



# **Government Efficiency Task Force**

Abraham Uccello, Chair  
Senator Lizbeth Benacquisto, Vice Chair

**Final Report**  
**June 2012**



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# Government Efficiency Task Force 2011-2012

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## Authority

The Task Force was created by Article III, section 19(i) of the Florida Constitution to develop recommendations for improving governmental operations and reducing costs.

First established in 2007, the Task Force meets each fourth year and submits its recommendations to the chairperson and vice chairperson of the Legislative Budget Commission, the Governor, and the Chief Justice of the Supreme Court.

As enacted in Section 11.9005 of the Florida Statutes, the Task Force is composed of 15 members of the Legislature and representatives from the private and public sectors appointed by the Governor, the President of the Senate, and the Speaker of the House of Representatives.

## Members

### **Abraham Uccello**

Chair

### **Senator Lizbeth Benacquisto**

Vice Chair

### ***Appointed by Governor Rick Scott***

#### **Ann Duncan**

Subcommittee on General Government  
Subcommittee on Education  
Design Procurement Work Group  
Early Learning Work Group  
Enterprise Information Technology Work Group

#### **Belinda Keiser**

Chair, Subcommittee on Education  
Early Learning Work Group  
Enterprise Information Technology Work Group

#### **Frances Rice**

Subcommittee on General Government  
Business Regulation and Licensing Work Group

#### **Eric Silagy**

Subcommittee on Education  
Enterprise Information Technology Work Group  
Expressway and Bridge Authority Consolidation Work Group

**Abraham Uccello**

Chair, Government Efficiency Task Force  
Enterprise Information Technology Work Group

***Appointed by President Mike Haridopolos***

**Senator Mike Bennett** (March 22, 2012 – June 16, 2012)  
Subcommittee on General Government

**Senator Lizbeth Benacquisto**

Vice Chair, Government Efficiency Task Force  
Subcommittee on Education  
Enterprise Information Technology Work Group

**Michael Heekin**

Subcommittee on Education  
Enterprise Information Technology Work Group

**Patrick Neal**

Chair, Subcommittee on General Government  
Design Procurement Work Group

**Robert Stork**

Subcommittee on Health and Human Services  
Early Learning Work Group  
Expressway and Bridge Authority Consolidation Work Group

**Rob Wallace** (June 16, 2011 – February 25, 2012)  
Business Regulation and Licensing Work Group

***Appointed by Speaker Dean Cannon***

**Frank Attkisson**

Subcommittee on Health and Human Services  
Design Procurement Work Group

**Representative Gary Aubuchon** (June 16, 2011 – October 14, 2011)

**Larry Cretul**

Subcommittee on General Government  
Subcommittee on Health and Human Services  
Business Regulation and Licensing Work Group

**Matthew Falconer** (June 16, 2011 – February 24, 2012)

Expressway and Bridge Authority Consolidation Work Group

**Julie Fess** (October 17, 2011 – June 16, 2012)

Subcommittee on Health and Human Services  
Early Learning Work Group

**Representative John Legg** (June 16, 2011 – October 12, 2011)

**Robert Rohrlack** (October 17, 2011 – June 16, 2012)

Chair, Subcommittee on Health and Human Services  
Enterprise Information Technology Work Group



# Government Efficiency Task Force

Abraham Uccello, Chair

Senator Lizbeth Benacquisto, Vice Chair

The Honorable Rick Scott  
Governor of Florida  
PL-05 The Capitol  
Tallahassee, Florida 32399-0001

Chief Justice Charles T. Canady  
Florida Supreme Court  
500 South Duval Street  
Tallahassee, Florida 32399-1925

The Honorable JD Alexander  
Chair, Legislative Budget Commission  
201 Capitol  
404 South Monroe Street  
Tallahassee, Florida 32399-1100

The Honorable Denise Grimsley  
Vice-Chair, Legislative Budget Commission  
221 Capitol  
402 South Monroe Street  
Tallahassee, Florida 32399-1300

June 27, 2012

Dear Governor Scott, Senator Alexander, Representative Grimsley, and Chief Justice Canady:

Pursuant to Article III, section 19(i) of the Florida Constitution, the Government Efficiency Task Force submits its recommendations on improving governmental operations and reducing costs to the Governor, the chair and vice chair of the Legislative Budget Commission, and the Chief Justice of the Supreme Court. The Task Force submits the following final report of recommendations upon completion of its one-year term, as provided in section 11.9005, Florida Statutes.

In the area of Health and Human Services, the Task Force recommends:

## State Employee Health Insurance Benefits

- Establish uniform premium contribution amounts for all classes of state employees.
- Set contributions for all employees at the current contribution levels of Career Service employees. Equalizing contributions at these levels is estimated to save **\$34 million** per year.
- Implement a defined contribution model for state employee health insurance benefits. A defined contribution model is estimated to save **\$250-300 million** per year.
- Consider multiple defined contribution options when designing a new defined contribution structure for state employee health insurance.
- Review the state's contribution and adjust for changes in health care costs at a minimum of every three years.

## State Procurement of Mental Health and Substance Abuse Services

- Utilize common metrics for contracts when procuring mental health and substance abuse services.
- Ensure unit price information is available to all agencies and require agencies to check pricing for mental health and substance abuse services.
- Provide that agencies make greater use of pooled purchasing arrangements when cost effective.
- Implementing the above recommendations is estimated to achieve a cost savings of 6%-8%, or **\$72-\$96 million** per year based on current annual expenditures.

### **Criminal Justice**

- Provide the Department of Corrections with flexibility to develop and implement cost savings initiatives, in conjunction with counties. The department should have the flexibility to implement new models of inmate transfer, assignment, or supervision if determined to effectively carry out inmate sentences, following existing statutory requirements, while achieving cost savings. Counties should be able to submit cost savings proposals to the Department of Corrections and appeal decisions to the Governor and Cabinet.
- Provide incentives for counties to participate in initiatives that will achieve efficiencies and cost savings for the state. Incentives should be created for arrangements that promote flexibility and produce mutually-beneficial arrangements for the state and counties. Incentives may include, but are not limited to, diversion of inmates from state to local facilities and increased utilization of community supervision, including electronic monitoring.
- Investigate implementation of a web-based risk and needs assessment tool for use at time of sentencing. Estimated costs for sentencing options should be included in the tool to allow judges to weigh projected results with estimated costs of sentences. The tool should be made available to judges at the time of sentencing and to the public through a web portal.
- Perform a study to determine the potential cost savings resulting from a risk and needs assessment tool.
- Stakeholders should develop recommendations to the Legislature for increasing flexibility in sentencing guidelines. Judges should be provided with the flexibility to consider the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism reduction, and protection of public safety, as well as cost.

In the area of Education, the Task Force recommends:

### **Early Learning Time and Attendance**

- The Task Force recommends that the Office of Early Learning adopt an electronic form of attendance submission for Voluntary Prekindergarten (VPK) and School Readiness (SR) programs. An electronic form of attendance submission is estimated to save **\$4 million** per year by eliminating the manual paper process and reducing staff time.
- The Task Force recommends adopting a point of service system utilizing either electronic swipe cards or biometrics to supplement an electronic time and attendance submission process. Adopting this system would:
  - Reduce human error and fraud that result in improper payments;
  - Reduce the time burden on providers in collecting and recording attendance data;
  - Reduce the amount of paper record keeping required of providers;
  - Allow for quicker audits of attendance records;
  - Allow for quicker turnaround time on payments for SR and reconciliation for VPK; and
  - Allow for real time attendance data.
- The savings would be between **\$40-60 million** per year if Florida were to realize similar results of other states that have utilized a point of service system. The savings would be based on the reduction of improper payments.
- The Task Force recommends ensuring sufficient time is allowed for implementation and training so providers can effectively learn to use the system.
- The Task Force recommends allowing for the sharing of time and attendance data with other agencies that utilize the information.
- The Task Force recommends utilizing other states' experiences with the point of service system to avoid common implementation mistakes.

### **Inmate Education and Re-entry**

- Individualized Inmate Re-entry Plans
  - Create an individualized inmate re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration.
  - Consider educational needs when determining an inmate's facility placement.
  - Assessments to determine literacy skills are critical. Focus and priority should be given to this process of assessing literacy skills to provide appropriate foundation for other educational programs and opportunities after prison.
  - Develop a program providing literacy and life skills training for inmates who are ineligible for the Mandatory Literacy Program due to prison term length.
- Mandatory Literacy Program
  - Require prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on a Test of Adult Basic Education.
- Online Education Opportunities
  - Investigate opportunities to introduce online and e-learning educational and vocational training in prisons.
  - Set up a pilot program to develop widely-acceptable security protocols for Internet access.
- Mission Driven Prisons
  - Convert some of Florida's prisons to institutions that focus on chemical dependency, literacy and basic education, and vocational education.
  - Align the missions of vocational education prisons to meet the needs of the employment market.
- Program Efficiency
  - Adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction.
  - Expand vocational education programs.
  - Research implementation of a double-track education system.
- Metrics and Statistics
  - Conduct a cost-benefit analysis to evaluate rehabilitative programs, such as educational and vocational programs.
  - Develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the Department of Corrections.

### **Higher Education**

- Implement a pilot project for year-round school operations in the State University System.
- The Board of Governors should create a University Review Program.
- Strategies for Degree Production
  - The Blue Ribbon Task Force should develop strategies to increase degree production.
  - There is a high degree of interest among Florida's policy makers to increase the production of science, technology, engineering, and mathematics (STEM) degrees in the state. The Blue Ribbon Task Force should review methods to increase the production of STEM degree graduates in the State University System, and in doing so, consider the actions of HB 7135 and the creation of a statewide STEM strategic plan.
- Optimum Facility Utilization
  - The Blue Ribbon Task Force should review and develop a comprehensive assessment tool to evaluate facility usage, including classroom utilization, to more accurately determine the need for Public Education Capital Outlay program (PECO) funds.

- Funding
  - The Blue Ribbon Task Force should investigate innovative strategies of funding for higher education.
  - The Blue Ribbon Task Force should find ways to increase transparency in state funding of higher education.
  - The Blue Ribbon Task Force should study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation.

### **University Procurement**

- State University Procurement
  - The State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida.
- Collaboration with the Department of Management Services
  - The Board of Governors, state universities, and the Department of Management services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.
  - The Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties.
  - State universities utilize state term contracts to achieve savings.
- Florida Polytechnic
  - The Board of Governors leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions.

In the area of General Government, the Task Force recommends:

### **Business Regulation**

- Provisional Business Permits
  - Implement a provisional business permit for select industries.
  - Create an evaluation process for industries linked to health and human safety to qualify for a provisional business permit.
  - Utilize information from the business dashboard to indentify key industries that would qualify for the permit.
  - Utilize the provisional permit process to identify and eliminate unnecessary regulations.
  - Conduct a pilot program in selected counties or cities to benchmark the effectiveness of the permit.
- Business Dashboard
  - Implement a business permit dashboard that tracks the amount of time it takes for a company to get started in the State of Florida.
  - Begin the dashboard at the state level, tracking the business as it goes through the state regulatory process.
  - Begin with a pilot program with counties participating on a voluntary basis.
  - Encourage county/city compliance by requiring participation as a condition for certain funding.
  - Utilize current information already collected by state agencies, the Chamber of Commerce, and local governments.
  - Designate one agency, preferably the Department of State, to receive all information related to the business dashboard.

- Utilize dashboard metrics to identify unnecessary regulations, industries that do not require regulation, and industries or businesses that would qualify for the provisional business permit.
- Allow private businesses to submit additional information.
- For each week in reduced startup time resulting from the business dashboard, the state would save an estimated **\$3.44 million** in unemployment benefit payments.
- One-Stop Business Portal
  - Implement the One-Stop Portal in stages as recommended by Department of Revenue Executive Director Lisa Vickers.
  - Identify redundancies and potential consolidations as the portal is phased in.
  - Utilize the consolidation process to identify unnecessary agency regulation.
  - Create a “Phase 1a” comprised of a “splash page” website with agency links to fast track businesses through the startup or renewal process.
  - Utilize existing call center functions to include a live chat feature to provide real time assistance to users.
  - Include a mechanism that allows for feedback from businesses regarding regulation, which would be forwarded to the Office of Fiscal Accountability and Regulatory Reform and the Legislature.

#### **Expressway and Bridge Authority Consolidation**

- An independent party who specializes in best management practices should assist in effectively consolidating the administrative functions of the Orlando-Orange County Expressway Authority (OOCEA) and Tampa-Hillsborough County Expressway Authority (THEA) into Florida’s Turnpike Enterprise (FTE). The Florida Department of Transportation estimates a savings of **\$24,318,000** per year. With the utilization of a third party, this process may be more efficient and achieve even greater savings.
- If THEA and OOCEA are consolidated into FTE, all revenue collected in the regions should be spent within the same region and local boards should be maintained to make policy decisions on road construction.
- Consolidate the Mid-Bay Bridge Authority into FTE.
- Consolidate all toll collections into a single entity and system, including all administrative functions, software and IT systems, accounting, collection personnel, enforcement, customer service, and billing.
- Require regional toll agencies to benchmark regional and state transportation and authority salaries to avoid possible excessive salaries.

#### **Consultants’ Competitive Negotiation Act (CCNA)**

- Allow agencies to utilize the “Best Value” process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow price to be a factor of up to 50% when ranking the top three most qualified firms. The process would work best for a project with a well-defined scope.
- Allow agencies to utilize the “Modified Best Value” process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow the agency to see the price of the top three most qualified firms, but not re-rank the firms, thus preventing the agency from entering negotiations with insufficient information on pricing. This process would work best for projects that do not have a specific scope and for agencies that would otherwise use the current CCNA over “Best Value.”

- Maintain the current CCNA process as an option for agencies to utilize when “Best Value” or “Modified Best Value” would not be appropriate. This process would work best for a project that does not have a well-defined scope.

### **Enterprise Information Technology**

- Redefine the role of the Agency for Enterprise Information Technology (AEIT) in governance of state enterprise information technology (IT) and clarify designated enterprise applications and operations.
- Strengthen statutory language to provide AEIT with enforceable governance.
- Provide AEIT with budget and procurement authority for enterprise IT projects and services.
- Maintain the current organizational structure of AEIT under the Governor and Cabinet.
- Establish an Enterprise Technology Advisory Council of public and private industry chief information officers and IT professionals to function in an advisory capacity to the state Chief Information Officer (CIO).
- Task the CIO with modifying AEIT’s organizational structure to provide flexibility and nimbleness and to accommodate further adjustments as necessary.
- Direct AEIT to identify and align agencies in process oriented design structures (PODS), grouping similar business processes and functions across state government.
- Direct AEIT to implement enterprise IT in support of this alignment, executed in successful phases according to business processes and functions.
- Direct AEIT to immediately begin identification and alignment of PODS with financial management, due to the foundational importance of the Florida Accounting and Information Resource (FLAIR) subsystem.

### **State Procurement**

- Increased utilization of state term contracts
  - Review all statutory barriers and remove those unnecessary for full utilization of state term contracts.
  - Create a process that gives the Department of Management Services (DMS) an approval role for non-state term contract purchases by agencies.
  - Estimated savings for strategically sourcing the estimated \$1.8-\$2.5 billion in potential sourceable spend is 6-10%, or **\$108-\$180 million** to **\$150-\$250 million** per year.
- Increased utilization of MyFloridaMarketPlace
  - Review the 1% usage fee for MyFloridaMarketPlace (MFMP) and adjust to allow for the greatest utilization by state agencies and other eligible users. Increased utilization of MFMP is estimated to achieve savings of **\$9.5 million** per year.
  - Measure full cycle utilization of MFMP through DMS. Reduction in hard and soft costs is estimated to achieve savings of **\$10.9-\$11.9 million** per year.
  - Provide a public facing catalog solution for other eligible users of MFMP.
  - Convert Florida commodity codes to the National Institute of Governmental Purchasing codes.
- Increased effectiveness of MyFloridaMarketPlace
  - Implement a data analytics solution for MFMP.
  - Automate electronic posting of solicitations created in Sourcing to the Vendor Bid System.
  - Automate the workflow between the Ariba Buyer and Ariba Sourcing modules of MFMP.
  - Provide a public portal for contract information.

- Strategic sourcing
  - Utilize the increased visibility and volume in spend achieved via increased use of state term contracts and MFMP to strategically procure commodities and services.
  - Create an incentive model that utilizes savings achieved by agencies to encourage participation in strategic sourcing.
- Consultants' Competitive Negotiation Act
  - Allow agencies to utilize the "Best Value" process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow price to be a factor of up to 50% when ranking the top three most qualified firms.

### **Florida Retirement System**

- Define a goal for the state retirement system. The state does not currently have a defined goal for the retirement system. The Florida Statutes and Constitution provide requirements, but do not outline a set goal or purpose for the state.
- Prioritize portability and transferability of retirement funds. The defined contribution plan currently offers portability for its members. Due to the changing nature of employment and the increasingly transient nature of employees, the state should place a priority on portability and transferability for all state employee retirement funds.
- Review the assumed long term returns on the pension fund and the acceptable funding level. The current assumed return for the FRS pension fund is 7.75%. This assumed rate should be reviewed in context of past market performance to determine if this is an accurate assumption. Various studies have indicated that a funding level of 80% is generally accepted as actuarially sound. As of June 2011, the FRS pension fund has a funding level of 87.5%. The funding level has many assumptions built in, including an assumed rate of return, length of FRS membership, and vesting time of benefits. The funding level policy should be reviewed in the context of the potential issues surrounding retirement funds. The Task Force also recommends that employees contribute a portion of their salary towards their retirement plan.
- Place a cap on the average salary for calculating pension benefits. High-salaried employees are one of the drivers of increased funding liability for the pension fund. The Internal Revenue Service (IRS) limits the amount of annual salary that may be applied towards retirement under a qualified plan. Currently, the IRS limits the annual salary to \$245,000 for members hired on or after July 1, 1996, and \$363,820 for members hired prior to July 1, 1996. The Task Force recommends a cap on salary applied towards retirement in line with the average salary of a head of state agency, which is \$140,000.
- Consider a hybrid retirement system. Various states have either adopted or are considering a hybrid retirement plan (incorporates both defined benefit and defined contribution plans). Florida should review the hybrid option as a method to reduce future unfunded liability, provide flexibility for employees, and ensure adequate guaranteed retirement funds for state employees, particularly lower earning employees.

### **Division of Real Estate Development and Management**

- State Construction
  - The Task Force recommends utilizing a shared service model for state construction directed by one agency in order to create uniform best practices and achieve cost savings. Currently, the Division of Real Estate Development and Management only manages building construction projects in Department of Management Services (DMS) facilities or those projects designated as DMS managed when appropriated to agencies. Additionally, building construction staff is located in multiple agencies, there are inconsistencies in contracting, and

economies of scale are not leveraged through bundling of similar projects. All agencies involved in building construction should operate a shared services model directed through DMS, allowing for uniform standards, best practices, rules, and procedures for state construction. The state should institute an automatic review process for all state construction projects with a projected cost over a certain threshold. The state should also focus on function, in addition to form, in the design and renovation of state buildings.

- State Leasing
  - The Task Force recommends that DMS continue with current initiatives to increase the value of state leasing while reducing costs. DMS should continue its efforts to renegotiate leases statewide. DMS should propose legislation that will increase its authority in leasing decisions, save time in processing, and reduce the burden on private sector landlords. DMS should continue to work with other agencies and with local governments to maximize space utilization.
- State Building Emergency Management
  - The Task Force recommends that DMS explore options for service management of state buildings and facilities in the event of a natural disaster. The state does not currently have a contracted service for management of state facilities in the case of a natural disaster (i.e. hurricanes). In order to ensure the continued functioning of state facilities, the state should address proper disaster preparedness.

The complete recommendations and analyses are enclosed. Please do not hesitate to contact me or staff director Jeff Woodburn for additional information.

Thank you for the opportunity to serve the citizens of Florida.

