 percent of visits were for less than 2 minutes. The most frequently downloaded page was “Position Pay.”

The state budget for TransparentNH is at best a marginal commitment to public sector transparency. There are no full time resources dedicated to the site, rather just a partial commitment of 4 staffers’ time both for technology and posting the data.

“TransparentNH has successfully met the basic standards set in place by the 2010 legislation. In 2012, New Hampshire earned a D- ranking from the U.S. Public Interest Research Group Education Fund, a grade based on searchability and breadth of content within the state’s transparency website. Additional efforts raised that grade to a B- in 2013. However, in their most recent study—published in April of this year—New Hampshire’s grade fell to a C+.”⁶ New Hampshire’s approach to transparency emphasizes fiscal attributes, while the thought leaders among state governments are extending their approach to transparency to include performance based metrics.

In addition to TransparentNH, all state departments and agencies have websites that describe their activities and supply forms, information, and contact options. The Department of Transportation has taken a significant next step, adopting a balanced scorecard approach to reporting on performance.⁷ Performance measures (e.g., salt usage, employee injury incident rate, red listed state bridges, and plow times) are linked to objectives (e.g., increased consumer satisfaction, improved department efficiency, and protect and enhance the environment). Ultimately, those measures are linked to the department’s goals related to performance and effective resource management. The DOT Balanced Score Card is both a management tool and an assurance of transparency. Other departments and agencies are developing their own Balanced Scorecards, e.g., DES and DRA.

What We Heard...NH Listens

To ensure constituent and private and public sector input to the Commission’s deliberations, the Commission worked with NH Listens to organize, facilitate, and report on representative conversations with citizens, state government employees, and representatives of vendors to and partners with state government. We quote below from the final report that resulted from this process:

“The focus of each conversation was different based on attendees. At the public conversations, any interested New Hampshire resident was welcome to attend and share his or her view. These conversations were held on June 3rd (2014) in Conway, Manchester, Peterborough, Portsmouth, Warner, and Whitefield. At the state employee conversations, held in Concord on June 24th and 26th, employees from a variety of state

⁶ “Bolstering Government Transparency in New Hampshire”, p.1, May 2014. The Nelson A. Rockefeller Center at Dartmouth College.

⁷ To see a complete discussion of the DOT Balanced Score Card go to www.nh.gov/dot/org/commissioner/balanced-scorecard.

agencies attended. Finally, the vendor conversation held in Concord on June 23rd was attended by a range of business and nonprofit representatives from New Hampshire and elsewhere.

NH Listens had a goal of recruiting participants from across the state representing multiple perspectives and communities. Outreach was conducted statewide through email and personal contact (see Appendix B: Invitation to Participants). The purpose of these conversations was to engage participants in a constructive conversation, not to advance a particular set of goals or solutions.

The participants in this project spent three hours on a weekday morning or evening in a facilitated discussion about their experiences and priorities for increasing efficiency, transparency, and innovation in state government. It is significant that our overall summary shows evidence of substantially overlapping concerns. Over 370 people registered in advance to participate in the sessions, and 283 people attended one of the three types of conversations.”⁸

The NH Listens Summary of Findings is printed below. The complete text of their report can be found at http://nhlistens.org/sites/nhlistens.org/files/media/Granite_State_Govt_Final_Report_Print.pdf.

“The conversations converged around six primary sets of findings, including:

1. State Government Structure and Culture—The culture within and across departments and agencies in state government is affected by a shrinking workforce, inadequate technology, insufficient advancement opportunities, and strained supervision and leadership. This culture was seen as impeding the ability of employees to be efficient, innovative, and transparent. Current systems and processes were often described as slow, antiquated, and bureaucratic, and many participants commented on the need for improving communication within and across agencies. Building cross-agency relationships was seen as a pathway to more effective communication as well as a way to pursue more cohesive goals for the state.
2. Access to Information, Communication, and Technology—Inefficient systems of technology and communication were identified as barriers to accessing and understanding information as well as to generally getting things done. Processes such as bidding and procurement were seen as inefficient due to large amounts of paperwork which could be remedied by updated electronic systems. Many participants expressed a desire to see state agencies put time into explaining and contextualizing data (in addition to just posting online) so that people can understand the implications of the information.
3. Funding and Resource Allocation— All groups discussed the importance of understanding the state budget, and many felt the state should provide clearer information about

⁸ “Granite State Government Final Report”, NH Listens, September 2013, p. 9.

the budget and how funds are spent. A frequent concern among groups was that New Hampshire state government is penny-wise but pound-foolish. There were concerns about an overdependence on federal funding, as well as balancing limited resources and funds with services and products that will endure over time. Some groups felt that agencies duplicated spending due to lack of coordination.

4. New Hampshire's Unique Political Structure— New Hampshire's unique governmental structure was discussed frequently with the large number of state representatives, the Governor's two-year term, the Executive Council's role, hearings for bills, and wages for elected officials all mentioned as needing reconsideration. Participants were concerned that many bills do not get ample time for consideration or that the same inexpedient-to-legislate issues are explored over and over. Although state employees rarely commented specifically on the structure of government, they made comments about how changes in political control of the Governor's office or legislature affected their work environment as well as agency goals and priorities.

5. Citizen Participation and Civic Learning—Ensuring opportunities for New Hampshire citizens to learn about and participate in government was frequently discussed. Groups discussed the importance of helping New Hampshire residents understand basic government processes as well as knowledge of who represents them. However, not all groups felt that the government should carry the sole burden of education, but that a balance should be encouraged where citizens seek information and where the government effectively provides it. Groups identified participation as more public meetings, opportunities for dialogue, and collaborative strategic planning for long-term goals.

6. Bidding and Contracts— The complexity of the contracting process overall, from initiation through payment, was identified as a concern. Improvements in technology, consistency in rules and processes across agencies, and streamlining procedures were seen as necessary. Some participants talked about the complications that the Governor and Executive Council process creates for contract work.”⁹

The NH Listens findings reinforce observations from many of the Commission's interactions with New Hampshire State Government's multiple constituencies. We would highlight four broadly held views:

- First, New Hampshire State Government's focus on detailed process controls creates a significant administrative burden that is costly, restrains flexibility, and diverts attention and resources from outcomes and services, focusing instead almost exclusively on costs. Two examples are illustrative: labor rules that add months to merely reclassifying jobs to more productive uses, and a budget process that begins in March of one year, budgets 40 months into the future, and then requires an elaborate time consuming process to move budget dollars

⁹ “Granite State Government Final Report”, NH Listens, September 2013, pp.2-3.

among 218 appropriation line items. Such an operating environment inhibits management's ability to innovatively retool processes and optimize resources in order to drive efficiency and improve service levels over a forty month time horizon. It also can produce unintended consequences that all concerned acknowledge as foolish. The problem is not with the people, but rather with processes and an environment that places control above all else, even good or common sense.

- Second, New Hampshire State Government underinvests in information technology at the expense of efficient operations, improved service levels, and even continuity of operations. Two examples are illustrative. When the Lawson ERP implementation was initiated, the original resource proposal was for 33 full-time-equivalent employees, but only 10 were budgeted. When the project began, its original scope was cut in half because of resource constraints. A decade later it is still not fully implemented.¹⁰ Another example: Microsoft announced in advance that as of April 24, 2014 it would no longer be supporting MS Windows XP. At the announcement date, New Hampshire State Government had 12,765 machines that needed to be updated. As of April 24, 2014, 4,789 machines were XP based. And even in late September the number of XP based machines was still 2,553. The issue however wasn't and isn't just the machines. The state had hundreds of applications that were critical to operations that would not work on newer versions of MS Office, and often there was no budget to convert the applications.
- Third, New Hampshire State Government routinely chooses immediate returns over future benefits regardless of the return on investment or simply ignores future benefits. The most often cited example was the failure to consider life cycle costs in purchasing and contracting.¹¹
- Finally, New Hampshire State Government's silo mentality, with each department acting as an independent entity despite opportunities to capture economies of scale, was frequently cited. For vendors this appears as complexity, making it more difficult and costly to deal with the state and ultimately more costly for the state. Inside State Government, this increases all sorts of costs, e.g., making the NHFirst implementation more costly to accommodate multiple departmental applications where some standardization would have been more efficient. It also increases the risk, e.g., allowing agencies to opt out of security standards increases the risks to State Government and all parties whose data and information is stored on state systems.

The people who do the work know the processes, resources, management tools, and culture of New Hampshire State Government better than anyone. Stepping back from the details of their comments,

¹⁰ The Lawson ERP System, Enterprise Resource Planning, is the state's financial and management information backbone system.

¹¹ Items purchased sometimes have multi-year life cycles. One of the tradeoffs to be considered in any such purchases is the purchase price vs. the cost of maintenance, repair, and supplies of the useful life of the product, that is the immediate cost vs. expenses incurred over several years. If future costs are not properly taken into consideration, the State may find itself in a position where the cheaper initial purchase ends up costing substantially more over the useful life of the product due to higher maintenance, repair, and supply costs. The purchasing/contracting process should be designed to appropriately recognize these tradeoffs.

they affirm that the New Hampshire State Government can do better. And they want to help make it happen.

The Case for Change

Conceptually, the benefits of greater efficiency, innovation, and transparency are self-evident. Greater efficiency means improved services with the same or fewer resources or sustained or even improved service levels. Accelerating innovation would drive improved efficiency and would be conducive to a more innovative economic climate in New Hampshire. And increasingly effective transparency would enhance public sector decision-making and build public confidence and trust in New Hampshire State Government.

Can New Hampshire State Government Do Better?

The innovations and efficiency efforts in the New Hampshire Executive Branch reported in the previous section of this report are indicative that opportunities exist. But these are more a reflection of individual initiative and leadership than an institutional commitment to sustained innovation and efficiency improvements. New Hampshire State Government lacks any government-wide measures of productivity or efficiency or any consistent operating management processes for driving and monitoring innovation and efficiency across the Executive Branch. And as Peter Drucker, the management guru, has noted, “What’s measured improves.”

Interestingly, where there has been a serious, sustained leadership commitment to innovation, efficiency, and transparency in State Government, a culture of progress and tangible results have followed. Below we highlight two benchmark examples in New Hampshire State Government. In the Judicial Branch, under the leadership of successive Chief Justices Broderick and Dalanian of the Supreme Court and in the Circuit Court of Chief Administrative Judges Kelly and King, the Circuit Court was created and a stream of innovations were and are being introduced, e.g., back and front offices centralization, mandatory mediation in divorce cases, centralized Judicial Branch call center and e-filing in small claims. This report highlights the efforts of the Circuit Court because of the active involvement of the Legislature in the creation of the Circuit Court and to emphasize the fact that it has taken more than three years to develop its outcome measure. The effect has been transformative: working down the backlog, reducing time to disposition, and mitigating other pressures on judicial branch cost per case. While each such change has important ramifications, from a fiscal perspective, the shift of the mix of clerical toward part time staff made possible by the centralization of back office functions was the most impactful, enabling the Judicial Branch to avoid \$1.2 million annually of benefit expense. The Branch’s experience also underscores the importance of recognizing productivity effects, optimizing resources, e.g., the shift toward a part time clerical workforce, and looking at productivity and innovation not on a standalone basis but in the context of the entire expense statement and of activity levels. The following tables provide multiple perspectives into the change in Circuit Court expenses and caseloads since the creation of the Circuit Court in FY2011.

Variance Analysis Circuit Court Expense: FY2010-2014

<u>Total Expenses</u>	<u>FY2010</u>	<u>FY2014</u>	<u>%ch CAGR</u>	<u>Variance: FY10-14</u>
Total Circuit Court Expenses	\$ 40,177,717	\$ 42,731,852	1.6%	\$ 2,554,135
Judge and Master Total Expense	\$ 8,838,141	\$ 10,181,799	3.6%	\$ 1,343,658
J&M Salary Expense	\$ 6,815,573	\$ 6,453,014	-1.4%	\$ (362,559)
J&M Benefits	\$ 2,022,568	\$ 3,728,785	16.5%	\$ 1,706,217
Clerical Total Expense	\$ 21,040,151	\$ 22,178,526	1.3%	\$ 1,138,375
Clerical Salary Expense	\$ 13,544,506	\$ 13,995,462	0.8%	\$ 450,956
Clerical Benefit Benefits	\$ 7,495,645	\$ 8,183,064	2.2%	\$ 687,419
Other Expense	\$ 10,299,425	\$ 10,371,527	0.2%	\$ 72,102

<u>Discretionary vs Non-Discretionary Variance Analysis</u>	<u>Variance: FY10-14</u>	
Total Circuit Court Expenses as Reported	\$ 2,554,135	
Less		
FY2010 Furlough Effect on Expense Variance	\$ 289,179	
1.5% COLA Effect on Salary and Benefit Variance	\$ 404,669	
Benefit Rate Change Effect on Benefits	\$ 2,251,664	
Equals Discretionary Reported Expense Variance	\$ (391,680)	
Plus Benefit Cost Avoidance by Clerical Toward Part Time	\$ (1,249,862)	
Equals Management Effect on Discretionary Expenses Variance vs. Business as Usual	\$ (1,641,542)	-1.0%

This table shows that Circuit Court management offset \$3 million of nonrecurring furlough expense benefits and benefit and COLA increases by decreasing expenses under their control by \$392 thousand. In addition, by avoiding \$1.2 million of benefit increases via the shift toward part time, Circuit Court management produced a \$1.6 million annual expense benefit vs. "business as usual". Interesting that is equivalent to a 1% annual productivity gain. Still, this data alone obscures activity, resource levels and productivity. To capture that perspective, the Table below recasts the raw expense data above by looking at the fiscal performance of the Circuit Court on a Cost per Case basis.

Variance Analysis Circuit Court Expense: FY2010-2014

<u>Cost per Case Analysis</u>	<u>FY2010</u>	<u>FY2014</u>	<u>%ch CAGR</u>	<u>Variance: FY10-14</u>
# of Cases Disposed(Charge Method)	198614	184410	-1.8%	-14204
Total Circuit Court Expense/Case	\$ 202.29	\$ 231.72	3.5%	\$ 29.43
Judge and Master Total Expense/Case	\$ 44.50	\$ 55.21	5.5%	\$ 10.71
Cases/Judge and Master FTE	3522	3787	1.8%	265
Salary Expense/Judge and Master FTE	\$ 120,843	\$ 132,505	2.3%	\$ 11,662
Benefit Expense/Judge & Master FTE	\$ 35,861	\$ 76,566	20.9%	\$ 40,705
Clerical Expense/Case	\$ 106	\$ 120	3.2%	\$ 14.33
Cases/Clerical FTE	\$ 576	\$ 545	-1.4%	-31
Salary Expense/Clerical FTE	\$ 39,305	\$ 41,358	1.3%	\$ 2,053
Benefit Expense/Clerical FTE	\$ 21,752	\$ 24,182	2.7%	\$ 2,430
Other Expense/Case	\$ 52	\$ 56	2.1%	\$ 4.39
Salary Expense/Case	\$ 102.51	\$ 110.89	2.0%	\$ 8.38
Benefit Expense/Case	\$ 47.92	\$ 64.59	7.7%	\$ 16.67
<u>% of Total Expense</u>	<u>% of Expenses</u>		<u>% of Change</u>	
Salaries	50.7%		28.5%	
Benefits	23.7%		56.6%	
Other	25.6%		14.9%	

The table shows that the Circuit Court reduced Judge and Master FTE's at a faster rate than the drop in Cases Disposed, producing a 1.8% annual increase in productivity as measure by Cases Disposed/Judge and Master FTE. Interestingly, the creation of the centralized back and front offices has not yet produced increases in productivity on a Cases Disposed/Clerical Staff FTE basis. However it did allow the Circuit Court to largely avoid Clerical Benefits per case that it incurred in Judge and Master Benefits/Case, i.e., 2.7% annual growth on a per case basis for Clerical Staff vs. 20.9% for Judges and Masters. Still, on an Expense per Case basis, benefits is clearly the story over the last 5 years, accounting for more than half of the increase in Expense per Case for the Circuit Court.

