



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 7, 2015

Joint Committee on Finance

Paper #102

Office of Lean Government (DOA -- General Agency Provisions)

[LFB 2015-17 Budget Summary: Page 25, #17]

CURRENT LAW

The Department of Administration (DOA) has 1.0 GPR position that serves as a point of contact for state agencies and provides technical assistance in establishing "lean government" initiatives. ["Lean government" generally refers to process improvement or continuous improvement business management practices applied to the administration of governmental duties.] The position is funded \$86,100 GPR annually in salary and fringe benefits from DOA's supervision and management general program operations appropriation.

In addition, under state statute \$200,000 GPR annually is provided for reimbursement of businesses for assisting local governmental units in establishing a "lean program." No funding has been expended from the appropriation for reimbursing businesses since its creation under the 2013-15 biennial budget act (2013 Act 20).

GOVERNOR

Provide \$119,400 PR and 1.0 PR position and delete \$119,400 GPR and 1.0 GPR position annually to create an Office of Lean Government attached administratively to DOA. Specify that the Office must be under the direction and supervision of a director employed within the classified service. Require the Office to establish and administer programs for state agencies "to increase the value of goods and services that state agencies provide with the fewest possible resources." Funding and position adjustments would be made to the following appropriations of DOA: (a) supervision and management general program operations (-\$119,400 GPR and -1.0 GPR position annually); (b) materials and services to state agencies and certain districts (\$348,300 PR and 3.0 PR positions annually); and (c) printing, mail, communication, and

information technology services to state agencies and veterans services (-\$228,900 PR and -2.0 PR positions annually), an appropriation which is renamed under the bill to consolidate two information technology services appropriations.

The Office of Lean Government would be staffed with 3.0 classified PR positions and an annual budget divided as follows: (a) salaries, \$179,600; (b) fringe benefits, \$68,700; and (c) supplies and services, \$100,000. Funding for the office would be generated from charges to state agencies for training and technical assistance in efficiency and continuous improvement practices.

Repeal statutory language establishing a program that reimburses businesses for assisting local governmental units in establishing efficiency programs. Delete DOA's appropriation for reimbursement of such businesses and associated funding of \$200,000 GPR annually.

DISCUSSION POINTS

1. In May, 2012, the Governor issued Executive Order #66, establishing a "lean government" initiative and directing 16 state agencies to implement initiatives to "eliminate waste, save time, standardize workflow, and decrease process complexity." As a result, the following state agencies have established such initiatives and programs pursuant to the executive order: (a) DOA; (b) Agriculture, Trade, and Consumer Protection; (c) Children and Families; (d) Corrections; (e) Financial Institutions; (f) Health Services; (g) Natural Resources; (h) Revenue; (i) Safety and Professional Services; (j) Tourism; (k) Transportation; (l) Veterans Affairs; (m) Workforce Development; (n) Office of the Commissioner of Insurance; (o) Wisconsin Economic Development Corporation; and (p) Wisconsin Housing and Economic Development Authority.

2. The lean government executive order requires the agencies listed above to establish measurement criteria for the services each agency performs, with a focus on processes that: generate chronic customer complaints; are visible to staff and customers; show potential for major improvement; currently produce data that the agency can use to track improvement; or would reduce workload or improve customer satisfaction. Agencies are encouraged to collaborate and share insight regarding lean government efforts.

3. Separately, under 2013 Act 20, an appropriation of \$200,000 GPR annually was created to reimburse businesses for assisting local governmental units in establishing a "lean program." Lean program is defined under this section of statute as a program established by a governmental unit to increase the value of the goods and services it provides with the fewest possible resources, which develops administrative structures and processes that minimize human effort, building and office space, capital, and time in the provision of goods and services. It should be noted that the repeal of this section of statute under the bill would eliminate the definition of lean program. According to DOA, the reimbursement funding cannot be used due to the structure of the program, which directs the state to pay businesses directly for services provided. The Department indicates that state accounting principles prohibit making direct payments to consultants without an established contract between the business and the state. The Department indicates that funding for the program could be administered if reimbursement were provided to local units of government

instead of businesses.