Sincerely,



Abraham Uccello  
Chair

AU/ew

Enclosures

cc: The Honorable Mike Haridopolos  
The Honorable Dean Cannon  
The Honorable Don Gaetz  
The Honorable Will Weatherford



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** State Employee Health Insurance Benefits

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding state employee health insurance benefits by a vote of 8 yeas, 0 nays:

- Establish uniform premium contribution amounts for all classes of state employees.
- Set contributions for all employees at the current contribution levels of Career Service employees. Equalizing contributions at these levels is estimated to save **\$34 million** per year.
- Implement a defined contribution (DC) model for state employee health insurance benefits. A DC model is estimated to save **\$250-300 million** per year.
- Consider multiple DC options when designing a new DC structure for state employee health insurance.
- Review the state's contribution and adjust for changes in health care costs at a minimum of every three years.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. STATE EMPLOYEE HEALTH INSURANCE

##### State Employee Health Insurance Program

The State Employee Health Insurance Program (program) is governed by s. 110.123, F.S. The program is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS or department).

The program is an optional benefit for all state employees, including state agencies, state universities, the court system and the Legislature. The program includes health, life, dental, vision, disability, and other supplemental insurance benefits.

As implemented by the department, the program offers four types of health plans: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan.

The State Employees' PPO plan is a self-insured health plan administered by Blue Cross Blue Shield of Florida and available to employees across the state.<sup>1</sup> Each HMO is a self-administered, pre-paid health plan that provides health services to people who live or work within the HMO's service area. Six HMOs provide coverage in various geographic regions.<sup>2</sup>

The program also offers two high-deductible health plans (HDHP) with health savings accounts (HSA). The Health Investor PPO Plan is the statewide, high deductible health plan administered by Blue Cross Blue Shield of Florida. The Health Investor HMO Plan is a high deductible health plan in which the state has contracted with multiple state and regional HMOs.

A state employee participating in either Health Investor plan is eligible to receive contributions into the employee's health savings account.<sup>3</sup> The participant may draw upon these funds to meet out-of-pocket medical and pharmacy expenses.

Employee premiums for Health Investor plans are lower, and every year since the high-deductible option has been offered, the state has contributed \$500 and \$1,000 into the HSA for employees with individual or family coverage, respectively. The contribution has annually been reinstated each year in a budget implementing bill.<sup>4</sup>

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<sup>1</sup> The administrator is responsible for processing health claims, providing access to a Preferred Provider Care Network, and managing customer service, utilization review, and case management functions.

<sup>2</sup> State contracted HMO plan providers are Aetna, AvMed, Capital Health Plan, Coventry Health Care of Florida, Florida Health Care Plans, and United Health Care. Department of Management Services, *State of Florida Employee and Retiree Benefits Guide*, September 2011, [http://www.myflorida.com/mybenefits/pdf/BenefitsGuide\\_2012.pdf](http://www.myflorida.com/mybenefits/pdf/BenefitsGuide_2012.pdf) (last visited 4/18/2012).

<sup>3</sup> The state makes a \$500 per year contribution to the health savings account for single coverage and a \$1,000 per year contribution for family coverage. These contributions are not subject to federal income tax on the employee's income. *Id.*

<sup>4</sup> A budget implementing bill makes statutory changes that are only effective for one year.

## Employer and Employee Contributions

The State Personnel System (SPS) is divided into categories, including Career Service (CS), Selected Exempt Service (SES), and Senior Management Service (SMS). As of June 30, 2011, CS employees comprised 81.7 percent of the SPS.<sup>5</sup>

Employee health insurance premium contributions differ according to coverage selected and employee category. The State of Florida health program currently offers three tiers of enrollment for employees: individual employee, employee plus family, and spouse. Employees are divided into two general categories based on class and personnel system. CS employees are categorized separately from SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, and Executive Office of the Governor, and personnel in other state employment systems.

Employee contribution levels are not adjusted for variances in benefit value or projected total cost of the chosen plan. The employee contribution and level of benefits are fixed, and the state absorbs any differences in total cost. The chart below details the monthly health insurance contributions for the state and employee.

**Florida State Employee and Employer Insurance Contributions**

Category	Coverage	Standard Plan PPO/HMO			Health Investor Health Plan PPO/HMO		
		Employer	Enrollee	Total	Employer <sup>6</sup>	Enrollee	Total
Career Service	Single	499.80	50.00	549.80	499.80	15.00	514.80
	Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
	Spouse <sup>7</sup>	1,243.32	30.00	1,273.32	1,097.64	30.00	1,127.64
SES/SMS/EOG/ LEG/Lottery/other	Single	541.46	8.34	549.80	506.46	8.34	514.80
	Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64

## B. EMPLOYER INSURANCE TRENDS

### Average Contributions

Differences in premium amount, copays and deductibles, coverage levels, and other cost-sharing variables present challenges when comparing health benefits between government and private employers. Even within a single employer, each plan type may contract with multiple carriers and value of access varies by carrier and geographic location.<sup>8</sup>

<sup>5</sup> Department of Management Services, *State Personnel System Annual Workforce Report: FY 2010 – 2011*, p. 13, [http://www.dms.myflorida.com/human\\_resource\\_support/human\\_resource\\_management/for\\_state\\_hr\\_practitioners/reports](http://www.dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports) (last visited 4/18/2012).

<sup>6</sup> Includes employer tax-free HSA contribution: \$500 per year for single coverage and \$1,000 per year for family coverage.

<sup>7</sup> Both spouses must be state employees to participate in the spouse program. Contributions for all employees in the spouse program are the same, regardless of category.

<sup>8</sup> For example, the federal benefits standard family Humana Medical Plan for South Florida requires a \$271.87 per month employee contribution versus \$310.59 for the same standard family Humana Medical Plan coverage in the Tampa area. United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42, <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 4/18/2012).

According to a 2010 study by The Segal Group surveying all 50 states and Washington, DC, over half of state plans are subsidized by the employer at 80% or higher.<sup>9</sup> Employers offering HMOs and HDHPs provide higher premium subsidies than PPOs, which is generally linked to the reduction in the employer's claim cost liability. A 2011 survey of state employee health benefits by the National Conference of State Legislators (NCSL) found that states paid an average of 89% for individual coverage and 80% for family coverage.<sup>10</sup> The State of Florida's contribution for CS employees is 91% of the standard premium and 97% of the health investor plan premium. NCSL found that Florida's employer contribution for individual coverage was \$499.80 per month, compared to a national average of \$519.13. Florida's contribution for CS employees is 86% of the standard premium and 94% of the health investor plan premium. NCSL found that Florida's employer contribution for family coverage was \$1,063.34 per month, compared to a national average of \$1,096.63.<sup>11</sup>

DSGI contracted with Mercer Consulting to prepare a Benchmarking Report<sup>12</sup> (report) for the state group insurance program. The report compares Florida's state group insurance program to the programs of other large employers,<sup>13</sup> both in the public and in the private sectors.

The report found that State of Florida contributes a higher percentage of the premium to employee health benefits than other states and private employers. For example, the report found that Florida paid 84% of the monthly premium for a family PPO plan, compared to a 69% average for large national employers. At the time of the study, the average family plan premium for large national employers was \$361, while the monthly premium for a family PPO plan for a Florida state employee was \$180.<sup>14</sup>

The report also found that the average monthly employee contribution for individual coverage with a State of Florida employer was \$50, compared to \$93 and \$56 for PPO and HMO coverage, respectively, in other states.<sup>15</sup> The average employee contribution for large employers in Florida was \$112 and \$104 for PPO and HMO coverage, respectively. Mercer's findings are summarized in the following charts comparing monthly employee contributions by dollar amount and as a percentage of premium.<sup>16</sup>

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<sup>9</sup> The Segal Group, *2010 Study of State Employee Health Benefits*, Winter 2011, p. 3,

<http://www.segalco.com/publications/surveysandstudies/2010statestudy.pdf> (last visited 4/18/2012).

<sup>10</sup> National Conference of State Legislatures, *2011 State Employee Health Benefits: Monthly premium costs (family and individual coverage)*, September 2011, pp. 3, 5, <http://www.ncsl.org/Portals/1/documents/health/StateEHBenefits2011.pdf> (last visited 4/18/2012).

<sup>11</sup> *Id.* at pp. 2, 4.

<sup>12</sup> Mercer Consulting, *State of Florida Benchmarking Report*, March 24, 2011,

[http://www.dms.myflorida.com/media/dsgi/sb\\_2000/2010\\_benchmarking\\_report\\_for\\_state\\_of\\_florida](http://www.dms.myflorida.com/media/dsgi/sb_2000/2010_benchmarking_report_for_state_of_florida) (last visited 4/18/2012).

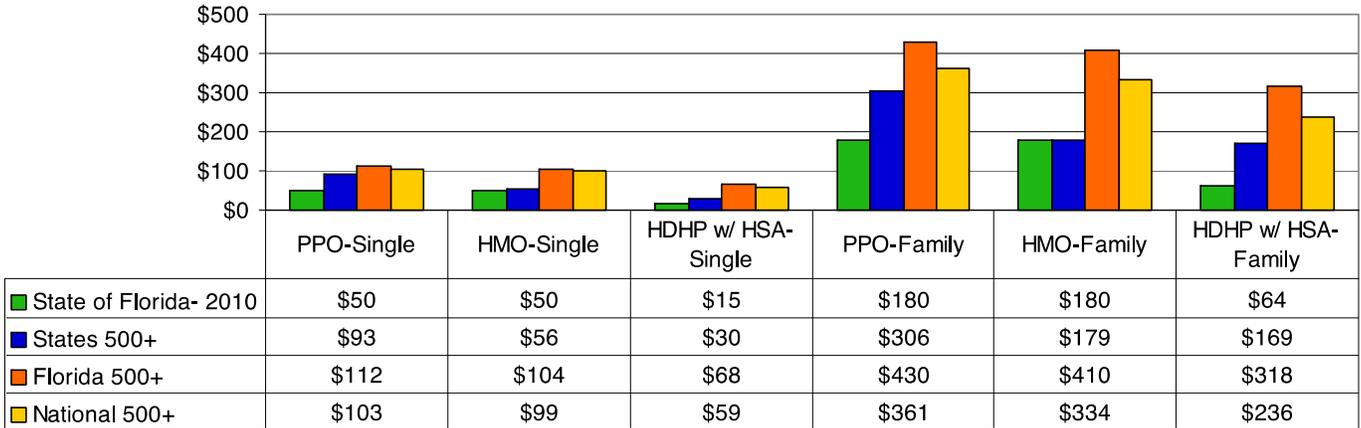
<sup>13</sup> For the purpose of the report, "large employers" had 500 or more employees. *Id.*

<sup>14</sup> *Id.*

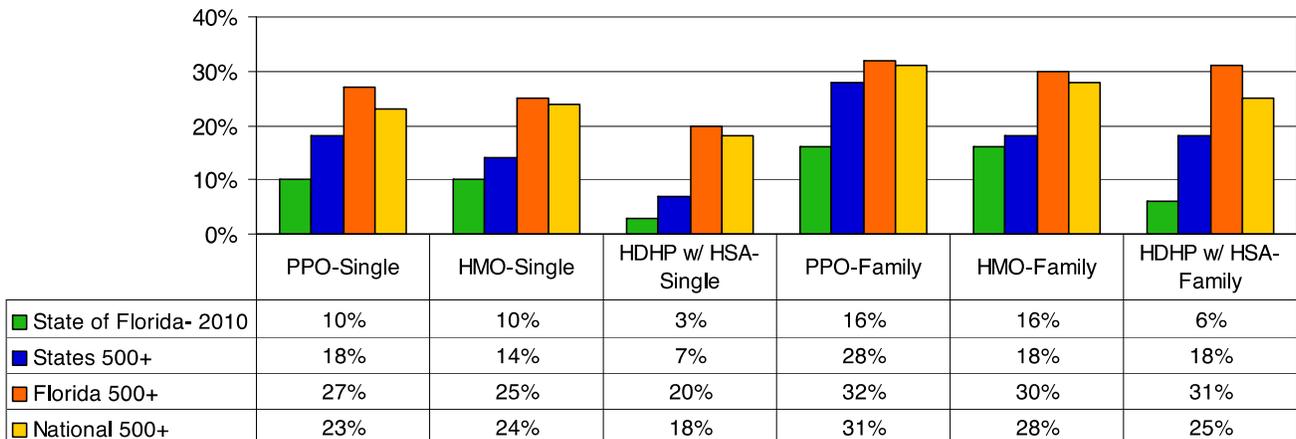
<sup>15</sup> State of Florida compared with other states with 500+ employees. *Id.*

<sup>16</sup> *Id.*

### Monthly Employee Contribution Benchmarks (dollars)



### Monthly Employee Contribution Benchmarks (percentage)



The federal government offers Preferred Provider Organization, Health Maintenance Organization, Point-of-Service, Consumer Driven, and High Deductible Health Savings Account or Health Reimbursement plans. Government agencies pay the lesser of: 72% of the average total premium of all plans weighted by the number of enrollees in each, or 75% of the premium for the specific plan chosen by the employee. For purposes of comparison, the federal employee contribution for Capital Health Plan coverage is \$102.27 for individuals and \$271.01 for families.<sup>17</sup> State employee participants in Capital Health Plan contribute \$50 for individual coverage and \$180 for family coverage.

The State of Florida contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.43 billion of the total premium of \$1.59 billion for FY 2011-12.<sup>18</sup> The state program is estimated to spend \$1.9 billion in FY 2011-12 in health benefit costs.<sup>19</sup>

<sup>17</sup> United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42, <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 4/18/2012).

<sup>18</sup> Fiscal information provided by DSGI (copy on file with Government Efficiency Task Force staff).

## Change and Efficiency

### Recommendations

**The Task Force recommends establishing uniform premium contribution amounts for all classes of state employees.** Currently, SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, Executive Office of the Governor, and other state personnel outside SPS, are contributing lower amounts for the same insurance coverage as CS employees. The current categories for monthly contribution levels do not correlate to average employee salary. On average, SPS employees in the lower monthly contribution category are earning higher salaries than CS employees.<sup>20</sup>

**The Task Force recommends setting contributions for all employees at the current contribution levels of Career Service employees:** \$50 per month for standard individual coverage, \$180 per month for standard family coverage, \$15.00 per month for individual Health Investor plan coverage, and \$64.30 per month for Health Investor plan family coverage. Employee contributions for CS employees are currently below the averages for employees of large state governments, large Florida employers, and large national employers. Equalizing contributions at these levels is estimated to save **\$34 million** per year.

### Cost and Trends

The state contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.43 billion of the total premium of \$1.59 billion for FY 2011-12.<sup>21</sup> The state program is estimated to spend \$1.9 billion in FY 2011-12 in health benefit costs.<sup>22</sup> Projected total expenses under the State Employees Group Health Program are expected to increase by \$800 million over four years, from just over \$1.8 billion in FY 2011-12 to just over \$2.6 billion in FY 2014-15.<sup>23</sup> Medical and pharmacy costs alone are projected to increase an average of 9.2% each year through Fiscal Year 2015-16.<sup>24</sup>

Health insurance contributions for state employees have not kept pace with annual increases in premium costs. The state has absorbed most of previous cost increases and employee contributions have remained relatively flat, as illustrated by the chart on the following page.<sup>25</sup> From FY 2002-03 to FY 2011-12, the total cost of the policy premium for standard family coverage increased \$8,002. Over that time, the Career Service employee's contribution increased by \$348, with the state contributing the remaining \$7,654 of the premium increase. The employee contribution has not risen since 2005. Over the same time period, the cost of the standard family coverage premium has risen \$4,169, and the full cost of the premium increase has been born by the state.

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<sup>19</sup> Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012, <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 4/18/2012).

<sup>20</sup> As of June 30, 2011, the average salary for Career Service employees was \$34,119. The average salary for Selected Exempt Service employees was \$53,136, and the average salary for Senior Management Service employees was \$109,054. Department of Management Services, *State Personnel System Annual Workforce Report: FY 2010 – 2011*, p. 37, [http://www.dms.myflorida.com/human\\_resource\\_support/human\\_resource\\_management/for\\_state\\_hr\\_practitioners/reports](http://www.dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports) (last visited 4/18/2012).

<sup>21</sup> Fiscal information provided by DSGI (copy on file with Government Efficiency Task Force staff).

<sup>22</sup> Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012, p. 1, <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 4/18/2012).

<sup>23</sup> Fiscal information provided by DSGI (copy on file with Government Efficiency Task Force staff).

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

## Career Service Family Coverage Yearly Premium



Compared to employees of other state governments, large public and private employers in Florida, and large public and private employers across the country, State of Florida employees are currently paying lower rates for their health insurance coverage. State of Florida employees' lower contribution rates are evident when compared both in terms of the dollar amount of monthly contributions and in the total percentage of the premium. These lower rates translate to an increased cost to the state for health insurance benefits for state employees.

### Change and Efficiency

The state employee health insurance program is a defined benefit (DB) program, in which the employer provides a specific benefit package to employees. Another option for providing health insurance benefits is the defined contribution (DC) model, in which the employer provides a specific contribution amount toward an employee's health coverage. The employee pays the remainder of the cost of the premium. The cost to the employee varies according to his or her choice of coverage and level of benefits.

### Recommendations

**The Task Force recommends implementing a defined contribution model for state employee health insurance benefits.** A DC model would give employees more control over their health benefits and, depending on the model implemented, provide increased choice for the employee. The cost of employee health benefits to the state would be more predictable and the state's financial exposure would be limited. The end result is health care that is both better suited to individual employees' needs and more cost efficient for the state. A DC model is estimated to save **\$250-300 million** per year.

**The Task Force recommends considering multiple DC options when designing a new DC structure for state employee health insurance.** DC plans may be implemented in numerous ways, including:

- The employer offers a range of benefit options at varying price levels. The employer contribution is typically set in relation to the lowest cost plan in order to ensure that all employees have access to benefits. The employee pays the difference in premium if he or she chooses a more expensive plan.

- The employer provides a specified contribution toward a medical savings account, intended to be used for low-severity services, and an insurance plan, generally a high-deductible plan intended to cover high-severity and emergency services.
- The employer provides health benefits to employees through an intermediary or purchasing group. The purchasing group or intermediary facilitates the relationship between employers, health plans, and employees, and may be involved at some level in plan and provider selection, contracting, and employee enrollment.
- The employer removes itself from administering benefits and provides the employee its contribution in the form of a voucher, tax credit, or other type of financial transfer. The employee uses the employer contribution to purchase the coverage of his or her choice.
- Various hybrids of the above models.

**The Task Force recommends reviewing the state's contribution and adjusting for changes in health care costs at a minimum of every three years.** Health insurance premium costs should be periodically reviewed for recent changes and future projections in total costs. The state should adjust its contribution so that both employer and employee have a share of premium cost increases and savings resulting from rate changes.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** State Procurement of Mental Health and Substance Abuse Services

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding state procurement of mental health and substance abuse services by a vote of 8 yeas, 0 nays:

- Utilize common metrics for contracts when procuring mental health and substance abuse services.
- Ensure unit price information is available to all agencies and require agencies to check pricing for mental health and substance abuse services.
- Provide that agencies make greater use of pooled purchasing arrangements when cost effective.
- Implementing the above recommendations is estimated to achieve a cost savings of 6%-8%, or **\$72-\$96 million** per year based on current annual expenditures.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES

Mental health and substance abuse services are provided by the State of Florida to many of its residents.<sup>1</sup> These services are provided through a variety of programs and agencies. Many of these services are outsourced through contracts with for profit and not-for-profit vendors.