Under the Leadership of Superior Court Chief Justice Nadeau, the Superior Court, building on the experience of the Circuit Court, is also moving to optimize resources, e.g., developing outcome measures, utilizing some centralized back and front office functions, joining the centralized Judicial Branch call center, centralizing and making jury management entirely electronic, consolidating additional clerk positions, developing felony case flow management improvements, and looking to productivity metrics in its decision making. Transformation can be infectious, but it requires leadership, a common approach to innovation and efficiency, and communication....transparency.

The Department of Transportation, under former Commissioner Clement's leadership, provides another example of managing for operating performance. DOT has embraced a balanced scorecard approach to transparency, enabling a focus on outcomes and productivity. The Department has made innovation a core dimension of its culture, recently holding its 3rd Efficiency and Innovation Summit when 120 employees, industry experts, and policy makers identified areas where NHDOT can become more efficient and effective at designing, preserving, maintaining and operating New Hampshire's transportation system. By enlarging the Department's focus from process and rules alone to outcomes and productivity and by engaging the entire team, the Department of Transportation is being transformed. To date it has generated savings of \$20 million dollars in operational efficiencies and hundreds of millions of dollars in future interest payments through debt restructuring and long term capital planning. The efforts have been both small, e.g., installing wood furnaces in 21 patrol sheds, leading to heating oil use reduction of 75 percent and annual savings of \$132,500, and large, e.g., implementing demand driven staffing in Toll Operations resulting in personnel savings of \$2.6 million dollars below budget while improving service levels. Like the Circuit Court, DOT is a story of more than a narrow set of improvements. It's about changing the trajectory of operating performance. These two cases demonstrate that a strong, continuing leadership commitment to innovation and efficiency inside New Hampshire State Government can produce significant results.

Looking beyond New Hampshire State Government suggests that there are substantial opportunities for improving the State's operating performance. We begin by contrasting the private and public sectors by looking at the data on productivity.

New Hampshire State Government is not unique in the public sector with the near total absence of productivity data. The Federal Bureau of Labor Statistics, for example, tracks detailed measures of private sector productivity but no measures of public sector productivity. Where academic research and special studies have attempted to track public sector productivity, data tends to show the public sector lagging far behind the private sector in productivity growth. For instance, a Deloitte study published in October of 2012 found that while U.S. private sector productivity climbed 60% over nearly a half century, public sector productivity had actually declined by 10%.¹²

Why such a stark difference? One reason is that the private sector operates with the benefit of clearer and more measurable metrics than the public sector. Those metrics include earnings per share, cash flow, and return on investment. Private sector companies also face constant competitive threats to their very existence that have almost no parallel in the public sector. These threats create pressure to innovate and increase efficiency. The private sector also often provides performance incentives for management teams and employees that have no parallel in New Hampshire State Government. And publicly traded companies and their representatives have far more detailed and stricter disclosure requirements than public sector institutions and politicians.

And yet, many of the activities inside private companies have their parallels in the public sector. Are the routine, repetitive activities of corporate back offices really so different from routine, repetitive

¹² Deloitte, "Boosting Public Sector Productivity by Going Mobile", October 2012.

information and financial transactions that occur in New Hampshire State Government's back offices? The same question could be raised for the client/constituent-facing functions of private sector companies and of New Hampshire State Government. In the private sector, those activities have been marked by significant innovation and efficiency gains.

Perhaps nowhere is the contrast between public sector and private sector performance starker than in the difference in the pace of change and innovation, particularly with respect to the effective use of technology. Consider the following, admittedly extreme example. In the summer of 2004, New Hampshire State Government began the process of choosing, implementing, and operating a new ERP system.¹³ That same summer, Facebook launched its first offering. In the intervening period it has had to scale operations to serve 1.2 billion active monthly accounts. Today by comparison, New Hampshire First, the State's ERP system, is not yet fully implemented. Perhaps this is an unfair comparison; but it is the record. If New Hampshire State Government is to deliver 21st Century operating performance, it will have to operate with greater alacrity.

New Hampshire State Government performance also appears to fall well short compared to its peers accordingly to one study. The Pew Foundation's study, "Grading the States 2008", the most recent study available, "evaluated how states manage employees, budgets and finance and information, as well as ensuring that roads, bridges, and state buildings are well planned and in good repair." New Hampshire's overall grade was a D+. No other state received an overall grade lower than a C. On information, New Hampshire received a D-, one of only 2 states receiving that lowest grade. On managing people, New Hampshire received a D, one of only 2 states receiving that lowest grade. On managing money, New Hampshire received a C-, placing it in the bottom 7 states. And on infrastructure, New Hampshire received a D+, one of only 2 states receiving that lowest grade. The Pew Foundation summarized, "while New Hampshire may provide fewer services than other states, the notion that its finances are emblematic of old-fashioned New England puritanism just isn't true. Meager cost and performance information and tortuous business processes create inertia that wastes much of the state's limited resources...how does the state know where efficiency ends and strangulation begins."¹⁴ Of course, a more current study would be useful. But there is little in New Hampshire's state wide investment in resources that would lead one to conclude that New Hampshire's performance relative to its peers has improved.

Failure to distinguish between strangulation and efficiency is a reflection of the quality of transparency in New Hampshire State Government. As noted earlier, the state has adopted a minimalist, check book approach to transparency. It is detailed, but not informative. It is a bit like describing a baseball season by providing information on each pitch, hit, catch, stolen base, etc., but leaving it to the reader to figure out teams' records, batting champions, and World Series Champion. New Hampshire State Government does not describe what the citizens of New Hampshire get for all those checks written. As a consequence, New Hampshire's transparency efforts do not effectively inform decision makers or voters.

¹³ The State's ERP system is its information backbone, ultimately providing transactions support and transactions driven management information.

¹⁴ Governing, May 2008, p. 70, "The State Management Report Card".

Other state governments, including Maryland and Texas, have adopted more informative approaches to transparency that more fully articulate performance by reporting objectives, outcomes, resources, and productivity.

These reflections on the operating performance of New Hampshire State Government should be troubling. It would be easy to infer that the problem is the people...easy but wrong. When given the opportunity and the support of leadership, New Hampshire State Government management and staff have innovated, have driven efficiency, and have transparently informed their constituencies. The problems are deeper: decision time horizons that are too short, decision frameworks that do not adequately inform thereby allowing the urgent to drive out the important, focusing too narrowly on expense to the detriment of outcomes, organization that serves programs more directly than constituencies and customers, mistaking control for management and oversight, and more. The solutions lie not in changing the people, but in crafting an operating environment that drives the right behavior and decisions and that provides the right resources.

The Need for Change

Conceptually, the fiscal case for change hinges on the costs and benefits of potential efficiency gains. One approach to gauging the potential benefit of efficiency improvements is to calculate the savings that even small annual productivity increases would have on the spending levels required to maintain service levels. The following is simply a theoretical case. If, for example, state spending were to climb 3% per annum over the next decade assuming current service levels, then 0.5 percent annual productivity gains on just 20 percent of \$6 billion in current annual spending would create a \$387 million cumulative Efficiency Dividend over the decade. By Year 10, annual savings would reach \$76 million. Whether that Efficiency Dividend were to be used to offset revenue, improve service levels, or a combination of the two is matter for political leadership to decide.

But consider this case from a different perspective. How much could the state “invest” to capture such efficiency gains and still produce a return on investment higher than its cost of capital? The answer, assuming a 3 percent cost of capital and a one-time terminal value, is \$314 million. Were the state to “demand” a 4 percent incremental return under those assumptions, it could still invest \$242 million to produce that Efficiency Dividend. However, simple arithmetic is no guarantee of results. But the math affirms that even modest annual efficiency gains compounded over time could produce significant long-term savings for New Hampshire State Government, even with substantial investments required, given the state’s low cost of capital.

Will the pressure for change build? The prudent answer would seem to be “yes”. First, with nearly 1/3rd of New Hampshire State Government’s revenue derived from the Federal Government, the pressure to reduce Federal deficits seems likely to restrict the flow of future New Hampshire State Government revenue from the Federal Government. Second, New Hampshire’s shift to low labor force growth, young adult emigration, and lower economic growth over the last decade has put downward pressure on “natural” state revenue growth that seems likely to continue for some time. Third, over the last

quarter of a century, almost one third of the increase of New Hampshire's general fund revenue has come from higher tax rates, new taxes (largely on businesses), and Medicaid Enhancement Tax revenue, offsetting the structural inelasticity of state revenues to state economic growth.¹⁵ With Medicaid Enhancement Tax revenues diverted from the General Fund and business taxes already high relative to other states, according to the Tax Foundation, the "natural growth" of state revenues may not fund government-as-usual services. Finally, the State Government workforce will radically change over the next decade as the "silver tsunami" washes over state government, with a significant percentage of the state workforce eligible for retirement over the next decade.

In this future environment, it would seem prudent to anticipate increasing fiscal pressure and a transformation of the state's work force. New Hampshire State Government can choose to increase revenues, reduce service levels, and/or to become more innovative and efficient. Our first choice should be innovation and efficiency.

Delivering 21st Century Operating Performance

The policy choices that New Hampshire State Government's political leadership make will no doubt swing significantly through the 21st century as voter preferences and the world in which State Government operates evolve. Whatever paths political leaders choose, New Hampshire State Government should deliver 21st century operating performance. New Hampshire State Government should operate in a manner that is innovative, efficient, and transparent. Because this is a long term objective, the solution cannot be about a particular innovation or a particular improvement in efficiency or transparency. Rather, it is really about how well the institution operates. Because New Hampshire State Government is at its foundation a very human institution, not an automated factory floor, the solution must ultimately be about rethinking how New Hampshire State Government's workforce gets its work done.

Substantially improving the operating performance of New Hampshire State Government will require changes large and small, some made in the near term and others over years. This will include revisions to particular processes and roles and responsibilities, sharpening institutional focus, different resource commitments, and perhaps even changes to the structure of the Executive Branch. In our view, the full range of such changes can be described by four critical management initiatives that together form what we see as the Operating Framework for delivering 21st century operating performance. They are:

- Balancing control and informed focus on operating performance,
- Resource commitments to innovation, efficiency, and transparency,
- Organization to enhance operating performance, and
- Incentives for superior operating performance.

¹⁵ "Understanding New Hampshire's Long-Term Fiscal Situation", November 2014, New Hampshire Center for Public Policy Studies Steve Norton, p.14.

Below we outline what we see as the critical ingredients of that framework.

Balancing Control and Informed Focus on Operating Performance

Focusing the attention, talent and energy of the people and partners of New Hampshire State Government on Operating Performance is the essential first step toward delivering 21st century operating performance. Focus isn't a matter of rhetorical flourish. Rather, focus requires: 1) resources dedicated to monitoring and enhancing operating performance across the Executive Branch and 2) clarity regarding what superior operating performance means and how it will be measured. If the talk about superior operating performance is not matched by dedicated resources, it is just talk....one more thing added to the "to do" list.

Creating an Office of Operating Performance

We propose as the foundation of this repositioning effort the creation of an office within the Office of the Governor with responsibility for monitoring, overseeing, facilitating and exercising some authority over the operating performance of the Executive Branch. We offer two specific options that vary by degree of authority and the seniority and experience of the head of the office.

Recommendation #1a: Office of Operating Performance – That the Governor, with appropriate approvals, create an Office of Operating Performance charged with overseeing the Executive Branch's operating performance. The Office would be led by a Senior Director of Operating Performance reporting to the Governor. The Office would include a staff of 7, including 3 Program Managers, 3 Data/Financial Analysts, and 1 administrator. The Senior Director would be responsible for several of the recommendations outlined below. But the mission of the Office would essentially be to monitor, drive, facilitate, and oversee the operating performance of the Executive Branch on behalf of the Governor. For the most part, the Office would not have line authority over operations; line authority would remain with the various departments and agencies.

Recommendation #1b: Office of the Chief Operating Officer – That the Governor, with appropriate approvals, create an Office of the Chief Operating Officer for the Executive Branch in the Office of the Governor charged with delegated responsibility and authority for managing the operating performance of the Executive Branch. The Office would be led by the Chief Operating Officer of the Executive Branch. The Office would include a staff of 7, including 3 Program Managers, 3 Data/Financial Analysts, and 1 administrator. The Mission of the Office would be to monitor, facilitate, drive and oversee the operating performance of the Executive Branch on behalf of the Governor. The various Departments and Agencies would retain direct operating responsibility and continue to report to the Governor and for certain aspects of operations to the COO as delegated by the Governor. The COO would assume operating responsibility for all cross department and agency activities, e.g., personnel, shared services, and IT – through the heads of those organizations, with the exception of finance and accounting.

Comment: In key respects these two options are remarkably similar. They both appear to require the creation of another management layer in the Executive Branch, with all that implies about cultural change, natural resistance from the current structure, and process revisions that risk further slowing decision making unless real care is taken and clear senior cross-branch focus on operating performance. But there are two important differences between these options: 1) the COO option would likely attract more seasoned executives and 2) the COO option, by centralizing cross branch activities under the broader objective of branch wide operating performance, would likely better address the branch's silo driven behavior. The Commission believes that it is critical that either position be politically agnostic to the extent practical. Hence, this position and office should address only operating and administrative policy issues. In addition, while it will be critical that the Governor and this position have a strong working partnership, consideration should be given to establishing terms, e.g., 3 years and at the pleasure of the Governor so as to support a politically agnostic posture.

Articulating Executive Branch Strategic Objectives

Recommendation #2: Strategic Objectives – That the Governor adopt the following performance and reporting standards for efficiency, innovation, and transparency for the Executive Branch:

- Action Item #2.1: Strategic Objective Efficiency- The Executive Branch of New Hampshire State Government will deliver at least 0.2% annual, measurable productivity gains. The Office of Operating Performance or COO will assess and report on the efficiency and effectiveness of the Executive Branch's operating performance undertakings annually.¹⁶
- Action Item #2.2: Strategic Objective Transparency- The Executive Branch of New Hampshire State Government will effectively inform its constituencies on its operating performance.
 - Transparency Standards: The Executive Branch will develop transparency standards and report on performance consistent with such standards. Standards to be proposed by the State's Chief Financial Officer in collaboration with the Senior Director of Operating Performance or the COO and the Director of the LBA and approved by Governor and Council by the latter of December 31, 2015 or within 12 months of the appointment of the SDOP or COO.^{17,18}
 - Transparency Effectiveness: The Department of Administrative Services will publish TransparentNH usage data on a quarterly basis beginning no later than January 20, 2016.
- Action Item #2.3: Strategic Objective Innovation: That New Hampshire State Government be and be perceived to be among the most innovative public sector institutions in the United States.¹⁹
 - Innovation Scorecard: The Senior Director of Operating Performance or COO, in collaboration with the CFO, will develop an Executive Branch Innovation Scoreboard by

¹⁶ At 0.2%, the Efficiency Dividend Target for FY15 for the Executive Branch would be \$12 million, cumulating annually.

¹⁷ For an example of Transparency Standards see Appendix C.

¹⁸ See Organization Recommendation X for a discussion of a Chief Financial Officer.

¹⁹ See "If Innovation isn't measured, can it be managed?", PWC, March 2011

the latter of the close of CY2015 or within 12 months of the appointment of the SDOP or COO and report that scoreboard annually.