4. Currently, DOA has a GPR-funded program and policy analyst position that serves as a point of contact for state agencies in establishing lean government initiatives. The position performs the following duties relating to lean initiatives: (a) providing technical assistance to agencies; (b) coordinating lean practice trainings; (c) sharing best practices with lean program contacts at agencies; (d) answering questions relating to lean practices; (e) holding meetings of the Governor's lean government steering committee and lean government initiative points of contact; and (f) developing agency reports relating to lean accomplishments. Under the Governor's budget proposal, this position would be one of three staff in the Office of Lean Government and would continue to provide technical assistance to state agencies. While the funding source to support the position would change, the amount of funding for the position would not be changed.

5. State agencies that wish to have staff undergo training in lean process improvement practices generally do so through outside vendors, including Waukesha County Technical College, Wisconsin Manufacturing and Extension Partnership, Fox Valley Technical College, Optima, and the University of Wisconsin-Madison. The Department expended \$52,000 in 2012-13 and \$94,800 in 2013-14 in contractual services through Waukesha County Technical College for the provision of lean government training and technical assistance services. Funding covers expenses such as materials, instruction, and instructor travel.

6. Among the core group of agencies that were required to establish lean government initiatives under Executive Order #66, accomplishments vary. The administration cites several examples of agencies that have successfully engaged in process improvement: (a) the Department of Agriculture, Trade, and Consumer Protection simplified approval processes for soil and water resource management cost share transfers, and also improved the licensing and evaluation processes for bulk milk weighers and samplers; (b) DOA improved the measurement of agencies that provide weatherization services for residential units; (c) the Department of Natural Resources simplified the Clean Boats Clean Waters grant application process and the process for filling forestry center orders; and (d) the Department of Transportation estimates it saved 12,500 FTE hours and \$814,000 in 2012-13 through numerous lean process improvement initiatives.

7. As noted previously, training and consultation services are currently provided by outside vendors, which are primarily educational institutions. According to the administration, the Office of Lean Government, which would be located under DOA's Division of Administrative Services, would act as an internal provider of lean and other continuous improvement services (such as Six Sigma, a practice that originated from the manufacturing industry, and Kaizen, a practice focused on continuous organizational improvement), including research and analysis, to all state agencies. The Office would also serve as an internal training provider to state and local government employees relating to lean government and other related practices, and would develop lean policy and program proposals for state agencies.

8. According to DOA, the 3.0 PR positions of the Office would be funded through program revenue derived from charges to state agencies for training and technical assistance. Training charges would be based on agency personnel participation in workshops and technical assistance charges would be hourly. Rates for both charges have yet to be determined.

9. Of the three positions, two would need to be recruited. According to DOA, ideal candidates for the policy initiatives advisor (funded at \$91,800 annually for salary and fringe benefits) would have prior supervisory experience and knowledge of lean practices. This position would serve as the Office Director. The second position, a training officer (funded at \$70,400 annually for salary and fringe benefits), would ideally have prior training, experience, and knowledge of lean practices, as well as experience planning and developing training programs.

10. The Department indicates that the two most essential positions under the proposal are the policy initiatives advisor position (Director) and the program and policy analyst position (which currently provides technical assistance relating to lean initiatives). If the training officer position is not provided, DOA argues that the state would continue to contract for training services at a cost which it estimates would exceed the cost to provide training internally. An accounting of estimated cost savings from providing training services internally, rather than through outside vendors, was not provided.

11. Under the proposal, supplies and services provided for the Office would total \$100,000 annually. Supplies and services funding would be provided for: (a) standard expenses of \$12,000 annually per position, including desktop licensing and support, risk management premiums, DOA overhead, space rental, and other expenses (\$36,000 annually); and (b) \$64,000 annually for training expenses such as course materials, textbooks, instructor travel, instructor training and certification, and contractual services.