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) conducted research on *State Contract Management Review of Mental Health and Substance Abuse Services* in 2011.<sup>2</sup> As described by OPPAGA's research, for FY 2010-11, the state held contracts totaling \$1.27 billion for mental health and substance abuse services.<sup>3</sup> Five state agencies contract with providers to deliver mental health and substance abuse services to eligible populations: the Agency for Health Care Administration (AHCA), and the Departments of Children and Families (DCF), Corrections (DOC), Juvenile Justice (DJJ), and Health (DOH).<sup>4</sup> As shown in Exhibit 1, the five agencies held a total of 641 contracts in FY 2010-11, with the number of contracts per agency ranging from 11 for DOH to 368 for DCF. Not included in this figure are the costs of services provided by managed care under the Medicaid program. This is because blended rates are paid to managed care organizations for health and behavioral health care such as mental health and substance abuse services. For the most part, institutional costs are only included when mental health and substance abuse services could be isolated from other costs and were contracted as opposed to state operated. Of the \$1.27 billion in total annual value of the contracts for FY 2010-11, 41% was funded by federal and state trust funds, and 59% was funded by general revenue.<sup>5</sup> The total contract amount for each agency ranged from \$2.9 million for DOH to \$629.9 million for DCF.<sup>6</sup> The typical contract length was 3 years, but the length ranged from 4 months to 11 years.<sup>7</sup> Approximately 61% (392) of the contracts will end before FY 2012-13.<sup>8</sup> The total lifetime value for the current Mental Health and Substance Abuse contracts, including escalators and extensions, is \$5.7 billion.<sup>9</sup>

#### Exhibit 1

#### For FY 2010-11, Five State Agencies Held Contracts for Mental Health and Substance Abuse Services Totaling \$1.27 Billion<sup>10</sup>

Agency	Number of Contracts	Total Contracted Amount for FY 2010-11		
		Trust Fund	General Revenue	Total
Agency for Health Care Administration	31	\$288,595,478	\$158,054,191	\$446,649,669
Department of Children and Families	368	195,548,935	434,394,242	629,943,178
Department of Corrections	77	1,760,977	37,347,963	39,108,940
Department of Juvenile Justice	154	27,317,281	124,437,096	151,754,377
Department of Health	11	2,678,119	227,902	2,906,021
<b>Total</b>	<b>641</b>	<b>\$515,900,791<sup>1</sup></b>	<b>\$754,461,395<sup>1</sup></b>	<b>\$1,270,362,186<sup>1</sup></b>

<sup>1</sup> Totals may differ due to rounding.

<sup>1</sup> Mental health and substance abuse services may include: prevention programs, crisis stabilization, detoxification, residential and transitional housing support services, and outpatient treatment.

<sup>2</sup> OPPAGA, *Substance Abuse and Mental Health Contracting*, September 28, 2011 (copy on file with Government Efficiency Task Force staff).

<sup>3</sup> *Id.* at p. 1.

<sup>4</sup> The scope of this research was to analyze the State Contract Management System database. The judicial branch also contracts for mental health services. In FY 2010-11, the Justice Administrative Commission paid \$6.3 million for contracts with approximately 400 mental health experts for assessments. The state court circuits paid \$5.6 million for contracts with approximately 600 experts for assessments and testimony. *Id.*

<sup>5</sup> *Id.* at pp. 1-2.

<sup>6</sup> *Id.* at p. 2.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Source: OPPAGA analysis of State Contract Management System database. *Id.* at p. 2.

Exhibit 2 describes the types of services provided and populations served by these agencies.

## Exhibit 2

### Agencies with Substance Abuse and Mental Health Contracts Provide Various Services<sup>11</sup>

Agency	Description of Contracted Services
Agency for Health Care Administration	These contracts include the prepaid mental health plans that serve Medicaid recipients and the Statewide Inpatient Psychiatric Program that serves Medicaid recipients 17 years of age or younger who require placement in a psychiatric residential setting due to serious mental illness or emotional disturbance. The data does not include expenditures for behavioral health care provided by Health Maintenance Organizations or Provider Service Networks but does include prepaid mental health plans. The agency also has a contract for utilization management and a small number of research contracts with state universities.
Department of Children and Families	These contracts primarily are for a range of community-based services, including alcohol prevention programs in schools and Florida Assertive Community Treatment (FACT) teams that serve to prevent psychiatric hospitalizations. <sup>1</sup> They also include a limited number of contracts at state mental health institutions for both direct services, such as therapists, and indirect services, such as food services, and a limited number of contracts for indirect services, such as training for personnel who are involved in involuntary commitment of individuals into the mental health system. The contracts also include the managing entity organizations, which are organized in a regional system of care for substance abuse and mental health clients. <sup>2</sup>
Department of Corrections	These contracts primarily provide services, such as group therapy, to offenders on community supervision. A limited number of contracts provide mental health services to inmates in correctional facilities.
Department of Juvenile Justice	These contracts provide services, such as psychiatric evaluations, for juveniles in detention centers and services such as crisis intervention, psychotropic medication management, and suicide prevention for juveniles with a mental health diagnosis at residential facilities.
Department of Health	These contracts provide a range of community-based services including interventions for medical licensees with substance abuse or mental health problems, group counseling for HIV/AIDS patients, and home-based visits for mothers of children at risk of abuse or neglect.

<sup>1</sup> Individuals served by FACT teams must meet the definition of mental illness as specified in chapter 394, F.S.

<sup>2</sup> These entities will replace the current DCF substance abuse and mental health contracts, thereby reducing the overall number of DCF contracts.

## B. ISSUES

Exhibit 3 shows that in FY 2010-11, a total of 369 vendors held the 641 contracts with the five agencies (an average of 1.7 contracts per vendor).<sup>12</sup> The average number of contracts per vendor ranged from 1 for DOH to 2.1 for DJJ. In addition, 48 of these vendors had contracts with multiple agencies. While most of these vendors had only two contracts, one vendor held 20 active substance abuse and mental health contracts with two agencies in FY 2010-11.<sup>13</sup>

## Exhibit 3

### In FY 2010-11, 369 Vendors Held 641 Substance Abuse and Mental Health Contracts<sup>14</sup>

Agency	Number of Contracts	Number of Vendors	Average Number of Contracts per Vendor
Agency for Health Care Administration	31	21	1.5
Department of Children and Families	368	267	1.4
Department of Corrections	77	50	1.5
Department of Juvenile Justice	154	74	2.1
Department of Health	11	11	1
<b>Total</b>	<b>641</b>	<b>369<sup>1</sup></b>	<b>1.7</b>

<sup>1</sup> The total number of vendors does not equal the sum of the number of agency vendors. The total is adjusted so that there is not a duplicate count of vendors that have contracts with multiple agencies.

<sup>11</sup> Source: OPPAGA analysis of State Contract Management System database and interviews with agency staff. OPPAGA, *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 2 (copy on file with Government Efficiency Task Force staff).

<sup>12</sup> The Florida Accounting and Information Resource (FLAIR) subsystem included the tax status for 262 of the vendors in this study. Of these, 178 (68%) have a status of not-for-profit. *Id.* at p. 3.

<sup>13</sup> *Id.*

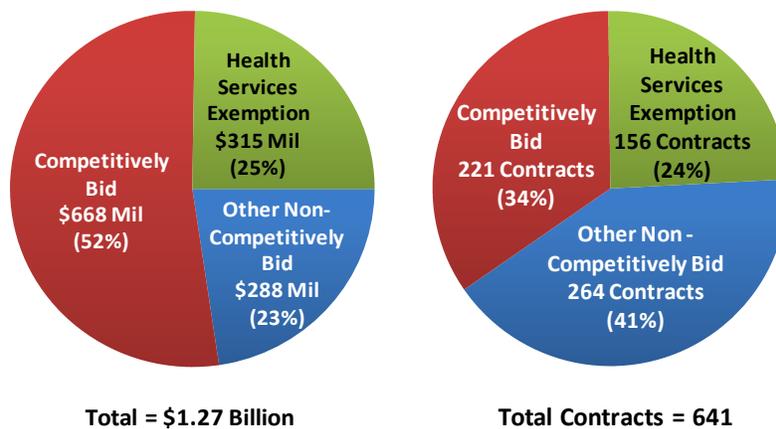
<sup>14</sup> Source: OPPAGA analysis of State Contract Management System database and agency data. *Id.*

Section 287.057, F.S., provides that unless otherwise authorized by law, all contracts for the purchase of commodities or contractual services in excess of \$35,000 shall be awarded by competitive procurement. The dollar value of the substance abuse and mental health contracts held in FY 2010-11 that were competitively procured was \$668 million, or 52% of the \$1.27 billion worth of contracts identified in the State Contract Management System.<sup>15</sup> State agencies made most of these competitive procurements through methods such as requests for proposals.

Florida law also provides specific exemptions from competitive procurement, including a “health services exemption.”<sup>16</sup> The health services exemption is designated for commodities or contractual services for health services involving examination, diagnosis, treatment, prevention, medical consultation, or administration. In FY 2010-11, 24% of all substance abuse and mental health contracts were executed under the health services exemption. The dollar value of the contracts held in FY 2010-11 that were executed under the health services exemption was \$315 million.<sup>17</sup> A variety of procurement methods are used for mental health and substance abuse (see Exhibit 4).

**Exhibit 4**  
**Percent of Contract Dollars By Agency By Procurement<sup>18</sup>**

Agency	Competitive Bid	Health Services Exempt	Other Non-Competitive	Total
DCF	20 %	40%	40%	\$630 Million
AHCA	85%	14%	1%	\$447 Million
DJJ	87%	0%	13%	\$152 Million
DOC	67%	0%	33%	\$39 Million
DOH	1%	99%	0%	\$2.9 Million
Total	52%	25%	23%	\$1,270 Million



In order to assess the range of prices for these services, OPPAGA reviewed a sample of 87 contracts from DCF, DOC, and DJJ.<sup>19</sup> The analysis focused on services in each agency using that agency’s service definitions. Prices paid for the same service varied within each agency (see Exhibit 5). In some cases, the prices were different due to factors related to the level of care required by the recipient and the type of security each agency needs to provide. For example, the price of bed days ranged from \$19 for adults who voluntarily

<sup>15</sup> *Id.* at p. 4.

<sup>16</sup> See s. 287.057(3)(f)5., F.S.

<sup>17</sup> The remaining agency spending for FY 2010-11 was on substance abuse and mental health contracts that were procured using other exemptions. OPPAGA, *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (copy on file with Government Efficiency Task Force staff).

<sup>18</sup> Source: Analysis of State Contract Management System database. Data provided by Senate Budget Office.

<sup>19</sup> The Agency for Health Care Administration was from this sample because 11 of its contracts will not be renewed due to changes in state Medicaid law and 15 contracts are for Statewide Inpatient Psychiatric Program services, for which policy options may not apply due to federal requirements the facilities must meet. The Department of Health had a relatively small number of contracts; policy options would still apply to the department. *Id.* at p. 3.

received substance abuse services while residing at a religious organization’s facility to \$338 for 24-hour intensive services provided to adolescent girls with mental health and substance abuse issues at a secure facility.

As shown in Exhibit 5, agencies sometimes paid different unit prices for similar types of services. For example, DOC held a contract that paid \$14 per person for adults receiving mandatory community-based outpatient group counseling for substance abuse but also held another contract that paid \$24 per person for this service. Exhibit 5 shows the range of prices for the 14 service categories that were included in five or more contracts.<sup>20</sup>

**Exhibit 5**  
**Agencies Pay Different Unit Prices for Similar Services<sup>21</sup>**

Service Category	Agency	Mean	Minimum	Maximum
Comprehensive Evaluations Level II <sup>2</sup>	DJJ	\$450	\$350	\$550
Comprehensive Evaluations Level III <sup>2</sup>	DJJ	717	550	750
Mental Health and Substance Abuse Treatment Services	DJJ	57	25	200
Residential Level II (Intensive Mental Health and Substance Abuse Care) <sup>3</sup>	DCF	156	83	213
Comprehensive Evaluations Level I <sup>2</sup>	DJJ	267	250	350
Outpatient (Individual or Group Therapy) <sup>1</sup>	DCF	53	12	84
Individual Counseling (Community-Based Outpatient Substance Abuse)	DOC	41	11	56
Community-Based Residential Program (Short-Term/Non secure)	DOC	40	19	53
Treatment Plan Review (Community-Based Outpatient Substance Abuse)	DOC	28	10	42
Intake-Screening (Community-Based Outpatient Substance Abuse)	DOC	50	42	53
Group Counseling (Community-Based Outpatient Substance Abuse)	DOC	20	14	24
Substance Abuse Education and Life Skills Training	DOC	19	14	24
Aftercare Groups (Counseling After Completing a Treatment Program)	DOC	19	14	24
Outreach (Education and Engagement of At-risk Groups)	DCF	44	42	46

<sup>1</sup> Outpatient services provide a therapeutic environment designed to improve the functioning or prevent further deterioration.

<sup>2</sup> Comprehensive evaluations levels depend on the need level of youth served; level I evaluations are for lowest-need youth. Evaluations are a service many vendors provide to state agencies in different forms and for a range of unit costs. The Department of Children and Families pays vendors a maximum unit cost of \$85.91. The Justice Administrative Commission pays vendors to provide pre-trial competency or sanity evaluations, pre-trial forensic exams, evaluations for departure hearings, and psychological evaluations for juvenile cases; the rates per evaluation range from \$150 to \$625. While Florida’s State Courts System contracts for evaluations, staff could not specify a unit cost. In addition, the Agency for Health Care Administration sets Medicaid fee-for-service evaluation rates at a maximum unit cost of \$150 if conducted by non-physician staff and \$210 if conducted by a physician.

<sup>3</sup> Residential Level II facilities are licensed, structured rehabilitation-oriented group facilities that provide supervision 24 hours per day, seven days per week. Persons who live in Level II facilities have significant deficits in independent living skills and need extensive support and supervision.

## Change and Efficiency

### Recommendations

**The Task Force recommends that agencies utilize common metrics for contracts when procuring mental health and substance abuse services.** As demonstrated in Exhibit 5, variation in unit price exists within agencies. By examining standard definitions of services, unit pricing, and common outcome measures, agencies can attain greater understanding for providing mental health and substance abuse services.

A study should be completed by regions of the state utilizing a consumer price index for services to identify common metrics for substance abuse and mental health contracts. Where practical, such metrics should be used in all mental health and substance abuse service contracts, both by state agencies and any purchasing agents who procure services on behalf of the state. This would improve accountability and procurement of

<sup>20</sup> OPPAGA compared charges for Medicaid’s fee-for-service behavioral health services to unit costs for services presented in Exhibit 5 and found comparable service categories for four services: group counseling, individual counseling, intake-screening, and treatment plan review. Medicaid reimbursement rates were higher than the maximum costs for group and individual counseling and treatment plan review. Rates for intake-screening fell within the range of unit prices paid by other agencies. *Id.* at pp. 3-4.

<sup>21</sup> Source: OPPAGA analysis of contracts in the State Contract Management System database. *Id.* at p. 4.

services and allow agencies and purchasing entities visibility into what other programs and agencies pay for similar services.

**The Task Force recommends ensuring unit price information is available to all agencies and requiring agencies to check pricing for mental health and substance abuse services.** Using common definitions of services and standard units of measure, agencies should enter unit prices in the State Contract Management System for all mental health and substance abuse contracts. The Department of Management Services should calculate average unit prices for each service in State Contract Management System. Agencies should then be required to review unit prices for the service prior to contracting. If an agency chooses to procure a service at a unit price higher than the average, it would have to justify this action. This requirement should be extended to entities that purchase services on behalf of the state to ensure financial accountability.

**The Task Force recommends that agencies make greater use of pooled purchasing arrangements when cost effective.** There are two options that agencies can utilize to strategically pool the procurement of mental health and substance abuse services.

First, the Department of Management Services should work in conjunction with the Department of Children and Families, as the state's subject matter expert, to determine the feasibility of regional or state term contracts for mental health and substance abuse services. This would allow the agencies to collectively leverage their buying power and achieve saving through economies of scale.

Second, allowing other state agencies to purchase mental health and substance abuse services through purchasing entities may be considered. Regional purchasing entities, such as the managing entities provided by Chapter 2008-243, L.O.F., could broker mental health and substance abuse services for state agencies using Florida's state term contract methodology, if favorable unit pricing could be achieved.

Implementing the above recommendations is estimated to achieve a cost savings of 6%-8%, or **\$72-\$96 million** per year based on current annual expenditures. Over four years, the total savings equates to a \$288-\$384 million for mental health and substance abuse services for Florida.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Criminal Justice

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding criminal justice by a vote of 8 yeas, 1 nay:

- Provide the Department of Corrections (department) with flexibility to develop and implement cost savings initiatives, in conjunction with counties. The department should have the flexibility to implement new models of inmate transfer, assignment, or supervision if determined to effectively carry out inmate sentences, following existing statutory requirements, while achieving cost savings. Counties should be able to submit cost savings proposals to the department and appeal decisions to the Governor and Cabinet.
- Stakeholders should develop recommendations to the Legislature for increasing flexibility in sentencing guidelines. Judges should be provided with the flexibility to consider the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism reduction, and protection of public safety, as well as cost.

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding criminal justice by a vote of 9 yeas, 0 nays:

- Provide incentives for counties to participate in initiatives that will achieve efficiencies and cost savings for the state. Incentives should be created for arrangements that promote flexibility and produce mutually-beneficial arrangements for the state and counties. Incentives may include, but are not limited to, diversion of inmates from state to local facilities and increased utilization of community supervision, including electronic monitoring.
- Investigate implementation of a web-based risk and needs assessment tool for use at time of sentencing. Estimated costs for sentencing options should be included in the tool to allow judges to weigh projected results with estimated costs of sentences. The tool should be made available to judges at the time of sentencing and to the public through a web portal.
- Perform a study to determine the potential cost savings resulting from a risk and needs assessment tool.

## FULL RECOMMENDATION(S) ANALYSIS

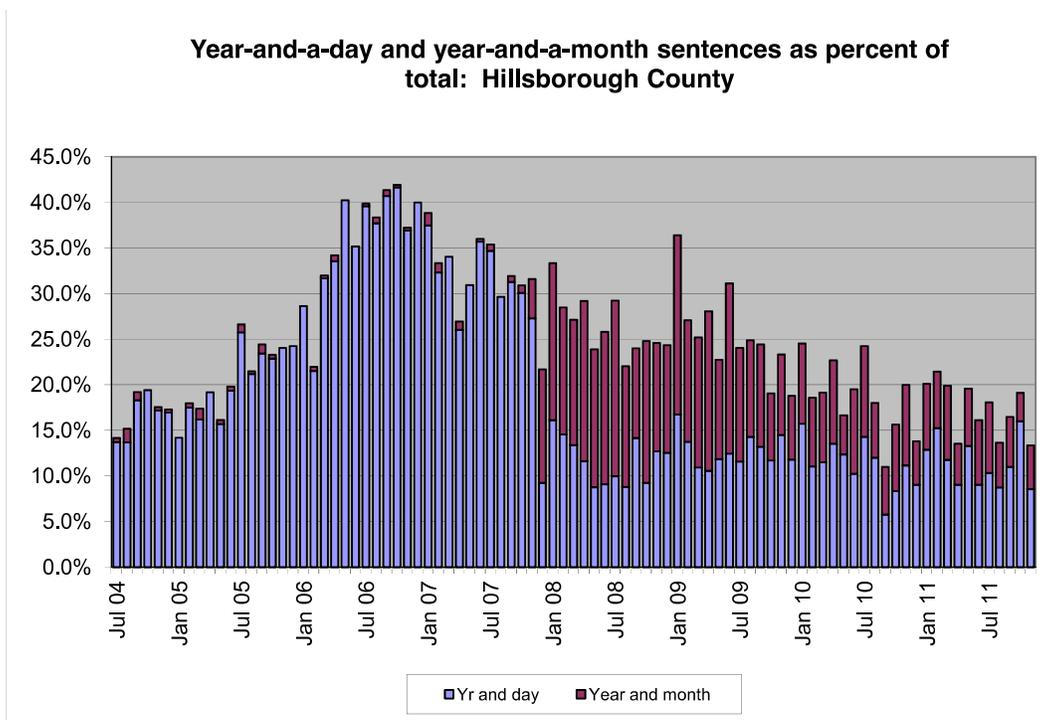
### I. BACKGROUND AND RECOMMENDATION(S)

#### A. STATE AND LOCAL INCARCERATION

##### State and Local Incarceration in Florida

In Florida, defendants whose sentences include incarceration for one year or less are incarcerated in local prisons. The county in which the individual is incarcerated pays the costs of incarceration in local facilities. If a defendant is sentenced to incarceration for a year and a day or longer, the individual is placed in a state facility and the state pays the costs of incarceration.<sup>1</sup>

Year-and-a-day commitments rose to a peak of 17.7% of all new sentences in FY 2006-07.<sup>2</sup> Attempts to reduce year-and-a-day commitments resulted in a decrease to 8.4% of all new sentences in FY 2010-11.<sup>3</sup> It has been suggested that this reduction reflects a shift to year-and-a-month sentences, rather than shorter sentences resulting in local incarceration, as demonstrated in the graph below comparing year-and-a-day and year-and-a-month sentences in Hillsborough County.<sup>4</sup>



At the time of sentencing, many offenders have already served a portion of their sentence in jail, pending disposition of the case. If the offender is then sentenced for a term of incarceration longer than a year, he or she is transferred to a state facility. Each prisoner transferred to a state facility is first transported to a reception center.<sup>5</sup>

For FY 2010-11, the department reported an average per diem of \$53.35 for all facilities, \$42.36 for adult male custody facilities, \$63.12 for male youthful offender custody facilities, and \$69.74 for adult and youthful female

<sup>1</sup> See s. 944.17(3), F.S.

