



Alternative Revenue Sourcing



SITUATION REPORT

August 31st, 2011



Prepared for the Vermont State
Auditor, Thomas M. Salmon, CPA

Project Background

In July of 2011, The Office of Vermont the State Auditor, Thomas M. Salmon, CPA, retained Bronner Group, LLC (BRONNER) to conduct a cursory Alternative Revenue Sourcing (ARS) analysis of Vermont’s governmental funding sources, agencies, and departments. ARS focuses on reengineering the way governments identify funding sources, by placing less emphasis on Federal legacy grant programs, that are unstable, ever-depleting, and becoming more restrictive, and refocusing efforts on forging proactive public-private partnerships, marrying philanthropic goals with government needs, and posting less traditional, but highly effective solutions for generating and attracting new, less prescriptive funding.

Vermont’s Fiscal Situation

The State of Vermont estimated a \$150 million budget shortfall for FY11. With a \$38B reduction in FY2012 and the loss of approximately \$158B in one-time Recovery Act (ARRA) funding, the State’s FY12 deficit could reach approximately \$176 million. These massive reductions have further created implications of filling budget gaps, and have required the State to engage in numerous actions including funding cuts to mental health agencies, programs for children, and money for adopted youth who do not qualify for Medicaid. The State has also proposed mid-year program cuts in the areas of K-12 education, Medicaid, and corrections. Vermont officials have considered other strategies for reducing budget gaps that have major implications to State employees. These strategies include increasing the number of furlough days, implementing two-to-five percent salary reductions for all state employees, and introducing potential cuts to state employee benefits. The [chart](#) below illustrates the State of Vermont’s Budget crisis:

	General Funds	General Funds	ARRA Funds	General Funds + ARRA %	Total Funds	Total Funds %
FY 2011	\$1151.7	5.9%	\$158.8	1.6%	\$4.86B	3.9%
FY 2012	\$1236.2	7.1%	0	-5.7%	\$4.69B	-3.6%

Vermont’s situation is not unusual, however. Almost all states currently have fiscal shortfalls, especially as a product of shrinking revenues and the expiration of ARRA funding. Alternative Revenue Sourcing is an especially timely discussion and BRONNER’s report intends to provide evidence-based, creative solutions to facilitating that dialogue and subsequent actions. The results of undertaking this type of ARS exercise are as endless as the potential partnerships espoused herein. “Getting more for less” requires more than just this cursory ARS analysis; it requires collaboration on part of Vermont government stakeholders, and comprehensive strategies around streamlining and clarifying processes, mitigating fraud, waste, and abuse internally, increasing accountability, measuring results and defining success internally. As Vermont is currently undergoing a Strategic Planning process, due to be completed in December 2011, it is our intention that this ARS Situation Report serve as a complementary overlay to that process.

BRONNER’S Methodology

In an effort to tap the extensive bi-partisan institutional and experiential knowledge of Vermont’s government programs and financing, BRONNER conducted individual interviews with over 20 agency, department, Legislative, and governmental thought leaders (a listing of these interviewees can be found in *Appendix A*). These interviews queried the fiscal status, areas of need, and current partnerships of agencies, departments, and industries at-large. Interview content was then distilled into the industry categories presented in this Situation Report, and correlative areas of need were attributed to each of the industries. BRONNER then applied decades of governmental knowledge, and its exclusive approach to identifying fresh revenue sources, to harvesting best practices and conducting research on alternative and non-traditional revenue sources to best address the industry needs. These best practice examples are also cited and linked in the Situation Report to demonstrate their efficacy in other, similarly-positioned states and state agencies.

Moreover, to further support the alternative revenue dialogue in Vermont, BRONNER compiled two valuable resource listings. The first boasts businesses and corporations located in Vermont that either have foundations or a philanthropic agenda with missions that tie to the industry needs presented in this Report (*Appendix B*). The second listing presents foundations and individual philanthropists in Vermont that have a similar relationship to the areas of need presented in this Report (*Appendix C*).

