



Department of Transformation and Shared Services

Governor Sarah Huckabee Sanders

Secretary Leslie Fiskén

To: The Arkansas Legislative Council
Sen. Terry Rice, Senate Co-Chair
Rep. Jeff Wardlaw, House Co-Chair
Marty Garrity, Director, Bureau of Legislative Research

From: Courtney Traylor, Arkansas Forward Project Director and Chief of Staff,
Arkansas Department of Transformation and Shared Services

CC: Leslie Fiskén, Secretary, Arkansas Department of Transformation and
Shared Services

Date: August 15, 2024

Subject: Arkansas Forward Quarterly Report

Background

Governor Sarah Huckabee Sanders initiated the Arkansas Forward project with the goal of prioritizing improvements in three areas: 1) citizen experience 2) employee experience, and 3) savings and efficiencies. On February 16, 2024, the Arkansas Legislative Council approved the contract with McKinsey and Company which was hired to help create the foundation for Arkansas Forward, which includes processes and tools for continuous improvement focused on these three priorities. The Arkansas Forward steering committee was formed, and the team began its work in March of 2024. It started with foundational planning to build the project with an end goal of delivering better state government services by setting the standard for government efficiency and effectiveness through statewide operational change. Early on, the Arkansas Forward identified leaders across departments to develop potential initiatives addressing these three priorities.

The Arkansas Forward steering committee's work has revolved around providing guidance in strategic direction by supplying a framework of priorities for department heads in this wide-scale evaluation of state government. The steering committee is comprised of the following members:

- Secretary Leslie Fiskén, Arkansas Department of Transformation and Shared Services
- Secretary Jim Hudson, Arkansas Department of Finance and Administration
- Secretary Hugh McDonald, Arkansas Department of Commerce
- Secretary Kristi Putnam, Arkansas Department of Human Services
- Secretary Allison Bragg, Arkansas Department of Inspector General
- Selby McCollett, Budget Director, Office of Governor Sarah Huckabee Sanders
- Kay Barnhill, Director, Office of Personnel Management, Arkansas Department of Transformation and Shared Services

At the March 5, 2024, kickoff meeting the Secretaries of the cabinet-level departments introduced the Arkansas Forward team and outlined the three phases of the project and a proposed approach to implement those phases. The team's goal is to establish

department-wide change management strategies and best practices while building capabilities to sustain updated, modernized ways of working. The three phases are:

- Phase One: Identify major cross-government opportunities throughout the functional areas of state government. Those areas include overall Organizational Strategic Alignment, Personnel, Procurement, Real Estate, Vehicle Fleet Management, and Information Technology;
- Phase Two: Identify and establish department-wide organization structure review, and begin identifying and implementing management best practices and building capabilities to sustain new ways of working within the Departments of Agriculture, Commerce, Education, Finance and Administration, Human Services, Inspector General, and Transformation and Shared Services; and
- Phase Three: Identify and establish department-wide organization structure review, and begin identifying and implementing management best practices and building capabilities to sustain new ways of working within the Departments of Corrections, Energy and Environment, Health, Labor and Licensing, Military, Parks, Heritage, and Tourism, Public Safety, and Veteran’s Affairs.

The Arkansas Forward team is guiding cabinet-level departments to develop initiatives to prioritize citizen experience, employee experience, and to find and capture efficiency savings. Gathering examples from peer states and external experts, the Arkansas Forward team supports departments with the tools necessary to analyze department operations through the lens of the stated priorities. As part of the analysis, department leaders are seeking input from internal and external stakeholders. Department leaders are identifying initiatives around eight broad categories. These initiatives are in keeping with the stated priorities and strategic vision of the Arkansas Forward. The eight categories include:

- Smarter, faster buying of services and goods;
- Building modern skills and ways of working within and across departments;
- Empowering departments with needed talent and resources;
- Empowering employees with expanded access to data, with matching tools and training;
- Modernizing and maintaining facilities to create a smaller, more efficiently utilized footprint;
- Eliminating redundant processes, allowing workers to focus on meaningful outcomes;
- Providing faster, more intuitive services; and,
- Maximizing available state funding to achieve the greatest impact.