<sup>2</sup> Criminal Justice Estimating Conference, "Criminal Justice Trends," December 14, 2011, p. 35, <http://edr.state.fl.us/content/conferences/criminaljustice/trends.pdf> (last visited 5/2/2012).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at p. 37.

<sup>5</sup> See s. 944.17(3), F.S.

custody facilities.<sup>6</sup> Reception centers average a higher per diem of \$96.90.<sup>7</sup> Because of the higher cost of reception centers, the overall cost of a sentence just over a year in length, which requires transferring the prisoner to a state facility, may be more per inmate than a sentence just under a year, which is served in a local facility only.

### **Incentives for Local Incarceration**

California, Colorado, Illinois, Kansas, and Texas provide incentives to localities for successfully supervising offenders in the community instead of sending them to state prison.<sup>8</sup> Under these arrangements, local correctional agencies receive state funding and other assistance to implement community-based programming with the goal of reducing recidivism and supervision violations that result in probation revocations.<sup>9</sup>

In Illinois, the Crime Reduction Act<sup>10</sup> established the Adult Redeploy Illinois program, which provides financial incentives to local jurisdictions for designing and utilizing community-based programs to treat offenders instead of sending them to state facilities. Texas utilizes a grant program for counties to implement a system of progressive community-based sanctions.<sup>11</sup> California provides funding to counties for implementing community-based sanctions for probation and parole violations in lieu of prison.<sup>12</sup> In the first year of implementation of a law providing funding to counties for implementing community-based sanctions, Arizona experienced a 14.5 percent decrease in probation revocations to prison.<sup>13</sup>

A potential issue with incentive programs is that data reported by localities may not accurately reflect true diversion from state facilities. In order to receive incentive funds, localities may improperly report diversions of individuals who would have been sentenced to local jails or community-based alternatives without the incentives in place. Other concerns about increasing community-based sanctions include increased potential for absconding.

## **B. ELECTRONIC MONITORING**

Electronic monitoring (EM) by location tracking devices can be used as an aid in supervising pre-trial releasees and sentenced offenders who are not incarcerated. In Florida, electronic monitoring is primarily used by the Department of Corrections (DOC or department) to provide an extra measure of security for high-risk offenders under some form of community supervision, particularly sex offenders. In recent years there have been proposals to reduce corrections costs by replacing all or part of a term of incarceration of low-risk offenders with less expensive community supervision, including EM. In addition to reducing costs, it has been suggested that use of EM may support successful reentry into the community by providing for a period of supervision before release from custody.

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<sup>6</sup> Department of Corrections, “2010-2011 Annual Report,” 2011, p. 7, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/2/2012).

<sup>7</sup> *Id.*

<sup>8</sup> National Conference of State Legislatures (NCSL), “Innovations in Community Corrections,” 2010, p. 2, <http://www.ncsl.org/documents/cj/pew/innovations.pdf> (last visited 5/2/2012).

<sup>9</sup> *Id.*

<sup>10</sup> See 730 ILL. COMP. STAT. 190 (2012).

<sup>11</sup> See TEX. CODE ANN. §509.0017 (2011).

<sup>12</sup> See CAL. PENAL CODE §1228-1233.8 (2012).

<sup>13</sup> See ARIZ. REV. STAT. ANN. §12-270 (repealed 2011). The law was first implemented during FY 2009-10. Due to state budget shortfalls, the Arizona Legislature suspended reinvestment of savings in communities for FY 2010-11. NCSL, “Innovations in Community Corrections,” 2010, p. 2, <http://www.ncsl.org/documents/cj/pew/innovations.pdf> (last visited 5/2/2012).

## Requirements for Electronic Monitoring in Florida

Chapter 948, F.S., permits a sentencing court to order EM for offenders placed on probation or community control.<sup>14</sup> The Florida Parole Commission may also use EM as a condition of post-release supervision.<sup>15</sup> In some cases, the court is required to order EM due to the offender's current or past offenses.<sup>16</sup> The most stringent requirement is found in s. 948.012, F.S., which requires a minimum 25-year prison sentence followed by lifetime supervision with electronic monitoring for any adult offender who commits lewd or lascivious molestation against a child under 12 years of age.<sup>17</sup> EM is a required condition for offenders placed on sex offender probation for certain sex offenses, but can only be ordered "when deemed necessary by the community control or probation officer and his or her supervisor, and ordered by the court at the recommendation of the Department of Corrections."<sup>18</sup>

Apart from the statutory authority given to the courts, DOC has discretion pursuant to section 948.11(1), F.S., to place a community controllee on EM. The department does not exercise this discretion based on case law that an offender's failure to submit to EM ordered by the department cannot be a basis for revocation of community control.<sup>19</sup>

As of February 29, 2012, the department was actively supervising 114,761 offenders on some form of supervision in the community.<sup>20</sup> Of those offenders, 2,984 were being electronically monitored, with the majority (2,981) monitored by global positioning system (GPS) and the remaining 3 by radio frequency (RF) systems.<sup>21</sup> Of the monitored offenders, 1,934 were sex offenders or sexual predators.<sup>22</sup>

## Electronic Monitoring Systems and Costs

EM systems mainly consist of two types: radio frequency (RF) monitoring or global positioning system (GPS) monitoring. Early EM systems used RF technology to alert or record an instance when the offender left a restricted area. These systems were typically used to monitor individuals under house arrest and do not provide information about the offender's location when the offender moves outside the range of the receiver.

In 2011, Florida's RF monitoring cost was \$1.97 per day per monitored offender, making RF the least expensive form of electronic monitoring. RF system limitations and laws requiring use of monitoring with location tracking technology for sex offenders have led to reduced use by the department.<sup>23</sup>

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<sup>14</sup> Section 948.101(1)(d), F.S., specifically provides that a court may order electronic monitoring as a condition of community control for any offender. Section 948.03(2), F.S. authorizes a sentencing court to order special conditions of probation not specifically set forth in statute.

<sup>15</sup> The Parole Commission's discretionary authority is authorized by s. 947.18, F.S., (parole), s. 947.1405, F.S., (conditional release), and s. 947.149, F.S., (conditional medical release).

<sup>16</sup> See ss. 775.082(3), 947.1405, 948.012, and 948.30(3), F.S.

<sup>17</sup> See s. 800.04(5)(b), F.S.

<sup>18</sup> Section 948.30(2)(e), F.S. The Jessica Lunsford Act, Ch. 2005-28, L.O.F., made significant changes to Florida's electronic monitoring program. Among the provisions of the Act were requirements for electronic monitoring of certain sex offenders. Before passage of the Jessica Lunsford Act, the only statute mandating the sentencing court to require electronic monitoring was found in s. 948.101(1)(b), F.S., and applied only to offenders placed on criminal quarantine community control for criminal transmission of HIV. No offenders were ever placed on this form of community supervision, and it was removed from the statutes in 2010.

<sup>19</sup> See *Carson v. State*, 531 So. 2d 1069 (Fla. 4<sup>th</sup> DCA 1988) and *Anthony v. State*, 854 So. 2d 744 (Fla. 2d DCA 2003).

<sup>20</sup> Another 30,768 offenders were in active-suspense supervision status, meaning that the offender was unavailable for direct supervision for reasons such as incarceration or hospitalization, but was still being monitored by a probation officer. Additionally, the department was monitoring 6,520 offenders whose supervision had been transferred out of state, and 29,342 offenders had absconded from supervision. Department of Corrections, "Florida's Community Supervision Population Monthly Status Report," February 2012, p. 3, <http://www.dc.state.fl.us/pub/spop/2012/02/0212.pdf> (last visited 5/2/2012).

<sup>21</sup> *Id.* at p. 2.

<sup>22</sup> *Id.*

<sup>23</sup> The Jessica Lunsford Act requires the department to use "a system that actively monitors and identifies the offender's location and timely reports or records the offender's presence near or within a crime scene or in a prohibited area or the offender's departure from

GPS technology allows tracking of an offender's location even when he or she moves away from a fixed location using satellite positioning. Active GPS monitoring provides real-time reporting of an offender's location by incorporating a cell phone into the equipment in order to transmit location coordinates to a monitoring station. The monitoring station alerts the probation officer when the offender either leaves an area to which he or she is restricted or enters an area from which he or she is barred. An active GPS monitoring system includes a Mobile Tracking Device (MTD) that receives, stores, and transmits the location data as well as displays messages and instructions from the monitoring station or probation officer. In 2011, Florida's GPS monitoring cost was approximately \$8.94 per day per monitored offender.

Section 948.09, F.S., requires the monitored offender to pay the full cost of the electronic monitoring services. The department has authority to exempt the offender from all or part of the payment under certain circumstances, such as inability to find a job.<sup>24</sup> Willful failure to pay non-exempted monitoring costs is grounds for the court to find a violation of the conditions of supervision. Few offenders have the financial resources to pay this amount on top of restitution, court costs, supervision fees, and other fees that have priority for payment.

### Impact of Electronic Monitoring on Supervision

In 2010, researchers from the Florida State University College of Criminology and Criminal Justice submitted a report to the United States Department of Justice that addressed whether EM is "an effective and cost efficient correctional strategy that increases the level of monitoring and supervision of high-risk offenders while maintaining public safety."<sup>25</sup> The study found that:

- Overall, EM reduces the likelihood that an offender will not successfully complete community supervision by approximately 31% relative to the supervision failure rate of offenders who are not subject to it.<sup>26</sup>
- EM significantly reduces the failure rate for all types of offenders but has less of an impact on violent offenders than on offenders who committed sex, drug, property, or other types of crimes.<sup>27</sup>
- Offenders who were monitored by use of active GPS monitoring had a 6% improvement rate in the reduction of supervision failures relative to offenders who were on RF monitoring.<sup>28</sup>

The study also noted drawbacks of EM, including:

- Offenders believe EM has negative consequences on their relationships with their spouses, significant others, and children, and a large proportion felt shame and were stigmatized by others disproportionate to their actions as a result of being on EM.<sup>29</sup>
- Offenders and officers were nearly unanimous in stating that EM is a detriment to the ability to obtain and maintain employment.<sup>30</sup>

A previous study conducted by researchers at the Florida State University found significant reductions in absconding and in revocations for technical violations or new offenses among electronically monitored

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specified geographic limitations" for any court-ordered EM of a probationer, community controlee, or conditional releasee who has a conviction for a violent or sexual offense. Section 948.11(6), F.S.

<sup>24</sup> Section 948.09(2) and (3), F.S.

<sup>25</sup> Bales, Bill, et al., *A Quantitative and Qualitative Assessment of Electronic Monitoring*, The Florida State University College of Criminology and Criminal Justice, Center for Criminology and Public Policy Research, January 2010, p. 5,

<https://www.ncjrs.gov/pdffiles1/nij/grants/230530.pdf> (last visited 5/2/2012).

<sup>26</sup> *Id.* at p. 64.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at p. xi.

<sup>30</sup> *Id.*

offenders as compared to those who were not electronically-monitored. The study also found that electronic monitoring was effective across a range of violent, property, and drug offenders.<sup>31</sup>

The National Conference of State Legislatures (NCSL) Sentencing and Corrections Work Group provided that the value of intermediate sanctions, including EM, “depends upon policies that target resources effectively and focus the highest-level supervision on the highest-risk offenders. Creating more intensive supervision for lower-risk offenders usually does not help meet corrections goals, affect cost control, or reduce reoffending.”<sup>32</sup> When used in lieu of incarceration, the Work Group noted that EM can benefit offenders by allowing them to continue working, attend treatment, support their families, and remain in their residences.<sup>33</sup>

The Office of Program Policy Analysis and Government Accountability (OPPAGA) found that in addition to offender costs for EM, logistical problems may occur in monitoring homeless persons lacking a permanent residence and the ability to recharge the unit for eight hours each day. Additionally, in rural areas offenders may be unable to acquire cellular signal for GPS monitoring, and offenders may not meet land-line telephone requirements for RF monitoring.<sup>34</sup>

In a 2010 report, OPPAGA found that increased use of intermediate sanctions, including community supervision with electronic monitoring, could reduce prison costs, but also has both positive and negative considerations.<sup>35</sup> OPPAGA determined that although the majority of persons on EM were sex offenders (70%), non-violent offenders with a Criminal Punishment Code score sheet total in the 45-60 point range are another population that may be effectively sanctioned with EM.<sup>36</sup> EM could be used as a sentencing alternative for persons driving with suspended licenses.<sup>37</sup> OPPAGA estimated potential savings of \$1.2 million in the first year for every 100 offenders diverted from prison to EM supervision.<sup>38</sup>

## Change and Efficiency

### Recommendations

**The Task Force recommends providing the Department of Corrections with flexibility to develop and implement cost savings initiatives, in conjunction with counties.** The department should have the flexibility to implement new models of inmate transfer, assignment, or supervision if determined to effectively carry out inmate sentences, following existing statutory requirements, while achieving cost savings. Counties should be able to submit cost savings proposals to the department and appeal decisions to the Governor and Cabinet.

**The Task Force recommends providing incentives for counties to participate in initiatives that will achieve efficiencies and cost savings for the state.** Incentives should be created for arrangements that

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<sup>31</sup> Padgett, Kathy G., William D. Bales, and Thomas G. Blomberg, “Under Surveillance: An Empirical Test of the Effectiveness and Consequences of Electronic Monitoring,” *Criminology & Public Policy* 5/1, February 2006, <http://ccoso.org/undersurveillance.pdf> (last visited 5/8/2012).

<sup>32</sup> NCSL Sentencing and Corrections Work Group, “Principles of Effective State Sentencing and Corrections Policy,” August 2011, p. 11, <http://www.ncsl.org/documents/cj/pew/WGprinciplesreport.pdf> (last visited 5/2/2012).

<sup>33</sup> *Id.* at p. 12.

<sup>34</sup> OPPAGA, “Intermediate Sanctions for Non-Violent Offenders Could Produce Savings,” Report No. 10-27, March 2010, p. 5, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1027rpt.pdf> (last visited 5/2/2012).

<sup>35</sup> *Id.* at p. 2.

<sup>36</sup> Section 921.0024, F.S., provides a score sheet for determining the lowest permissible prison sentence under the Criminal Punishment Code. The lowest permissible sentence for an offender with 45 or 60 points is 12 or 24 months, respectively. *Id.* at p. 4.

<sup>37</sup> This sanction already exists within the state corrections system but is not commonly used by judges at sentencing. OPPAGA, “Several Alternatives Could Be Used to Reduce Increasing Imprisonment of Persons Driving with Suspended Licenses,” Report No. 08-12, March 2008, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0812rpt.pdf> (last visited 5/2/2012).

<sup>38</sup> This assumes that 75% of diversions will result in successful outcomes. Savings estimate includes expanding the number of probation officers employed by DOC to serve additional offenders. OPPAGA, “Intermediate Sanctions for Non-Violent Offenders Could Produce Savings,” Report No. 10-27, March 2010, pp. 3-5, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/1027rpt.pdf> (last visited 5/2/2012).

promote flexibility and produce mutually-beneficial arrangements for the state and counties. Incentives may include, but are not limited to, diversion of inmates from state to local facilities and increased utilization of community supervision, including electronic monitoring.

## C. RISK AND NEEDS ASSESSMENT INSTRUMENTS

### Florida's Sentencing Policies

Florida's sentencing policies use items such as nature of the primary offense and any additional offenses, prior criminal history, and injury to the victim to calculate a recommended sentence for the offender. This type of determinant sentencing is put forth in the Criminal Punishment Code.<sup>39</sup> Section 921.002(1)(b), F.S., provides, "The primary purpose of sentencing is to punish the offender. Rehabilitation is a desired goal of the criminal justice system but is subordinate to the goal of punishment."<sup>40</sup> To this end, the Criminal Punishment Code provides that sentences should be commensurate with the severity and circumstances of the primary offense, increase with the length and nature of the offender's prior record, and prioritize incarceration toward offenders of serious offenses and those with long prior records.<sup>41</sup>

A sentencing scoresheet must be completed for each felony defendant prior to sentencing.<sup>42</sup> The offender's score determines the lowest permissible sentence, with upward discretion to the statutory maximum sentence. Florida's sentencing guidelines scoring system has been shown to serve as a valid indicator of offender seriousness.<sup>43</sup> The weighted score produced by this system takes into account an offender's primary offense and all additional offenses, his or her prior record and the seriousness of prior offenses, and other circumstances of the criminal event (victim injury, weapon use, supervision violation, etc.). A study by Padgett, Bales, and Blomberg stated that "In the absence of risk scores derived from psychological or other such inventories, this indicator of offender seriousness is the best available quantitative measure of the risk an offender poses to public safety."<sup>44</sup>

### Sentencing Tools

Actuarial risk and needs assessment tools use data about past cases to identify the indicators most closely associated with the likelihood of future criminality. After validation through testing on a known correctional population, this data is applied to individual offenders to produce recommendations based on offender characteristics, criminal history, and severity of current offense.

Once used largely by probation and parole departments to help determine the best supervision and treatment strategies for offenders, use of risk and needs assessment tools is expanding to inform decisions at other points in the criminal justice process. At sentencing, risk and needs assessments are intended to assist judges by providing information on risk management and reduction. Costs of different sentencing options may also be included in results. Judges consider this information in balancing the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism, and public safety.

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<sup>39</sup> See s. 921.002, F.S.

<sup>40</sup> Section 921.002(1)(b), F.S.

<sup>41</sup> Section 921.002(1), F.S.

<sup>42</sup> Section 921.0024(7), F.S. The Florida Criminal Punishment Code worksheet is provided in s. 921.0024(1), F.S.

<sup>43</sup> Burton, Susan E., et al., "Applying a Crime Seriousness Scale to Measure Changes in the Severity of Offenses by Individuals Arrested in Florida," *Justice Research and Policy* 6/1, 2004.

<sup>44</sup> Padgett, Kathy G., William D. Bales, and Thomas G. Blomberg, "Under Surveillance: An Empirical Test of the Effectiveness and Consequences of Electronic Monitoring," *Criminology & Public Policy* 5/1, February 2006, p. 68, <http://ccoso.org/undersurveillance.pdf> (last visited 5/8/2012).