Areas of Industry Focus

The interviews and analysis elucidated five distinct industries where needs were prevalent and ARS would be most effectively applied. These areas were the recurring themes in the interviews, focus groups, and research as genres of primary concern and opportunity for Vermonters. The following table defines the elements of these industries:

ENVIRONMENT	<ul style="list-style-type: none"> • Building Improvements • Energy Efficiency • Water Quality • Climate Change • State Parks and Community Green Spaces • Agriculture
HUMAN SERVICES	<ul style="list-style-type: none"> • Corrections • Youth Services • Public Health <ul style="list-style-type: none"> ○ Substance Abuse ○ Engaging Advocacy Communities ○ Healthy Aging ○ Mental Health ○ Obesity Prevention ○ Tobacco/Alcohol Abuse Education and Prevention ○ Immunization ○ Injury prevention • Adult Protective Services • Facilities <ul style="list-style-type: none"> ○ Updates ○ Underutilization / Capacity
TRANSPORTATION	<ul style="list-style-type: none"> • Roadways <ul style="list-style-type: none"> ○ Circumferential Highway (IBM) • Bridges • Railways • Fleet Management
EDUCATION AND WORKFORCE	<ul style="list-style-type: none"> • Non-Traditional Educational Options <ul style="list-style-type: none"> ○ Home Schooling ○ Distance Learning ○ Special Education • Curriculum and Teachers <ul style="list-style-type: none"> ○ Quality Control ○ Professional Development
ADMINISTRATION	<ul style="list-style-type: none"> • Transparency <ul style="list-style-type: none"> ○ Accountability ○ Compliance • Information Technology <ul style="list-style-type: none"> ○ Broadband Access • Staffing / Personnel

For the purposes of this Situation Report, the issues within these areas have been streamlined and those presented display the most promising potential for Alternative Revenue Sourcing. Specific issues or areas of need are presented, a solution (or multiple solutions) are presented for each given issue with corollary best practices of states and entities that have utilized this ARS approach with success, and BRONNER’s feasibility rubric (presented below) is attributed to determine short-term and longer-term actions that will reap profound results.

Understanding the Feasibility Rubric

BRONNER’s decades of experience assisting government entities in creatively sourcing alternative funds informed the creation of a highly effective Feasibility Rubric, which prioritizes ARS activities, based upon an effort in/results out formula. Each recommendation presented in this Situation Report is coded using this Rubric to better guide Vermont thought leaders in determining proactive next steps. Not all areas of need boast a recommendation, most likely due to the fact that an environmental scan led to the determination that there are few options for alternative funding at present.

	FEASIBILITY IS EXCELLENT, PARTNERSHIP IS IMMINENT, AND/OR SHORT-TEM, LESS LABORIOUS ACTION FROM VERMONT IS PROJECTED TO REAP SIGNIFICANT BENEFITS.
	FEASIBILITY IS EXCELLENT, PARTNERSHIP IS IMMINENT, AND/OR SHORT-TEM, MORE LABORIOUS ACTION FROM VERMONT IS PROJECTED TO REAP SIGNIFICANT BENEFITS.
	FEASIBILITY IS GOOD, PARTNERSHIP IS POSSIBLE WITH FURTHER EXPLORATION, AND/OR LONGER-TERM, MODERATELY LABORIOUS ACTION FROM VERMONT IS PROJECTED TO REAP BENEFITS.
	FEASIBILITY IS GOOD, PARTNERSHIP IS POSSIBLE WITH FURTHER EXPLORATION, AND/OR LONG-TERM PLANNING AND SIGNIFICANT ACTION IS REQUIRED FROM VERMONT IS PROJECTED TO REAP BENEFITS.
	FEASIBILITY IS POOR AT PRESENT, DUE TO FISCAL CONSTRAINTS, ORGANIZATIONAL DISCORD/UPHEAVAL, OR GENERAL LACK OF INTEREST ON PART OF STAKEHOLDERS. HOWEVER, FUTURE ACTION COULD BE EXTREMELY BENEFICIAL TO RE-ATTEMPT PARTNERSHIP WITH IN THE NEAR FUTURE AND SHOULD BE INCLUDED IN MORE LONGITUDINAL PLANS.

