

MISC. COMM. NO. 1

**REPORT OF THE TASK FORCE
ON REINVENTING GOVERNMENT**

January 2010

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REPORT OF THE TASK FORCE ON REINVENTING GOVERNMENT

Introduction

House Concurrent Resolution No. 76, H.D. 1, S.D. 1 (2009) (Concurrent Resolution), established a Task Force on Reinventing Government ("Task Force") to examine the existing operations and organizations of Hawaii's state government and recommend ways to make Hawaii's government more efficient. (A copy of the Concurrent Resolution is attached as Appendix A.) The Task Force on Reinventing Government was formed in October 2009 and gathered together a varied group of government leaders, state agency and department heads, community leaders, nonprofit organization leaders, and business executives from around the State. In light of the financial strain that Hawaii faces due to the world economic downturn and resulting decline in tax revenue, the group was tasked with examining opportunities to reevaluate and restructure state government operations and organizations to do more with fewer resources in order to weather current economic crises and prepare for future challenges.

Pursuant to the Concurrent Resolution, the Task Force consisted of two members representing the financial sector, two members representing public and private sector labor, two members representing the tourism industry, two members representing the Legislature, one member representing the executive branch, and one member representing the Judiciary. Of these, four members were appointed by the Senate President, four members were appointed by the Speaker of the House of Representatives, one member was appointed by the Governor, and one member was appointed by the Chief Justice of the Hawaii Supreme Court.

The members of the Task Force were:

- (1) Don Horner, Task Force Chairman (CEO, First Hawaiian Bank);
- (2) Senator Donna Mercado Kim;
- (3) Representative Marcus R. Oshiro;
- (4) Reginald Castanares (Business Manager and Financial Secretary, Plumbers & Fitters UA Local Union 675);
- (5) John Monahan (President and CEO, Hawaii Visitors and Convention Bureau);
- (6) Randy Perreira (Executive Director, Hawaii Government Employees Association);
- (7) Lynn McCrory (President, PAHIO Development, Inc.);¹
- (8) Mark Fukunaga (Chairman and CEO, Servco Pacific Inc.);
- (9) Walter Ozawa (Deputy Administrative Director of the Courts); and
- (10) Laura H. Thielen (Chairperson of the Board of Land and Natural Resources).

Consistent with the directive of the Concurrent Resolution, the Task Force unanimously adopted the mission statement, "To identify strategic opportunities to improve the operational

¹ Lynn McCrory replaced Ed Hubenette (Vice-president for North Asia, Hawaii, and South Pacific, Marriott International), who resigned from the Task Force in November 2009.

and organizational efficiency of state government." The Task Force considered that the current economic crisis presents an opportunity for improvement, and it noted that its mission is not necessarily about cutting costs, but rather, it is about creating more efficiency among employees and processes so that increased productivity follows. The Task Force met six times between October 2009 and January 2010. At its meeting on November 6, 2009, the Task Force identified six primary departments and issue areas reflecting critical government functions. The Task Force formed subcommittees to examine each issue area and tasked each subcommittee with formulating up to five recommendations relating to each issue area. The subcommittees were:

- Department of Education/Education Subcommittee
- Department of Land and Natural Resources/Land and Natural Resources Subcommittee
- Department of Human Services/Health and Human Services Subcommittee
- Department of Business, Economic Development, and Tourism/Economic Development Subcommittee
- Department of Transportation/Transportation Subcommittee
- Department of Human Resources Development/Human Resources Subcommittee

Membership on the various subcommittees was open to those Task Force members who were interested in the subject area and were able to attend the subcommittee meetings, and Task Force members were notified of the subcommittee meetings. (See Appendix B for a listing of the subcommittee chairs or co-chairs and the schedule for the subcommittee meetings.) Subcommittees were to include input from career civil servants working within the subject areas, non-governmental organizations, "clients" of the affected government services, and other stakeholders.

At its final meeting on January 4, 2010, the Task Force as a whole adopted recommendations of the Subcommittees as the recommendations of the Task Force. Pursuant to the Concurrent Resolution, the Legislative Reference Bureau assisted the Task Force in compiling the final recommendations of the Task Force into this report to the Legislature.

As the Task Force meetings and subcommittee meetings progressed, one recommendation for improved efficiency emerged that was common to all areas of discussion. It was unanimously agreed that there is a universal need to improve the State's information technology infrastructure and integrate the state agencies' various information technology systems. In addition to adopting recommendations of the individual subcommittees, the Task Force as a whole recommended improving the State's information technology infrastructure and capabilities.

TASK FORCE ON REINVENTING GOVERNMENT SUBCOMMITTEE RECOMMENDATIONS

I. Department of Education/Education Subcommittee

A. Background

Currently, the State spends a significant percentage of its revenue on public education: in excess of \$2 billion. Hawaii spends approximately \$10,000 per student, which is the national average. Yet, despite expenditures and improvements, Hawaii is ranked in the lowest quartile in student achievement based upon National Assessment of Educational Progress (NAEP) and SAT Reasoning Test scores.

The recommendations of the Department of Education/Education Subcommittee focus on improving the effectiveness of the taxpayers' investment in public education by improving student achievement. These recommendations reflect several important initiatives already under review at the Department of Education (DOE); recent recommendations from the United States Department of Education for "transformational changes"; recommendations from an August 7, 2009, study conducted by K.P.M.G. in response to Senate Concurrent Resolution No. 115, S.D. 1, H.D. 1 (2008); and input from various other stakeholders.

B. Recommendations

(1) Curriculum and standards: implement a unified, standards-based core curriculum throughout Hawaii's K-12 public school system.