## Application of Risk and Needs Assessment Instruments

According to the National Center for State Courts' National Working Group on Using Risk and Needs Assessment Information at Sentencing, risk and needs assessment tools are effective in determining:

- Public safety and risk management;
- Amenability to probation, community supervision, and intermediate sanctions;
- Effective behavioral treatment options;
- Suspension of all or part of a sentence; and
- Effective conditions of probation and responses to violations.<sup>45</sup>

The Pew Center on the States has found that “whether a particular offender is an appropriate candidate for recidivism reduction cannot accurately be assessed relying solely on the type of offense committed and the offender’s prior criminal history. Individual offender characteristics must also be taken into consideration.”<sup>46</sup> Pew recommends providing sufficient flexibility to consider recidivism reduction options and that state sentencing rules should avoid mandates that prohibit judges from granting probation.<sup>47</sup>

Alabama, Oregon, California, Arizona, Idaho, South Carolina, Utah, Washington, and Wisconsin have implemented evidence-based sentencing or declared recidivism reduction a goal of sentencing in recent years. Studies have found that actuarial risk and needs assessment tools that use data on prior cases to identify the likelihood of future criminality can be as accurate as human judgment in predicting risk of recidivism, but recommend use of both a third-generation actuarial tool and professional judgment.<sup>48</sup>

The first state supreme court decision to discuss the use of risk and needs information at sentencing was in Indiana in *Malenchik v. State*.<sup>49</sup> In the decision, the Indiana Supreme Court distinguishes use of risk and needs assessment for sentencing alternatives for risk and recidivism management from sentencing as a punishment for criminal behavior. The *Malenchik* decision provides that risk and needs “evaluations and their scores are not intended to serve as aggravating or mitigating circumstances nor to determine the gross length of sentence, but a trial court may employ such results in formulating the manner in which a sentence is to be served.”<sup>50</sup>

## Risk and Needs Assessments in Other States

A 2010 survey by the Vera Institute of Justice found that over 60 community supervision agencies in 41 states reported using an actuarial assessment tool.<sup>51</sup> Of the survey respondents, 82 percent assessed both risk and need, and the remaining 18 percent assessed only risk.<sup>52</sup>

<sup>45</sup> Casey, Pamela M., Roger K. Warren, and Jennifer K. Elek, “Using Offender Risk and Needs Assessment Information at Sentencing,” National Center for State Courts, 2011, <http://www.ncsc.org/~media/Files/PDF/Services%20and%20Experts/Areas%20of%20expertise/Sentencing%20Probation/RNA%20Guide%20Final.ashx> (last visited 5/2/2012).

<sup>46</sup> Pew Center on the States, “Arming the Courts with Research: 10 Evidence-Based Sentencing Initiatives to Control Crime and Reduce Cost,” May 2009, p. 2, <http://cdpsweb.state.co.us/cccj/pdf/june%202009/pew%20arming%20the%20courts%20with%20research.pdf> (last visited 5/2/2012).

<sup>47</sup> *Id.* at p. 2.

<sup>48</sup> See Andrews, D.A., James Bonta, and J. Stephen Wormith, “The Recent Past and Near Future of Risk and/or Need Assessment,” *Crime and Delinquency* 52, January 2006; Gendreau, Paul, Tracy Little, and Claire Goggin, “A Meta-Analysis of the Predictors of Adult Offender Recidivism: What Works!” *Criminology* 34/4, 1996.

<sup>49</sup> *Malenchik v. State* 928 N.E.2d 564 (Ind. 2010).

<sup>50</sup> *Id.* at p. 575.

<sup>51</sup> Responses were received from 72 agencies across 41 different states. Agencies included probation, parole, and releasing authorities. Vera Institute of Justice Center on Sentencing and Corrections memo to Illinois Risk, Assets and Needs Assessment Task Force, May 27, 2010, p. 1, [http://www2.illinois.gov/idoc/Documents/National\\_Information\\_Offender\\_Assessments\\_PartII\\_Memo.pdf](http://www2.illinois.gov/idoc/Documents/National_Information_Offender_Assessments_PartII_Memo.pdf) (last visited 5/2/2012).

<sup>52</sup> Nearly all responding probation agencies conduct their assessments in the pre-sentence phase. Releasing authorities were more likely to assess only risk. *Id.* at pp. 1-2.

As of 2010, the Level of Service Inventory-Revised (LSI-R) was the most commonly used assessment tool and was utilized by at least 16 states.<sup>53</sup> LSI-R is used to predict recidivism across a range of correctional settings and assists in determining the necessary level of supervision, sentencing, program or institutional classification, and release from custody. The tool consists of a 54-item scale in the areas of prior criminal history, education, employment, financial situation, family relationships, use of leisure time, companions, alcohol or drug use, mental health, and criminal attitudes.<sup>54</sup>

Other assessment tools include: the Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) and the Level of Service/Case Management Inventory (LS/CMI).<sup>55</sup> Several states use state-specific assessment tools, including Ohio, Arizona, Wisconsin, Virginia, and California.

Virginia implemented a risk assessment instrument created by a state Sentencing Commission in 2003.<sup>56</sup> Since that time, Virginia judges have used the tool to successfully divert 25% of Virginia's nonviolent offenders who would have otherwise been incarcerated to alternative sanctions programs.<sup>57</sup> Beginning in 2013, Kentucky will include risk and needs assessments in pre-sentence reports, allowing judges to review a defendant's likelihood of future criminal behavior when considering sentencing options.<sup>58</sup>

Missouri's Sentencing Commission developed the Recommended Sentencing Application (RSA), a web-based sentencing tool that provides extensive information about sentencing options and the risks and costs associated with each alternative.<sup>59</sup> RSA calculates recommended sentences, risk assessments, and recidivism projections using gender, prior felony convictions, prior misdemeanors, prior incarcerations, revocations, time since last conviction/release, recidivist offense, education, employment, substance abuse, escapes, and age. Also included in results are the estimated costs of incarceration, supervision, and community-based alternatives, allowing the judge to weigh projected results with estimated costs of sentences.<sup>60</sup>

## Change and Efficiency

### Recommendations

**The Task Force recommends investigating implementation of a web-based risk and needs assessment tool for use at time of sentencing.** Using data on the indicators most closely associated with the likelihood of future criminality, risk and needs assessment tools can provide recommended options based on the individual offender's risk of recidivating and effectiveness of various sentencing options. The state should investigate implementing a risk and needs assessment tool to provide judges with additional information on sentencing to effectively manage and reduce risk. Estimated costs for sentencing options should be included in the tool to allow judges to weigh projected results with estimated costs of sentences. The tool should be made available to judges at the time of sentencing and to the public through a web portal.

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<sup>53</sup> *Id.* at p. 1.

<sup>54</sup> Watkins, Ian, "The Utility Level of Service Inventory – Revised (LSI-R) Assessments within NSW Correctional Environments," Corrective Services NSW Research Bulletin No. 29, January 2011, p. 2, [http://143.119.253.176/data/assets/pdf\\_file/0018/302526/utility-of-level-of-service-inventory-.pdf](http://143.119.253.176/data/assets/pdf_file/0018/302526/utility-of-level-of-service-inventory-.pdf) (last visited 5/8/2012).

<sup>55</sup> Vera Institute of Justice Center on Sentencing and Corrections memo to Illinois Risk, Assets and Needs Assessment Task Force, May 27, 2010, p. 1, [http://www2.illinois.gov/idoc/Documents/National\\_Information\\_Offender\\_Assessments\\_PartII\\_Memo.pdf](http://www2.illinois.gov/idoc/Documents/National_Information_Offender_Assessments_PartII_Memo.pdf) (last visited 5/2/2012).

<sup>56</sup> See Section 17.1-803(5,6), Code of Virginia.

<sup>57</sup> Target populations for diversion include property and drug offenders. Warren, Roger K., "Evidence-Based Sentencing: The Application of Principles of Evidence-Based Practice to State Sentencing Practice and Policy," *University of San Francisco Law Review* 43, 2009, p. 608.

<sup>58</sup> NCSL Sentencing and Corrections Work Group, "Principles of Effective State Sentencing and Corrections Policy," August 2011, p. 4, <http://www.ncsl.org/documents/cj/pew/WGprinciplesreport.pdf> (last visited 5/2/2012).

<sup>59</sup> The Missouri Sentencing Advisory Commission Model can be visited at [www.courts.mo.gov/rs/](http://www.courts.mo.gov/rs/) (last visited 5/2/2012).

<sup>60</sup> See [www.courts.mo.gov/rs/](http://www.courts.mo.gov/rs/) (last visited 5/2/2012).

**The Task Force recommends performing a study to determine the potential cost savings resulting from implementing a risk and needs assessment tool.** Allowing for judicial discretion at time of sentencing, an assessment tool may lead to savings if judges select appropriate sentencing options that have lower costs. A study should be performed to determine the estimated savings from implementation of an assessment tool that includes costs with recommended sentencing options.

Programs that address the individual needs of inmates and prepare them for successful re-entry into the community should be utilized when appropriate, based on assessments performed at time of sentencing and at time of intake. Educational, vocational, chemical dependency, faith, and character-based programs should be expanded as part of recidivism reduction and re-entry programs.<sup>61</sup>

To effectively implement the recommendations, flexibility in sentencing must be provided to judges. Options presented by a risk and needs assessment tool and initiatives partnering the state and counties must be available for judges to utilize at their discretion.

**The Task Force recommends that stakeholders develop recommendations to the Legislature for increasing flexibility in sentencing guidelines.** Judges should be provided with the flexibility to consider the many purposes of sentencing, including punishment, rehabilitation, deterrence, restitution, recidivism reduction, and protection of public safety, as well as cost. Judges should be given flexibility to determine the balance of these elements and most effective method of sentencing for each individual offender. Mandatory sentencing requirements should be evaluated and modified, if necessary, when determined to ineffectively limit judicial discretion.

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<sup>61</sup> See also the Task Force recommendations on Inmate Education and Re-entry.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Early Learning Time and Attendance

### **RECOMMENDATION SUMMARY**

On December 7, 2011, the Government Efficiency Task Force approved the following recommendations regarding early learning time and attendance by a vote of 12 yeas, 1 nay:

- The Task Force recommends that the Office of Early Learning adopt an electronic form of attendance submission for Voluntary Prekindergarten (VPK) and School Readiness (SR) programs. An electronic form of attendance submission is estimated to save **\$4 million** per year by eliminating the manual paper process and reducing staff time.
- The Task Force recommends adopting a point of service system utilizing either electronic swipe cards or biometrics to supplement an electronic time and attendance submission process. Adopting this system would:
  - Reduce human error and fraud that result in improper payments;
  - Reduce the time burden on providers in collecting and recording attendance data;
  - Reduce the amount of paper record keeping required of providers;
  - Allow for quicker audits of attendance records;
  - Allow for quicker turnaround time on payments for SR and reconciliation for VPK; and
  - Allow for real time attendance data.
- The savings would be between **\$40-60 million** per year if Florida were to realize similar results of other states that have utilized a point of service system. The savings would be based on the reduction of improper payments.
- The Task Force recommends ensuring sufficient time is allowed for implementation and training so providers can effectively learn to use the system.
- The Task Force recommends allowing for the sharing of time and attendance data with other agencies that utilize the information.
- The Task Force recommends utilizing other states' experiences with the point of service system to avoid common implementation mistakes.
- The Task Force recommends leveraging predicted savings in order to pay for the point of service system.

**FULL RECOMMENDATION(S) ANALYSIS**

**I. RECOMMENDATIONS(S) AND BACKGROUND**

**A. SCHOOL READINESS AND VOLUNTARY PREKINDERGARTEN EDUCATION**

**School Readiness Program**

The School Readiness (SR) Program was created in 1999.<sup>1</sup> The program provides subsidies for early childhood education and child care services to:

- Children of low-income families;
- Children in protective services; and
- Children with disabilities.<sup>2</sup>

The Florida Legislature created regional Early Learning Coalitions (ELCs) in order to administer the SR program at a local level (see appendix one for map).<sup>3</sup> The SR program is administered by the ELCs at the county and regional level, while the Office of Early Learning (OEL) coordinates at the state level.<sup>4</sup> Children are admitted to the program using a priority based system.<sup>5</sup>

The SR program currently has 138,955 children enrolled and 5,054 providers.<sup>6</sup> In FY 2010-11, the state spent \$434,835,140 on providers.<sup>7</sup>

*School Readiness Program*

	# of Children (current)	# of Providers (current)	Amount Spent in FY 2010-11
<b>SR Program</b>	138,955	5,054 <sup>8</sup>	\$434,835,140

**Voluntary Prekindergarten Education Program**

The Voluntary Prekindergarten (VPK) program was created by constitutional mandate in 2002 and enacted in law in 2005. The Florida Constitution provides that:

Every four-year old child in Florida shall be provided by the State a high quality pre-kindergarten learning opportunity in the form of an early childhood development and education program which shall be voluntary, high quality, free, and delivered according to professionally accepted standards.<sup>9</sup>

<sup>1</sup> See Ch. 99-357 L.O.F.

<sup>2</sup> Section 411.01(6), F.S.

<sup>3</sup> Section 411.01(5), F.S.

<sup>4</sup> The program was administered by the Agency for Workforce Innovation but is now administered by the Office of Early Learning.

<sup>5</sup> See s. 411.01(6), F.S.

<sup>6</sup> These numbers are for FY 2011-12 and were provided by the Office of Early Learning (copy on file with Government Efficiency Task Force staff).

<sup>7</sup> Fiscal information provided by the Office of Early Learning. The amount paid to providers is a mix between a federal block grant and state money. In FY 2010-11, a total amount of \$615.4 million was appropriated for the SR program: \$353.6 million from CCDF block grant, \$116.4 million from TANF block grant, \$136 million from state general revenue, \$9 million from other state funds, and \$500,000 from other federal sources. See Specific Appropriation 2243, s. 6, Ch. 2010-152, L.O.F.

<sup>8</sup> There are also an additional 3,968 providers that participate in both the SR and VPK program for a total of 10,869 providers for the two programs.

<sup>9</sup> Section 1(b), Art. IX, Florida Constitution.

A VPK provider may be:

- A school-year prekindergarten program delivered by a private prekindergarten provider;<sup>10</sup>
- A summer prekindergarten program delivered by a public school or private prekindergarten provider;<sup>11</sup>
- A school-year prekindergarten program delivered by a public school;<sup>12</sup> or
- A specialized instructional service program for children who have disabilities.<sup>13</sup>

A full-time VPK program consists of 540 instructional hours, while a summer VPK program consists of 300 instructional hours.<sup>14</sup>

The VPK program currently has 134,777 children enrolled and 1,847 providers.<sup>15</sup> The program is overseen by OEL and administered through the 31 ELCs.<sup>16</sup> In FY 2010-11, the state spent \$382,607,156 on providers.<sup>17</sup>

*Voluntary Prekindergarten Education Program*

	# of Children (current)	# of Providers (current)	Amount Spent in FY 2010-11
<b>VPK</b>	134,777	1,847 <sup>18</sup>	\$382,607,156

**B. CURRENT ATTENDANCE AND PAYMENT SYSTEM**

**School Readiness Program**

The current attendance system for SR is a paper based system in which the provider records time and attendance for each child enrolled at the facility. The attendance paperwork is then sent to the ELCs responsible for that facility. Data is input by the ELC staff and sent to OEL, which processes the data and then issues payment to the provider. The cycle takes an average of 30 days from submission of attendance to receipt of payment.<sup>19</sup>

<sup>10</sup> Section 1002.53(3)(a), F.S., with the requirements to be a private provider pursuant to s. 1002.55, F.S.

<sup>11</sup> Section 1002.53(3)(b), F.S., with the requirements to be a private provider pursuant to s. 1002.61, F.S.

<sup>12</sup> Section 1002.53(3)(c), F.S.

<sup>13</sup> Section 1002.53(3)(d), F.S., with the requirements to be a specialized services program pursuant to s. 1002.71, F.S.

<sup>14</sup> Section 1002.71(2), F.S.

<sup>15</sup> These numbers are for FY 2011-12 and were provided by the Office of Early Learning (copy on file with Government Efficiency Task Force staff). The percentage breakdown of providers is: private centers 81%, public schools 16 %, family day care homes 2%, and private schools 1%.

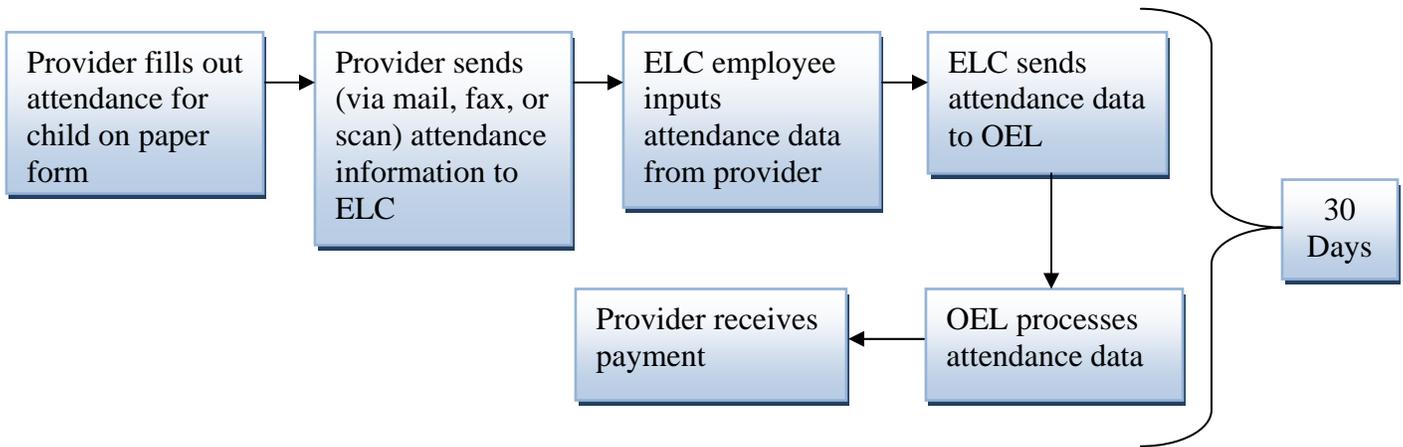
<sup>16</sup> The Early Learning Coalitions are those that were created pursuant to s. 411.01, F.S.

<sup>17</sup> Information provided by the Office of Early Learning (copy on file with Government Efficiency Task Force staff).

<sup>18</sup> There are also an additional 3,968 providers that participate in both the SR and VPK programs for a total of 10,869 providers for the two programs.

<sup>19</sup> The average is based on information provided by the Office of Early Learning (copy on file with Government Efficiency Task Force staff).

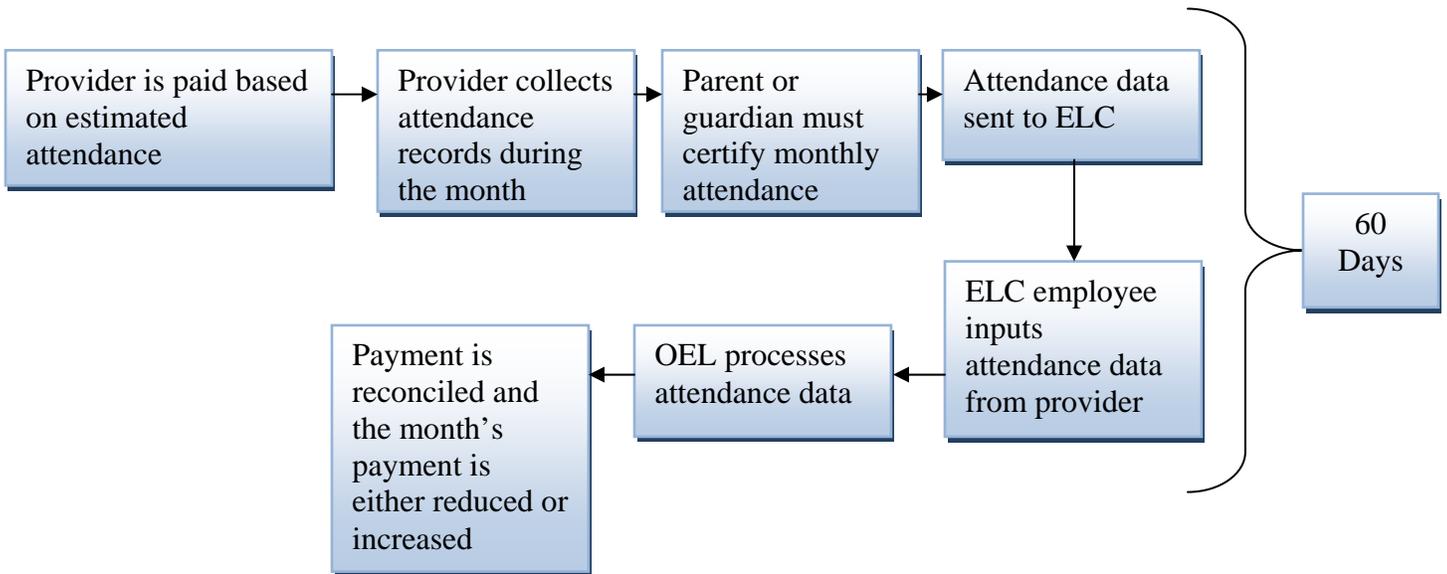
*Current SR Attendance and Payment Flow Chart*



**Voluntary Prekindergarten Education Program**

The current attendance system for VPK is a paper-based system similar to the SR process. The main difference is that VPK providers are paid a month ahead and the payment is reconciled after attendance has been provided to the ELC.<sup>20</sup> The parent or guardian is also required to certify the child’s attendance every month.<sup>21</sup> The process takes about 60 days to reconcile the actual payment owed to the provider.