Overview of First Quarter Progress

Each department identified a functional lead for cross-government areas. These leads met in March and gave functional leaders an opportunity to meet their counterparts and identify common challenges that are potential initiatives for the departmental strategic plans.

Personnel

The state's personnel function is the largest subject matter to cover. Public-sector hiring takes three times as long as the hiring process in the private sector, leading to a greater likelihood of losing high-quality talent. Public-sector employees exit state government not only for better compensation but also due to lack of career development opportunities. Reducing the average 18% turnover rate and expanding career paths for expertise and performance, instead of limiting employees to managerial positions to obtain salary increases, is a challenge that the state will address with the new pay plans. Designing a better compensation plan and a renewed focus on job performance will address these challenges through revised and expanded pay tables and merit increase opportunities. A skills-based career ladder and role classification structure is being developed. Additional management training to better develop staff, including an additional number of feedback loops on performance will be part of the revised personnel plan. Under the revised plan, employees can anticipate receiving performance feedback twice per year at a minimum. Integral to this revised plan is creating an improved process for managers to provide coaching and development.

Procurement

Procurement leads identified the following areas for further analysis: measuring and managing demand, getting better pricing, and streamlining processes with statewide government collaboration. This includes developing consistent product categories across departments, as well as consolidating contracts for shared services to get more competitive pricing and standardization across departments. Key to this process is centralized governance and developing procurement personnel to build capabilities for larger contract negotiations setting in place the potential for significant savings.

Real Estate

Real estate analysis includes increasing occupancy in the 3.3 million square feet of office space in Little Rock and consolidating the 2.2 million square feet of non-Little Rock office space to align with national averages of square feet per employee. This work has already begun. The Division of Workforce Services is moving from #2 Capitol Mall to the Arkansas Department of Commerce building. The Arkansas Department of Education is relocating dispersed groups into #2 Capitol Mall. The Arkansas Department of Parks, Heritage and Tourism is evaluating consolidation of space into one location. Additional opportunities for strategic management of the State's real estate portfolio could be better identified with space planning software and coordination through the Arkansas Department of Transformation and Shared Services, Division of Building Authority.

Vehicle Fleet Management

The State's fleet consists of more than 3,900 vehicles. Strategic areas of efficiency include: consolidating fleet purchasing, retiring vehicles at an optimal time, and shifting to mileage reimbursement where vehicle ownership is not economical. Across departments, the process has begun to identify and retire hundreds of underutilized vehicles and reassess demand to maximize purchasing power going forward. The State is also looking at automating reporting required for each trip in a state vehicle by implementing telematics,

which will result in better analysis of how to use State dollars to meet the demand for work-related transportation.

Information Technology

There is significant opportunity for savings in the Information Technology (IT) area. This will require the ability to coordinate efforts statewide. Capturing IT efficiency will require three things: 1) coordination of Chief Information Officers, centralized governance and commitment to utilize more statewide standards and offerings, 2) capability building within the state by investing in its talent in areas such as data analytics and cybersecurity, and 3) a one-time cost for modernization. Implementing project governance practices will improve efficiency. The volume of work can be reduced by retiring and consolidating applications. Modernization of 45% of the applications that are hosted on end-of-life or extended-support services will reduce cybersecurity risks, increase the efficiency of business processes, and lower maintenance and operations costs each year.

Final Reports

Reports of the functional areas are being developed. Once final reports are complete and received from McKinsey, we look forward to sharing with this body for input and collaboration on any potential changes that will be needed legislatively to realize the improvements that will be identified.

As the Arkansas Forward team continues to roll out this project across state government, Arkansas will realize accomplishments through efficiencies, citizen and employee experiences and carry forward the vision of an improved state government by breaking down internal and external silos leading to statewide governmental utilization of resources and eliminating cumbersome, outdated, and redundant processes.