The Subcommittee finds that instructional curriculum should be linked to a common K-12 core set of standards. Hawaii currently has no unified standards-based core curriculum. However, the State has taken an important step towards achieving this goal by joining and actively participating in a nationwide initiative to develop a "Common Core of Standards" for public education in the United States. The objective of this initiative is to develop common K-12 content standards that lead to college and career readiness.

The Subcommittee recommends implementing a unified, standards-based core curriculum throughout Hawaii's K-12 public school system. Each school would be allowed the flexibility to maintain its existing curriculum or modify the State's core curriculum; provided that the school currently meets or exceeds the State's established performance standards.

(2) Increase classroom instructional time.

The Subcommittee finds that classroom instructional time in Hawaii public schools is well short of the national average (45th in the nation – thirty percent below average). National

educators agree that quality classroom teaching time is an important contributor to student achievement. Furlough days for teachers and instructional staff will only further reduce instructional time for Hawaii's students. Additionally, a recent study conducted by KPMG concluded that, "Hawaii public school teachers are heavily burdened with administrative and support activities that reduce classroom instruction time," and further stated that, "Academic achievement could be improved and costs reduced by changing practices to lessen the administrative burden on classroom teachers."

In light of the well-established benefits of increased classroom instructional time and the impact on student achievement, the Subcommittee strongly recommends increasing student instructional time by at least forty percent and recommends the following actions toward achieving that goal:

- (1) Increase classroom instructional time by reducing teacher curriculum development by utilizing a state-provided "standards-based core curriculum" as described above;
 - (2) Rely upon a national standards test that is linked to the core curriculum and reduce the Hawaii State Assessment testing from quarterly to annual. This would provide four to six additional classroom instructional days, as well as provide cost savings; and
 - (3) Provide teachers and principals with the following technology to improve productivity and reduce burdensome non-teaching paperwork:
 - (A) Purchase and install a longitudinal database system for automation of data relating to student achievement, attendance, parent reporting, and other student information for all K-12 students; the new longitudinal database system should replace or significantly upgrade the existing Electronic Student Information System (eSIS) and the Electronic Comprehensive Student System (eCSS) which is not designed for teacher/principal users; and
 - (B) Replace the Department of Education's existing antiquated Financial Management System (FMS) with an Enterprise Resource Planning (ERP) system.
- (3) ***Departmental organization and accountability.***
- (a) ***Restructure to achieve organizational efficiency.***

The Subcommittee finds that, currently, the DOE's organizational structure includes up to twenty-five direct reports to the superintendent, which makes governance within the department unwieldy. For better organizational efficiency and accountability within the DOE, the Subcommittee recommends restructuring the DOE into two major divisions, based upon line

functions and staff functions. The Subcommittee also recommends establishing two senior deputy superintendent positions, one for each division:

- (1) The Deputy Superintendent for Academic Achievement (DSAA) would be primarily responsible for complex area supervisors, curriculum, and special education. This position would be accountable and evaluated based primarily upon improvements in student achievement; and
- (2) The Deputy Superintendent for Administration (DSA) would be primarily responsible for finance, facilities, human resources, transportation, food services, and data technology. This position would be accountable and evaluated based upon the quality of support services provided to the teachers, principals, and complex area supervisors via the DSAA.

(b) Provide more accountability for public education outcomes.

The Subcommittee finds that based upon National Assessment of Education Progress testing, Hawaii is ranked forty-third in the nation in student achievement. For example, seventy-five per cent of Hawaii's 8th graders are below proficient in mathematics, and eighty per cent are below proficient in reading. Further, it is not clear who is accountable to parents and taxpayers for this poor performance.

When policymaking, budgeting, oversight, and educational management responsibilities overlap among the Governor, Legislature, Board of Education, and Department of Education, clear accountability and benchmarking are diminished. The public and parents expect and deserve clarity and educational accountability that emphasizes student growth and achievement.

To improve educational accountability, transparency, and performance, the Subcommittee recommends strengthening the State Constitution by offering an amendment to hold the Governor primarily accountable for public education and improving student achievement within our public school system via an appointed Board of Education and an appointed Superintendent of Education, both of which would be subject to Senate confirmation. The Subcommittee notes that this educational model is utilized in the top five best education-performing states.

II. Department of Land and Natural Resources/ Land and Natural Resources Subcommittee

A. Background

The Land and Natural Resources Subcommittee focused on gathering input and ideas from the career civil servants and managers within state government to garner ideas for greater

efficiency and structural organization and from a spectrum of organizations that regularly conduct work relating to land and natural resources. The Subcommittee developed its ideas and recommendations to improve government efficiency in relation to land and natural resources, but it notes that they may be relevant to other government operations and agencies as well.²

The Subcommittee finds that Hawaii's "green and blue" infrastructure – our land, water, natural, and cultural resources – provide the backbone of our economic base. Ocean recreation and tourism provide an estimated \$1 billion per year in business, and commercial fisheries create over \$300 million per year in business. Tourism is based in large part upon our natural beauty and public lands, and our drinking water is completely reliant upon healthy and open watersheds. Many of Hawaii's residents also rely upon these resources for sustenance and constitutionally protected cultural practices. However, the State does not budget for the real cost of maintaining and managing our green and blue infrastructure. The Subcommittee notes that its first three recommendations address ways to improve management efficiency in maintaining, managing, and sustaining Hawaii's green and blue infrastructure without increasing the burden upon taxpayers. The fourth recommendation suggests identifying factors that may be best accomplished through partnerships between the public and private sectors.