Catalyzing the Dialogue: The Recommendations

Through interviews, BRONNER found that most Vermont agencies and Departments are very involved in proactive partnerships for various areas of industry and need, but that there is significant opportunity to expand and further develop existing partnerships, and identify and pursue additional relationships.

ENVIRONMENT

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
FACILITIES IN-NEED OF REPAIR OR UPGRADE	Mental and Public Health noted facilities in-need of upgrade, with attention to energy-efficiency and therapeutic treatment environments.	<ol style="list-style-type: none"> Issue tax-exempt bonds on a privatized lease-to-own basis to allow the state to finance the construction or renovation of energy-efficient, environmentally-friendly, state-of-the-art facilities. Partner with construction companies and businesses to allow franchises to lease space (including parking or signage space) in newly-constructed developments. Broker conversations with the Orton 	Oregon Washington, D.C. Dallas Arizona California Williamsburg, Virginia	

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
		<p>Family Foundation, whose focus is on community development and land use planning.</p> <p>4. Reach out to AllEarth Renewables to see if a partnership can be built whereby they supply their small-scale wind and solar energy systems to state facilities.</p> <p>5. Reach out to Carbon Harvest Energy to see if a partnership can be built whereby they supply various renewable energy and sustainable agriculture services to Vermont properties to repurpose resources.</p>	<p>City of Virginia Beach</p>	
<p>STATE PARKS AND PUBLIC GREEN SPACES IN-NEED OF UPKEEP AND UPGRADE</p>	<p>With 52 developed state parks, 21 other designated sites, 29 beaches, and 38 camp grounds, Vermont has a significant amount of property to upkeep to ensure the enjoyment of Vermonters.</p>	<p>1. Contract with private contractors to manage lands with public oversight while allowed to harvest crops or timber in a limited capacity. Revenues from timber sales make project self-sustainable.</p> <p>2. Form a foundation with private citizens, companies, and organizations to rehabilitate and maintain historic land and sites. This could be used for the upkeep of parks.</p> <p>3. Allow currently not-for-rent spaces to be rented in a limited capacity to allow for additional revenue.</p> <p>4. Individual sponsorship of parks and recreational land (Adopt-A-Park) allows for private citizens or companies to fund park maintenance, and perhaps have the opportunity to have the park named after them.</p> <p>5. Broker conversations with ECOLOGIA, Timberland, Seventh Generation's Corporate Giving Program, and the Vermont Community Foundation.</p>	<p>Arizona</p> <p>California</p> <p>Maryland</p>	
<p>PROMOTION OF AGRICULTURE EDUCATION / HEALTH</p>	<p>With the national spotlight on natural food and agriculture, Vermont wishes to have discretionary funding to further promote agricultural education and access to nutritious, whole foods to all Vermonters, especially</p>	<p>1. Broker conversations with Ben & Jerry's Foundation, Inc. whose focus is sustainable food and social justice.</p> <p>2. Broker conversations with New Chapter Organics, Carbon Harvest Energy, and Cabot Creamery, who partner with organizations that focus on human and environmental health to further the accessibility and awareness of organic food, farming, and traditional herbal medicine.</p>	<p>Minnesota</p> <p>Michigan</p>	