- Process Reengineering: The Executive Branch will reengineer 15% of Executive Branch processes annually with the target of reducing time and resources required for those processes by 20%. Results to be reported via the Innovation Scorecard.
- Innovation Resource Commitment: The Executive Branch will devote at least 0.1% of operating expense and 5% of the capital budget to innovation efforts. Proposed percentages to be recommended to the Governor by the CFO, the Sr. Director of Operating Performance or COO, and the Governor's Budget Director by December 31, 2016.

These strategic objectives establish direction for the Executive Branch and create vehicles for monitoring performance. The next step should be to cascade these pan-Executive Branch objectives and standards across all agencies and departments, tuning them to the variety of roles and missions across the Branch.

Establishing Measures and Processes for Monitoring Agency Performance

Recommendation #3: Balanced Scorecards – That the Governor and Executive Branch adopt a balanced scorecard approach to measure and report performance for the Governor's Office and all agencies and departments.

- Action Item #3.1: Three agencies and the Governor's Office to develop prototype balanced scorecards and implementation plans for quarterly, annual, and biennial publication by April 1, 2016: Office of the Governor, DES, DOT, and DRA.
- Action Item #3.2: Office of Operating Performance or Office of the COO to develop roll out plan, including staffing, training, and time table for balanced scorecard introduction for all agencies. Plan due by the latter of October 1, 2016 or within 12 months of the appointment of the SDOP or COO.

What gets measured and inspected gets managed. In order to emphasize performance in general and innovation, efficiency, and transparency in particular critical State Government processes should reinforce these objectives. To that end,

Recommendation #4: Operating Reviews – That an operating review process be established based on the Balanced Scorecard approach to measuring performance.

- Action Item #4.1: That the Office of Operating Performance or Office of the COO establishes a quarterly, operating performance review process based on Balanced Scorecards for the Office of the Governor and initial three departments with balanced scorecards. The meetings to include the Governor, Sr. Director of Operating Performance or COO, the Governor's Budget Director, and the Governor's Chief of Staff. Schedule to be consistent with Balanced Scorecard rollout.
- Action Item #4.2: That the Governor and Council establish an annual operating performance review process with published results based on Balanced Scorecards with administrative support from the Office of Operating Performance or the Office of the COO.

- Action Item #4.3: That the Legislature establish a biennial operating review process for Executive Branch agencies and departments based on Balanced Scorecards.

Ensuring Consistency and Accuracy for Transparency

Among the most difficult choices any institution makes are those involving trade-offs over time – investing goods, services, and or assets today for benefits tomorrow or even future generations. Two year election cycles and the associated political pressures exacerbate the issue and add complexity to such considerations, but they also ground Executive Branch performance in the electorate’s preferences. In the interests of improving and transparently informing such decisions, New Hampshire should adopt a standard approach to evaluating multiyear programs and process investments and multiyear paybacks both financially and strategically.

Today, Executive Branch organization combines the roles of the de facto CFO and the Commissioner responsible for shared services in the Commissioner of Administrative Services. This combination compromises both roles- the independence required by a properly positioned and functioning CFO and the service orientation required by shared services. In addition, the Commissioner of Administrative Services and the Controller for the State lack hiring/firing authority and input and control on performance reviews over Departments’ accounting staffs. Yet they are responsible for the state’s consolidated financial statements. Two of the key requirements of transparency are accuracy and consistency of reported information, in particular, financial information across the Executive Branch and indeed all state government as consolidated financial statements are issued by New Hampshire State Government and relied on by bond rating agencies, investors, and voters. To ensure those standards are met, the state should separate shared services and the role of the CFO.

Recommendation #5: Chief Financial Officer/Controller – That the role of Chief Financial Officer/Controller be established and segregated from that of the shared services organization. Further, that the CFO/Controller share straight line management authority over all accounting personnel across state government with the departments served.

Comment: The choice of title: CFO or Controller, should be a function of the seniority of candidates for the position. In either case, the incumbent will be the senior accounting executive for the state with increased control over all the state’s accounting resources. This is critical because the state issues consolidated financial statements. As a practical matter, much of the day to day work of the accounting staffs in the various branches and departments around state government will be managed by in-branch and in-department managers/directors, the final call on and control over accounting decisions must lay with the CFO Controller. Further, as today the Controller has responsibility for the state’s centralized transparency activity and resources, this stronger role should produce more consistency across state government’s proposed operating performance metrics.

In the interests of better and transparently informing such decisions, New Hampshire should adopt a standard approach to evaluating multiyear programs and process investments and multiyear paybacks both financially and strategically.

Recommendation #6: Investment Evaluation Standards- That the CFO/Controller, the State Treasurer, the SDOP or the COO and the Governor’s Chief of Staff and Budget Director develop a standard analysis tool for assessing “investments,” a training program for use of the tool for appropriate finance personnel across State Government, and a proposal for embedding the analysis in appropriate decision Tools, training program, and decisions proposals due the latter of September 30, 2015 or 12 months after the appointment of the SDOP or COO.

Balancing Control, Innovation, and Efficiency

New Hampshire State Government’s management and oversight processes err on the side of detailed control at the expense of review and accountability for operating performance, including outcomes. In part, that is a natural consequence of an operating environment marked by an absence of outcome defined objectives. If objectives are not articulated and confirmed, management can’t be held responsible for results. Thus oversight of results is, as a practical matter, virtually impossible. In that environment, management and overview necessarily focuses on control of what is known. It starts with an Executive Branch budget that over a biennium specifies spending over 2 fiscal years, for 57 budgeted units, and for 12474 line items. That is a matrix with 24948 cells. It continues with approval requirements for variances to budget, contracts, and personnel policies that add thousands of hours of administrative time. And this controls bias flows through to policies like the State’s physical inventory requirements, i.e., taking a biennial physical inventory of all items with an original purchase price in excess of \$250. Today there are some 60,000 items with a purchase price of less than \$2,000 that required annual physical counts. What is needed is an optimized control process that enables more focus on monitoring and evaluating operating performance and still provides comfort and confidence in controls. In addition, the employee classification process is overly burdensome and antiquated, significantly restraining management flexibility and adding to administrative costs.

Recommendation #7: Optimizing Controls Process – As a test case, using one of the Departments with a working Balanced Scorecard, map all current controls processes, the Office of Operating Performance or the Office of the COO, working with the CFO, and the senior HR executive to review all controls processes, including the employee classification process, with all interfacing organizations (e.g., DAS, Governor and Council, and the Legislature) and develop a proposal to shift 20 percent of the time/resources currently devoted to controls to management and oversight of performance while meeting proper control obligations. Mapping to be completed by the latter of June 30, 2016 or within 12 months of the appointment of the SDOP or COO. Proposal to revise controls processes as a test due January 1, 2017.

Committing Resources to Innovation, Efficiency, and Transparency

Establishing informed focus is necessary, but not sufficient to deliver 21st century operating performance. The commitment of resources tangibly signals priorities in a way that rhetoric alone can never accomplish. As important, there is no free lunch; accelerating innovation, efficiency, and transparency-delivering 21st century operating performance will require investment. The first step should be to specifically track budgeted and actual expenses, capital, and resources devoted to innovation, efficiency, and transparency and the results of those resource commitments in order to monitor performance and demonstrate commitment.

Recommendation #8: Innovation, Efficiency, and Transparency Resource Tracking – That expenses and resources committed to innovation, efficiency, and transparency should be segregated for reporting purposes. Proposal to be submitted by the CFO to the Governor by the latter of June 30, 2016 or within 12 months of vesting the CO or Controller with the broader powers described in Recommendation #5 above.

State Government's efforts to innovate, drive efficiency, and promote transparency should accelerate over the next several years. Yet it is unlikely that the resource requirements of those efforts will be known in time to be included in the budget for the next biennium. As important, if New Hampshire State Government is to truly become more innovative, it will need to be able to respond to good ideas as they arise rather than wait for the next biennial budget. Accordingly, placeholder funding for accelerated spending on innovation, efficiency, and transparency should be set aside in the next biennium's budget.

Recommendation #9: Innovation and Efficiency Fund – That the Governor propose an Innovation and Efficiency Fund of \$1 million in the first year of the new biennium, rising to \$2 million in the second year.²⁰ The Fund and its processes should be administered by the Office of Operating Performance or the Office of the COO. Spending from the Fund to be recommended by the Governor and approved by the Governor and Council.

Recommendation #10: Transparency Fund – That the Governor propose a Transparency Fund of \$500,000 per annum over the next biennium to support transparency efforts.²¹ Fund should be administered by the CFO and Office of Operating Performance or the Office of the COO. Spending from the Fund to be recommended by the Governor and approved by the Governor and Council.

²⁰ The I&E Fund should be used to fund unbudgeted spending on innovation and efficiency that clears to-be develop financial hurdles. I&E Fund should be administered by the Office of Operating Performance. Fund commitments should be subject to authorization by Governor and Council. Fund administration proposals should be developed by the Office of Operating Performance by the latter of October 1, 2015 or within 12 months of the appointment of the SDOP or COO.

²¹ The Transparency Fund should be used to fund unbudgeted transparency efforts. To be administered by DAS. Spending commitments subject to approval by Governor and Council.

Recognizing State Government Employees as a Critical Resource

New Hampshire State Government's principal resource is its people. If New Hampshire State Government is to become more innovative and efficient, it will be because its people are more innovative and efficient. The quality and effective deployment of its human capital will be critical. In part that is a function of the quality of management and supervision and the systems and processes by which work roles and functions are defined and human capital is deployed. In part it is a product of tools like performance management and investments in training and development. Yet, today, New Hampshire State Government annually spends an average of less than \$200/FTE on training and development, less than 1/5th the investment in human capital made by some of the state's largest employers. And the State Government's personnel classification system, the process by which jobs are graded and required skills sets are determined, has remained largely unchanged for nearly half a century. It places substantial importance on attaining supervisory status as a means of career advancement, does not adequately account for the value of technical skills and experience, and constrains the effective deployment of staff.

Finally, of substantial concern is that as of June 30, 2013, 33% of the state workforce was eligible to retire and another 20% becomes eligible as of June 30, 2018. In short, the state faces a huge experience and human capital drain for which it must prepare. Yet, that labor force transition also provides an opportunity for New Hampshire State Government to recast its workforce over time without some of very real human costs that come with significant change. An ad hoc response to these forces is unlikely to produce optimal results or fuel 21st Century operating performance. What New Hampshire requires, in our view, is a human capital strategy for the State Government workforce, one that anticipates a smaller, more highly trained, and higher value added and compensated work force.

Recommendation #11: Work Force Strategy – That the Governor appoint a Workforce Strategy Task Force to develop a five-year human capital strategy for the State Government Workforce that addresses the size, composition, compensation, training and development programs, and management processes including modernization of the Personnel Classification System that will be required to attract, retain, and manage the talent necessary to deliver 21st century operating performance. Budget funding of \$1 million for research and consulting. Report due June 30, 2016.

Modernizing State Government's Approach to Information Technology

State Government in New Hampshire remains on the trailing edge of technology. When Microsoft XP hit end of life earlier this year, the State still had 4,500 XP machines with no-longer-supported applications. The state lacks the network and server capacity to handle the demands of the computer based workforce. Its implementation of major systems often suffers from inadequate upfront planning and investment to deliver a complete implementation of software systems. Its backup and disaster recovery capabilities create real risks for the state government. And its IT resources are bogged down in silo driven variety across the organization. Without IT parity with other states, New Hampshire State Government cannot deliver median – let alone superior – performance. It cannot be innovative, efficient, or informatively transparent. This lagging investment and performance exposes state data to

incursions and theft and poses significant risks to continuity of operations at the same time that public sites are increasingly under cyberattack.

Recommendation #12: External Review of IT – The Governor should propose an outside, professional review of State Government’s IT capability, resources, and processes and should appoint a task force, led by the Commissioner of the Department of Information Technology, the SDOP or COO, and the CFO to develop a plan to push New Hampshire State Government to IT parity with its peers. Budget funding of \$500,000, with study to be completed by July 1, 2016.

Reorganizing for 21st Century Operating Performance

Organization structure can have a significant effect on operating performance by enabling effective management, by prompting new insights into constituent needs and effective programs, and by realizing economies of scale. Today the Governor has 67 direct reports. If the Governor’s only role were oversight of those individuals and their operations, it would be an undoable task. But it is not her only role. There are significant demands on her time for policy matters, Legislative and Judicial Branch dialogue, constituent interaction and services, state representation, and her role chairing the Executive Council, to name but a few additional tasks. No doubt operating oversight and Executive Branch operating performance suffers. In the long run, superior operating performance will require effective operating management and oversight.

Limited Near Term Reorganization

A small step toward reducing the number of individuals reporting directly to the Governor can and should be taken almost immediately. New Hampshire has numerous boards and commissions that regulate numerous professions. For many members of the business community and the public, these boards are their main contact with New Hampshire State Government. Yet they are frequently staffed by only one or two people, and overseen by a volunteer board. The executive directors of these boards are in theory direct reports to the Governor, but are not appointed by the Governor or the Council. This system results in inconsistent customer service and inefficient use of state resources. Over the years, the state has begun to address this by creating the “Joint Board” and most recently co-locating some of the boards and moving boards to a common licensing platform. Individual boards should maintain the authority to set standards for their professions.

Recommendation #13: Limited Executive Branch Reorganization – In order to improve customer and service efficiency, the state should bring as many boards as possible under one central regulatory agency under a director who is appointed by the Governor and confirmed by the Executive Council. The Office of Operating Performance or COO and the Governor’s Chief of Staff to develop a specific recommendation to the Governor. Recommendation due September 30, 2015.

Exploring Fundamental Executive Branch Reorganization

A deeper reorganization will be required long-term to achieve a reasonable span of control and to accelerate innovation. Given the scope of the Governor's non-operating responsibilities, having more than 15 direct operating reports will, we believe, continue to significantly impact the quality of management and oversight and ultimately New Hampshire State Government's operating performance. There are certainly multiple possible approaches to achieve such spans of control. For instance, some number of larger agencies could report directly to the governor and smaller agencies could report to a Commissioner of Agencies. Current agencies might be combined around "constituencies," such as a Department of Human Capital combining Health and Human Services, Education, and Corrections, a Department of Infrastructure combining Transportation, PUC, and so on. There are clearly numerous possibilities. And yet, if the organizational constraint is 15 direct reports, the options are more limited. Any such organizational planning requires serious effort and the participation of a broad array of constituencies.

Recommendation #14: Long Term Executive Branch Reorganization – The Governor and Legislature to jointly appoint a Commission on Executive Branch Structure to assess the current structure of the Executive Branch, to develop and evaluate alternative organizational designs, to propose a future structure. Commission to be established by July 1, 2015. Report due January 1, 2017.

Organizational design can also affect the pace of innovation. Today, the Executive Branch is largely organized by program, law, and funding source. That produces program execution, but often inhibits innovation. The program was either executed or it wasn't. But what of progress? Organizing around "client" and performance in the service of clients often provides a greater opportunity for innovation because it enables the twin questions: "What does the client want or need?" and "How can they best be served?"

Would the Executive Branch perform differently if it organized around "clients" or constituents?²² Would it perform better? The following example illustrates the opportunity. Today, substance and alcohol abuse and mental illness are co-occurring disorders. The state deals with 9,000 clients at the intersection of drug and alcohol abuse and mental illness and spends \$1.3 billion across the Executive Branch from the Departments of Education and Health and Human Services to Safely, Corrections, the Judicial Branch, and the Office of the Attorney General. And New Hampshire has separate Commissions on Mental Illness and Drug and Alcohol Addiction. Yet there is no way for a client or for the Agencies to look easily across the range of services offered. And in this structure, who is responsible for successfully meeting the clients and the society's needs? "Everyone" and "no one" is no answer. The state should test a more client centric organizational design to evaluate its potential impact on operating performance and client success.