B. Recommendations

(1) Simplify fiscal and permitting procedures for projects and activities that enhance land and natural resources to forge efficient and effective partnerships and maximize limited funds for the most positive effect.

- (a) **Provide Chapter 343 (Environmental Impact Statements) exemptions for projects that protect, preserve, and enhance the environment, land and natural resources.** For example, a project to install predator fencing to keep feral animals out of a native forest using state moneys or touching state land must go through Chapter 343, Hawaii Revised Statutes, review, which involves a cost of about \$50,000 plus significant staff time. Limited funds supporting Hawaii's land and natural resources are better spent on enhancement projects. Another example is that a project to remove rocks or take other action to protect public safety on public lands also must go through a Chapter 343 review. In cases of public safety, the delay as well as the cost are inefficient and may actually threaten lives. The Subcommittee finds that transparency and accountability can be achieved through public meeting and public documentation and post-action reporting.

² All members of the Reinventing Government Task Force were invited to join the Subcommittee meetings.

(2) Simplify procurement procedures so that approved projects can move forward efficiently.

Currently, state procurement is processed in the following manner:

- Under \$5,000: Agency can contract directly
- \$5,000-\$15,000: Agency can obtain three quotes and contract
- \$15,000-\$50,000: Agency can post simple request on-line using the State's electronic system (HePS) and contract
- Over \$50,000: Agency must publish Request for Proposal (RFP)³

The Subcommittee finds that the procurement code and process for preparing RFPs has become so complex that only limited staff have the skills to move these projects. The law is now so complex that the State Procurement Office (SPO) must provide extensive training on all islands to all staff conducting procurement. As a result, many projects are stalled for years while staff awaits training; and during that time, agencies lose experienced staff and have vacancies. This severely hampers government efficiency and productivity, negatively impacting the economy.

The Subcommittee recommends centralizing complex procurement in the SPO on a fee-for-service basis by agencies. Instead of training all agencies on all islands, it would be more efficient for the SPO to prepare the complex procurement documentation, with its expert staff cooperating with the line agency on the desired end result.

(3) Factor and apply the real cost of maintaining public lands, waters, and natural and cultural resources into operating and capital improvement budgets, just like government does with public roads, schools, and infrastructure.

The Subcommittee finds that government factors the actual costs of maintaining "hard" infrastructure into operating and capital improvement budgets, i.e., highways, harbors, and schools. Developments impacting roads and schools are provided formulas for measuring those impacts, and they are required to factor the mitigation of those impacts into the cost of development. However, the real cost of maintaining Hawaii's natural resources is not factored into governmental operating or capital budgets or fully considered when reviewing new development. As a result, Hawaii, while still beautiful, has undergone a slow, steady, and unrelenting degrading of our green and blue infrastructure. In order to retain our competitive advantage in tourism, affordable drinking water, and our culture and healthy population, we need

³ Act 175, Session Laws of Hawaii 2009, increased the maximum small purchase procurement limits from \$50,000 to \$100,000 for goods and services and from \$50,000 to \$250,000 for construction. The legislative intent was to expedite Hawaii's ability to use and benefit from economic stimulus funds that were available. These amendments will sunset on July 1, 2012.

to consider the real cost of maintaining our land and natural resources and allocate operating and capital funds to care for these resources to sustain them and our way of life. Two non-taxpayer sources of support are:

- Utilizing government assets to support government land and natural resources; and
- Private development or businesses that obtain financial benefit from utilizing public natural or cultural resources should dedicate support for some of the real maintenance costs of those resources required to sustain them.

The Subcommittee finds that a plan should be developed to leverage the use of state lands assets and other natural resources to generate revenues to support and sustain these assets and resources. In support of such a plan, a study should identify and inventory state land assets and natural resources and determine their utilization and potential for revenue generation. For example, a portion of revenue from renewable energy leases or sales of water could be dedicated to sustaining the renewable source. This dedication may take the form of being a contributing member of a Watershed Partnership, making an in-kind contribution, or dedicating a percentage of revenue.

(4) Identify government functions that are appropriate to be performed at the state level (including identifying which state agency) or county level, and identify functions that are appropriate to be performed through public/private partnerships; realign government accordingly.

The Subcommittee finds that shifting functions should only be done if it will improve efficiency of government operations. Shifting merely for the sake of shifting is an inefficient use of time and resources. The following questions should be considered in making these determinations:

- *Is there greater efficiency in placing functions in a different state agency?*

Example A: Recording of Land Court Documents – Judiciary Land Court or DLNR Bureau of Conveyances

While many past studies have looked at whether compatible or similar functions performed by multiple agencies may be consolidated, the above example is one where "clients" of government services are passed through multiple agencies for a single service. Consolidation of the functions within a single state agency may not reduce size of government, but it can increase efficiency of operations, which allows for greater productivity, speed, and service.

- *Is there greater efficiency in placing functions at the state or county level?*

Example B: Parks - State or County Operated

Hawaii's natural and cultural resources are public trust resources that require State oversight and protection. However, spaces dedicated for active recreation that do not involve an exceptional natural or cultural resource base are more appropriate for operation at the county level. For example, previous studies have classified parks into state and county categories: parks with exceptional natural and cultural resources include Iolani Palace, Diamond Head, and Lapakahi Historic Park; active recreation parks include Sand Island, Makena, and Old Kona Airport.

The Subcommittee notes that determining the appropriate roles and responsibilities for state vs. county functions may be applied to many areas of government. For example: roles of state highways vs. county roads; and housing and homeless programs.