12. On one hand, creating an office that provides additional technical support, policy advice, and internal training could enhance the state's ongoing efficiency initiatives. In addition, an internal training provider could provide guidance to state agencies and employees that is specific to state service. Therefore, the Committee could approve the Governor's recommendation to create the Office of Lean Government and reallocate GPR and PR funding and position authority for the Office. [Alternative 1] Although the Office is provided a full year of funding for the two positions for which staff would need to be recruited, the State Budget Office instructs agencies, when budgeting for new positions, to provide only nine months of funding in the first year, to account for the time to recruit and hire new staff. Therefore, the Committee could modify the provision to remove three months of funding (\$40,500 PR in 2015-16) for salaries and fringe benefits for the 2.0 new positions associated with the time to recruit and hire. [Alternative 2]

13. On the other hand, there are several reasons to limit the scope of the Office to providing technical assistance and support to agencies, rather than expanding the role of DOA to begin to provide training. First, the administration indicates that the training officer position is not essential to the proposal. Second, there is not an apparent need for an internal provider of lean training, which is currently provided by outside vendors with some degree of success. Lastly, it is unclear whether the goal of Executive Order #66, which seeks to promote the operation of government with "business-like efficiency," is best met by creating a state-operated training program rather than utilizing external training programs as is currently done.

14. If the Committee wished to provide some additional support for lean government initiatives, without adding an internal training program, it could modify the provision to remove funding and position authority for a training officer (\$70,400 PR for salary and fringe benefits,

\$12,000 PR for basic supplies and services, and 1.0 PR position annually). Under this alternative, training supplies and services funding of \$64,000 PR would be retained so that DOA could continue to purchase training services through an outside vendor. [Alternative 3]

15. Alternatively, it could be argued that state agencies, including DOA, have demonstrated the capability of conducting lean government initiatives using existing resources, technical assistance provided by 1.0 position in DOA, and services provided by outside vendors. Additionally, given that DOA indicated an ability to reallocate 2.0 vacant PR positions and funding of \$186,200 PR annually associated with the positions (\$162,200 for salaries and fringe and \$24,000 for basic supplies and services), it could be argued that DOA does not need the funding or positions that would have been reallocated. Therefore, the Committee could modify the provision to delete the position authority and associated funding which would have been reallocated from positions authorized under DOA's IT services to state agencies appropriation for the Office of Lean Government. Under this alternative, funding and position authority for the GPR-funded program and policy analyst which currently provides technical assistance for lean government initiatives would be converted to PR, and GPR and PR funding associated with training supplies and services would be reallocated as recommended so that DOA could continue to purchase training services through an outside vendor. The Department would assess state agencies for services provided. [Alternative 4]

16. Under Alternatives 1 through 4, the program to reimburse businesses for assisting local units of government establish lean programs would be eliminated and associated funding of \$200,000 GPR annually would be deleted. However, the administration has indicated that the program created under 2013 Act 20 and funded \$200,000 GPR annually to reimburse businesses for assisting local governmental units in establishing lean government initiatives could be administered if reimbursement were provided to local units of government instead of businesses. If the Committee wished to assist local governmental units in establishing lean initiatives in this manner, it could delete the provision to repeal the program, and instead modify the program to specify that reimbursement would be provided to local units of government. [Alternative 5]

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$119,400 PR and 1.0 PR position annually to create an Office of Lean Government attached administratively to DOA, and eliminate a program that reimburses businesses for assisting local governmental units in establishing efficiency programs and an appropriation of \$200,000 GPR annually for the program.

2. Modify the provision to delete \$40,500 PR in 2015-16 associated with three months of salaries and fringe benefits for the 2.0 vacant positions, associated with the time to recruit new staff.

ALT 2	Change to Bill
PR	- \$40,500

3. Modify the provision to delete \$82,400 PR and 1.0 PR position annually associated

with a training officer (\$70,400 for salary and fringe and \$12,000 for basic supplies and services).

ALT 3	Change to Bill	
	Funding	Positions
PR	- \$164,800	- 1.00

4. Modify the provision to delete \$186,200 PR and 2.0 vacant PR positions annually associated with the 2.0 PR positions that would be reallocated from DOA's IT services to state agencies appropriation. [Supplies and services expenditure authority of \$64,000 annually associated with training would be allocated as recommended to DOA's materials and services to state agencies appropriation.]

ALT 4	Change to Bill	
	Funding	Positions
PR	- \$372,400	- 2.00

5. Delete bill language that would repeal the program to reimburse businesses for assisting local governmental units in establishing a lean program. Instead, modify the appropriation and program language to specify that reimbursement under the program would be provided to local governmental units rather than to businesses directly.

ALT 5	Change to Bill
GPR	\$400,000

Prepared by: Rachel Janke