²² The recently announced reorganization of the Federal Veterans Administration illustrates this organizational design perspective. See also, "New Hampshire State Government Customer Relationships Mapping: Developing an Efficient, Innovative, Customer-Driven Approach to Connect the State and its "Customers", April 18, 2014 (Policy Research Shop, Nelson A. Rockefeller Center at Dartmouth College)

Recommendation #15: Reorganization Around “Clients” – That the Governor create the position of Senior Director of Behavioral Health to serve as Executive Director of a new Commission on Behavioral Health, combining the Commissions on Mental Illness and Drug and Alcohol Addition, and to oversee the full range of the state efforts to serve this population. And that Governor and Council undertake annual reviews of the performance of this organizational test starting at the close of FY16.

Incentivizing Superior Operating Performance

Incentives can be a powerful motivator of change. Disincentives can hold progress hostage. It is important to recognize that incentives and disincentives apply to both individuals and entire departments. The biggest disincentives to change are merely that change is hard and often risky. Incentives can range from recognition to monetary rewards and enhanced career and development opportunities as well as greater opportunity for autonomy. Whatever approach is taken, the incentives need to be a deliberate, resourced, and well communicated element of the State’s effort to deliver 21st century operating performance.

Recommendation #16: Institutional Incentives – That State leadership commits to not recapture all savings produced by any department’s efficiency and innovation efforts, e.g., that 20 percent of all such savings remain with the department for reinvestment and/or service enhancement, up to 10 percent goes to the I&E Fund, and 70 percent returns to the State for General Fund use or tax relief.

Recommendation #17: Employee Incentives – That the Governor appoints a team to develop a plan for monetary and non-monetary incentives for realized efficiency gains and innovations. Plan due by June 1, 2015. A placeholder of \$500k to be included in the Governor’s proposed budget.²³

An Operating Framework for Delivering 21st Century Performance

There is no “silver bullet” that will immediately and persistently transform the operating performance of New Hampshire State Government. There is no single change that will suddenly transform what the State Government’s workforce does or how they do it. Recognizing that, the course we propose above aims ultimately to change behavior and decision-making by changing the way the Executive Branch of New Hampshire State Government is managed. This is not a quick fix. Rather it is a long-term, measured approach to transforming the way individuals, teams, and the entire institution operate. It will require a willingness to change, to test, to learn, and to adjust. But in the long run, the most powerful changes to the Executive Branch’s operating performance will come from the accumulation of the changes in what that work force does and how it does it.

Yet, even long term undertakings require first steps. The lynchpin of the 17 recommendations made above is the creation of the Office of Operating Performance and the appointment of the Senior Director

²³ The \$250k should be expressed as a percentage of savings realized or scaled to service level improvements. While there is currently an incentive plan in place, its record of stimulating and rewarding innovation is underwhelming.

of Operating Performance or the Office of the COO and the appointment of a Chief Operating Officer, reporting to the Governor. Focusing responsibility and assigning authority to this Office is the critical first step to changing the trajectory of operating performance in the Executive Branch. But it should also be clear that this is no free lunch; these recommendations require investment. Adding another set of duties based on these recommendations to the already stretched thin management ranks of the Executive Branch without incremental resources will fail. Focusing responsibility and assigning authority to this Office is the critical first step to changing the trajectory of operating performance in the Executive Branch.

A Near Term Innovation and Efficiency Portfolio

Even as the longer term transformation articulated above gets underway, it will be important to launch a series of near term innovation and transparency efforts that will provide fiscal relief, serve as demonstration projects and proof statements for State Government, and enable learning and development. Below, we outline a number of such projects that merit consideration. Each, we believe, is worthy of consideration in its own right. But it is also important to view them as a part of an innovation and efficiency portfolio that diversifies across a number of dimensions of change including type of project, risk, scale, and time frame. We distinguish three project types:

- **Resource Optimization** targets resource changes without changing either process or outcomes in order to improve efficiency. An example is the centralization of the Circuit Court’s back office activities. By appropriately pairing job requirements and skill sets, reducing interruptions in multitask settings, using part time employees where appropriate and managing to performance metrics, the Circuit Court was able to avoid significant increases in costs per case.
- **Process Transformation** is a change to the way a process or activity is performed. An example is a change in the Department of Revenue Administration’s meals and rooms tax licensing.
- **Outcome Transformation** is a change that delivers a superior outcome to the “client” and may produce efficiencies for the State. An example is the use of EZ Pass on New Hampshire Toll roads. Introducing required significant investment, but lowered administrative costs, reduced gasoline consumption, travel times, and congestion, and lowered accident rates at the tolls.

An illustrative list of potential near term innovation and efficiency projects includes:

1. **Cash Balance Management:** Today the New Hampshire State Government’s average daily cash balance is \$350 million. What return do we achieve today? How does that compare to benchmark returns? What is required to achieve benchmark results? What financial benefit can be anticipated?
2. **Check Run Optimization and Digital Payment:** Today New Hampshire State Government does daily check runs and writes thousands of checks per year at substantial administrative cost. Reducing the frequency of check runs, requiring vendors to consolidate invoices, and adopting modern digital payment techniques could improve average daily cash balance and reduce the administrative costs of managing payables.

3. **Contract and Procurement to Pay Process Optimization:** Silo driven differences in contracting and procurement practices across departments and agencies increase the costs of doing business for both the State Government and its vendors. And State Government's focus on current vs. life cycle costs drives long term inefficiency in government operations. Even a 1% swing in administrative costs and purchasing efficiency would produce significant savings annually.
4. **Physical Inventory:** The State's current physical inventory process involves tagging and annually checking all assets with a purchase price of \$250 or more. As noted earlier, 60,000 items with a purchase price under \$2,000 are currently tagged. This is an arcane approach. If instead a sampling approach were undertaken and the sample drawn reduced the count by 59,500, if even 3 minutes were saved per item, the physical inventory count savings could be over \$100,000 annually.
5. **Shared Services:** The State's shared service center in DAS employs approximately 40 FTE's. With some 10,000 employees, many in back office and front office functions and performing routine, repetitive tasks, the modest scale of the State's share services is indicative of a silo driven culture and organization that finds it difficult, if not impossible, capture economies of scale and share tools for common tasks and processes across the organization. A team should be created and tasked with identifying common activities across the Executive Branch, evaluating the costs and benefits of consolidating those activities in shared service center, and, where appropriate, plan for consolidation. Shared service centers have been an important development in the private sector over the last decade, often producing 20 percent productivity benefits even without considering wage rate arbitrage. For every 100 New Hampshire State Government employee equivalents shifted to a shared service center, 20 percent productivity benefits and 10 percent cost per employee savings, the annual expense savings could be almost \$2 million.
6. **Performance Management:** Because labor productivity is the sum of the productivity of individual workers, the quickest way to achieve labor productivity gains is often to improve the performance of the lowest decile of performers. If, for example, the bottom decile perform 20 percent worse than the top decile, getting the bottom 10 percent to perform like the top 20 percent raises overall productivity by 2 percent. The Executive Branch should undertake a dedicated performance management process focused on the bottom decile of performers, targeting median performance in two years for that cohort.
7. **Snail Mail:** Today New Hampshire spends \$5 million annually on postage and probably something closer to \$15 million on the total costs of mailing. Yet today more and more communication is digital with significantly lower per "mailing" expense. The Executive Branch should initiate a project to lower postage and processing costs by one-third within three years.

The Innovation and Efficiency Portfolio of such efforts will be a consolidated, consistent view into the Executive Branch's tangible efforts to drive 21st century operating performance. Over time, it should reflect the organic nature of progress with new efforts being initiated, some dropping off as they fail to

produce desired results, and some becoming part of the ongoing operations of New Hampshire State Government.

Recommendation 18: Innovation and Efficiency Portfolio – That the Office of Operating Performance or Office of the COO should propose and oversee the I&E portfolio and develop plans for executing a short list projects that will generate annual returns equal to at least three times the cost of the Office by the close of the next biennium.

The Commitment to 21st Century Operating Performance

Nothing will change and 21st century operating performance will not be delivered – if New Hampshire State Government’s Executive and Legislative Branches are not committed to that objective. For the leadership of the state, that commitment must include financial resources, a willingness to engage in process improvements, and a significant amount of time, energy, and effort devoted to change.

In the end, the commitment required hinges on the leadership’s confidence in the Executive Branch’s ability and willingness to deliver sustained efficiency gains. Longer term, the compounding of even 0.2% annual Efficiency Dividends would have a significant impact on the state’s fiscal performance, producing hundreds of millions of savings over ten years that could be used at the discretion of the political leadership of the State to improve services, and/or reinvest in further progress on innovation, efficiency, and transparency and help keep revenue in check. Even with commitments to retain a percentage of savings in participating agencies and departments and a long term commitment to the Innovation and Efficiency Fund, State Government will have real political choices to make.

But in the near term (say, over the next two biennia) creating Efficiency Dividends will almost certainly require incremental spending in advance of Efficiency Dividends.²⁴ No doubt, there will be some quick hits. But the question of how much to invest will remain. The analytical tools to be developed for assessing tradeoffs over time for particular innovation and efficiency projects can as easily be applied to the entire effort to drive for 21st century operating performance. It is too early for financial precision around recommendations that require detailed planning and analysis. But it is clear that if there is confidence in the state’s ability to achieve the 0.2 percent Efficiency Dividend target, the state should be prepared to make real investments in the next biennium to begin to change the trajectory of Executive Branch operating performance. In a future marked by fiscal constraints and increasing demands for public services, innovation and increasing efficiency will always be a better, easier first choice than higher taxes or reduced services.

²⁴ See Appendix B for a summary of recommended investments.

Appendix A: Efficiency and Innovative Ideas identified by State Agencies

Efficiencies and Innovative Ideas identified by State Agencies which are either complete or in process	June 13, 2013
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Department of Administrative Services

We embraced LEAN early on starting in the fall of 2009 by undertaking a number of projects in Public Works where we saved 80 days per project through improvements in the contractor selection process. We also improved the Classification Selection process reducing by 3 the number of days to approval. We streamlined the accounts payable process to move to scanning documents, eliminating steps, reducing the administrative burden, eliminating bottlenecks, reducing the cost/need for paper and archive storage. Scanning of the images at the agency saved the state 9 tons of paper and more than 10,000 gallons of gas annually. Significant storage costs were also saved and 15 steps were removed from the process.

The antiquated and unsupported IFS Financial System was replaced with Lawson. This was an effort undertaken with no additional state staff and the least cost spent on such an effort in the nation. Today the state has a financial system that communicates with the budget system for the first time. This financial system provides us with much greater detail, functionality, versatility, transparency and reliance than our prior system.

In addition, DAS led the effort to consolidate accounts payable functions. The state by June 30th will have consolidated 265,000 AP processing functions into one unit. Administrative Services continues to drive down cost per transaction and improve efficiencies in this area. Forty-four positions were reduced to twenty-seven and efforts are underway to drive the cost per transaction down further.

ASOPS (Administrative Services Online Pay Statements) – ASOPS was developed in 90 days and implemented in May 2011 in response to a need to reduce the printing of paper pay statements for State employees who subscribe to pay by direct deposit. ASOPS met all the latest standards in web security and was available to all employees from the Internet as well as at work. Additionally, ASOPS has advanced self help features typically employed with many commercial applications (banking, etc). ASOPS has saved the State of New Hampshire a minimum of \$35,000 annually for the 2 years to date (since May 2011).

BASS (Benefits Administration Support System) – BASS was developed in less than 90 days and implemented in May 2012 in response to a critical need for the Department of Administrative Services ability to administer Health Benefits for State employees. In the fall of 2011 the contractor the State of New Hampshire had hired to administer State employee Health Benefits was behind in implementing their on line system and the Open Enrollment held a month late in December was fraught with errors. The State limped along trying to provide enrollment and update information to the State's contracted Health Carriers through a unsupportable manual process. BASS replaced this manual process and saved the State of New Hampshire effectively up to \$673,303.95 for FYs 2012 – 2014 contracted services and additional unidentified costs for data conversion into NH FIRST.

Vehicle Utilization Improvements – Analyzing data from Fiscal Years 2010, 2011, and 2012, totaling mileage traveled, fuel used, maintenance costs, repair costs, and insurance costs per agency for all passenger automobiles and light duty trucks up to 10,000lbs, we were able to see significant savings. Since FY 2010 we have decreased the white fleet by 1.72% (35 vehicles). An additional 65 vehicles have been reassigned within agencies to ensure most efficient allocation. Miles traveled has decreased 2.39% (699,478 miles). Fuel consumed has decreased 4.46% (78,048 gallons). Maintenance and Repair costs have decreased 21.71% (\$477,980). The total amount of non business miles for state vehicles has been reduced by 40% or 431,715 from FY 2011 to FY 2012. We *are currently working with a vendor to establish a contract to lease vehicles as a tool to reduce the cost of in state mileage reimbursement.

Energy Usage – Executive Order 2011-1 required state government to reduce its fossil fuel use in state buildings by 25% on a square foot basis over a 2005 baseline by 2025.

We accomplished a 29% reduction. We developed a high performance design standard for new construction. We have completed over 75 projects with capital funds over the last 4 years with an average payback of 5.3 years equating to about \$660,000 of savings in utility costs each year. These include projects such as the Glenclyff Biomass Boiler and Hydroelectric Generation, DOT Wood Boilers and Weatherization, High Efficiency Dishwasher for NH Hospital, Energy Improvements at the Winnepesaukee River Basis Project and a number of Renewable Energy Projects. Additionally, fuel switching has also allowed the State to realize over \$6.8 million in utility avoided costs over the past 4 years. We automated the process of submitting energy data to the EPA to benchmark state owned facilities for energy usage.

Paperless Purchasing System - The Bureau of Purchasing installed a new procurement system as part of the Lawson financial system. As part of the initiative, Purchasing eliminated multi copy requisitions and purchase orders and required all state agencies to submit requisitions electronically eliminating paper and streamlining the process.

Service Contract Consolidation - In an effort to centralize service contracts the Bureau of Purchasing significantly increased the amount of multi agency contracts adding over 26 new service categories over the last three years.

Strategic Sourcing - Purchasing staff have been trained and are ready to implement a strategic sourcing module. This module will allow vendors to submit all their bids electronically and expedite the bid award process. It will also allow vendors to access and manage their vendor information without the need to have staff to intervene in the process.

P-Card – The Bureau of Purchasing is currently developing a user manual and rules for use of Procurement Cards by state agency personnel. The P-Cards will replace the multi copy field purchase orders and streamline the acquisition process. We are currently planning to initiate a pilot with the Department of Transportation in July. Eventually we would like to expand the P-Card to pay for large purchases to take advantage of the rebates.

Electronic Auctions – We have entered into a contract with a vendor to sell state surplus property on line through the internet. Early results have been very positive with increased revenue for surplus property sales. The public can now purchase surplus state assets throughout the year as well at live auctions in the spring and fall.

New Inventory System for Surplus Foods – We have received a grant for approximately \$200,000 to install a new automated inventory system for federal surplus foods. Our program delivers surplus USDA foods to 350 schools throughout the state 10 times a year. The funding will be utilized to implement the asset inventory system that the State purchased with NH First. Surplus Foods will be the first state agency to use the asset inventory system. The system needs to be completed and on line before September of 2013.

Fleet Fuel Card – We have established a contract with a contractor to provide a state fleet fuel card for state agencies to utilize to purchase fuel when traveling out of state or when the state DOT fueling stations are not available. These cards eliminate the state tax from the invoice and reduce billing requirements at no cost to the state.