- *Is there greater efficiency in a public-private partnership?*

Example C: Boating & Ocean Recreation – State or Public/Private Partnership

Public safety is a critical government function. Maintaining compliance with Hawaii's laws that protect public access to beaches and ocean waters is also an important government function. However, operating small boat harbors with slips for individual boaters is not necessarily a government function and may be more efficiently performed by the private sector.

The Subcommittee also notes that public-private partnerships may be appropriate in other areas of government, such as housing and homeless programs or economic development programs.

III. Department of Human Services/ Health and Human Services Subcommittee

A. Background

The Department of Human Services/Health and Human Services Subcommittee worked in conjunction with PHOCUSED (Protecting Hawaii's Ohana, Children, Under Served, Elderly and Disabled), HANO (Hawaii Association of Private Organizations), and Director Lillian B. Koller (Hawaii Department of Human Services) and also considered recommendations from Senator Suzanne Chun Oakland. "The Hawaii State Plan" from 1978, the "Hawaii Human Services Plan" from 1989, and the "Report of Core Government Functions Advisory Commission" of 2002 provided further information as to what appeared to be systemic issues spanning the last thirty years that would present opportunities to improve operations and efficiency.⁴

⁴ The Subcommittee especially thanks Senator Donna Mercado Kim and Representative Marcus R. Oshiro for their strong support of the Task Force.

B. Recommendations

(1) Clarify and measure core services provided by the government and the private sector.

The Subcommittee finds that core services should be provided by government, while services that can be provided by the private sector should be assessed and studied. To determine which sector would be best suited in providing certain core services, performance-based metrics and measurements should be established that assess benefits to the public and the achievement of service goals. These metrics and measurements should be objective and fair; they should ensure that competition occurs among private sector providers, while also enabling government to monitor outcomes and effectiveness, to ensure the provision of quality services. The juxtaposition of the government sector's regulatory and legislative spending limitations and restrictions in the provision of services and the private sector's spending flexibility for the provision of services should also be considered in determining best practices for the provision of core services.

It is recommended that a joint government and private sector task force be established to address these issues. The government and the private sector could look for opportunities where the strengths of each can be a major component and assist where there are needs that the other cannot fulfill. The government and private sector should also work together to determine a basis for accountability in the provision of core services.

(2) Substantially improve information technology used by government.

Specific examples of areas for improvement include implementation of electronic payment for services (the State currently offers this for tax payments) and streamlining the request for proposal and procurement process to move funds more quickly to vendors. Within the Department of Human Services alone, the ability of all sectors of the Department and the public to access information from a shared service will substantially reduce ongoing expenses of providing information. Having the technology for public interaction would streamline multiple areas of the service process.

The Subcommittee believes that it has brought forth some of the strategic points that may provide organizational and operational efficiencies for our State. There are issues that will need further exploration to define their scope, implementation, proposed cost savings, and implementation timeframes. These recommendations, not unlike those provided thirty years ago, have as a basis the strong need for support from the government and the private sector for implementation. Understanding the benefit to both the government and the private sector is critical to success

IV. Department of Business, Economic Development, and Tourism Economic Development Subcommittee

A. Background

The Subcommittee viewed its charge as seeking ways to enhance the effectiveness and efficiency of the Department of Business, Economic Development, and Tourism (DBEDT). The Subcommittee sought input from DBEDT Director Ted Liu and his management team, consisting of the chiefs of the various divisions of the department.

In addition, the Subcommittee requested input from the business community, focusing on groups that could be considered representatives of DBEDT service recipients. To that end, based upon input from Subcommittee members and DBEDT staff, the following groups were invited to participate in a discussion on DBEDT: Hawaii Business Roundtable, Enterprise Honolulu, Maui Economic Development Board, Kauai Economic Development Board, Hawaii Economic Development Board, and the Chamber of Commerce of Hawaii.

The tourism industry was also solicited for input, but three independent industry officials declined, suggesting that DBEDT does not provide support for the tourism industry outside of gathering data.

The following is a list of suggestions generated from the discussions held:

Input from DBEDT staff:

- Integrate more technology into state operations – consider technology investments as capital improvements
- Greater use of online/electronic documentation
- Improve current management system of state administration by providing more information (e.g., budget information) to line departments to enable them to accomplish their core functions
- Revise the procurement process
- Use the Kaizen or Six-Sigma method to evaluate state government
- Change the state position classification and recruitment processes
- Improve the state permitting process for end users (public and businesses)

Input from the Business Community:

- DBEDT should define its role to be a facilitator and "clearinghouse" for business development, rather than taking on the responsibility for this function alone. More coordination should take place with the county economic development boards.
- DBEDT should refine its mission: Limit the list of responsibilities it has as an agency

and focus on determined priority areas.

- DBEDT should provide greater support for small businesses: At present there is limited outreach to the small business community.
- The role of the agency in some areas needs to be clarified: An example is the lack of clarity in responsibility between the DBEDT and the Department of Agriculture over agricultural/farming issues.
- Line staff should be consulted for feedback and suggestions to determine where efficiencies can be generated. The perception is that line staff is rarely consulted on how to make improvements in service delivery.

Having reviewed these various suggestions, and considering the input received from other subcommittees, the Subcommittee finds that two recurring themes appear in all areas:

- The need to upgrade the State's technological capacity and increase the use of technology in government affairs; and
- Overhaul and create greater flexibility in the State's position classification system. Given the frequency in which these issues have been raised, they will not be included as part of the final recommendations made by this subcommittee for consideration by the full task force. We do strongly recommend, however, that investments in technology should be considered as capital improvements by the executive and legislative branches. The corporate sector regularly capitalizes such purchases, and government would do well to do the same.