*Current VPK Attendance and Payment Flow Chart*



<sup>20</sup> See s. 1002.71(5)(b), F.S.

<sup>21</sup> See s. 1002.71(6)(b)(2), F.S. Pursuant to s. 1002.71(6)(b)(3), F.S., the provider must keep each monthly certified attendance form for two years.

## Change and Efficiency

There are two primary inefficiencies in the current system of time attendance in the SR and VPK programs: the paper based collection of attendance and the dependence on the provider for attendance records.

### *Paper-Based System*

The paper based system is a burden on OEL, the ELCs, and the provider.<sup>22</sup> The provider is required to turn in attendance to the ELC on a specific form. The ELC must then manually enter the attendance data, which is sent to OEL. The process creates a great amount of paperwork and recordkeeping. OEL estimates that it processes over 34,500 paper attendance rosters per month.

## Recommendations

### **The Task Force recommends that OEL adopt an electronic form of attendance submission.**<sup>23</sup>

Decreasing paperwork and redundancies in data entry would reduce payment errors, eliminate waste, and decrease the amount of time it takes for OEL to receive attendance data and process provider payments. The end result would be increased efficiency in distributing payment to the provider. OEL estimated that the electronic submission would save an estimated \$4 million per year.<sup>24</sup>

### *Point of Service System*

The electronic submission process for attendance would reduce paperwork, but would not address the issue of reliance on the provider for attendance records. A point of service system for checking the child in and out would provide additional efficiencies and savings. The point of service system addresses two issues that lead to improper payments: the first is the possibility of mistakes made by the provider in keeping the records; the second is the possibility of fraud.

The current paper system and the proposed Early Learning Information System (ELIS) rely on the provider for the attendance records. The provider takes the initial attendance,<sup>25</sup> records the attendance on a form, and sends the form (or with ELIS submits the data electronically) to the ELC. By requiring multiple people and steps in order to report attendance, the process is open to the possibility of mistakes. Neither the current process nor the ELIS project addresses these issues.

The current system and the proposed ELIS system do not prevent fraud. For VPK, 20% of the total payment made on behalf of a student to a provider may be for hours during which the student was absent.<sup>26</sup> For SR, the provider may be reimbursed for up to three days per calendar year that the child was absent.<sup>27</sup> This puts tremendous pressure on the provider to make sure the child is present. If the child exceeds the amount of absences allowed by statute or rule, then the provider is not paid. This provides a possible incentive to submit inaccurate attendance records if students are chronically absent.

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<sup>22</sup> Two Early Learning Work Group members, Mrs. Belinda Keiser and Mr. Robert Stork, visited ELCs and providers and testified at the November 29, 2011, Work Group meeting. The Work Group members testified that there are “voluminous amounts of paperwork,” and “providers were open to anything that reduced paperwork.” A recording of their testimony is available at <http://www.floridaefficiency.com/meetings.cfm> (last visited 11/30/2011).

<sup>23</sup> The Early Learning Information System (ELIS) is designed to have the ability to allow the provider to submit attendance data on-line rather than on a paper form. For more information on the ELIS project please see [http://www.floridaearlylearning.com/EarlyLearning/OEL\\_SysDev\\_ELIS.html](http://www.floridaearlylearning.com/EarlyLearning/OEL_SysDev_ELIS.html) (last visited 11/30/2011).

<sup>24</sup> This information is based on the Office of Early Learning Project Briefing from November 1, 2011 (copy on file with Government Efficiency Task Force Staff).

<sup>25</sup> Mrs. Keiser and Mr. Stork noted that in their visits to providers, some providers have already invested in a check-in program for parents and guardians that tracks attendance. The provider is still required to manually enter the attendance data on the prescribed forms.

<sup>26</sup> Section 1002.71(6)(d), F.S.

<sup>27</sup> See Office of Early Learning Rule 60BB-4.500(2).

## Recommendations

**The Task Force recommends adopting a point of service system utilizing either electronic swipe cards or biometrics to supplement an electronic attendance submission process in the Office of Early Learning.** Adopting the point of service system would relieve the providers of the responsibility and time requirements of tracking attendance. The parent or guardian would use a swipe card or their finger, in the case of a biometric device, to check the child in and out of the school or day care center. The result would be fewer errors and the reduction in the amount of time the provider must spend in recording attendance data.<sup>28</sup> The point of service system would also reduce multiple steps in recording the attendance, which would result in quicker payments to the provider. The point of service system would also reduce fraud. Since the provider would not be responsible for the attendance data, there is no potential for false attendance records.

The point of service system would:

- Reduce human error and fraud that result in improper payments;
- Reduce the time burden on providers in collecting and recording attendance data;
- Reduce the amount of paper record keeping required of providers;
- Allow for quicker audits of attendance records;
- Allow for quicker turnaround time on payments for SR and reconciliation for VPK; and
- Allow for real time attendance data.

Several other states, including Oklahoma, Indiana, Texas, Louisiana, Colorado, Virginia, New Jersey, North Carolina, Ohio, and Mississippi, have adopted a point of service system. Louisiana adopted a biometric point of service system in 2010 and has estimated savings at \$20-30 million per year.<sup>29</sup> Several other states have realized savings of 10%. If Florida were to have similar results, the savings would be \$40-60 million dollars per year with implementation of a point of service system.<sup>30</sup>

Other states utilizing point of service systems have varying levels of costs. Oklahoma has approximately 40,000 enrolled children in its SR program and pays \$2.97 per month (\$1.43 million per year) for swipe card point of service and payment service. Louisiana has approximately 45,000 enrolled children and pays \$4.75 per month (\$2.57 million per year) for a biometric point of service system. Texas has approximately 148,559 enrolled children and pays \$2.66 (\$4.74 million per year) for swipe card time and attendance.<sup>31</sup>

Florida has approximately 292,952 students enrolled in SR and VPK for FY 2011-12. If Florida were to adopt swipe card technology for time and attendance collection at a rate similar to Texas, the state would pay about \$8.79 million per year.<sup>32</sup> With a conservative savings of 6% of the provider reimbursements, which is a little more than half of what Oklahoma has reported, Florida would net approximately \$40 million in savings.

**The Task Force recommends leveraging predicted savings in order to pay for the point of service system.** Since Florida is nearly double the size of Texas in terms of student population, the state would be able to leverage an economy of scale to competitively bid for a point of service system. The state should also leverage the proposed savings as payment and pay for the service out of the savings only.

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<sup>28</sup> The proposed ELIS system would relieve the ELCs and OEL of the paper process, but providers would still be responsible for maintaining attendance records to submit attendance data and in the case of an audit. The point of service system would save time and money for the providers by relieving them of this responsibility.

<sup>29</sup> Mr. Richard Howze, Undersecretary for Louisiana's Department of Child and Family Services, testified at the November 29, 2011, Work Group meeting that Louisiana saved between \$8-10 million the first few months and then saved about \$2.5 million per month after that. Mr. Howze also testified that the system paid for itself in less than a year. A recording of his testimony is available at <http://www.floridaefficiency.com/meetings.cfm> (last visited 11/30/2011).

<sup>30</sup> This estimate is based on a conservative estimate of 5-8% savings of the total amount spent on providers in FY 2010-11 of \$817,442,296 (which equates to \$40,872,114 to \$65,395,383 per year of savings).

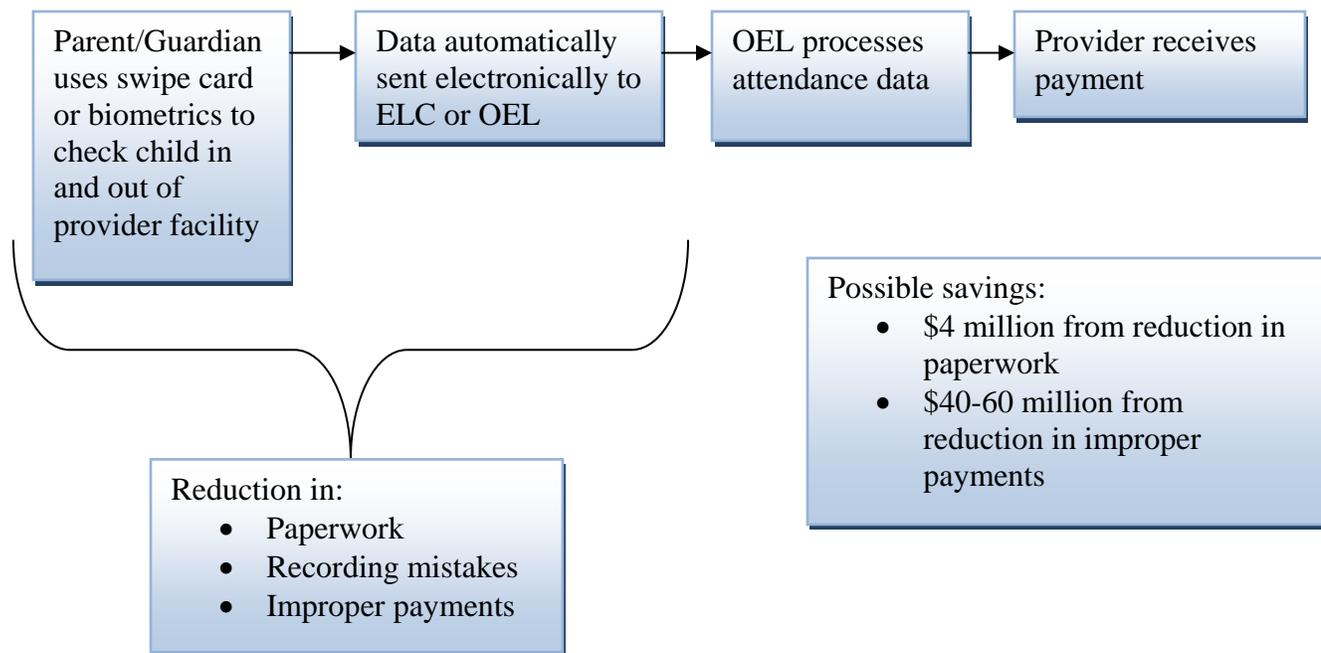
<sup>31</sup> The state by state information was provided by ACS (copy on file with the Government Efficiency Task Force staff).

<sup>32</sup> This number is calculated at \$2.50 per student per month multiplied by the total number of students for 12 months.

In implementing a point of service system, the Task Force recommends:

- Ensuring sufficient time is allowed for implementation and training so providers can effectively use the system.<sup>33</sup>
- Allowing for the sharing of time and attendance data with other agencies that utilize the information.<sup>34</sup>
- Utilizing other states' experiences with the point of service system to avoid common implementation mistakes.

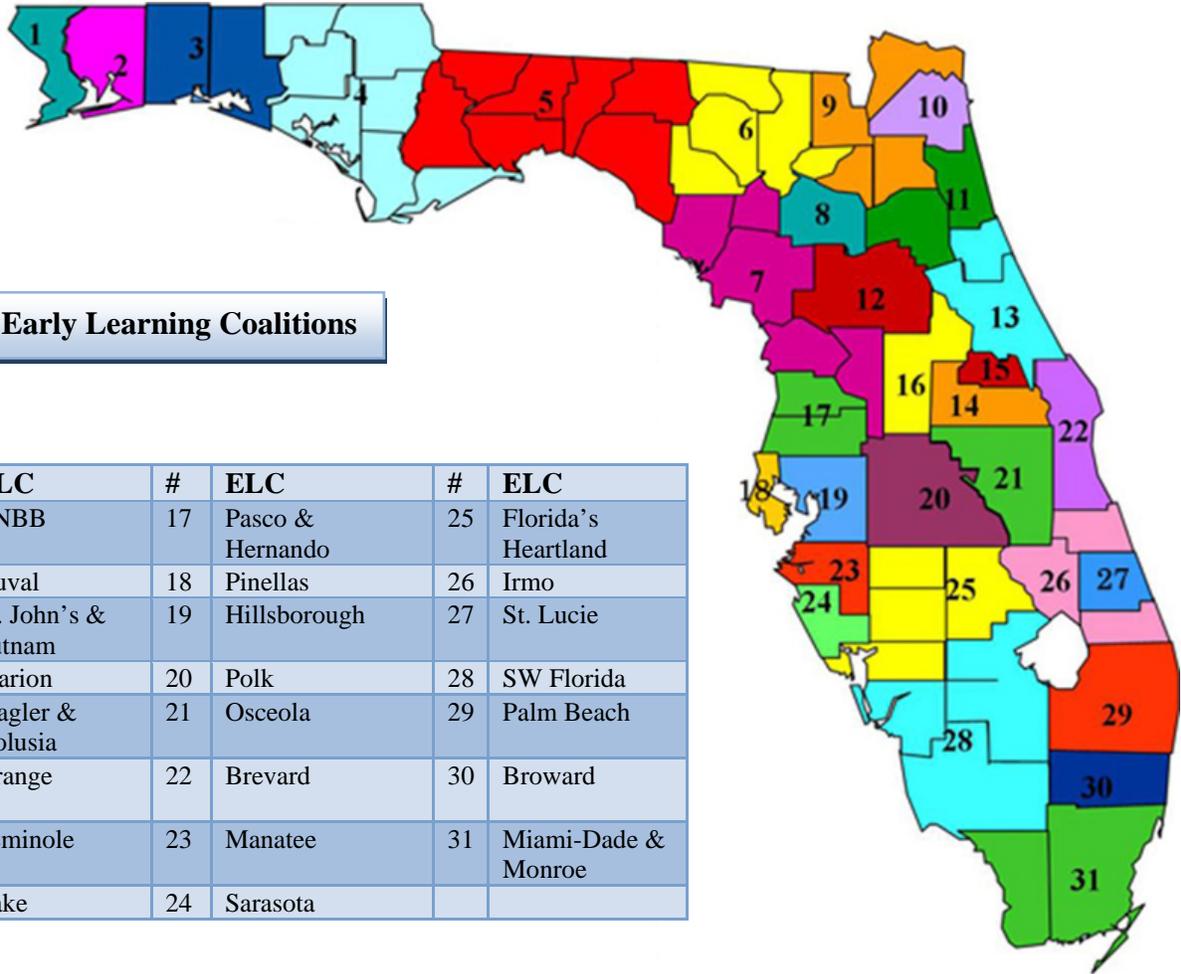
*Electronic Attendance Submission Process with Point of Service*



<sup>33</sup> In Mr. Howze's testimony, he suggested that a longer implementation and training time would have been beneficial for Louisiana.

<sup>34</sup> The Department of Education and Department of Children and Families utilize time and attendance information.

Appendix One: Map of Florida's Early Learning Coalitions



**Florida's Early Learning Coalitions**

#	ELC	#	ELC	#	ELC	#	ELC
1	Escambia	9	CNBB	17	Pasco & Hernando	25	Florida's Heartland
2	Santa Rosa	10	Duval	18	Pinellas	26	Irmo
3	Okaloosa & Walton	11	St. John's & Putnam	19	Hillsborough	27	St. Lucie
4	NW Florida	12	Marion	20	Polk	28	SW Florida
5	Big Bend	13	Flagler & Volusia	21	Osceola	29	Palm Beach
6	Florida's Gateway	14	Orange	22	Brevard	30	Broward
7	Nature Coast	15	Seminole	23	Manatee	31	Miami-Dade & Monroe
8	Alachua	16	Lake	24	Sarasota		



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Inmate Education and Re-entry

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding inmate education and re-entry by a vote of 10 yeas, 0 nays:

- **Individualized Inmate Re-entry Plans**

- Create an individualized inmate re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration.
- Consider educational needs when determining an inmate's facility placement.
- Assessments to determine literacy skills are critical. Focus and priority should be given to this process of assessing literacy skills to provide appropriate foundation for other educational programs and opportunities after prison.
- Develop a program providing literacy and life skills training for inmates who are ineligible for the Mandatory Literacy Program due to prison term length.

- **Mandatory Literacy Program**

- Require prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on a Test of Adult Basic Education (TABE).

- **Online Education Opportunities**

- Investigate opportunities to introduce online and e-learning educational and vocational training in prisons.
- Set up a pilot program to develop widely-acceptable security protocols for Internet access.

- **Mission Driven Prisons**

- Convert some of Florida's prisons to institutions that focus on chemical dependency, literacy and basic education, and vocational education.
- Align the missions of vocational education prisons to meet the needs of the employment market.

- **Program Efficiency**

- Adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction.
- Expand vocational education programs.
- Research implementation of a double-track education system.

- **Metrics and Statistics**

- Conduct a cost-benefit analysis to evaluate rehabilitative programs, such as educational and vocational programs.
- Develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the Department of Corrections.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. INMATE EDUCATION

After inmate and public safety, the most important goal of the correctional system is reducing recidivism.<sup>1</sup> Reducing recidivism results in fewer crimes, fewer victims and cost savings for Floridians.<sup>2</sup> One way to reduce recidivism rates is to promote the successful rehabilitation and re-entry of ex-offenders. This can be implemented by providing substance abuse treatment, educational and vocational training, and by assisting inmates with community support services after their release.<sup>3</sup>

#### Prisoner Statistics

As of January 2012, Florida housed 100,345 inmates across 60 state prisons, including seven private prisons.<sup>4</sup> The average cost per inmate is \$19,473 annually.<sup>5</sup> Most of Florida's inmates (88.6 percent)<sup>6</sup> will eventually be released, and of those approximately one in three will return to prison.<sup>7</sup> The high budgetary demands and social costs incarceration places on the state make reducing recidivism rates a strategic investment. Rehabilitative programs, such as education and vocational training, are shown to reduce the likelihood of repeat offending, decrease inmate idleness and promote institutional security, and may also achieve cost savings.<sup>8</sup> Each inmate who is successfully rehabilitated and does not return to prison saves the State of Florida at least \$19,473 each year.

According to the Department of Corrections (department), the probability of reoffending is reduced by 3.7 percent for each grade of adult basic education completed.<sup>9</sup> Currently, 64 percent of the tested inmate population in Florida has not achieved General Education Development (GED) Prep literacy skills (scoring less than 9<sup>th</sup> grade level<sup>10</sup>).<sup>11</sup> Studies have also found that inmates who have a GED when released recidivate at a rate 7.9 percent less than the overall inmate population.<sup>12</sup> Inmates with vocational certificates are 17 percent less likely to return to prison than those without certificates, and those participating in vocational training are

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<sup>1</sup> "Final Report of the Governor's Ex-Offender Task Force," November 2006, p. 9 (copy on file with Government Efficiency Task Force staff).

<sup>2</sup> Department of Corrections, "Recidivism Reduction Strategic Plan," June 2009, p. 13, <http://www.dc.state.fl.us/orginfo/FinalRecidivismReductionPlan.pdf> (last visited 5/10/2012).