Energy Management – Current Performance Contract Initiative – Looking to complete \$20 million+ in energy upgrades to state buildings in the next 4-6 years. Projects may include Hazen Drive (proposals currently under review), Cannon Mountain, NH Hospital, Employment Security, Juvenile Justice Services, Liquor Commission, and/or the courthouses. These projects could result in \$1 million or more in energy savings annually and could significantly reduce the amount of fossil fuels used for energy in state buildings.

New Chart of Accounts – As part of the new Lawson financial system, we created a new chart of accounts that makes state spending more understandable and transparent to decision makers and the public. The former chart had 75% in miscellaneous.

Transparency Website – DAS and DOIT worked together to develop a transparency website to make every financial transaction available to the public. The Pew Center recognizing this improvement moved the State of NH up from a D+ to a B-.

Cleaning Products – All cleaning products for in house and contracted custodial staff have been converted to green products.

Recycling Program – We expanded the recycling program to include cardboard and other recyclables. In FY 12 we recycled 98% of our construction and demolition debris on Bureau of Public Works projects with 16,991,100 pounds of construction debris being recycled instead of the landfill. Other items of interests include shredded and mixed paper where we increased the amount of recycling by 25% to 644,035 pounds and all comingled containers (plastic, tin, bottles, cans, and glass) which were up 600% in FY 12 to 316,543 pounds that were recycled.

Tri State Purchasing – expanded tri-state purchase opportunities with Vermont and Maine to purchase road paint, drainage structures, trucks, linear posts, signs and sheeting to maximize savings.

Manual of Procedures – Long outdated manual of procedures identifying practices agencies should follow administratively is now 50%+ updated.

Vehicle Damage Appraisal Services - In April of 2011 we put together a vehicle appraisal contract to assist state agencies that have state vehicles that require auto body work. For a very minimal fee (\$145), the appraiser will provide an independent appraisal of the damage to the vehicle that the respective state agency can then utilize as a basis to compare pricing from auto body shops to complete the auto body work. After the auto body repairs are completed the appraiser will inspect the car to ensure that the auto body repairs were completed properly, that the proper parts were installed and more importantly that the car operates properly and is safe to drive. If the repairs are not correct or the vehicle is not safe the appraiser will ensure that the auto body shop completes the work to his satisfaction.

Dental Benefit – This benefit was converted from a fully insured benefit to a self funded benefit thereby saving the state \$1 million in the first year and enabling the state to set rates and retain savings from better than expected claims experience (2008).

DAS is presently implementing the Lawson Human Resource System. This system replaces our antiquated and unsupported Government Human Resource System. It touches on the lives of over 15,000 employees and runs on a rules based system. A great deal of effort has been required of state IT and HR staff which are doing an incredible job with this challenging effort.

Department of Corrections (Achievements & Events)

1. SFY 2010 - 2011

- Effective 7/1/2009, closed Lakes Region Facility (LRF); abolished 74 LRF positions & 7 non-LRF positions
- Refurbished the Northern Correctional Facility (NCF) gym into a 112 bed dormitory for minimum security inmates
- Created the Community Corrections Division
- Established the Business Information Unit
- Implemented the provisions of SB 500
- Centralized the Field Services' restitution collections unit and instituted the mailing of monthly statements to offenders
- Created the Director of Professional Standards and the Director of Security & Training by eliminating 3 positions
- Enhanced Correctional Information System (CORIS) reports
- Automation of facility counts
- Changeover to energy efficient ozone equipment in laundries

2. SFY 2012 – 2013

- SB 52 enacted; negating many provisions of SB 500
- Abolished 106 positions, including 40 staff laid off
- Abolished 3 unclassified positions (LRF warden, MD & DMD)
- Converted Concord Prison boilers from oil to natural gas
- Reduce fleet from 76 to 63 vehicles; instituted greater carpooling
- Placed correctional counselors/case managers in the four largest Probation/Parole offices
- Implemented the Ohio Risk Assessment System (ORAS) for both Probation/Parole officers and members of the Adult Parole Board
- Transferred four positions to DAS's Accounts Payable Shared Center
- Initiated self-funding Canteen operations with non-general funds
- Contracted with furniture store in Franklin as an outlet for Hobbycraft products
- Contracted for replacement of doors in the Secured Housing Unit (maximum security)

- Closed down the NCF dormitory/gym. Converted the capacity to 56 beds for future use, if needed.
- Converted the inside canteen into a new Family Connections Center within the Concord Prison
- Completed the construction of the new Residential Treatment Unit (RTU) bringing the Department closer to full compliance with the Holliday court order
- Met the \$6,000,000 budget cut by keeping positions vacant; resulting in overtime deficit and a tired and stressed workforce
- Achieved four straight years of lowering recidivism and a two year downward trend of parole revocations

Department of Cultural Resources

1. Moving document submissions for State Historical Resources Council review from a paper format to a web-based format, saving paper, copier ink and postage costs, as well as staff time on a quarterly basis.
2. Creation and publication of the most recent five-year state preservation plan using online and digital tools, including a blog, e-newsflashes, an online questionnaire, and the division's web site. See <http://www.nh.gov/nhdhr/programs/plan.htm>.
3. Creation of the online historic highways markers map, in partnership with NHDOT, rather than reproducing costly and immediately out of date paper brochures or continuing the use of an online database that DOIT could no longer maintain or fix once it became inoperable. See http://www.nh.gov/nhdhr/markers/markers_map.html -- use of existing free software that the public is already familiar with.
4. In 2008, transition from a paper quarterly newsletter to an electronic one (via Constant Contact). This transition also allowed the division to begin distribution of e-newsflashes for more time-sensitive items.
5. Creation of a Geographical Information System for known archaeological sites in New Hampshire. Although the location of archaeological sites is protected under state and federal laws, qualified cultural resources management consultants and selected state and federal agencies now have access to this data as a GIS layer, which is far more accurate and protects original paper files and mapping in the division's collections (a grant application is now being assembled to fund a similar data layer for "above-ground" resources such as buildings, landscapes and structures).

Efficiencies Gained through the use of Programmatic Agreements:

1. In 2010 the division entered into a Programmatic Agreement with the Federal Emergency Management Agency, the NH Department of Safety and Office of Emergency Management, and the Advisory Council on Historic Preservation. The agreement governs the Section 106 review of projects funded or otherwise assisted by FEMA that may affect historic and archaeological

- resources in New Hampshire. The agreement outlines expedited review processes, exempted activities, standard treatment options and other considerations.
2. In response to the tight deadlines associated with funding through the American Recovery and Reinvestment Act, New Hampshire was among the first states to taper a prototype Programmatic Agreement from the US Department of Energy to meet New Hampshire's goals and needs. In 2010 the division entered into the agreement with the NH Office of Energy and Planning. The agreement included a long list of activities exempted from Section 106 review – projects that were expected to result in no effects to historic resources.
 3. The division also entered into Programmatic Agreements with the Community Development Finance Authority and various local governments to expedite Section 106 reviews under two rounds of the Neighborhood Stabilization Program, funded through US Housing and Urban Development. In particular, the agreement expedited the identification of historical buildings by encouraging the evaluation of entire neighborhoods prior to the start of work.

Commissioners Roundtables on Cultural & Heritage Tourism (quarterly): Facilitate discussions within the arts and culture community, assisting them in strategizing ways to increase their partnerships with other organizations and businesses in an effort to draw on each other's strengths, raise their profiles and increase their positive impacts on our communities.

"Barnstorming" Tour (fall 2012): Partnered with DTTD to bring their new "Live Free and..." campaign directly to the cultural community, in an effort to get them to incorporate the new branding into their own marketing. Visited 7 communities across the state within a few weeks.

Arts, Culture and the Law Conference (2011, 2012): Full day of concurrent workshops related to legal issues in the arts and culture industry. Presenters included attorneys as well as representatives working in the arts and at cultural organizations. Partners: Department of Cultural Resources, Department of Justice, UNH School of Law, NH Center for Nonprofits, NH Business Committee for the Arts.

Culture OneStop (2013): A day-long event for board and senior staff at cultural organizations. Commissioners from 12 state agencies presented information about their

agencies during hour-long panels that included question and answer sessions, as well as via short presentations.

NHAIS Local Open Source Library Automation Project. Allows under automated and non-automated libraries access to on-line catalogues.

Downloadable Book Consortium Allows 192 Public libraries to share 6,000 e-book titles and 6,000 digital audio book titles. Without this shared service only a few of the largest libraries in the state would have the ability to offer this technology to their patrons.

Department of Resources and Economic Development (see attached)

Department of Education Vocational Rehabilitation

A centralized financial process has been successfully in place since 2008. An upgrade of the Vocational Rehabilitation (VR) Case Management System made it possible to process client authorizations, purchase orders and payments in the Concord Central Administrative office instead of the seven field offices. This change provides an opportunity for the Administrators in Central Office to review proposed client services and procurement of equipment prior to authorizing them. This step assists in the auditing of VR policy as it relates to client services and cost containment areas.

The largest improvement to our agency is the cost efficiencies that have been realized. The administrative funds in Vocational Rehabilitation are limited and there is a critical need to expend funds wisely and to look for opportunities to maintain a healthy administrative/client service ratio but at the same time provide supports to the VR counselors and clients. The time that the account technicians were previously spending in the field offices processing payments is now used for assisting counselors in other areas that are value added and benefit clients directly and indirectly without increasing staff. The account technicians have been reclassified to rehabilitation technicians. The time is now devoted to directly assisting the counselors and clients and with no additional cost to Vocational Rehabilitation or increase in the administrative costs:

When a rehabilitation technician is on extended leave or vacation, Central Office is able to run the financials for the office and send the authorizations for client services to the vendors without interruption. This was not possible prior to centralization.

The centralization of the financials made it possible to move to direct uploads of payments through NH First as well as move to a paperless system. All invoices are scanned into the case management system at the field offices, attached to the authorization and/or purchase order and stored electronically. No more mailing packages from the field offices, filing or misplaced invoices. The Office of Business Management was alleviated from data entering thousands of payments by hand and eliminating duplication of effort. These three significant changes: centralized financials, scanned invoices and direct uploaded payments has been a great opportunity to demonstrate positive system change, cost and time efficiencies as well as environmental friendly processes.

Berlin (Rehabilitation technician comments) – *“Overall the turn around time for payments and authorizations has been very good”. “I am able to assist and guide staff and counselors with financial questions/issues, budgets, computer issues, acquiring quotes/ordering materials/equipment, CPT, customer plans and assist with waivers and amendments, tracking of reports for invoices, tracking customer reimbursements, portfolios in Choices, customer/vendor contacts and office operations”.*

Lebanon (Counselors comments directed to the central office accounting staff that complete the centralized work) – *“I want to let you know how much I appreciate everything that you have done for us. We were talking about how awesome you have been”. “Thanks for keeping things so well organized”. “The authorizations and invoices are being done promptly and it has had no negative impact”.*

Portsmouth (Counselors comments directed to the central office accounting staff that complete the centralized work) – *“Thanks for your help. I really enjoy working with the staff at Central Office. “Thanks for being an important part of the Portsmouth “Team”. Your help is much appreciated”. The Portsmouth*

rehabilitation technician is now able to assist counselors with client intakes, closing cases, vendor and client contacts, case notes, new vendor requests, reviewing the ULO, assisting with projections and entering line items into CMS”.

Department of Environmental Services

DES has invested significant staff time in a number of innovations and efficiency efforts (both Lean and non-Lean events) over the last 3-5 years. Below is a summary of some of our non-Lean efficiency efforts. We have divided the efforts into four categories; department wide efforts, singular bureau efforts, software as service applications, and use of freeware. Wherever possible, we have provided links for you to see our innovations.

I. Department-wide Innovation Efforts

1. Developed a Web-based Environmental Dashboard – summarizes environmental conditions and trends for the public - <http://des.nh.gov/organization/commissioner/environmental-trends.htm>
2. Developed and maintained a robust website with most DES programs well represented – most forms on-line: www.des.nh.gov
3. Created the DES Environmental OneStop site which has put large percentage of DES public documents pertaining to over 40,000 sites of interest in NH in a web-accessible & searchable space.
4. Creation of a large electronic library of plain-language Fact Sheets - <http://des.nh.gov/organization/commissioner/pip/factsheets/index.htm>
5. Creation of an “Items Request Tracking (IRT) System” for electronically tracking Fiscal Committee/Governor and Council items. The IRT system has been adopted by other state agencies including Safety, HHS, Transportation and is being looked at by Administrative Services, Education and Energy & Planning. It could serve as a statewide system for paperless Governor and Council process (DES shared the “code” with other agencies for no cost)

II. Individual Bureau and Program-Level Innovation Efforts

1. Hazardous Waste Management Bureau: Moved several certification programs to an on-line process to decrease the volume of paper forms being processed and increase the ease of operators to enroll in the programs. Examples include:
 - Small Quantity Generator Self-Certification Program
<http://des.nh.gov/organization/divisions/waste/hwcb/hwcs/sqgcp/index.htm>
 - Hazardous Waste Coordinator Training Program
<http://des.nh.gov/organization/divisions/waste/hwcb/hwcs/hwccp/index.htm>
2. Hazardous Waste Remediation Bureau: Automatic generation of statutorily-required cost-recovery bills. Less work for staff, improved cash-flow for program, and quicker progress on site clean-up.
3. Solid Waste Management & Hazardous Waste Remediation Bureaus: Changes to monitoring programs associated with landfills resulted in \$550,000 savings to NH municipalities over first six months, ranging from \$1800-\$46,000 per customer.
4. Watershed Management Bureau: Extensive use of volunteers for many years to gain wider coverage for monitoring of surface water quality (Volunteer Lake and River Advisory Programs). Many online tools and guidance documents available electronically.
5. Contaminated Site Programs: On-line document submittal & response makes programs almost paperless.
6. Oil Remediation & Compliance Bureau – Underground storage tank inspectors using PDA's, portable printers for field inspections – able to enter data, provide facility officials with inspection report on-site – currently converting application to run on tablet-type Toughbooks with larger screen.

III. Software as a Service (SaaS) Applications Used by DES Staff

The software packages listed below are being used by DES staff to enhance their jobs, expand communication efforts with the general public, be able to share technical data faster, and obtain more accurate information.

1. Doodle <http://www.doodle.com/> - event scheduling used by DES to coordinate meetings with various outside entities. For more information, see <http://en.wikipedia.org/wiki/Doodle.com>.
2. Mosaic Parcel Map – GIS Property database used by DES for various compliance, permitting and enforcement efforts, data via the Department of Revenue Administration (DRA), and UNH Technology Transfer Center.
3. Survey Monkey - used by DES to survey both staff and outside groups on important issues affecting the department. <http://www.surveymonkey.com/>, more at <http://en.wikipedia.org/wiki/SurveyMonkey>
4. GoToWebinar <http://www.gotomeeting.com/fec/webinar> software that allows DES staff to host webinars, includes limited video conferencing, and hosting of recorded webinars (every agency has to purchase its own full license) Examples of 2 webinars already posted by DES.
 - Determine if a Permit is Required to Repair or Install a Dock <https://www.surveymonkey.com/s/docks>
 - Determine if a Shoreland Permit is Required <https://www.surveymonkey.com/s/shoreland>
5. Twitter <https://twitter.com/NHDES>. Beach program tweets beach advisories
6. MailerMailer <http://www.mailermailer.com/index.rwp> DES uses mailermailer to send press releases, beach advisories, air quality action alerts and newsletters to electronic subscribers. DES sends roughly 125,000 emails a year with this service.
7. News Clips <http://fednews.com/> a daily electronic news service used by the DES Public Information Office who reviews morning news reports from all New Hampshire based media (print, radio, tv). The articles are selected based on a set of key words tracked by DES. The selected articles are then shared with the entire agency via email, which helps to keep everyone informed.