B. Recommendations

The DBEDT/Economic Development Subcommittee offers the following recommendations:⁵

(1) The mission of DBEDT should be better defined and prioritized to function as a facilitator and clearinghouse and to offer strategic directions for business development.

The Subcommittee finds that, DBEDT presently seems to be the "catch-all" agency that takes in whatever functions that are not covered by other state agencies. A list of some of the entities that comprise DBEDT proves this: Foreign Trade Zone, Aloha Tower Development Corporation, Hawaii Tourism Authority, The Center of Excellence for Ocean Science, and the Land Use Commission, among others. Therefore, it is no surprise that the agency is unable to make a greater difference for the areas that it serves because of this apparent lack of focus. Despite the best efforts of staff, the agency is doomed to ineffectiveness and inefficiency because of the lack of policy direction on its true mission and purpose.

⁵ The recommendations are not presented in any particular order of priority.

DBEDT's role must be clarified and better defined as a facilitative agency, with less emphasis on "hands-on" action in providing services to the community. DBEDT would best serve its constituent groups by being the resource for business development and by acting as a clearinghouse for other entities, such as the respective economic development board on each island. The focus should be on business development, attraction, and expansion – and these functions would be best achieved by the economic development boards, with DBEDT support. Much success has been achieved when DBEDT has acted in this fashion, coordinating with these other groups. Movement in this direction will create greater efficiency within the agency and allow for rightsizing consistent with this new role of facilitator.

(2) The state procurement code should be reviewed and amended to create greater efficiency in delivering government services.

Both DBEDT staff and business representatives pointed out that the procurement process, while noted as well intended, has become cumbersome, time-consuming, and oftentimes more expensive. Procurement issues generate delays and create unnecessary expenses for all concerned, and they are obstacles to business development. In addition, spotty enforcement of procurement requirements creates additional problems for both business and government alike.

(3) Line staff must be conferred with prior to making any changes seeking to achieve efficiency.

Comments from both the employees and the business community suggested that government generally fails to communicate with those who know the most about operations and how to generate efficiencies and greater effectiveness. All of the best suggestions offered will not result in success unless there is meaningful communication with, and buy-in from, the staff that will perform the work. The Subcommittee advocates that, as the Task Force puts forth ideas for consideration and implementation, the State not repeat the mistakes of the past by failing to seek the input of line staff before making changes.

V. Department of Transportation/Transportation Subcommittee

A. Background

The Subcommittee noted that the following list of recommendations is the result of meetings with current and former directors of the State Department of Transportation ("DOT"), as well as county and federal officials.

B. Recommendations

(1) Better coordination of state and county transportation offices, including consolidation of state and county personnel on the Neighbor Islands.

Currently, each island typically has both a state and respective county transportation staff and crew. With respect to the Neighbor Islands, the Subcommittee recommends consideration of transferring the Department of Transportation (DOT) personnel to the respective county department and consolidating work there. The DOT would then have the responsibility of allocating the use of funds to the counties and overseeing and coordinating work done by the counties' departments with respect to DOT projects. The Subcommittee also suggests that, as part of this oversight and coordination, all parties take a preventative maintenance approach in caring for the roadways, as opposed to "band-aid" methods that are more costly in the long run.

The reorganization would eliminate redundant personnel, improve coordination between the DOT and the counties, and enable county departments to reach economies of scale. The Subcommittee suggests that this idea be tried on a pilot basis, starting with the island of Maui. In addition, the current classification of state and county roadways is sometimes confusing, and it is the result of historical practice rather than functional classification. While rationalization of ownership would be a major undertaking, better clarity of the division between state and county responsibilities would improve the stewardship of both sets of roadways and minimize disputed or, even worse, neglected areas.

Finally, a more robust Transportation Commission that would resemble an authority, as opposed to the current advisory board, could take on the responsibility of encouraging coordination between the DOT and county offices. It would also provide more long-term continuity in transportation planning and policy. The current rail transit project on Oahu is one example where better coordination is needed.

(2) Maximize leasing income from airport space and/or harbor space with the possible help of retail leasing agents.

The Subcommittee finds that while the DOT recently has taken a more proactive stance in this regard than in the past, there may be further opportunities to improve rental revenues from retail spaces at airports and harbors. By applying expertise from retail developers, and considering how operations might be modified to enhance the value of retail space (without compromising operating objectives), more rental revenues may be achieved. In some cases presently, rents are structured in ways that encourage counter-productive outcomes. To obtain more specialized expertise and sensibility with respect to retail leasing, the DOT should explore engaging an outside leasing agent to handle the leasing of certain spaces.

(3) Encourage a mindset of maximizing the capacity of existing highway infrastructure (as opposed to building more roads) and building more general management expertise within the DOT.

The Subcommittee finds that there is a view that the DOT, perhaps because of its resident engineering expertise, is primarily focused on building roads and that it could do more to explore ways to maximize existing capacity. Currently, the DOT is studying various strategies to boost capacity within the limits of existing infrastructure, such as the Oahu Intelligent Transportation System, ramp metering, contraflow lanes, and staggered working hours. The Subcommittee encourages continued study in those areas, which would be further enabled by developing more general management expertise within the DOT. To that end, more attention should be directed towards developing staff abilities with respect to economic analyses, environmental studies, and social impacts, in addition to engineering skills. This development might also be supplemented with various other strategies, such as:

- Recruiting for that talent;
- Identifying and focusing on metrics that measure utilization of existing infrastructure and its effects and rewards based upon achieving those metrics; and
- Outside training (for example, sending staff to the Hawaii Leadership Academy, as DOT is now a leader in doing, and to the transportation-oriented program at Indiana University of the American Association of State Highway and Transportation Officials ("AASHTO")).

