



## GOVERNMENT REFORM AND EFFICIENCY

### Delivering the Best Value for the Best Results

When she took office in 2005, Governor Gregoire set government reform as a top priority for her administration. This priority grew even more urgent as the Great Recession started in 2008. The Governor understands that Washingtonians want finite government resources used efficiently and invested in the most critical state services.



In her two terms, Governor Gregoire focused on three distinct areas of state government operations: increasing accountability, boosting efficiency and reducing costs. To achieve these goals, she developed a pioneering program to help hold state agencies more accountable, expanded public participation in shaping state government, eliminated obsolete state boards and commissions, reduced management and streamlined the way government works in Washington. To keep costs down for the state and its taxpayers, the Governor introduced historic reforms in the workers' compensation and unemployment insurance systems and in pension plans. She also shrank the state government workforce — particularly in the management ranks — and worked with state employees to hold down labor costs.

The following highlights summarize the Governor's key accomplishments in these goal areas.

### IMPROVING ACCOUNTABILITY

#### GOVERNMENT ACCOUNTABILITY AND PERFORMANCE

The centerpiece of Governor Gregoire's effort to bring greater accountability to state government was the creation of the innovative and highly effective Government Management Accountability and Performance, or GMAP program. GMAP uses data to provide real-time information to identify programs that are working and those that need change or elimination. *Governing Magazine*, when ranking Washington as the third-best state in the country for its management of state government, said this about the program: "Washington efforts in performance measurement have made it a national leader ... Not only does it collect a great deal of valuable information, but agencies ... make good use of it." Every month, state agency directors present data on their performance in front of the Governor and her GMAP staff. This takes place in a public forum where tough questions are asked and results demanded.

The Governor took other groundbreaking accountability measures in addition to GMAP as she:

- » Instituted performance-based contracting by executive order to ensure that all new and renewed contracts meet performance-based contracted standards. In the first quarter of fiscal year 2011, state agencies reported that more than 99 percent of all new or renewed contracts are performance based, and nearly 100 percent of completed contracts met their performance-based conditions.
- » Refined Governor Locke's Priorities of Government program to ensure the priorities bring actual results and overlaid her questions on identifying the most essential services that the state should deliver.

#### TRANSPARENCY AND CITIZEN INVOLVEMENT

Governor Gregoire recognizes that accountability also means making sure that citizens and businesses that interact with state government have accurate, understandable information and an opportunity to provide their suggestions and input on better ways for the state to do business. She knows that when people are knowledgeable and involved in state government, distrust and cynicism are greatly reduced. The Governor undertook a number of reforms to insure transparency and citizen involvement. Chief among them are the following:

- » Made state government operations more transparent by requiring state agencies to use "plain talk" in their written communications. Plain talk also makes it easier for individuals and businesses to understand programs and access services they need.
- » Designed an online budget calculator that citizens could use to develop their own biennial proposal. The tool allowed users to immediately see the impact of their choices on the bottom line.
- » Formed the panel "Transforming Washington's Budget" to take input from

citizens on Washington's budget priorities and recommend strategies to help close a budget deficit. The panel and the Governor's budget staff conducted a series of town hall meetings across the state so citizens could offer cost-saving suggestions.

- » Created a website to take recommendations from state employees and citizens on how to solve budget challenges. Nearly 2,000 suggestions were received. The Governor and the state budget director responded to the most popular ideas, a number of which were implemented.
- » Simplified and consolidated state agency procurement processes to save money and be more transparent about how the state purchases goods and services. This was accomplished through the new Department of Enterprise Services, whose establishment was recommended by the Governor. These changes were designed in part to help small business get better, faster access to state contracts and resources.
- » Proposed the adoption of several recommendations offered by her bipartisan election reform task force. These improvements ensure accuracy and integrity in the voting process.

#### BOOSTING EFFICIENCY

Governor Gregoire saw a real need to boost government efficiency to keep costs as low as possible for taxpayers. In doing so, she recognized that many government programs could be restructured to perform better. She also determined that some programs had outlived their original purpose. The Governor embraced a new management approach for her state agencies to focus on creating a more efficient state government. While many of her efficiency reforms yielded cost savings, the main driver was to conduct business in a more effective and efficient way to better serve all customers.

## CONSOLIDATIONS

Recognizing that the state was wasting resources as agencies were unintentionally providing duplicative services and that efficiencies could be achieved through economies of scale, the Governor undertook the largest restructuring of state agencies in 20 years. She began by looking at office support functions that are used by all state agencies and created a new Department of Enterprise Services. Now office support functions previously offered by five other agencies are handled in a single agency. She also created Consolidated Technology Services to merge and standardize information technology and services for all state agencies. The Governor's leadership in this consolidation is projected to save the state \$18 million a biennium.

In addition, the Governor saw other important areas where consolidations and restructuring made good business sense and took the following actions:

- » Merged the Health Care Authority and Medicaid Administration. This move combined the state's two largest health care purchasers to promote evidence-based medicine, realign incentives to improve care and slash health care costs.
- » Restructured the state Department of Community, Trade and Economic Development into a new Department of Commerce. The Governor re-tasked the agency to keep a laser focus on jobs and economic development for the benefit of all Washingtonians.
- » Consolidated or closed 11 driver licensing offices while improving online services and mail options. As result, the Department of Licensing performed 600,000 fewer manual transactions from state offices. This shrinks the need to go to an office while those customers who prefer to visit an office will experience the lowest wait times in years.