8. Google Drive (formerly Google Docs) http://en.wikipedia.org/wiki/Google_Drive free consumer version. Document sharing and collaboration. Multiple users and projects, including sharing Quality Assurance Project Plans with EPA Region I staff via an online tracking spreadsheet.

9. Google Drive with Google Fusion Tables
<http://www.google.com/drive/apps.html#fusiontables>. More at http://en.wikipedia.org/wiki/Google_Fusion_Tables. Examples (embedded in DES OneStop):
 - Large Groundwater Withdrawal Permit Monitoring
http://www2.des.state.nh.us/WSEB_LGWP/WSEB_LGWP.ASPX
 - Surface Water Quality Report Cards
http://www2.des.state.nh.us/WaterShed_SWQA/WaterShed_SWQA.aspx
 - Beach Locations and Advisories
http://www2.des.state.nh.us/WaterShed_BeachMaps/WaterShed_BeachMaps.aspx

10. YouTube DES has its own channel.

IV. Open Source Software Applications Used by DES Staff

These are two of the open source (i.e. “free”) software being used by DES.

1. WordPress <http://wordpress.org> , to facilitate communication and coordination between work group members both inside and outside DES. Examples:
 - NH Watershed Protection and Restoration Forum
<http://xml2.des.state.nh.us/blogs/watershed/>
 - Lake Reflections, http://xml2.des.state.nh.us/blogs/lake_reflections/
 - Customer Service Initiative (for select state staff only, username and password required)

2. WebTrends>AwStats <http://nhstaff.nh.gov/analytics/cgi-bin/awstats.pl?config=www.des.nh.gov> Provides statistics on DES webpage hits, downloads and access. These reports are produced by DOIT Web Support for DES use.

Department of Health and Human Services - (Projects which have or are expected to significantly improve efficiencies or effectiveness)

SERVICE DELIVERY

Care Management

The Department is implementing a three-phased approach to transitioning Medicaid services from a fee-for-service system to a managed care system under which services will be provided by a Managed Care Organization for a capitated rate. The program will be implemented in three phases:

- Step 1-All Medicaid medical, pharmacy, and mental health services for all populations with a few the exceptions, such as spend down populations.
- Step 2-Specialty services for long term care populations, including nursing home services and specialty services for those dually eligible for Medicaid and Medicare.
- Step 3-Medicaid expansion population under the Affordable Care Act, if NH chooses to exercise the option to expand.

The program start date is contingent on the development of the provider networks. We have set forth a timeline that culminates with the program start that will begin once the managed care organizations are able to demonstrate that they have met certain milestones in putting together the provider network to serve the Medicaid population. Step 1 savings are budgeted at approximately \$17 million per year and Step 2 savings at \$25 million per year.

Children's Health Insurance Program (CHIP)

In July 2012, New Hampshire transitioned the administration of its Children's Health Insurance Program (CHIP) from a 'combination' program - one that offered Medicaid to infants 0-12 months old and a commercial product to children 1-19 - to a 'Medicaid Expansion' model of administration. As a result, children from 185-300% of the federal poverty level now receive full Medicaid benefits. In making this change, NH was able to reduce the per member per month cost of coverage for the 1-19 year olds by roughly 40% from \$243 to \$144. Additionally, we were able to save families the cost of premiums and co-pays which were dramatically higher than what is expected of children covered by Medicaid resulting in increased enrollment (a CMS goal). Moreover, the Medicaid benefit is richer when compared to the commercial offering. In short, we are

covering more kids with better coverage for less state funds and lower family contribution.

Service Delivery System Transformation

Under the pressures of higher demand for services but with less funds available to provide them, the Department seeks to transform its service delivery system (the way in which the Department's clients receive services) to be more integrated and efficient while also improving the quality of client care and outcomes. The Service Delivery Transformation Project will gain a clear understanding of the way the current service delivery system operates, as well as the ability to measure quality of services provided. Through data analysis the Department intends to implement changes in policies, procedures, information systems, partnering, contracting, etc. to achieve a more integrated and efficient operation while improving the quality of client care and outcomes.

The first step to understand and analyze the current system is to collect data about how the system works. To do this the Service Delivery System Transformation – Data Repository Project was defined to create a Master Client-Centric Data Repository that integrates data about services delivered to clients. By consolidating clients information across internal silos as well as externally managed data stores (e.g. mental health facilities) the Department envisions the creation of a client focused solution that will show a comprehensive picture of services for specific client needs. Using data for decision making insures timely, accurate, efficient and effective management of the best possible practices and services to the citizens of New Hampshire.

The project started in January 2013 and is expected to be completed by this summer. Data from four DHHS program areas will be integrated – Division of Family Assistance, Division of Child Support Services, Division of Children, Youth and Families, and Bureau of Elderly and Adult Services.

Mental Health, Wellness Incentive Program

Individuals with a severe mental illness have been shown to have a lifespan 25-years shorter than individuals without a severe mental illness. NH applied for a highly competitive federal grant by partnering with the Office of Medicaid and Business Policy to design a highly innovative program to take on this issue and improve the health of NH citizens who have a severe mental illness and are at risk for early death. NH was one of a few states awarded this grant, which will provide support for individuals to participate

in weight loss and exercise programs customized to meet their unique needs. Incentives are provided through the grant to encourage participation from consumers. In addition, this program (Healthy Choices Healthy Living) will also offer smoking cessation programs and incentives for consumer participation that are also customized to be most effective for this population. The program commenced this year and we anticipate will receive national attention as a best practice model. The program is already showing very promising results. In the area of smoking cessation for example, prescriptions for smoking cessation medication have increased 400% at the community mental health centers. We also continue to see very positive results from other components of the program targeting weight loss and improved lifestyles.

Mental Health, Readmissions to New Hampshire Hospital

The Bureau of Behavioral Health and New Hampshire Hospital have implemented at New Hampshire Hospital, "Project RED" which stands for "Re-Engineered Discharges". It has been shown highly effective at reducing patient readmission rates to the hospital. Project RED has implementation being scheduled at hospitals across the country, and data from research conducted on the program has supported the effectiveness of the program in achieving the following outcomes:

- Decreasing 30-day readmission rates by 25%
- Decreasing utilization of hospital emergency departments
- Improving patient readiness for discharge and follow-up for continuing care

The program is currently accepted as a National Quality Forum (NQF) Safe Practice. The program has been endorsed by the Centers for Medicaid and Medicare Services (CMS) and meets Joint Commission standards for discharge planning. NH is currently the first state to implement this program in a state psychiatric hospital. BBH and NHH will be collecting outcome data that will measure effectiveness to reduce readmission rates and discharge planning.

Facilitated Social Security Applications

State cash assistance to individuals with disabilities is 100% general funds. When these clients also receive Social Security disability cash benefits, the State dollar share drops significantly. The Division of Family Assistance ensures that clients applying for disability cash assistance follow up on their requirement to apply for Social Security disability benefits. Before this initiative began, the average APTD grant before this Facilitated Social Security Unit was \$203.88 per month. This is now projected at

\$134.90. At a caseload of approximately 8000 clients, the annual savings are projected at \$6.6 million.

Mental Health, Transitional Housing

The Transitional Housing program was converted from a state-operated facility to contracted service. Following a public bidding process, a contractor was selected, contracts were approved and the contractor assumed responsibility for the program January 1, 2012 as anticipated in the budget. Savings generated from the privatization of the program were reinvested into the 10-Year Olmstead plan to continue moving these initiatives forward.

USE OF ENABLING TECHNOLOGY

Front End Operations

The Department has explored ways to improve service delivery, obtain operating efficiencies, and promote the well being of the state's citizens. One area reviewed was the process used to accept and process applications for services. This project is currently underway and includes the NH Easy on-line web application initiative, through which residents throughout the State can apply for benefits on-line from any computer that has web access. This new application process allows clients to create their own user accounts to track and manage all aspects of their applications. During the most recent reporting period, 2632 applications were submitted through NHEasy, which is 29% of the total 9026 applications received. Outreach efforts continue. A major efficiency is that NH Easy allows clients to screen themselves for eligibility before they actually apply for benefits, a significant time saver in that DHHS workers don't have to process applications and conduct interviews with people who screen themselves out. DHHS can now 1) allow clients to submit re-determination applications online; 2) allow clients to report income and other changes online; 3) pre-populate client re-applications when they reapply and are known to the system; and 4) test a working prototype of five "self service" kiosks to be deployed in district office waiting rooms.

Creating Telework Units in a few Pilot District Offices

In September 2010, DCYF began its first Telework Unit. In this unit, staff assigned to the Southern District Office were able to be more accessible to the community by having the necessary information technology to complete their job functions outside of the District Office. In this model, they are able to do all of their usual work assignments remotely from places within the community. DCYF believes this has beneficial to families and community stakeholders who will have better access to their assigned Child Protection Worker (CPSW).

Staff, supervisors, and administration had a year to plan the development of the unit. Careful planning was key to ensuring staff knew how to fulfill their responsibilities while also expecting and receiving close supervisory oversight and management. Flexibility has been critical along the way since Telework is new to the agency. The Telework staff meets as a group weekly, where they are able to hear about the work of their peers and discuss how to improve the functionality of the group.

Since its inception, the Telework Unit has demonstrated the ability to successfully manage casework responsibilities within the community and not from a district office. Data reports have shown that the unit has maintained higher-quality practice standards

and have improved face-to-face interactions with children, families and the community. Qualitative surveys identify the perceptions of families and the community is that the agency is more available and timely in there responses.

Telework has been instrumental in enhancing not only staff response to the community but to the ability for DCYF to be embedded into the community. The technology provided to them has created opportunities for Telework staff to develop enhanced relationships with community stakeholders. They are able to do work in “real time” in a school, police department, or local community agency. DCYF finds that the ability and capacity for Telework staff to be accessible to families in their home community and to strengthen their relationships with community partners results in overall better safety and permanency outcomes for children and families.

Use of Telemedicine for Child Psychiatry Services

A collaborative effort is underway to address the shortage of child psychiatry in the community by using telemedicine technology to assist community providers in the management of medication and other therapies. NHH and The Sununu Youth Center are collaborating on cross-coverage of the two facilities providing consistency and uninterrupted services. NHH will use telemedicine to support the Sununu Youth Center during off hours when a psychiatric consult is warranted. Once the initial services are established, an expansion of services will be implemented to include psychiatric consultations with juvenile justice probation offices and relevant wrap around services.

Health Information Exchange

The Department has received an award in the amount of \$5.5M from the American Recovery and Reinvestment Act of 2009 (ARRA), Title XIII – Health Information Technology, Subtitle B – Incentives for the Use of Health Information Technology, Section 3013, State Grants to Promote Health Information Technology. The purpose of the award is to promote the establishment of a New Hampshire state level Health Information Exchange that shall advance mechanisms for information sharing across the health care system. A Strategic and Operational Plan for the Health Information Exchange was developed through the collaboration of stakeholders from across New Hampshire's health care community. To date NHHIO has received over 30 signed Letters of Intent from large and small hospitals, critical access hospitals, home health and Visiting Nurse Associations, community health centers, behavioral health organizations and independent practice organizations, all of whom have realized the capability of the Health Information Exchange to increase the effectiveness of care coordination to help increase the quality of care, and decrease the overall utilization and cost. The contract with Orion Health was signed in February 2013 and the Health

Information Exchange technical framework has been built. Test transactions between participants have been successfully exchanged. Full operation is expected to begin within the next few weeks. NHHIO expects to have over 300 providers on the network by end of calendar year.

Vital Records Inquiry (VRI) automation project

The divisions of Family Assistance and Child Support personnel are the primary users of vital records data with over 90 users statewide using VRI application. Prior to this application coming online, the process for obtaining vital records information was manual/paper and required "multi day" turnaround time. With this technical innovation, users can now access the same information within seconds, with just a few clicks of the keyboard.

This saves manhours for the Bureau of Vital Records that had to complete a Vital Records Request form and return it to us. This tool (VRI) allows our Division to have immediate access to this information. Previous to having this tool, we had to wait for the proof from Vital Records prior to determining eligibility which delayed benefits to eligible citizens of New Hampshire."

RESTRUCTURING THE ORGANIZATION

Consolidation of District Offices

Another element of the initiative to pursue operating and service consolidation initiatives is the consolidation of district offices. The Department created a plan in February 2010 to realign the district offices and to promote more self-service by clients such as NHEasy and to allow field staff the opportunity to telework or re-locate to smaller, itinerant sites. The Salem and Portsmouth offices were consolidated into the new Southern district office and the Department was able to achieve approx. \$700K in annual savings from this and a few other minor changes. Subsequent restructuring of the district office configuration has met with resistance and further consolidations are not contemplated.

Use of document imaging to streamline the eligibility process

The Department recognized the need to move from paper to electronic records to achieve operational and service efficiencies and did so by 1) establishing an electronic case record that is viewable, searchable and available for on-line processing 24/7, 2) establishing a case record that can be worked on by any caseworker regardless of work location or case assignment, and 3) establishing document management reporting for service oversight.

DHHS process approximately 9,000 applications per month for services. Prior to document imaging the process was paper-based. Today, the application process is electronic. Client paper applications and hard copies of verifications by eligibility workers are forwarded to a central scanning unit where they are digitized and filed to an electronic case file. This eliminated the need for file rooms and has and will allow DHHS to reduce the size of the district offices. Documents are no longer lost as happened occasionally with the paper files.. Since all eligibility work is digitized and filed electronically, workload can be managed among the district offices by moving documents from offices with high workloads to those with additional capacity.

Berlin Central Re-determination Unit

Eligibility for almost all assistance cases must be re-determined every six months. In a typical month, in addition to 9,000 new applications, DHHS processes 13,000 re-determinations. These were formerly processed at the district offices along with new applications. The re-determination process was redesigned so that most clients send their re-determination forms to the central scanning unit to be digitized. Using existing vacant positions, we created a centralized “Rede” unit in Berlin that now processes about a third of all paper redes for the entire state. This reduced work traffic in the other district offices and allowed them more uninterrupted time to answer phones and do other work.

Concord Central Processing Unit

During the recession, caseloads climbed as much as 84% (food stamps) and eligibility determination workers had an increasingly difficult time answering the phones. Electronic case records provided the platform for one of our Concord locations to focus on assisting with specific caseloads to assist district offices. DHHS implemented a Central Processing Unit. The unit was staffed by moving vacant positions from elsewhere in the organization. These include: Spend downs (2,200 a month), Division web-mail (200/month), phone interviews (150/month), governor and commissioner referrals (50/month), low income subsidy for Medicare (200/mont), Social Security inquiries (100/month). Additionally, a central phone number for client services handles an average of 3,500 calls a month, which would have been managed by the district offices.

Consolidation of DCYF and DJJS Organizations

Another consolidation initiative was the consolidation of the Division for Children, Youth and Families (DCYF) and the Division for Juvenile Justice Services (DJJS) into one

Division. By doing so, it allowed for better oversight of the programmatic activities, to ensure consistent implementation of the Division's priorities. The consolidation also allowed the new Division to consolidate similar administrative activities thus making the Division function more efficiently effectively. Due to the consolidation there were some positions that were no longer needed by the new Division and the Department was able to achieve approximately \$310K in annual savings.