In addition to the benefits of fully utilizing existing infrastructure, federal funding in the future may become more dependent on presenting analyses in the foregoing areas.

(4) Realize efficiency and savings through shared functions, rationalization of positions, and increased accountability within the DOT.

The Subcommittee finds that Hawaii's DOT is the only state transportation department in the United States that oversees all three modes of transportation: airports, harbors, and highways. In other states, these three modes are usually administered separately and are often supported by dedicated, independent authorities.⁶ On the other hand, Hawaii DOT's consolidated structure could allow for shared functions and economies of scale; however, that has not happened to date.

The Subcommittee further finds that some savings may be achieved by having the three divisions share functions such as planning, administration, and personnel, rather than replicating those functions within each division. It has also been observed that there may be an excess number of staff, particularly in the lower-ranking, clerical levels. Similarly, it has been mentioned that the organizational structure of the DOT has not changed significantly for

⁶There was some support for the idea of splitting up the DOT into such authorities on the argument that more accountability and better long-term planning would result. Given the current budget challenges, however, the Subcommittee does not recommend that course at this time.

decades. Some positions are obsolete, while newer disciplines, such as environmental studies and economic analysis, are not staffed. Finally, this Subcommittee has repeatedly heard it suggested that, while there are many excellent and engaged upper- and middle-managers within the DOT, there are also managers whose motivation and competence are lacking. Unfortunately, under the current law, there is relatively little accountability, and underperforming managers feel (correctly) that they will outlast the political appointees who lead the agency. While this situation is not unique to the DOT, this department would certainly benefit from some measure of civil service reform.

(5) Clarify, by measurement, the degree of subsidization from Oahu to the Neighbor Islands for transportation projects.

The Subcommittee finds that, as would be expected, Oahu generates a substantial amount of transportation tax revenues and federal funding due to its concentration of population. At the same time, Kauai, Maui, Molokai, Lanai, and the Big Island all have significant and disproportionately greater transportation needs because of their lower population density and separate geography.⁷ The result is that Oahu, quite properly, provides subsidies to the Neighbor Islands with respect to the funding of airport, harbor, and highway projects. The issue, rather, is whether the degree of subsidization is derived through a thoughtful and objective process or is the outcome of political negotiation. To encourage the former, the Subcommittee suggests that key metrics be adopted to provide more clarity on the issue, for example, measuring expenditures by units such as vehicle miles, tonnage, etc. These metrics could then be compared to those of other locales. While unit expenditures on Neighbor Islands would be expected to be higher than on Oahu, given the above reasons, those metrics would provide a rough sense of whether or not the differential was appropriate.

VI. Department of Human Resources Development/ Human Resources Subcommittee

A. Background

Input was sought and received by former Department of Human Resources Development (DHRD) management, the current DHRD Director and Deputy Director, division directors, current DHRD users, organized labor, Task Force members, and other subcommittee members.

⁷ These factors contribute to diseconomies of scale on the Neighbor Islands.

B. Recommendations

(1) Develop and implement an enterprise information management system.

Currently, the State Executive Branch has separate budgeting, payroll, and human resources computer systems. The Subcommittee finds that these computer systems should be integrated, so that employee and position information can be easily transferred between systems so as to minimize data entry and facilitate generation of management reports. The database should include employees' employment histories from recruitment to separation from service, including benefits enrollments, training documentation, leave records, workers' compensation claims, and position descriptions, and it should be linked with the payroll system to automatically process pay-related actions, such as leaves without pay. It is clear that we must implement an information technology strategy and not look for quick fixes that may prove to be cosmetic in nature.

(2) Develop a statewide public employee training and development program.

The Subcommittee finds that all training for public employees currently is delegated to the line departments, with little central agency oversight to ensure consistency and compliance. Ideally, a statewide public employee training program would ensure that employees have all the basic knowledge, tools, and support necessary to perform their current jobs.

The Subcommittee further finds that there is no formalized public employee development program. To build a strong public employee base and to ensure retention, public employees must have the opportunity to indicate to their employers their career goals and aspirations. In addition, employees should be aware of opportunities within state government and how those opportunities could match up with their goals. This process should be part of the initial hiring documentation and part of each public employee's annual appraisal process thereafter. This development program would require central agency oversight.

(3) Simplify the classification system.

The State currently has 1,700 job classifications. The State needs to update and consolidate similar classes to bring the number of classifications down to a manageable level. A more flexible classification system should be put in place to replace this rigid and cumbersome system and to allow agencies greater latitude in classifying positions as needed to fill vital needs. Implementing broad banding for certain jobs/occupations, and developing appropriate compensation systems to facilitate these broad bands would provide flexibility to pay public employees on the basis of relevant criteria.

The simplification of the job classification system will undoubtedly require the convening of a human resources task force or working group comprised of practitioners, both internal and external to state government, who have broad historical and visionary knowledge of

job evaluation that is not limited to position classification. This task force would establish benchmarks based on developed best practices, identify specific impediments to reforming the civil service compensation management system, and recommend changes.

(4) Clear up redundancy between central agency and line departments.⁸

The Subcommittee finds that existing practice is inefficient and creates confusion because roles and responsibilities of DHRD, as the central agency, and personnel staff in the line departments are not clearly defined. Refinement of roles and responsibilities may lead to adjustment of staffing levels in either the central agency or line department staff, or both. The central agency should take the lead in determining the level of its authority, with the administration communicating these roles clearly to the line level. It is anticipated that the level of authority will vary by department and by function within departments, based upon the ideal for that particular department. Due to the lack of clear role definition, too often there is inconsistency in policy application, and communication between the central agency and line departments is limited. This impacts the consistency of policy application, as well as compliance with collective bargaining agreements.