<sup>3</sup> *Id.* at p. 7.

<sup>4</sup> Department of Corrections, "Quick Facts about the Florida Department of Corrections," Revised February 2012, <http://www.dc.state.fl.us/oth/Quickfacts.html> (last visited 5/14/2012).

<sup>5</sup> *Id.*

<sup>6</sup> Department of Corrections, "Doing Time," August 2011, <http://www.dc.state.fl.us/pub/timeserv/doing/> (last visited 5/14/2012).

<sup>7</sup> Department of Corrections, "Quick Facts about the Florida Department of Corrections," Revised February 2012, <http://www.dc.state.fl.us/oth/Quickfacts.html> (last visited 5/14/2012).

<sup>8</sup> Office of Program Policy Analysis and Government Accountability (OPPAGA), "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," Report No. 07-14, February 2007, p. 1, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

<sup>9</sup> Department of Corrections, "2009 Florida Prison Recidivism Study Releases From 2001 to 2008," May 2010, p. 14, <http://www.dc.state.fl.us/secretary/press/2010/RecidivismStudy.pdf> (last visited 5/14/2012).

<sup>10</sup> Section 1004.93(2), F.S., identifies students who must be served by the adult education program. The 9<sup>th</sup> grade reading level is the separating line between primary and secondary school. According to the law, the adult education program must serve students studying to achieve basic literacy (students who demonstrate skills below the 5<sup>th</sup> grade level); students trying to achieve functional literacy (students who demonstrate skills at or above 5<sup>th</sup> grade level but below the 9<sup>th</sup> grade level); students earning credit for a high school diploma or preparing for the GED; students who have earned a high school diploma and are pursuing a postsecondary degree, certificate career education program, or develop competence in the English language; students enrolled in lifelong learning courses; and students who enroll in courses related to recreational or leisure pursuits. *See s. 1004.93(2), F.S.*

<sup>11</sup> Department of Corrections, "2010-11 Annual Report," p. 34, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/16/2012).

<sup>12</sup> *Id.* at p. 35.

less likely to have disciplinary issues.<sup>13</sup> Of the 2011 inmate population, those with vocational certificates were 35 percent less likely to have received a disciplinary report that year than inmates without a certificate.<sup>14</sup> The Office of Program Policy Analysis and Government Accountability (OPPAGA) found that inmates who earned a GED or high school diploma were 9.3 percent more likely to be employed than other inmates, and those who earned a vocational certificate were 17.9 percent more likely to be employed than other ex-offenders.<sup>15</sup>

## Prisoner Education Programs

The Department of Corrections' Bureau of Re-Entry Programs and Education is responsible for the oversight and support of the department's academic and vocational education programs. In FY 2011-12, the Legislature appropriated \$2,277,324,021 to the department, of which \$21,779,443, or less than one percent (0.95%), was allocated to correctional education programs.<sup>16</sup> The department currently allocates 299 Full Time Employees (FTE) to meet the educational needs of inmates (students) enrolled in education programs.<sup>17</sup> Academic educational programs are operated in 53 correctional facilities with an enrollment capacity of more than 6,500 students.<sup>18</sup> Local Education Agencies (LEA) operate programs in two additional facilities, each with an enrollment of 55 students.<sup>19</sup> Total enrollment capacity in department-operated academic education programs is approximately 6,600 students, which is 6.5 percent of the total inmate population.<sup>20</sup> In addition to the education services provided in the 53 department-operated facilities, seven contracted facilities utilize 141.5 FTEs to provide education services for students, with an enrollment capacity of approximately 2,471 students.<sup>21</sup>

The department's current allocation of FTEs has enabled the number of inmates earning GED certificates to rise for the fifth year in a row. In FY 2010-11, inmates in department-operated facilities earned 2,930 GED certificates.<sup>22</sup> Contracted facilities awarded 356 GED certificates during the same period.<sup>23</sup> There was a 20 percent increase in the number of vocational certificates awarded in FY 2010-11, for a total of 2,217 certificates earned in department-operated facilities.<sup>24</sup> Contracted facilities awarded 880 vocational certificates during this period.<sup>25</sup>

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," Report No. 07-14, February 2007, p. 5, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

<sup>16</sup> Department of Corrections email, March 29, 2012, (copy on file with Government Efficiency Task Force staff).

<sup>17</sup> *Id.*

<sup>18</sup> Department of Corrections, "Education Program Capacity, FDC-Operated Correctional Facilities," August 2011 (copy on file with Government Efficiency Task Force staff).

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> Department of Management Services, "Operations and Management Contract," [http://www.dms.myflorida.com/business\\_operations/bureau\\_of\\_private\\_prison\\_monitoring/facilities](http://www.dms.myflorida.com/business_operations/bureau_of_private_prison_monitoring/facilities) (last visited 5/15/2012).

<sup>22</sup> Department of Corrections, "2010-11 Annual Report," p. 35, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/15/2012).

<sup>23</sup> Correctional Education Certificates Awarded by Facility, by Quarter FY 2010-11, October 2011 (copy on file with Government Efficiency Task Force staff).

<sup>24</sup> Department of Corrections, "2010-11 Annual Report," p. 35, <http://www.dc.state.fl.us/pub/annual/1011/pdfs/AR1011-Final.pdf> (last visited 5/15/2012).

<sup>25</sup> Correctional Education Certificates Awarded by Facility, by Quarter FY 2010-11, October 2011 (copy on file with Government Efficiency Task Force staff).

## Academic and Special Education

To assist students in achieving GED and vocational certificates, the department offers several academic programs, including:<sup>26</sup>

- Adult Basic Education/General Education Development (ABE/GED);
- Special Education;
- Close Management Education (CME);
- Inmate Teaching Assistant Program (ITA);
- Local Education Agency (LEA)-Operated Academic Education Programs;
- Volunteer Literacy Programs;
- Mandatory Literacy;
- Ready to Work; and
- Federally-Funded Academic Programs and Services.

The department offers inmates 85 vocational education courses in 36 distinct vocational trades at 33 state operated institutions. The total enrollment capacity for vocational education is 1,584 students, or 1.6 percent of the total inmate population.

### *Mandatory Literacy Program*

The Mandatory Literacy Program is a 150-hour literacy training program required by law<sup>27</sup> for all inmates who have at least two years of their sentence remaining when received at an institution and who receive a Tests of Adult Basic Education (TABE) total battery score below grade level 6.0.<sup>28</sup> The Mandatory Literacy Program is available to all inmates who meet the program requirements, as opposed to the other academic programs offered by the department, which are not mandatory and are provided based on availability.<sup>29</sup>

## Recommendations

**The Task Force recommends requiring prisoners who meet the requirements of the Mandatory Literacy Program to successfully complete the program by attaining a total battery score of 6.0 on a TABE (Test of Adult Basic Education).** Currently, successful completion of the Mandatory Literacy Program requires completion of 150 hours of instruction or achievement of a total battery score of 6.0 or higher on the TABE. The importance of literacy and successful completion of this program is critical to reducing recidivism. The department estimates that only 21 percent<sup>30</sup> of inmates enrolled successfully complete the Mandatory Literacy Program.<sup>31</sup> The Task Force recommends that achievement of a total battery score of 6.0 on a TABE be the only method for successfully completing this program.

### *Special Education Services*

Special education services are provided to inmates with disabilities who are eligible to receive special services required by state and federal law.<sup>32</sup> The Individuals with Disabilities Education Act (IDEA) requires the

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<sup>26</sup> OPPAGA, “Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population,” Report No. 07-14, February 2007, p. 2, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

<sup>27</sup> Section 944.801(3)(i), F.S.

<sup>28</sup> *Id.*

<sup>29</sup> OPPAGA, “Alternative Placements for the Correctional Education Program would be more Costly,” Report No. 08-16, March 2008, p. 1, <http://www.oppaga.state.fl.us/Reports/pdf/0816rpt.pdf> (last visited 5/16/2012).

<sup>30</sup> The Department of Corrections notes “this percent is only applicable to academic sites that provide special education programming.” Department of Corrections memo, May 2, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>31</sup> *Id.* at p. 1.

<sup>32</sup> OPPAGA, “Alternative Placements for the Correctional Education Program would be more Costly,” Report No. 08-16, March 2008, p. 1, <http://www.oppaga.state.fl.us/Reports/pdf/0816rpt.pdf> (last visited 5/16/2012).

department to provide free and appropriate public education in the least restrictive environment to exceptional students. Exceptional students are inmates under the age of twenty-two who have a previous special education history, have yet to obtain a high school diploma, continue to need special education and related services to benefit from participation in an educational assignment, consent to receive special education services, and have a current transition plan/individualized education plan.<sup>33</sup>

#### *Close Management Education Program*

The Close Management Education Program (CME) provides close management inmates<sup>34</sup> both cell-front and correspondence-study instruction in mathematics, reading, language, and workforce readiness skills by certified academic teachers. Close management inmates are also afforded the opportunity to secure GED diplomas. CME programs are available in 5 correctional facilities.<sup>35</sup>

#### *Inmate Teaching Assistant Program*

Recognizing the need to increase inmate access to education services, the department developed the Inmate Teaching Assistant Program (ITA). The ITA program provides grade-appropriate instruction in mathematics, reading, and language instruction to inmates with educational levels ranging from beginning literacy through GED. The program utilizes Inmate Teaching Assistants working under the direction and supervision of a certified teacher.<sup>36</sup> The Inmate Teaching Assistants are inmates with at least a high school diploma or GED who have received academic and practical training in various instructional methods from certified teachers.<sup>37</sup> The ITA program is available at 34 correctional facilities.<sup>38</sup>

#### *Other Programs*

Local Education Agency (LEA)-Operated Academic Education Programs are available at three<sup>39</sup> facilities.<sup>40</sup> LEAs are federal grant-funded adult education programs provided by county school districts or community colleges.<sup>41</sup> Volunteer Literacy Programs utilize citizen volunteers and/or ITAs who have received tutoring training to assist inmates in improving their educational abilities. This program is available at nearly all major institutions, annexes and work camps.<sup>42</sup> The Ready To Work program is a Department of Education sponsored employee credentialing program that tests and scores job skills.<sup>43</sup> The department also received \$4,553,864 in federal grant funding in FY 2010-11 to provide academic and exceptional education services to inmates and training to correctional educators.<sup>44</sup>

## **Recommendations**

**The Task Force recommends the Department of Corrections conduct a cost-benefit analysis to evaluate its rehabilitative programs, such as educational and vocational programs.** After inmate and

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<sup>33</sup> Department of Corrections, "Education Services," <http://www.dc.state.fl.us/orginfo/education/index.html> (last visited 5/4/2012).

<sup>34</sup> According to the department, close management is confinement of an inmate apart from the general inmate population. It is for inmates who commit acts that threaten the safety of others or the institution, or who demonstrate an inability to live in the general population without abusing the rights and privileges of others. Department of Corrections, "FAQ Regarding Close Management," <http://www.dc.state.fl.us/oth/inmates/cm.html> (last visited 5/15/2012).

<sup>35</sup> Department of Corrections, "Education Services," <http://www.dc.state.fl.us/orginfo/education/index.html> (last visited 5/15/2012).

<sup>36</sup> *Id.*

<sup>37</sup> Department of Corrections, "Inmate Teaching Assistant Programs," <http://www.dc.state.fl.us/pub/annual/0405/pdfs/teaching.pdf> (last visited 5/15/2012).

<sup>38</sup> Department of Corrections, "Education Services," <http://www.dc.state.fl.us/orginfo/education/index.html> (last visited 5/15/2012).

<sup>39</sup> Baker Work Camp, Putnam Correctional Institution, and Quincy Annex.

<sup>40</sup> Department of Corrections email, May 22, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

public safety, the most important goal of the correctional system is reducing recidivism.<sup>45</sup> With this in mind, the department's educational and vocational programs should be measured by their effectiveness at reducing recidivism. To make a compelling case for increased support for correctional education, the department must conclusively document the contribution correctional education provides to society.<sup>46</sup> A cost-benefit analysis should assess outcomes of cohorts of inmates in the department's various programs and track these inmates after release. This would help identify programs that show the greatest return on investment by improving ex-inmate employment outcomes and reducing recidivism. A cost-benefit analysis will determine if increasing funding for these programs will yield overall monetary benefits and how to allocate resources most effectively.

**The Task Force recommends the Department of Corrections develop a regular report on the cost-effectiveness of rehabilitative programs, including those provided by entities outside of the department.** The American Correctional Association recommends that programs be evaluated every two years to assess their contribution to an institution's mission.<sup>47</sup> According to OPPAGA, the department occasionally evaluates some rehabilitative programs; however, it does not routinely measure and report on the effectiveness of these programs.<sup>48</sup> A regular report on program and provider cost-effectiveness would provide standardized and transparent information to the department and the Legislature. The report should provide an assessment of programs' success in reducing recidivism and efficiency. This evaluation will enable policy makers and those that provide funding or services to determine which program goals are being met and which require more attention.<sup>49</sup>

### Issues Facing Prison Education Programs

When an inmate enters the prison system they are given the TABE, which identifies their grade level. Subsequent assessments are taken at scheduled intervals or when an inmate is transferred to a new facility.<sup>50</sup> Unfortunately, because of limited slots in programs, most inmates are released without addressing their educational skills deficiencies.

### Recommendations

**The Task Force recommends focus and priority should be given to the process of assessing literacy skills to provide appropriate foundation for other educational programs and opportunities after prison.** Providing educational opportunities that will enable most people to read at the eighth-grade level, the level at which a person is considered functionally literate, should be a universal goal within corrections.<sup>51</sup> The Florida Statutes define eligibility for the Mandatory Literacy Program as inmates with more than two years left on their sentence.<sup>52</sup> Many inmates who require or would benefit from literacy or life skills education do not qualify for the Mandatory Literacy program because they have less than two years remaining in their sentences. Therefore, the Task Force recommends that the department develop a program providing literacy and life skills training for inmates who are ineligible for the Mandatory Literacy Program due to prison term length.

**The Task Force recommends creating an individualized inmate re-entry plan that, based on information obtained from assessments, outlines programming to be provided during the period of incarceration.**

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<sup>45</sup> "Final Report of the Governor's Ex-Offender Task Force," November 2006, p. 9 (copy on file with Government Efficiency Task Force staff).

<sup>46</sup> Klein, S., and M. Tolbert, "Correctional Education," July 2004, p. 17, [https://www.cedatanetwork.org/pdf/common\\_measures\\_of\\_perf.pdf](https://www.cedatanetwork.org/pdf/common_measures_of_perf.pdf) (last visited 5/10/2012).

<sup>47</sup> American Correctional Association, Standard No. 4-4107.

See <http://www.aca.org/standards/revisions/pdf/StandardsProposalsforCOC2010.pdf> (last visited 5/9/2012).

<sup>48</sup> OPPAGA, "Department of Corrections Should Maximize Use of Best Practices in Inmate Rehabilitation Efforts," Report No. 09-44, December 2009, p. 6, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0944rpt.pdf> (last visited 5/9/2012).

<sup>49</sup> Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 89, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at p. 214.

<sup>52</sup> Section 944.801(3)(i), F.S.

The goal of rehabilitation programs is to reduce recidivism, which will ultimately result in cost savings for the state. In order to accomplish this, inmates must re-enter the community with enough education or skills to avoid returning to the correctional system. An inmate's re-entry plan should begin at intake, addressing an inmate's needs, and plan for the prisoner's eventual release and reintegration into the community. Based on the risk factors and skill deficits determined by the initial assessment, the plan should identify specific activities to be performed or skills to be acquired to prepare the prisoner for successful re-entry.<sup>53</sup> Relevant skill areas may include: education, including literacy and life skills training; employment;<sup>54</sup> health, mental health and substance abuse challenges; managing family conflict; mentoring; and strategies to develop pro-social behavior and desistance from crime. Each inmate's re-entry plan should be updated and modified as he or she moves through the correctional process and should reflect both progress and changes in risk and need.<sup>55</sup> The plan should be kept electronically, which will ensure that the plan can be shared system-wide, regularly updated, and accessed if the inmate returns to the system.<sup>56</sup>

A critical component of the individualized inmate re-entry plan is the needs assessment. The department should make sure to go beyond the medical, mental health, education, alcohol abuse, and drug assessments to provide an in-depth assessment addressing anger management, work and vocational training, criminological risks and needs, and pre-release/re-entry planning needs.<sup>57</sup> A study in 1992 found that inmates often lacked the ability to fully read and understand the types of documents encountered in everyday life, such as job applications, credit applications, and health forms.<sup>58</sup> Because of these deficiencies, the department should also investigate the implementation of an assessment of functional and life skills to identify possible deficiencies and barriers to a successful re-entry into the community.<sup>59</sup> These assessments should go beyond identification of education level to assess personal abilities that will enable the inmate to succeed in the workplace.<sup>60</sup> Once the assessments are completed, a program that prioritizes the inmate's highest needs first should be developed.<sup>61</sup>

### *Re-entry Statistics*

According to the department, of the 35,117 inmates released in FY 2010-11:

- Approximately 66 percent left with TABE scores below the 9<sup>th</sup> grade level;
- 17,383, or 69.5 percent, of the 25,002 inmates eligible for academic programs did not receive services prior to release; and
- 11,442, or 82.7 percent, of the 13,836 inmates eligible for vocational training did not receive services prior to release.<sup>62</sup>

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<sup>53</sup> "Final Report of the Governor's Task Force," November 2006, p. 18 (copy on file with Government Efficiency Task Force staff).

<sup>54</sup> Including resume preparation, job seeking and interviewing. *Id.*

<sup>55</sup> The National Institute of Corrections, "TPC Reentry Handbook: Implementing the NIC Transition from Prison to the Community Model," August 2008, p.12, <http://static.nicic.gov/Library/022669.pdf> (last visited 5/10/2012).

<sup>56</sup> Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 152, <http://reentrypolicy.org/publications/1694:file> (last visited 5/9/2012).

<sup>57</sup> Thigpen, et al., "Prisoner Intake Systems: Assessing Needs and Classifying Prisoners," February 2004, p. ix, <http://static.nicic.gov/Library/019033.pdf> (last visited 5/10/2012).

<sup>58</sup> Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 126, <http://reentrypolicy.org/publications/1694:file> (last visited 5/9/2012).

<sup>59</sup> *Id.* at p. 127.

<sup>60</sup> *Id.*

<sup>61</sup> Council of State Governments Justice Center, "Screening and Assessment in Re-entry Court Program Design: Incorporating Risk, Need, Responsivity," February 16, 2011, p. 26, [http://www.nationalreentryresourcecenter.org/documents/0000/0963/SCA\\_Reentry\\_Courts\\_Webinar\\_on\\_Screening\\_and\\_assessment\\_in\\_reentry\\_court\\_program\\_design\\_02\\_16\\_2011.pdf](http://www.nationalreentryresourcecenter.org/documents/0000/0963/SCA_Reentry_Courts_Webinar_on_Screening_and_assessment_in_reentry_court_program_design_02_16_2011.pdf) (last visited 5/10/2012).

<sup>62</sup> As reported by the Department of Corrections, Bureau of Research and Data Analysis, March 23, 2012 (copy on file with Government Efficiency Task Force staff).

## Recommendations

**The Task Force recommends the Department of Corrections expand its vocational education programs.** These programs have been proven to reduce recidivism, increase ex-offender employment success, and are cost effective. Additionally, these programs give the department the ability to partner with local businesses for additional job training.