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	those in low-income or reduced-access areas.	<ol style="list-style-type: none"> Explore creative incentives to encourage SNAP users to purchase food at local farmers' markets. Work with private organizations (see <i>Appendix B</i>) to promote healthier school lunch programs in areas where fresh food options are scarce. Approach Gardener's Supply Company to gauge level of interest in starting a youth gardening initiative. 		
GREATER INVOLVEMENT IN CLIMATE CHANGE ADVOCACY	Additional funding to become more active in climate change advocacy and the regional climate change community and movements.	<ol style="list-style-type: none"> Broker conversations with ECOLOGIA and Seventh Generation's Corporate Giving Program. Broker conversations with 1% for the Planet companies and determine whether Vermont environmental entities can be recipients of funding. 	California	
PROMOTION OF WATER QUALITY INITIATIVES	Additional funding to promote and monitor water quality of Lake Champlain (Total Maximum Daily Load (TMDL)), storm water, and drinking water would benefit public and environmental health.	<ol style="list-style-type: none"> Identify private organizations to contract with to operate and manage continual quality efforts at water and sewage treatment plants and facilities. Identify bottled water or other beverage companies in Vermont interested in taking part in maintaining water health. Broker conversations with ECOLOGIA, Seventh Generation's Corporate Giving Program, and the Vermont Community Foundation. 	Milwaukee Tampa	

HUMAN SERVICES

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
OBESITY PREVENTION	In-line with Presidential focus on childhood obesity prevention, Vermont wishes to be more involved in proactively educating the public to prevent obesity among all ages and populations.	<ol style="list-style-type: none"> Partner with the Vermont Caring Foundation and Kraft Foods to acquire funding for prevention and promotion. Work with private organizations (see <i>Appendix B</i>) to promote healthier school lunch programs in areas where fresh food options are scarce. Partner with the Permanent Fund for the Well-Being of Vermont Children, Inc. to start a youth obesity prevention program. 	Minnesota	
TOBACCO AND	Vermont has	<ol style="list-style-type: none"> Partner with the Lintilhac 		

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
ALCOHOL ABUSE EDUCATION AND PREVENTION	comprehensive treatment services in place for substance abuse, but few resources for prevention and education about alcohol and drug abuse, and smoking cessation.	Foundation to acquire funding for smoking cessation or alcohol abuse prevention program.	Arizona New York City	
HEALTHY AGING PROMOTION	Promote the awareness of and access to prevention and health promotion services for the senior population, including education on Alzheimer's, Dementia, and other conditions.	<ol style="list-style-type: none"> Partner with the Vermont Caring Foundation (Blue Cross Blue Shield of Vermont) to acquire funding for a healthy aging program. Reach out to New Chapter Organics re: creating a healthy aging program that educates on food-based supplements and nutrition. 	Virginia	
ADDITIONAL RESOURCES FOR ADULT PROTECTIVE SERVICES	Due to recent budget constraints, staff dedicated to investigating and prosecuting allegations of abuse or neglect toward adults in the state's care have been reduced and workload increased, with a backlog of cases in-need of attention.	<ol style="list-style-type: none"> Engage Small Dog Electronics to see if their mission of promoting safety among Vermonters could outfit adult protective services workers with more seamless, portable investigative technology. Develop an investigator education program with higher education entity to create a pipeline of interns, para-professionals, and investigators to assist with backlog of cases. 	Southern California Oregon	
IMMUNIZATION PROMOTION	Promote awareness of and access to necessary vaccinations and immunizations for all populations.	<ol style="list-style-type: none"> Partner with the Permanent Fund for the Well-Being of Vermont Children, Inc. and the Vermont Caring Foundation (Blue Cross Blue Shield of Vermont) to acquire funding for an immunization education and access program. 	New Mexico	
UNDERUTILIZED SENIOR FACILITIES	Vermont has excess capacity and underutilization in some of its nursing home facilities. As the occupancy rate is used to set Medicaid reimbursement rates, Vermont wishes to increase occupancy.	<ol style="list-style-type: none"> Explore the possibility of opening spots to private payers, or Medicaid recipients, from other states to meet capacity demands. 	Los Angeles	 