⁸ Recommendation 4 requires an answer to the questions: (1) What is the purpose and role of DHRD vis-à-vis the line department personnel organization; and (2) Does it see its role as advisory or governing? These questions come up most specifically in regard to redundancy, communication (between DHRD and line departments), and streamlined chain of command. Understanding DHRD's vision in this regard is essential, and the Subcommittee has recently asked this question of DHRD management and is awaiting a response. The Subcommittee suggests that it may prove helpful to assemble a task force or working group to study human resources best practices in other state governments.

TASK FORCE ON REINVENTING GOVERNMENT INFORMATION TECHNOLOGY RECOMMENDATIONS

Note: As the work of the Task Force and the Subcommittees progressed, discussions among all groups addressed the common need for integrated information technology systems across all state agencies. Because this recommendation extended broadly across all of the issue areas, the Task Force recognized that changes in information technology offered opportunities for improvement in all sectors of state government operations. Accordingly, the Task Force as a whole chose to recommend these changes to the State's information technology structure.

A. Background

In examining the various branches of state government, a reoccurring opportunity became apparent: increase technology solutions. The Task Force finds that utilization of technology throughout state branches is fragmented and is not governed by a consolidated strategic vision or plan. Except for a few core applications (i.e., accounting, payroll, etc.), most major departments within state government have been allowed to independently build and maintain their own hardware, operating systems, and applications software. These attempts have been hampered by sporadic funding, limited information technology (IT) expertise, and no coordinated strategy.

As the demand for government services has increased, the State's solution has often been to increase positions and staff workloads, as opposed to relying on automated solutions and upgraded processes. Therefore, budgets have risen, customer service expectations exceed capacities, and worker morale and productivity have been impacted.

Additionally, because technology investments are silo'ed into various branches of government, the economic and operating synergies of shared equipment and expertise for leveraging application solutions across departments have been limited, as have purchase/vendor contract savings. (For example, the Judiciary has an automated "leave and earnings statements," and yet, the Department of Human Resources Development does not.)

Another weakness of our existing decentralized model is the missed opportunity of viewing technology as a catalyst to fundamentally transform the way government delivers its services. A more centralized model would offer the State not only cost saving synergies, but it would also provide an opportunity to improve the way we view customer service delivery and employee productivity – such as in the classroom, in human resources, and in the procurement office. Additionally, this model would offer better information technology career pathing to attract talented high-tech individuals into state government, as well as offer staff development, training, and redundancy. Lastly, a more centralized governance structure would afford the State better data information management (for better decision making and planning), improved data security, and an ability to provide upgraded online customer service across different government departments.

B. Recommendations

(1) Establish a new senior position reporting to the Comptroller to be the State's Chief Information Officer.

Currently, the head of the Department of Accounting and General Services (DAGS) serves as both the Comptroller and Chief Information Officer (CIO). The Task Force recommends that the two roles be separated into two job positions. The new CIO position should be budgeted at market compensation. The CIO's responsibilities would include:

- (a) Supervision of the Information and Communications Services Division (ICSD).
- (b) Developing and implementing a three-year statewide Strategic Information Technology Plan (SITP) that would include the consolidation into ICSD of all hardware, operating software, related positions, and budgets for all IT and communications within the Executive Branch of state government and provide service level agreements (SLAs) to those departments.
- (c) Reporting, at least annually, to the Legislature on the SITP's progress, and submission of a consolidated IT capital budget for the Executive Branch, as well as a report on the performance under all SLAs.
- (d) Formulating a charter and chairing a monthly governance committee, to include all state senior IT CIOs (including Department of Education, University of Hawaii, the Judiciary, Department of Hawaiian Home Lands, and state hospitals), and providing the Legislature with an annual executive summary of projected and achieved budgetary savings, operational synergies, customer service enhancements, state productivity gains, and security improvements generated from the joint collaboration. This governance committee would also be responsible for the development of an annual master state IT budget and vision, as well as standards for IT job classifications; staff training, development, and certification; career path and staff retention goals; customer service and productivity targets; SLA performance targets; customer service survey results; and data management warehousing and disaster recovery planning.

(2) Request that the Legislature explore establishing a dedicated funding source for the CIO position.

Given the monumental task of consolidating all of the State's separate ICSDs and their associated hardware and operating software and of converting all departmental local area networks (LANs) so that they can communicate and share data, it is imperative that the State be committed to maintaining the CIO position through a dedicated funding source. A dedicated funding source will ensure the continuation of the position and thereby increase the likelihood of achieving program goals and concomitantly ensuring long-term benefits and cost savings to the State.

Appendix A

HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2009
STATE OF HAWAII

H.C.R. NO. 76
H.D. 1
S.D. 1

HOUSE CONCURRENT RESOLUTION

REQUESTING THE SENATE PRESIDENT AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES TO ESTABLISH A TASK FORCE ON REINVENTING GOVERNMENT TO EXAMINE THE CURRENT OPERATIONS AND ORGANIZATION OF STATE GOVERNMENT AND MAKE RECOMMENDATIONS ON MAKING STATE GOVERNMENT MORE EFFICIENT.