- » Reduced five environmental hearings boards to two while not eliminating any rights or extending timelines. This promoted long-term efficiency by co-location and alleviated confusion by simplifying the permitting and appeals process.
- » Consolidated the powers, duties and functions of the three regional Growth Management Hearings Boards into a single board.
- » Merged the Conservation Corps with the Puget Sound Corps, which restores parks, protects habitat and works on other environment projects in the Puget Sound and its watershed.



## ELIMINATION OF DUPLICATIVE OR OUTDATED PROGRAMS

The Governor recognized that some state programs, agencies, boards and commissions outlived their original purpose or simply were no longer the best way to deliver services. In these cases, it made the most sense to eliminate the programs. For the first time since the 1970s, the Governor closed four unneeded or underused corrections facilities: McNeil Island, Maple Lane School at Centralia, Pine Lodge and Ahtanum View. These closures will save \$106 million per biennium.

For the first time in 18 years, the Governor closed a residential habitation center, Francis Haddon Morgan, and consolidated other residential habitation centers, which serve individuals with developmental disabilities. The state will invest the savings in comprehensive community care so that Washingtonians with disabilities can live in their community instead of an isolated environment.

In addition, the Governor:

- » Eliminated programs — or parts of programs — that weren't working. For instance, parts of WorkFirst that were not effective were repealed to save \$20 million while other features of this welfare-to-work program that yielded results were retained.
- » Abolished 154 boards, commissions, committees or councils, and restructured 22 to save taxpayer money and operate more efficiently. Where appropriate, duties were transferred to the agency that the board, commission, committee or council advises. These actions cut the number of state boards/commissions by nearly one-third.

#### LEAN MANAGEMENT

Governor Gregoire understood the need to deliver services due to increased demands during the recession even though the number of state employees dropped to levels not seen since 1996. She also understood that good management practices from the private sector can be a powerful tool to streamline state government. Drawing experience from private sector partners, the Governor promoted lean management practices pioneered by Toyota and others to reduce waste, eliminate delays, save money and provide high-quality service to the public. Lean management practices in a number of state agencies have already led to significant efficiencies. At the Department of Labor and Industries, for instance, lean management is credited in part with holding down increases in workers' compensation premiums.

#### REDUCING THE COST OF STATE GOVERNMENT

As the Great Recession placed enormous strains on our state's economy, Governor Gregoire recognized that it was critical to reduce the cost of doing business with the state for our struggling citizens and businesses — and to reduce cost of state government itself. Her efforts resulted in historic reforms in Washington's workers' compensation and unemployment insurance system, a downsizing of state government, critically needed reforms in the state pension system and reaching agreement with state employees on important changes to reduce labor costs.

#### WORKERS' COMPENSATION REFORMS

Governor Gregoire recognized that troubling trends in the workers' compensation system made it all the more urgent to reform the system. For example, in the 1990s, one in 45 time loss claims became a lifetime pension. By 2010, that number had ballooned to one in 20. In just 12 years, pension payments jumped from \$250 million to \$700 million. Rising costs inevitably meant higher premiums for both businesses and workers. Under the Governor's leadership in 2011, the Legislature passed a package of reforms that represented the most significant changes to the system in 100 years. The reforms included:

- » Creation of a new medical provider network to improve health outcomes.
- » Expansion of the highly successful Centers for Occupational Health and Education to better manage medical claims.
- » Voluntary structured settlements that allowed older workers to get out of the system to help reduce long-term liabilities.
- » A Stay-at-Work program to help employers keep injured workers safely on the job.

Taken together, these reforms are projected to save well more than \$1 billion in the first four years alone. In part, as a result of implementing the reforms, there were no workers' compensation premium increases for two years. Without the reforms, rates were projected to increase by double digits. Our rates over eight years, despite the recession, are among the lowest in the country.

#### UNEMPLOYMENT INSURANCE REFORMS

In 2011, the Governor and the Employment Security Department asked the Legislature to change the unemployment insurance system to help struggling businesses and unemployed workers. Those reforms cut unemployment insurance costs for more than 80,000 businesses — mostly small businesses — while giving more generous benefits to unemployed workers. The changes, which became permanent in the tax code, saved business more than \$300 million in the first year. Washington has one of the most sustainable trust funds in the country; two-thirds of states have had to borrow money from the federal government.

#### PENSION REFORMS

Knowing that without changes in the state pension system future liabilities would continue to increase to unsustainable levels, the Governor made three critical changes to the system: she eliminated the uniform COLA in Plan I, she eliminated the gain-sharing provision in the state pension system, which will save taxpayers \$1.1 billion over 25 years, and she ended the early retirement incentives for future state and K-12 employees, which will reduce future pension obligations by \$1.3 billion. These reforms make Washington's pension system one of the healthiest in the country and put the system on stronger financial footing for all future retirees.

#### REDUCING THE SIZE OF STATE GOVERNMENT AND CONTROLLING COSTS

Facing decreasing state revenues during the economic downturn, the Governor knew she had to reduce the size of state government while still ensuring critical state services were still offered. To achieve this, she:

- » Shrank middle management by eliminating 1,000 managers from state payrolls and redirected savings to direct delivery of services to citizens.
- » Reduced the state workforce by 6,000 in her second term, bringing state government employment to levels not seen since 1996.

Working with state employees in the worst economic environment in 80 years, the Governor also negotiated changes that reduced state labor costs: furloughs, pay cuts and bigger employee health care and pension contributions. She expressed her respect and appreciation for Washington state employees, who stepped up as partners to help the state address its daunting budget challenges, serving as examples for the rest of the country.