TRANSPORTATION

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
MAINTENANCE OF BRIDGES AND ROADWAYS	Bridges and roadways in Vermont have suffered from ten+ years of deferred maintenance from general wear-and-tear, flood damage, and prioritization of most traveled roadways.	1. Engage Main Street Landing in developing a public-private roads and bridges sponsorship program, or develop a sponsorship program independently.	Chicago Virginia Beach, Virginia	
FLEET MANAGEMENT	Vermont is interested in exploring funding opportunities for fleet maintenance, expansion, and management.	1. Sell advertising space on public busses, trains, and government fleets.	Seattle, WA/ Washington, D.C. / Chicago, IL / Boston, MA, and many more	

EDUCATION AND WORKFORCE

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
DISTANCE LEARNING	Due to the landscape and semi-rural areas of Vermont, as well as technological advances in education, Vermonters need access to high-quality, standardized curriculum distance learning tools that are affordable and effective.	1. Partner with the A.D. Henderson Foundation , Kids Are Priority One Coalition , and the Children's Literacy Foundation , which are committed to literacy for children and families. 2. Engage the Windham Foundation , whose aim is to promote the vitality of Vermont's rural communities through its philanthropic and educational programs, to fund options for more rural students and families. 3. Engage IBM or another Vermont-based technology company to develop distance learning tools that meet the needs of Vermonters who are not near a suitable school, or who wish for more standardized options for home schooling, special education, etc.	Greenville, North Carolina Washington, D.C. Philadelphia Tampa, Florida	
HIGHER EDUCATION PARTNERSHIPS	Vermont wishes to forge stronger relationships with public and private institutions of higher education to create subsidized pipeline education programs	1. Partner with the Antioch Center for School Renewal which is focused on making lasting positive changes in the day-to-day school experiences of students, educators, and families. 2. Work more closely with UVM and local technical and community colleges to create subsidized	Southern California Oregon	

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	to meet staffing and professional development needs.	education and degree programs for nurses, early educators, K-12 teachers, and government workers.		

ADMINISTRATION

ISSUE TOPIC	ISSUE DESCRIPTION	ARS STRATEGY	BEST PRACTICE(S)	FEASIBILITY CODE
INFORMATION TECHNOLOGY	Vermont has many areas of government that could benefit from more streamlined, portable, and updated technology.	<ol style="list-style-type: none"> Engage a technology company with roots in Vermont, such as IBM, to assist state and local government with strategizing or prioritizing technology needs. The Smarter Cities Challenge could be a good fit for Vermont. Partner with local academic powerhouses, such as UVM, to create a pipeline program for new technologies or IT professionals interested in working in government. 	IBM 'Smarter Cities' Challenge	
COMMUNITY AND PUBLIC EVENTS	Vermont would like to have discretionary income to support events, such as fairs, expos, and other activities open to the public.	<ol style="list-style-type: none"> Enlist corporations to sponsor events. Engage Green Mountain Coffee Roasters' Foundation and other companies in conversations re: sponsorship and promotion of community events, especially those with environmental themes. 	Tennessee State Fair District of Columbia Science and Engineering Fair	

Other Administrative Solutions

PURCHASING CARD (P-CARD):

BRONNER recommends that the State of Vermont explore the option of implementing a purchasing card program for state purchases. The [State of West Virginia](#) has seen enormous success since its 1996 implementation of a state purchasing card program, which has been acclaimed for streamlining the payment process. The card is available to all employees of the [State of West Virginia](#), and all recipients must complete training and sign an agreement before they are issued a purchasing card. Meanwhile, [the State of Florida](#) reports that they have saved millions of dollars from switching to a purchase card program, due to the vastly reduced need for costly copies, envelopes, and mailing supplies previously needed to mail paperwork to vendors. According to a 2007 [AGA Corporate Partner Advisory Group Research brief entitled, "The State Purchase Card: Uses, Policies, and Best Practices,"](#) 32 out of 33 respondent states had implemented purchasing card programs; More than 50% attributed "substantial savings" to the purchasing card program, and more than 95% reported "some or substantial" cost savings in procedures related to finance, i.e. billing, payments, and audit. Perhaps more tellingly, 0% reported financial losses due to the program.