1 WHEREAS, the global economic crisis has significantly
2 affected the local economy, resulting in high unemployment
3 rates, foreclosures, productivity losses, lower consumer
4 spending, and bankruptcies; and

5
6 WHEREAS, the resulting decrease in state revenues is
7 projected to create a \$1,760,000,000 budget shortfall for the
8 balance of fiscal year 2008-2009 and the biennium budget period
9 if corrective action is not taken; and

10
11 WHEREAS, despite the dismal economic outlook, the current
12 situation presents the State with an opportunity to reevaluate
13 and restructure operationally and organizationally to do more
14 with fewer resources; and

15
16 WHEREAS, the State can take advantage of this opportunity
17 to increase its efficiency not only to weather the short-term
18 economic storm, but also to increase its resiliency and prepare
19 for future economic challenges; now, therefore,

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21 BE IT RESOLVED by the House of Representatives of the
22 Twenty-fifth Legislature of the State of Hawaii, Regular Session
23 of 2009, the Senate concurring, that the Senate President and
24 Speaker of the House of Representatives are requested to
25 establish a task force on reinventing government to examine the
26 current operations and organization of state government and make
27 recommendations on making state government more efficient; and

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29 BE IT FURTHER RESOLVED that the task force consist of the
30 following members:

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- (1) Two members representing the financial sector, one appointed by the Senate President and one by the Speaker of the House of Representatives;
- (2) Two members representing public and private sector labor, the public sector labor representative appointed by the Senate President and the private sector labor representative by the Speaker of the House of Representatives;
- (3) Two members representing the tourism industry, one appointed by the Senate President and one by the Speaker of the House of Representatives;
- (4) Two members representing the Legislature, one appointed by the Senate President and one by the Speaker of the House of Representatives;
- (5) One member representing the executive branch of state government, appointed by the Governor; and
- (6) One member representing the Judiciary, appointed by the Chief Justice; and

BE IT FURTHER RESOLVED that the members of the task force shall select a chairperson from among themselves, and the chairperson is requested to convene task force meetings; and

BE IT FURTHER RESOLVED that the task force on reinventing government is requested to submit a report of its recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2010; and

BE IT FURTHER RESOLVED that the Legislative Reference Bureau is requested to assist the task force in drafting the task force's recommendations and proposed legislation; and

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Governor, the Chief Justice, Director of Business, Economic Development, and Tourism, Hawaii Tourism Authority Board of Directors, Hawaii

- 1 Credit Union League, Hawaii Bankers Association, Hawaii
- 2 Government Employees Association, United Public Workers,
- 3 University of Hawaii Professional Assembly, Hawaii State
- 4 Teachers Association, International Longshore and Warehouse
- 5 Union, and AFL-CIO.

Appendix B

Task Force on Reinventing Government Subcommittees and Meeting Schedules*

DOE/Education Subcommittee,
Don Horner, Chair

DLNR/Land and Natural Resources Subcommittee
Laura H. Thielen, Chair

DHS/Health and Human Services Subcommittee
Lynn McCrory, Co-Chair
Reginald Castanares, Co-Chair
Don Horner, Co-Chair

DBEDT/Economic Development Subcommittee
Randy Perreira, Chair

DOT/Transportation Subcommittee
Mark Fukunaga, Chair

DHRD/Human Resources Subcommittee
John Monahan, Co-Chair
Walter Ozawa, Co-Chair

Task Force on Reinventing Government:
Subcommittee Meeting Notices

<u>SUB-COMMITTEE</u>	<u>DATE/TIME</u>	<u>LOCATION</u>
DE/Education	Monday 11/30/09 2:00 p.m.	First Hawaiian Center, 999 Bishop Street, 29 th Floor
	Tuesday 12/8/09 2:00 p.m.	First Hawaiian Center, 999 Bishop Street, 29 th Floor
	Tuesday 12/15/09 2:00 p.m.	First Hawaiian Center, 999 Bishop Street, 29 th Floor
NR/Land and Natural Resources	Thursday 11/12/09 12:30 p.m. - 2:00 p.m.	Land Board Room, 130 Punchbowl Street, Kalanimoku Building, Room 130
	Friday 11/20/09 10:00 a.m. - 12:00 p.m.	Land Board Room, 130 Punchbowl Street, Kalanimoku Building, Room 130
HS/Health and Human Services	Friday 12/4/09 12:00 p.m.	Bankers Club, First Hawaiian Center, 30 th Floor, Diamond Head Room; meeting with Alex Santiago and Board of PHOCUSED - Protecting Hawaii's Ohana, Children, Underserved, Elderly & Disabled
DBEDT/Economic Development	Wednesday 12/2/09 1:00 p.m.	Meeting with Ted Liu and DBEDT managers at Ted Liu's office
	Wednesday 12/2/09 3:00 p.m.	Meeting with Roundtable & Enterprise Honolulu at HGEA building, 6th Floor RESCHEDULED
	Thursday 12/17/09 9:00 a.m.	Meeting with Roundtable, Enterprise Honolulu, and Chamber of Commerce at HGEA building, 6 th Floor
OT/Transportation	Tuesday 11/17/09 10:30 a.m. - 11:30 a.m.	Meeting with Brennon Morioka, Dir. of State Dept. of Transportation; at First Hawaiian Center, 29 th Floor, Bishop Conference Room
DHRD/Human Resources	Thursday 11/12/09 11:00 a.m. - 12:00 p.m.	Supreme Court building, 417 S. King St., Room 206A
	Friday 12/4/09 2:00 p.m.	DHRD Offices, Leiopapa a Kamehameha Bldg; 235 S. Beretania Street, Ste. 1400; meeting w/DHRD director, deputy, and division chiefs