The merge of Child Protection and Juvenile Justice under one umbrella helped to solidify our efforts to address issues affecting youth and families in both systems. There needed to be consistent planning, practices, policy and law that are embedded in practice regardless of petition type or agency case manager responsible for the planning. It should not matter if a child is in out of home care due to a child protection or juvenile justice factors. What should matter is that similar permanency planning occurs for every child as soon as they are removed from their home of origin. Results of these efforts have included:

- Developing an integrated Case Practice Review process;
- Actively sharing training resources and conducting joint planning;
- Use of the same case management information system;
- An enhanced, shared service array; and
- Joint case-planning policy for families involved with both systems.

DCYF has implemented major initiatives for child protection and juvenile justice relating to safety, permanency and well-being. These have included rapid and substantive changes in both policy and practice and have involved and affected all levels of staff throughout the divisions resulting dramatic decreases in the need for out-of-home placement services and has minimized the length of time children are in the state system. The results have also resulted in decreased costs over several years.

LCHIP

The Land and Community Heritage Investment Program (LCHIP) has

- improved its grant application form so it is easier for applicants to provide the information needed for the Board of Directors to make decisions about which project will get grant awards;
- improved its decision making process to ensure that grant making decisions rest in the hands of the Board of Directors;
- started distributing monitoring incentive payments (per RSA 227-M: 11 & 12) to grant recipients who demonstrate appropriate stewardship of the property for which LCHIP funds were granted;
- Reduced staff from 4 FTE to less than 3 FTE (because of decrease in work load related to budget reductions).

Police Standards and Training

Recruit iPad deployment and electronic training files - NH Police Standards, several years ago, looked at ways to become more efficient in regards to the delivery of materials to our recruit officers in training. Recruit officers spend 14 weeks in a paramilitary academy at PSTC to become certified during which they take over 50 instructional classes. For those classes, we were producing and printing course materials and handouts. Around that same time, we had incorporated an online training system through which we had begun giving exams to the recruits on that system using laptops. Each recruit was issued a laptop during their time at PSTC through which they would be able to take exams, and we began the delivery of course materials to them through the learning system which allowed us to almost completely eliminate paper printing and its associated costs.

More recently, over the last couple years, we transitioned away from laptops which were heavy and had limited battery life to iPads which are more portable, lighter and have exceptional battery life. We have also found that the iPads are more intuitive for the user making them easier to deploy. This transition to technology had made material delivery easier and more cost effective. Testing on the system is more immediate with results and also allows for us to perform quicker analysis of each individual question results to identify any deficiencies in material or learning delivery. While these changes don't affect the citizens of the state directly, it does allow us to provide better service to the officers and agencies that we serve in law enforcement.

Department of Safety

We were an early adopter of the LEAN method of process improvement, which consists of a team approach to systematically studying all phases and tasks of an operation and looking for opportunities to increase efficiency and reduce errors by eliminating redundancies and applying both common sense and technological solutions. The employees that are actually performing the tasks are part of the team because as the persons actually doing the job they are the most likely to come up with as to how it could be improved.

Through the LEAN process and simply encouraging the Division Directors and their staffs to identify problems and propose solutions, we embarked several years ago on a journey of continuous improvement which continues today. Here are some examples:

Early Successes with LEAN

Some early successes with the LEAN process have included reducing the time from arrest to prosecution for misdemeanors handled by State Police Prosecutors from 153 days to 51, by decentralizing Prosecutors and Paralegals; Reducing the amount of returned mail to the DMV from 18% to 2%, resulting in a \$225,000 saving in postage costs; Reducing the number of Governor and Council submissions returned for deficiencies from a nearly 100% first time failure rate to a 92% pass rate and shortening the time cycle by 52 days; Standardizing the Emergency Medical Services licensing process for a savings of 490 staff hours in each 2 months cycle; Reducing the Circuit Court processing time for State Police cases from a 14 month backlog to current after 8 months of effort.

Virtual Video Hearings

The Bureau of Hearings has recently developed the capability to conduct web-based hearings. Anyone with a computer that has an attached camera and microphone can attend a “virtual” hearing from their home or from an attorney’s office. Police officer witnesses can participate from their home or from the police station, all monitored and orchestrated by a Hearings Examiner in Concord. This has proved to be a great convenience for litigants, their attorneys, and police officers, and has saved travel time and police overtime expenses.

Traffic Ticket Arbitration System

Faced with State Police overtime costs that seemed to be skyrocketing each biennium, the Division partnered with the Administrative Office of the Courts to develop a pre-trial arbitration system, whereby persons who plead not guilty to traffic offenses meet with the Prosecutor at the courthouse and are given an opportunity to tell the Prosecutor their reasons for pleading not guilty and an opportunity to argue for a more favorable outcome. In many cases it appears that the motorist either did not understand the system or simply wanted more time to pay the fine. The total number of cases going to trial has dropped dramatically, and the necessity for Troopers to come to court, for which they collect a minimum 4 hours of overtime if the trial comes at some other time than their regular workday and shift, has diminished and we were able to reduce our Court Overtime budget by six figures.

Intelligent Road Toll Collection and E-Filing System

The Road Toll Bureau recently installed a new, more up to date computer system that has enhanced our ability to detect underpayments and potential fraud, and allows us to select auditees and target audits much more effectively and to avoid hiring additional personnel. This new system provides for electronic submission (e-filing) of reports, which is a great convenience to most licensees.

Energy Saving Initiatives

The heating and air conditioning systems in our building are now controlled centrally from Concord with night and weekend setbacks. The HVAC system at the Forensic Laboratory has been revamped to greatly reduce energy use. New rooftop units at the James H. Hayes Safety Building on Hazen Drive are far more efficient than the previous ones. Low energy light bulbs have replaced the old style incandescent bulbs and corridors, restrooms and meeting rooms have been equipped with sensors that turn off the lights after periods of inactivity. A policy now requires that computers be shut off whenever the assigned user will be away from their office overnight or for a substantial amount of time during the workday. Electric consumption is centrally monitored to detect any attempt to defeat these measures. Waterless urinals have replaced conventional fixtures in restrooms that receive the heaviest public use. Windows at State Police Troop Stations and DMV Substations were replaced with new, energy saving ones and garage doors to bay were replaced, reducing air leaks and saving on heat and air conditioning costs. Parking lot lighting at our main headquarters was replaced with new, more energy efficient fixtures and after the building is closed to the public on nights and weekends these lights are controlled by devices that sense movement and only come on when there is actually someone in the parking lot. They turn themselves off when the movement subsides.

These incremental measures, many of them funded by energy grants, have produced savings on our utility bills.

VOIP Telephone System

An incremental transition to the new Voice over Internet Protocol (VoIP) phone system will eliminate toll calls (intra and inter agency) and provide offices with readily configurable phones with features that the former Centrex system was not capable of.

WebEx System

DMV now has a WebEx system that is also made available to the other Divisions upon request and that allows virtual meetings to take place with employees and stakeholders at remote locations, saving travel time and expense. The Director of State Police now holds weekly "virtual" meetings with his command staff and Troop Commanders. Where they once had to travel great distances to Concord meetings could only be held monthly. Now, time and travel are saved and news can be shared and problems solved as they arise and not waiting for next month's meeting.

Lowering the Cost of Training and Testing and Making it More Widely Available

Through free shareware called "Moodle", the Fire Academy has become the impetus for more computer-based training, not only for the Fire Service, but has made their expertise available to the other Divisions. State Police this year will begin to disperse some virtual training programs to Troopers, who will be able to take the lessons on their in-car computer systems, at the troop stations, and in their homes. This will enable us to ensure that each Trooper is provided with training in the high risk/low frequency tasks that are most important for their safety and that of the public, and protect the State against civil liability. State Police Troop G is now developing a pre-exam study guide for

commercial vehicle license applicants. At DMV, driver license applicants can take their “written” exams by computer at a kiosk and the results are automatically tallied and the tests scored. This saves time, improves accuracy, and practically eliminates any opportunity to cheat on the exam.

State Police Fleet Savings

In addition to the department-wide transition to synthetic oil for oil changes, the State Police when purchasing replacement cruisers is replacing V-8's with 6-cylinder vehicles for all but the interstate and toll road cruisers. The smaller engines are still powerful enough to do the job and the miles per gallon factor much more favorable.

Backlog Reductions and Improved Customer Service

At DMV, and other locations such as the State Police Forensic Laboratory, Criminal Records and the Gun Line, they continuously monitor workload and backlogs and efforts at continuous improvement through the LEAN process. Workflow improvements at the Gun Line have reduced the number of complaints from federally licensed firearms dealers regarding the length of time that it takes to process background checks on firearms purchasers.

New DMV Information Management System

The MAAP and VISION capital budget projects, which are completely overhauling DMV's antiquated, decades old computer system, have already resulted in dramatic improvements to productivity and customer service. These two projects are nearing completion and not a minute too soon, because components of the old system that are still in use are so obsolete that they are no longer supported by the companies that developed them and there are very few people who are familiar enough to troubleshoot them.

Cross Training of Employees and Renovation of Counter Space

Cross training of employees has enabled a merger of functions at DMV between the Registrations and Driver Licensing sections and the result is hybrid counter clerks that can perform both functions. Since busy times for one section are often the least busy times for the others the former long waiting lines at our offices have become a rarity. Management in Concord now has the ability to do real-time tracking of the average wait at the Concord office and at the substations and to match staffing more closely to demand. Our new Nashua substation and a major renovation to the Dover Point substation now those locations to provide a wider range of customer services that were formerly only available at the Concord office.

The Fire Marshal's Division of Fire Safety has cross-trained some of the inspectors for the trades that they regulates so that a single inspector can conduct more than one type of inspection, providing more timely service and backlogs and travel time and expense.

Online Driver License Renewal and Traffic Ticket Payment

Programs such as online driver license renewal and online traffic ticket payment, and having every one of our town and city clerk municipal agents online with the central

DMV computer have been additional critical steps in our continuous improvement plan. We must caution, however, that any further cutbacks in personnel could quickly require the closing of more of our 14 locations and reverse all of these gains, because our current staffing is the absolute minimum required to do the job.

Improved Call Handling

DMV management now tracks the number of phone calls received, the number of times all lines are busy, average wait time for a customer, longest wait time, and the most frequent customer questions and inquiries. We now put calls into a queue where the caller can choose to wait for the next available customer service representative or leave a message after receiving a series of prompts with useful information.

Replacing Troopers with Civilian Employees for Tasks that Do Not Require Powers of Arrest

We have replaced State Troopers with civilian mechanics for conducting compliance visits to auto dealers and inspection stations, and are in the process of replacing Troopers with civilians under supervision of a Trooper to conduct commercial vehicle (CDL) license exams and road tests. These civilian employees will also be extensively used in the annual inspection of all school buses in the state. They are hired at a lower wage rate; their initial costs are lower due to not needing expensive uniforms, weapons and other tools of the law enforcement trade and are not in the costlier Group II retirement system.

“Quick Scan” System in the DMV Title Bureau Has Reduced Backlogs

The DMV Title Bureau employees have been trained to “Quick Scan Examine,” a process that allows them to utilize the NMVITIS resource and look for key factors needed to successfully issue a title. This process has decreased the issuance time from 30 business days to 5-12 business days, which is a boon to auto dealers and to persons selling vehicles at private sale. We have additionally identified key times when additional staff is needed, and increased the use of part-time employees during those identified times.

E-Ticketing

The State Police e-ticketing process is saving Troopers time and allowing them to spend more time on patrol, thus addressing one of the observations in a recent LBA performance audit. It also has allowed the DMV Financial Responsibility Bureau to keep abreast of an increasing workload without the addition of more personnel. Tickets are now received in a timely manner; we have an increased ability to accept credit card payments by telephone, the majority of tickets are written directly to the database, minimizing manual data entry, there are more paperless transactions and a reduction in telephone calls attempting to resolve illegible handwriting. The next goal will be the implementation of the e-ticketing process by local law enforcement agencies. This was all accomplished with federal funding from the NH Highway Safety Agency.

Crash Records Management SystemA new Crash Records Management System is in the final testing phase and when fully implemented State Troopers will be completing

reports on the traffic accidents they investigate from the laptop computers in their police cars. The system will then be deployed to local police as well. This will also allow the Troopers to spend more time on patrol and answering calls, and will reduce data entry time at DMV and improve the accuracy of crash reports. The more comprehensive data set that will result will enable State Police to download crash data more closely to a real time basis and we will be able to better analyze when, where, how and why these crashes are happening and to deploy State Police resources to locations with the highest percentage of serious crashes and at the times when they are most likely to occur. It will allow management to emphasize ticketing for the violations that cause the most crashes. DOT will be using this same data to identify road hazards that can be abated by such things as rumble strips, elimination of roadside objects, installation of guardrails and other environmental changes to reduce crashes. This multi-year project was funded with funds from the NH Highway Safety Agency.

Health and Wellness Initiatives

The State Police recently formed a Peer Support Unit consisting of Troopers of various ranks trained to provide support to Troopers and civilian employees and their families that have been affected by job-related stress induced by the many traumatic and critical incidents that they handle as well as some that occur off the job but affect an employee's health or job performance. This measure promises to reduce time off the job lost due to medical reasons and problems in the home, and to increase productivity.

Adopting of Performance Measures

To assist us in the preparation of this biennial budget request, we adopted the Balanced Scorecard from among the many different approaches to performance-based budgeting and strategic management and in adapting it to our needs we soon realized that our existing data systems did not collect all the necessary information. Although outputs abound in this area of government, outcomes in the public safety business are more difficult and in some cases impossible to measure.

In manufacturing it is relatively easy to measure outcomes in terms of the number of additional widgets produced per unit of time and factoring in the number that fail to pass inspection and the causes of those failures, and matching demand more closely to production capacity. In public safety we can tally the number of traffic tickets Troopers issued last year (an output) and compare it with the number of fatal traffic crashes in the state, and claim a victory (an outcome) if there were fewer fatalities this year than last.

However, is that an accurate way to measure? Troopers only have primary responsibility on the interstate highways and toll roads, shared responsibility in towns of less than 3,000 population, and only write tickets in cities and towns of greater than 3,000 population when passing through. Where the state experiences plus or minus 100 traffic fatalities a year, such factors as a winter with high snow banks that provide a softer landing for vehicle that go off the road, or several multiple vehicle crashes such as on with a bus full of people and several killed, can make a double digit difference in the fatality count. Can State Police take the credit for a decrease in fatalities, and should

they assume the blame for an increase? And, the number of traffic tickets written, given the relatively small size of the State Police, can be significantly affected by such factors as vacancy rates or several high profile crimes that divert resources from patrol to investigations.

The choice of performance measurements requires much more than guesswork, and when beginning such an effort, it is common to find that we have not been measuring the things we will now need to measure, and therefore there is no historical data to compare with.

We received valuable assistance from the graduate program at Dartmouth College as we began this effort. We continue to revamp our data collection processes as we go. Meantime some of our performance measures had no historical data to rely on. Thus, in applying Balanced Scorecard principles, in a number of instances this biennium's effort had to focus on establishing baselines against which future results will be measured.

Our aim is to add future value to our Department and thus ensure that the people of New Hampshire benefit from this value through our investment in customers, employees, processes, technology, and innovation.

THE 4 QUADRANTS WE MEASURE

Financial – Development of target objectives and matching inputs to outcomes in terms of dollars spent and resources consumed. Development of tracking methods to quickly identify and react to fiscal concerns constituted is the essence of ensuring that our citizens receive maximum value for the dollars entrusted to us in the budget and that our revenue collection processes are effective, reliable and efficient.

Customer Service – The Department recognizes that we have both internal and external customers. Our focus on *internal customers* ensures that we have good communications up and down the chain of command and laterally between divisions and units, and between individual employees who trust and respect one another and collaborate effectively. Our focus on *external customers* recognizes that the Department of Safety touches nearly every citizen of New Hampshire in some way throughout their lives. If customers are not satisfied with the service we provide, they have no option to go elsewhere, for we have a captive audience. This makes it even more important than in a private business to be sure our customers and stakeholders, including the many visitors to our state, are served efficiently and courteously.