On the federal level, the [GSA SmartPay Program](#) provides U.S. government agencies and departments with charge cards (including purchase cards, travel cards, fleet cards, and integrated cards) from Citibank, JP Morgan Chase, and U.S. Bank. Non-federal entities are invited to apply for cards as well.

Benefits to using a purchasing card include:

- **A more cost-effective and efficient purchasing process.** For example, the number of checks issued annually by the State of West Virginia has been reduced by 500,000. Through the GSA SmartPay program, the estimated cost savings is \$1.7 billion annually over a traditional written purchasing program.
- **Increased accountability for purchases.** Any non-routine purchases are immediately flagged and the State Auditor's Office is notified of the occurrence.
- **Enhanced relations with the business community due to expedited payment processing.** For example, in West Virginia, the average wait time for a vendor to receive a payment from the state was 70 days; now, with the purchasing card program, the average wait is only 2-3 days.
- **Extra card-based benefits.** Many state programs incorporate incentives via rebates to agencies that pay their bills promptly; the GSA SmartPay Program provides the opportunity for access to discounts and performance-based refunds for state agencies.

In measure, implementing a successful purchasing card program relies on investments in training, monitoring, and program analysis. Additional recommendations include providing rebates or other incentives to encourage agencies to pay bills faster and establishing a website for the program to guide cardholders and businesses through the purchasing process. However, the State of Vermont stands to actualize millions of dollars of savings and potential additional revenues through the adoption of a comprehensive purchasing card program and the residual rebates in-line with the majority of U.S. states.

Next Steps

The primary purpose of this Situation Report was to compile issues most prevalent in Vermont, as defined by governmental stakeholders and thought-leaders, and posit alternative revenue sourcing strategies that have worked in other jurisdictions for consideration. The recommended next step is that Vermont stakeholders review this Report and conduct an open dialogue concerning the strategies and prioritizations thereof.

APPENDIX A: LIST OF INTERVIEWEES

State Auditor's Office

- Thomas M. Salmon, CPA, Vermont State Auditor
- Joe Juhasz, Deputy State Auditor

Legislature

- Patrick Brennan, House Transportation Committee Chair
- Representative Diane Lanpher, House Transportation Committee
- Stephen Klein, Chief Legislative Fiscal Officer, Joint Fiscal Office
- Stephanie Barrett, Associate Fiscal Officer, Joint Fiscal Office
- Nathan Lavery, Fiscal Analyst, Joint Fiscal Office
- Senator Randy Brock, Committees on Finance and Natural Resources and Energy
- Representative Carolyn Branagan, House Ways and Means Vice Chair

Agency of Administration

- Jim Reardon, Commissioner, Department of Finance and Management
- Paul Rousseau, CFO, Department of Buildings & General Services
- Joe Harris, Financial Director, Department of Buildings & General Services

Department of Environmental Conservation

- Justin Johnson, Deputy Commissioner
- Joanna Pallito, Financial Director

Agency of Human Services

- Jim Giffin, CFO

Department of Disabilities, Aging, and Independent Living

- Bill Kelly, CFO
- Commissioner Susan Wehry

Department of Education

- Bill Talbot, Deputy Commissioner and CFO for Finance and Administration

Department of Health

- Leo Clark, CFO
- Gary Leach, Federal Grants Manager
- Tracy Dolan, Deputy Commissioner for Public Health

Department of Mental Health

- Heidi Hall, Financial Director

Department of Public Safety

- Joanne Chadwick, Director of Accounting and Finance
- Rick Hallenbeck, Financial Manager
- Patti LaRose, Financial Administrator

Agency of Commerce and Community Development

- Secretary Lawrence Miller

Department of Labor

- Charles Teske, Financial Director

Efficiency Vermont

- George Twigg, Deputy Policy Director at VEIC