Internal Business Practices – Metrics based on our business practices allow us to know how well the Department is running, and whether what we deliver meets the expectations of our customers and stakeholders. We have developed and continue to develop various dashboards that enable management to react as much as possible in real time to indentify and solve problems. Much of this depends on robust information management systems which we have developed in the Road Toll Administration and very recently in the Division of State Police, and which we continue to develop in the

Division of Motor Vehicles as part of VISION, a complex, multi-year process of rebuilding the entire DMV records management and processing system using an integrated approach.

Learning and Growth - Our employees are our main – and most costly – resource. They are our main repository of knowledge and in this current climate of rapid technological change they must be put in a continuous learning mode so that we can “grow” our employees and develop mentors and tutors within their work areas so they can readily get help with a problem when needed. As the size of our workforce and the availability of overtime funds have shrunk in recent years we are attempting to cope by relying increasingly on e-learning systems, with DMV and State Police becoming the test bed.

CURRENT AND ONGOING PERFORMANCE MEASURES WE USE

The *Bureau of Hearings Administrative Hearings Unit* relies on employee performance evaluations looking for timely and error free hearings reports, the degree to which hearings may be overturned by the courts, and timely and accurate scheduling of hearings.

Their *Prosecution Unit* evaluates the number of cases handled per Prosecutor, vs. the number of cases, resolved, tried, and the outcome in court, or “win/loss” record. However, a Prosecutor has an ethical obligation not just to win cases, but to see that justice is done. This means he or she should drop charges or offer a plea to a lesser offense if it appears that the defendant was the victim of an over-zealous officer. Additionally, sometimes a defendant will be charged with several different offenses arising from the same acts in order to establish probable cause for the arrest, but going forward with all the cases would constitute overkill. Without a way to measure these intangibles, total reliance on a win/loss ratio could result in unfair comparisons between prosecutors and possibly place pressure on other prosecutors to increase the number of convictions at the expense of seeing that justice was done.

The *Bureau of Emergency Medical Services* monitors the performance of EMS students based on the pass/fail rate of the national standardized examinations for certification and licensure, and links these to the students’ instructor/coordinator, which serves as a surrogate marker for the effectiveness of instructors and the quality of EMS providers they are going to produce.

Information from the EMS electronic reporting database (the TEMSIS system) is used by the *Medical Control Board* as part of their process to continually update the New Hampshire EMS clinical protocols to the most current medical practice.

The *Bureau of EMS* has installed a process to measure certain performance outcomes statewide in line with benchmarks on medical interventions vs. clinical outcomes.

The *Fire Academy* is nationally accredited by the National Board on Fire Service Professional Qualifications that governs their cognitive and psychomotor testing and they must periodically prove they adhere to those standards in order to keep their accreditation.

The *State Police Forensic Laboratory* is nationally accredited to the ASCLAD/LAB standards and is periodically examined by this organization. The Laboratory is currently migrating to the still more stringent ISO standards.

The Emergency 9-1-1 system in the *Division of Emergency Services and Communications* is nationally accredited and has to prove that it is meeting those best practices nationally in order to maintain its accreditation.

Recognizing the talent that the Analysts in the recently established *Information and Analysis Center* possess, we are developing a capacity to conduct geospatial predictive analytics. This method statistically characterizes the locations and times associated with previous or known accidents and crimes. Identifying statistically similar areas that are at increased likelihood for future incidents allows us to develop models useful to focus resources on areas prone to a future incident. Once this system is mature it will support risk-based deployment of Troopers to those locations when and where they are most likely to be needed, rather than “flying by the seat of our pants.”

The Statistician who formerly worked at the DMV has been internally transferred to the State Police Operations Bureau in order to work more closely with that Division on the development of performance measures and expanding their use of the LEAN process.

BALANCED SCORECARD EFFORTS

Currently, each Division has working groups that have been tasked with developing performance measures that will enable them to work toward positive outcomes in each of the 4 quadrants of the Balanced Scorecard. The results of their efforts will be evaluated by the Commissioner, Assistant Commissioner, and the Chief of Policy and Planning and the necessary data collection processes will be implemented, where lacking, to enable us to establish a baseline and tracking history. Here are some examples that various Divisions have come up with:

In the *Division of Administration*:

Customer Satisfaction will be measured by conducting a survey of internal and external customers of the Division to establish a baseline; and providing improved signage to guide customers upon entry to the headquarters building.

Financial Efficiency will be improved by streamlining the International Fuel Tax Agreement renewal process, increasing replacement of paper forms now stored in the Warehouse with electronic forms, bar coding inventory at the Warehouse and Garage, and improving Credit Card Reconciliation in the Business Office.

Internal Business Practices will be improved by identifying vendors that receive multiple checks and batching and combining them to reduce mailing costs, and conducting a LEAN event to examine ways to reduce postage costs for license plates and other mailed items.

Employee Development and Growth will be promoted by providing all new hires with training in Communications Skills, Work Team Assessment and Team Building, and Coaching in the Workplace, and conducting a training needs assessment.

In the *Division of Motor Vehicles*:

Customer Satisfaction will be measured by gathering data one week per month on a rotating basis to ensure that transaction/process time is less than or equal to 15 minutes statewide, from building entry to completed transaction, by monitoring transaction times 3 times per day, at 9 a.m., noon, and 2 p.m. The DMV website will be updated monthly by the issuance of a new standard operating procedure setting forth the responsibility for keeping it updated. Current customer feedback questionnaires are favorable 92% of the time and the goal will be to improve this to 95% by the end of the biennium.

Financial Efficiency will be improved by increasing the number of online transactions from the current 27% of driver license applicants to 33% by the end of the biennium, increasing online traffic ticket payments from 25% to 31%, and reducing consumable expenses by 3% each fiscal year of the biennium.

Internal Business Practices will be improved by combining the International Registration Plan, International Fuel Tax Agreement, and Unified Carrier System registrations into a single, one-stop shopping system by the end of the biennium, providing for the processing of non-U.S. citizen driver license applications at Manchester and Nashua as well as Concord, and allowing driver record requests to be processed at Manchester and Nashua as well as Concord. A LEAN event will be conducted to examine and streamline the refund process. New eye test forms for Driver Licensing will be adopted and issued in order to simplify and add accuracy to the process.

Employee Learning and Growth will be enhanced by producing by the end of the biennium an employee Job Function Manual for each job in each Bureau, in electronic and hard copy. Additional cross training will take place so more employees will have job knowledge and expertise in tasks currently performed by only 1 or 2 persons. Eighteen functions have been identified as ripe for cross training and 1/3 of these will be accomplished each year.

In the Division of State Police:

Customer Satisfaction will be measured by surveying all Chiefs of Police in the State do determine their degree of satisfaction with services provided by the State Police and compared a year later with an initial goal of at least a 5% annual improvement. A method of surveying the general public's satisfaction with the State Police will be developed. Methods suggested to date include placing questionnaires in fast food restaurant and at shopping malls, inviting visitors to the website to fill out a questionnaire, or randomly mailing questionnaires with return postage paid to citizens who have had a recent encounter with a Trooper, such as calling to make a report or request a service, or being stopped for a traffic violation. Here, the initial goal would also be a 5% improvement.

Financial Efficiency will be measured by tracking fuel consumption, looking for an average 1.5 mpg increase in the average Trooper's fuel consumption with the division's policy of purchasing only 6-cylinder cruisers for all but the interstate and toll road patrols, our "anti-idling" policy and close attention to tire pressures. A second goal will involve measuring court overtime costs in dollars and looking for a 3% annual reduction for the biennium as we continue to expand the traffic ticket arbitration program statewide. They will look to reduce the cost of Contracted Services by seeking additional competitive bids for all services required, with a goal of a 3% per year savings. The number of at-fault collisions by Troopers will be analyzed and methods developed to reduce the number of at-fault collisions by at least 5% annually.

Internal Business Practices will be measured by leveraging technological advancements to provide efficiency and enhance services. Training more employees in the new Lawson personnel system, electronic ticketing and the crash records management system, the goal will be to have 90% of the employees trained by the end of the first year and 95% by the end of the second year. A second goal will be to promote the efficient use of people and equipment by conducting more LEAN performance improvement events. The first LEAN events will focus on the Safety garage and equipment control, including bar coding of inventory and evidence.

Employee Development and Growth will be tallied by initiating a regular cycle of training with a focus on the low frequency/high risk tasks delivered by computer thereby increasing training hours by 10% a year, and development of a formal training plan and making available to all employees, both sworn and civilian to increase division participating in training programs by 10% over the biennium.

In the Division of Fire Safety:

Customer Satisfaction will be enhanced by conducting a customer satisfaction study to establish a baseline and implementing or changing practices based on the results.

Financial Efficiency will be achieved by phasing out the use of identification cards for various trades certifications at renewal time, replacing them with certificates sent electronically, resulting in a savings of approximately \$23,000 over the biennium.

Internal Business Practices will be improved by providing wireless access for Investigators and Inspectors conducting a LEAN event to streamline licensing processes, and developing a new case management system for inspectors and investigators.

Employee Development and Growth will be enhanced by continued cross training of mechanical inspectors, and developing a written policy for notifying all employees of training opportunities.

In the *Division of Fire Standards and Training and Emergency Medical Services*:

Customer Satisfaction will be improved by developing and distributing formal policies in telephone etiquette, and emails, and a mechanism will be developed to survey customer opinions as to the Division's telephone and email performance. Customer surveys will rate customer reaction to the new North Country training facility once it is up and running.

Financial Efficiency will be improved by establishing criteria for defining what is "equipment" based on cost, life expectancy and mission of the device, establishing current life expectancy for the facility and equipment, and developing preventive maintenance protocols to increase life expectancy. Division programs will be identified and categories of cost (equipment, staff, consumables, etc.) established for each program to evaluate the cost and integrate into the decision process as to which programs will be offered/continued, along with a program for post-program cost analysis.

Internal Business Practices will be improved by developing an improved reciprocity process for Fire and Emergency Medical Services certifications, streamlining the course approval process, and improving the process for learning props and equipment management and delivery to training sites.

Employee Development and Growth will be enhanced by conducting an employee survey as to their perceptions and needs as to professional development, analyzing the results, and taking needed actions, and devising a mechanism to obtain employee feedback on each training event they attend. A mechanism will be developed to allow more employees at field offices to participate in meetings held at the Fire Academy. A new employee orientation packet will be developed for use with new hires.

In the *Division of Emergency Services and Communications (E-911)*:

Customer Satisfaction will be rated and improved by surveying regional dispatch agencies and the Computer Aided Dispatch User Group (89 agencies) to establish a

baseline. The public will be surveyed via the Division's website. Agendas for the CAD group will be developed that include progress reports.

Financial Efficiency will be improved by reviewing the administrative policy on "price matching" for vendors with a State contract, to reduce purchasing expenses, encouraging vendors to waive shipping charges on items with a minimum purchase, and holding monthly meetings on budget issues to reduce instances of reactionary or defensive budgeting practices.

Internal Business Practices will be enhanced by establishing a formal Employee Recognition Program, working with the new Lawson payroll program to include features that are more easily adaptable to a 24/7 operation, improving the recruitment and hiring process to allow speedier filing of vacant positions and to reduce overtime costs for covering vacant positions.

Employee Development and Growth will be improved by sharing feedback from Medical Dispatch Evaluation Records within 72 hours after supervisory review, requiring employee signoffs on all policy and protocol changes that affect them, and having Supervisors hold career development meetings with employees to determine their interest and inviting them to submit a career development wish list and register for programs as they become available, tracking progress on a spreadsheet.

As can be readily seen from the above, our Divisions and employees are struggling with how to adapt a performance management scheme that was developed for use in other businesses and agencies that deal more in finite products such as number of parts produced, miles of roads paved, etc., to the very different demands of public safety services. It is apparent that more training will be needed and more baselines for measurements will have to be developed. It was understood when performance management was first discussed in the prior Legislature that this would be a multi-year project before it could come to fruition. We know that our efforts will improve as we move down this road.

Department of Transportation

At this time, the Department is managing 91 active construction projects with a combined bid total in excess of \$670 million dollars. Recently, work was completed on the Manchester Airport Access Road and the Spaulding Turnpike expansion.

In Project Development, some of the projects currently underway include:

- Capacity improvements on I-93 (south of Exit 3);
- Replacement of the Memorial Bridge in Portsmouth;
- I-89 capacity improvements at Exit 20 in Lebanon;

- Highway widening and bridge construction on the Spaulding Turnpike in Newington-Dover;
- Recent Completion of construction of Open Road Tolling on I-93 in Hooksett.

In the area of Operations:

- Purchase costs of diesel and gasoline were hedged to ensure budget stability;
- A study recently completed with Northeastern University to evaluate the business practices, workflow and capacity of the Concord highway garage;
- The ability to lease-purchase equipment was employed to have access to equipment that is difficult to rent on an hourly or daily basis such as mowers and asphalt rollers;
- Changes to staffing practices at toll plazas were instituted;
- The cross-utilization of employees between the Bureaus of Highway Maintenance and Traffic was introduced.

To reduce utility costs:

- The Department has initiated the process to shut off non-critical street lighting;
- Wood furnaces have been installed in many patrol sheds;
- The use of LED lighting in traffic signals and flashing yellow warning lights has been expanded;
- Virtualization of 15 computer servers into a single unit was recently completed.

The Turnpike Bureau has introduced several cost savings measures that have and will continue to result in reduced operational expenditures. These efficiencies include the following initiatives:

- Implementation of Lean Staffing in Toll Operations, (estimated annual savings of \$2.0M);
- Refunding of the 2002 and 2003 series bonds keeping the same term, but lowering the interest rate (\$107.5M in total bonds refunded), saved a total of \$14.8M in interest payments with an annualized savings of \$1.35M per year. These savings helped us accelerate the Hooksett Open Road Toll Project;
- Instituted various energy reduction initiatives (estimated annualized savings of \$220k);
- Implemented various winter maintenance initiatives that have resulted in more efficient and reduced use of salt (estimated savings of \$415k per year).

In May the Department issued \$115 million of GARVEE bonds to construct three portions of the I-93 Project:

- Exit 2 Interchange and Mainline Improvements;

- Exit 3 Area – Southbound Mainline and NH 111;
- Exit 3 Area - Mainline, Northbound Ramps and NH 111A Improvements.

This critical financing was accelerated in close consultation with the State Treasurer, to take advantage of some of the best lending rates in history. NH secured a rate of 1.26%, and will pay off the bonds in entirety in seven years. When compared to previously planned longer duration bonds, NH taxpayers will save tens of millions of dollars in future debt service that can be put to better use in future construction. I am pleased to report that in late February the Governor and Executive Council approved an engineering contract funded entirely from savings from bid prices on the second of three projects from this bond issue for the widening of I-93 north of Exit 3. This planning and use of great pricing from our contracting community is serving the taxpayer well.

Appendix B: Fiscal Summary of Recommended Investments

<u>Recommendation</u>	<u>Estimated Annual Expense Effect(\$ in thousands)</u>
Office of Operating Performance	\$650
Or	
Office of the Chief Operating Officer	\$680
Balanced Scorecards	\$400
Resource Tracking	\$100
Innovation and Efficiency Fund	\$2000
Transparency Fund	\$500
Work Force Strategy Study	\$1000 (one time)
External IT Review	\$500
Limited Executive Branch Reorganization	TBD savings anticipated
Long Term Executive Branch Reorganization	TBD
Reorganizing Around Clients	See Sr. Director of Behavioral Health Budget
Employee Incentives	\$500