**The Task Force recommends the Department of Corrections adopt policies regarding prioritizing the eligibility of educational and vocational programs to inmates whose likelihood of recidivism will be most improved as a result of this instruction.** Currently, the department initially assesses an inmate's needs using the Corrections Integrated Needs Assessment System (CINAS).<sup>63</sup> This assessment determines the inmate's risk to recidivate measured on a scale of 1 (least likely) to 5 (most likely).<sup>64</sup> The department uses this as a factor, along with release date, Mandatory Literacy Program eligibility, special education designation, and whether the inmate has a verified high school diploma or GED, to determine the inmate's academic program score.<sup>65</sup> The program score is used in a ranking algorithm<sup>66</sup> that includes the inmate's number of days before release and the inmate's Targeted Academic Services Score (TASS)<sup>67</sup> to rank inmates in order of highest need.<sup>68</sup>

This program focuses its limited space to those inmates with a higher risk of returning to prison and who do not already possess a high school diploma or GED, within the last three years of incarceration.<sup>69</sup> The Task Force recommends that the system take into account which inmates will be able to complete a program, not just those nearing the end of their sentence. It is a better use of resources to ensure space is allocated to those inmates able to complete the program and most likely to find gainful employment after release (i.e. younger inmates with non-violent crimes).

By making a concerted effort to effectively target resources on inmates with the highest-potential of successful completion, the department should be able to reduce recidivism. The assessment tool will be critical in identifying those who will be the most successful at education and vocation programs. The assessment should have vocational and educational components. The department should also develop an assessment tool, similar to those used for the unemployed, that is appropriate for the prison population and can be utilized to determine the type of vocational or educational training most compatible with an individual's interests and capacities.<sup>70</sup> The assessment should also take into account the inmate's readiness for work, along with a review of work history, skills, and educational attainment.<sup>71</sup>

**The Task Force recommends considering inmates' educational needs when determining facility placement.** A key to reducing recidivism is using the time of incarceration to create positive change by diagnostically identifying the inmate's individual needs, creating an inmate re-entry plan, and providing the services and support for the plan. To ensure the re-entry plan is successful, effort should be made to place and keep inmates in facilities that have programs commensurate with their educational needs. At times, department operations can cause inmates to be transferred before an education or vocation program can be

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<sup>63</sup> Department of Corrections memo, May 2, 2012, p. 6 (copy on file with Government Efficiency Task Force staff).

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> The program score is weighed so inmates with a program score of 4 are put lower on the ranking scale (highest need) followed by inmates that score 3, then 2 and 1. Inmates with a program score of 5 and inmates designated as mandatory literacy or special education are not ranked. Department of Corrections memo, May 2, 2012, pp. 6-7 (copy on file with Government Efficiency Task Force staff).

<sup>67</sup> TASS is a numerical score comprised of specific academic and incarceration data including: special education designation, release date, number of Florida prison commitments, TABE scores, vocation enrollment, possession of verified high school diploma or GED, and Mandatory Literacy Program eligibility. *Id.* at p. 6.

<sup>68</sup> *Id.* at p. 6.

<sup>69</sup> *Id.* at p. 7.

<sup>70</sup> Re-entry Policy Council, "Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community," January 2005, p. 127, <http://reentrypolicy.org/publications/1694:file> (last visited 5/9/2012).

<sup>71</sup> *Id.* at p. 128.

completed.<sup>72</sup> The Task Force recommends that the department should take steps to avoid transferring inmates who are nearing a program's completion to avoid program disruptions.

Currently, the department places an inmate based on medical and security needs. The inmate will be transferred to a facility that can meet both types of needs at the level identified for that inmate.<sup>73</sup> Inmates are not normally placed in a permanent facility based on education or program needs, but rather are assessed for core programs (academic, vocational or substance abuse) once placed at their first permanent facility.<sup>74</sup> After those needs are established and the inmate reaches the programming time frame (three years prior to release), the inmate will be moved as necessary based on the his or her specific program need and priority ranking for placement.<sup>75</sup> Generally, placements are made at institutions that have available beds.<sup>76</sup>

## Educational Program Length Challenges

While studies show that inmates who complete these educational and vocational programs are less likely to recidivate, OPPAGA found that 90 percent of inmates enrolled in ABE do not successfully complete the program, often for reasons within the department's control.<sup>77</sup> OPPAGA<sup>78</sup> found that while participants in GED and vocational programs had high completion rates, inmates in ABE programs either failed to complete program requirements or left the program for administrative reasons (such as being transferred) before completing the program. In a two-year study,<sup>79</sup> OPPAGA found that 79 percent of participating inmates completed GED courses; 73 percent completed vocational courses; and 90 percent of inmates taking the GED exam achieved a passing grade. However, only 10 percent of ABE students completed their courses over the same two-year period. OPPAGA attributed the lower success rate to program length, inmate demographic and behavioral characteristics, and department operations.

Adult Basic Education (ABE) programs often take inmates longer to complete than other programs, such as GED or vocational programs. To complete the ABE program, an inmate must attain a 9<sup>th</sup> grade level on the TABE, which may require more than two years of instruction. Additionally, ABE programs serve inmates with low educational levels (those with TABE scores below 9<sup>th</sup> grade), inmates requiring English as a Second Language instruction, and inmates with special education needs. Inmates participating in GED or vocational training can complete these programs in a two-year period. A GED program is completed when the inmate earns a GED Certificate, and most vocational training is completed in 9 to 40 weeks.

Because ABE classes are longer, there is a greater chance for the inmate to drop out, be discharged from the program for poor behavior, or be transferred to another institution. OPPAGA found that inmates who did not complete the ABE program had more disciplinary reports; spent more time in prison; had a higher number of drug offenses; and were more likely to have high custody classifications than inmates who completed the program.<sup>80</sup> Department operations cause some inmates to be removed before the program could be completed. Over 64 percent of the inmates in ABE programs were released from prison before completing the program. This can occur because the department moves inmates to meet a security or institutional need or transfers inmates to another facility for other reasons.

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<sup>72</sup> OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," Report No. 07-14, February 2007, p. 6, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 3/22/2012).

<sup>73</sup> Department of Corrections memo, May 2, 2012, p. 1 (copy on file with Government Efficiency Task Force staff).

<sup>74</sup> Department of Corrections email, May 9, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>75</sup> *Id.*

<sup>76</sup> Department of Corrections, "Recidivism Reduction Strategic Plan," June 2009, p. 27, <http://www.dc.state.fl.us/orginfo/FinalRecidivismReductionPlan.pdf> (last visited 5/10/2012).

<sup>77</sup> OPPAGA, "Corrections Rehabilitative Programs Effective, but Serve only a Portion of the Eligible Population," Report No. 07-14, February 2007, p. 4, <http://www.oppaga.state.fl.us/Reports/pdf/0714rpt.pdf> (last visited 5/16/2012).

<sup>78</sup> *Id.* at p. 5.

<sup>79</sup> 2004-06.

<sup>80</sup> These factors are also associated with higher recidivism.

## Recommendations

**The Task Force recommends the Department of Corrections research implementation of a double-track education system.** One track should consist of basic academic, life-skill and vocational education programs designed specifically for inmates incarcerated for less than one year. The program for this track should be designed to be completed in less than nine months. The second track should provide basic academic and vocational programs for inmates incarcerated for more than one year. A two-track system would enable the department to use the entry assessments to identify the most appropriate track for the educational or vocational programs in the inmate's re-entry plan.

In North Carolina, prison's educational offerings are determined by the minimum length of stay in the facility.<sup>81</sup> All facilities offer some type of programming, but a matrix is used to ensure that programs are only provided at facilities where inmates will be able to finish them.<sup>82</sup> In an attempt to accommodate those inmates whose sentences are not long enough to complete the entire GED curriculum during incarceration, the state of Washington offers a fast-tracked GED course offered at some facilities.<sup>83</sup> This program is available to offenders who already have the knowledge to pass a GED test, but may need additional practice preparing to take the test.<sup>84</sup>

**The Task Force recommends the Department of Corrections investigate opportunities to introduce online and e-learning educational and vocational training in prisons.** Internet access in Florida's prisons would make enormous amounts of educational resources available to corrections staff and inmates.<sup>85</sup> To address funding and capacity constraints that limit access to educational and vocational training, policies should be revised to support development and expansion of Internet-based and electronic platforms for program delivery. Internet-based instruction allows a single instructor to deliver educational content to an unlimited number of incarcerated students across multiple prisons or the prison system as a whole.<sup>86</sup> In addition, Internet-based coursework allows more students to be educated in a reduced space. Computer labs can accommodate terminals that allow students to progress through individualized educational programs at their own pace while sharing a physical space.<sup>87</sup> This is difficult to accommodate in a traditional classroom setting.<sup>88</sup> Finally, the economies of scale of Internet-based instructional methods would reduce the per-student cost of providing educational programs, which would allow the department to make more efficient use of its funding for educational services.<sup>89</sup>

Because many inmates have had limited exposure to technology, using computers, the Internet, and other communication technologies can be a learning experience in itself.<sup>90</sup> Interaction with computers or the Internet can serve as a form of vocational training,<sup>91</sup> as both are an increasingly essential part of today's world. Many security concerns can be addressed with careful planning and regulations governing access and use.<sup>92</sup>

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<sup>81</sup> Brazzell, D., et al., "From the Classroom to the Community: Exploring the Role of Education during Incarceration and Reentry," 2009, p. 29, [http://www.urban.org/UploadedPDF/411963\\_classroom\\_community.pdf](http://www.urban.org/UploadedPDF/411963_classroom_community.pdf) (last visited 5/10/2012).

<sup>82</sup> *Id.*

<sup>83</sup> Washington Department of Corrections, "Going Home: Accomplishments in Public Safety," 2009, p. 20, <http://www.doc.wa.gov/aboutdoc/docs/docannualreportgoinghome.pdf> (last visited 5/10/2012).

<sup>84</sup> *Id.*

<sup>85</sup> Spangenberg, Gail, "Current Issues in Correctional Education: A Compilation and Discussion," Council for Advancement of Adult Literacy, February 2004, p. 22, [http://www.caalusa.org/correct\\_ed\\_paper.pdf](http://www.caalusa.org/correct_ed_paper.pdf), (last visited 5/10/2012).

<sup>86</sup> Gorgol, Laura, and Brian Sponsler, "Unlocking Potential: Results of a National Survey of Postsecondary Education in State Prisons," Institute for Higher Education Policy, May 2011, p. 17, [http://www.ihep.org/assets/files/publications/s-z/Unlocking\\_Potential-PSCE\\_FINAL\\_REPORT\\_May\\_2011.pdf](http://www.ihep.org/assets/files/publications/s-z/Unlocking_Potential-PSCE_FINAL_REPORT_May_2011.pdf) (last visited 5/9/2012).

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> Brazzell, D., et al., "From the Classroom to the Community: Exploring the Role of Education during Incarceration and Reentry," 2009, p. 33, [http://www.urban.org/UploadedPDF/411963\\_classroom\\_community.pdf](http://www.urban.org/UploadedPDF/411963_classroom_community.pdf) (last visited 5/10/2012).

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at p. 34.

Firewalls and content filters can restrict Internet access, and clear rules and sanctions can deter misuse of technology.<sup>93</sup>

**The Task Force recommends the Department of Corrections set up a pilot program to develop widely-acceptable security protocols for Internet access.** While security concerns exist with providing inmates with Internet access, new computer and communication technologies have recently been incorporated into correctional education across the nation.<sup>94</sup> The department should investigate multimedia content and interactive learning opportunities delivered via the Internet, closed or restricted computer networks, satellite, closed-circuit TV, CDs or DVDs, videotapes, or videoconferencing<sup>95</sup> for the pilot program.

The Correctional Education Association received grant money to conduct a feasibility study to identify potential technologies that may be appropriate to consider in providing future distance learning services through the nationwide Transforming Lives Network.<sup>96, 97</sup> The feasibility study indicated that security measures exist to prevent security breaches.<sup>98</sup> By establishing a successful pilot program, some of these security concerns can be alleviated by developing acceptable security protocols for Internet access. These protocols would serve as a model for other Florida prisons.

**The Task Force recommends converting some of Florida’s prisons to institutions that focus on chemical dependency, literacy and basic education, and vocational education.** Currently, Florida operates faith and character-based and re-entry institutions. Expanding on that concept, this recommendation will work in conjunction with the recommendation on individualized inmate re-entry plans. An inmate’s initial assessments should determine the type of facility best suited to the inmate’s needs.

**The Task Force recommends aligning the missions of vocational education prisons to meet the needs of the employment market.** Employment is highly correlated with successful reintegration into society.<sup>99</sup> It is important that the vocational education programs are demand-driven and focus on jobs available in regional areas. An advisory group should be created for each prison, consisting of representatives of local employers, economic development agencies, workforce investment boards, One-Stops,<sup>100</sup> educational institutions, and targeted community-community based organizations. The group should use its familiarity with the local job market to provide input on correctional programs to ensure that participants obtain skills necessary to find employment when they re-enter the community. By focusing on the needs of employers in the community, prisoners can attain skills for industries in high demand outside the prison. The advisory group should meet every 12 to 18 months to ensure that the vocational course offerings are relevant to the current job market and are up-to-date with advances in technology and methodology.<sup>101</sup>

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<sup>93</sup> *Id.*

<sup>94</sup> *Id.* at p. 32.

<sup>95</sup> *Id.*

<sup>96</sup> The Transforming Lives Network (TLN) is a distance learning project administered by the Correctional Education Association and funded through member subscriptions. TLN provides corrections-specific offender education and staff development via satellite to the nation’s correctional facilities and at-risk populations. See <http://tln.ceanational.org/TLN/index.htm> (last visited 5/9/2012).

<sup>97</sup> Borden, Cindy and Penny Richardson, “The Effective Use of Technology in Correctional Education,” John Jay College of Criminal Justice Reentry Roundtable on Education, March 31-April 1, 2008, p. 6, <http://www.urban.org/projects/reentry-roundtable/upload/Effective.pdf> (last visited 5/9/2012).

<sup>98</sup> *Id.* at p. 15.

<sup>99</sup> Re-entry Policy Council, “Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community,” January 2005, p. 127, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).

<sup>100</sup> Florida provides workforce program services through local One-Stop Career Centers. Each local area operates at least one physical One-Stop Center which may be supplemented by a network of affiliated sites. See <http://www.floridajobs.org/frequently-asked-questions-directory/frequently-asked-questions/category/09fca767-4604-488b-81a4-4a750922d306/x> (last visited 5/21/2012).

<sup>101</sup> Re-entry Policy Council, “Report of the Re-Entry Policy Council: Charting the Safe and Successful Return of Prisoners to the Community,” January 2005, p. 216, <http://reentrypolicy.org/publications/1694;file> (last visited 5/9/2012).



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Higher Education

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding higher education by a vote of 10 yeas, 0 nays:

- **Year-Round Operations**
  - Implement a pilot project for year-round school operations in the State University System (SUS).
- **System Efficiency**
  - The Board of Governors (BOG) should create a “University Review Program.”
- **Strategies for Degree Production**
  - The Blue Ribbon Task Force should develop strategies to increase degree production.
  - There is a high degree of interest among Florida’s policy makers to increase the production of science, technology, engineering, and mathematics (STEM) degrees in the state. The Blue Ribbon Task Force should review methods to increase the production of STEM degree graduates in the SUS, and in doing so, consider the actions of HB 7135 and the creation of a statewide STEM strategic plan.
- **Optimum Facility Utilization**
  - The Blue Ribbon Task Force should review and develop a comprehensive assessment tool to evaluate facility usage, including classroom utilization, to more accurately determine the need for Public Education Capital Outlay program (PECO) funds.
- **Funding**
  - The Blue Ribbon Task Force should investigate innovative strategies of funding for higher education.
  - The Blue Ribbon Task Force should find ways to increase transparency in state funding of higher education.
  - The Blue Ribbon Task Force should study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation.

## FULL RECOMMENATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. HIGHER EDUCATION

##### State University System of Florida

The State University System of Florida (SUS) provides students with undergraduate and graduate level instruction leading to baccalaureate, masters, doctoral and professional degrees.<sup>1</sup> Additionally, SUS institutions conduct research and engage in public service.<sup>2</sup> Currently, state universities have over 324,000 students enrolled; offer nearly 1,800 degree programs at the baccalaureate, graduate, and professional levels; and annually award over 73,000 degrees at all levels.<sup>3</sup>

##### *Governance*

The governing body for the SUS is the Board of Governors (BOG).<sup>4</sup> The BOG is the constitutionally created body required to “operate, regulate, control, and be fully responsible for the management of the whole university system.”<sup>5</sup>

Locally, each institution is governed by a board of trustees<sup>6</sup> comprised of 13 members.<sup>7</sup> The local boards of trustees are responsible for governing their institutions in accordance with BOG rules and regulations.<sup>8</sup> Each local board’s responsibilities include, but are not limited to, strategic planning and adopting policies regarding admissions, educational programming, administration, personnel, contracts, grants, and facilities.<sup>9</sup>

##### *Legislature*

The BOG’s oversight of the SUS is subject to the Legislature’s power to appropriate funds, as well as the Legislature’s responsibility to provide for the establishment, maintenance, and operation of institutions of higher learning and other public education programs that the needs of the people may require.<sup>10</sup> The Legislature is also responsible for establishing tuition and fees and establishing policies relating to merit and need-based student financial aid.<sup>11</sup>

##### *Higher Education Coordinating Council*

On March 24, 2010, the Chair of the BOG, the Chancellor of the SUS, legislative leaders and the Governor signed a SUS Governance Agreement acknowledging their shared constitutional authority for the state universities. Among the provisions adopted in the agreement was the creation of the Higher Education

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<sup>1</sup> The 11 SUS universities are provided in s. 1000.21(6), F.S. The 2012 Legislature passed SB 1994, which the Governor signed into law, creating the 12<sup>th</sup> state university – Florida Polytechnic University. Senate Bill 1994 (2012), Ch. 2012-129, L.O.F.

<sup>2</sup> Article IX, s. 7, Fla. Const.; part IV, chapter 1001, F.S.; part II, chapter 1004, F.S.

<sup>3</sup> See Governor’s Executive Order Number 12-104, May 4, 2012, (copy on file with Government Efficiency Task Force staff).

<sup>4</sup> Article XI, s. 7(d), Fla. Const. The BOG is made up of 17 members, including the Commissioner of Education, the chair of the Advisory Council of Faculty Senates, the Florida Student Association president, and 14 citizen-appointments made by the Governor and confirmed by the Florida Senate. See Article IX, s. 7(d), Fla. Const.; s. 1001.71(2) and (3), F.S.

<sup>5</sup> Article IX, s. 7(d), Fla. Const.

<sup>6</sup> Article IX, s. 7(c), Fla. Const.; s. 1001.71(1), F.S.

<sup>7</sup> The board is composed of the chair of the faculty senate, the president of the institution’s student body, six members appointed by the Governor and confirmed by the Florida Senate, and five members appointed by the BOG and confirmed by the Florida Senate. See s. 1001.71(1), F.S.

<sup>8</sup> Article IX, s. 7(c), Fla. Const.; see also Florida Board of Governors Regulation 1.001.

<sup>9</sup> Florida Board of Governors Regulation 1.001(3)-(7).

<sup>10</sup> Article IX, s. 1(a) and 7(d), Fla. Const.; ss. 1001.705 and 1001.706, F.S.

<sup>11</sup> Section 1001.705(3), F.S.

Coordinating Council (HECC).<sup>12</sup> The HECC<sup>13</sup> was created by the Legislature in 2010 to identify unmet needs and to facilitate solutions to disputes regarding the creation of new degree programs and the establishment of new institutes, campuses, or centers.<sup>14</sup> The HECC is required to act as an advisory board to the Legislature, the SBE, and the BOG.<sup>15</sup>

On December 31, 2011, the HECC submitted a report of recommendations for legislative consideration during the 2012 Legislative Session.<sup>16</sup> The report's recommendations include:

- SUS institutions should identify their primary areas of research expertise based on the unique strengths and missions of each institution.
- The HECC should receive an annual list of prospective programs being planned by postsecondary education sectors to increase coordination. The offerings will be guided by comparative cost analyses and employment demand.
- The educational sectors should set goals for increased degree completion, with a particular emphasis on STEM degree production. Incentives should be provided to encourage STEM education.
- The Legislature should align financial aid and grant programs to encourage and accelerate access, graduation, and time-to-degree. Grants should be available for summer sessions.
- A new funding formula for the SUS and the Florida College System (FCS) needs to be examined based on performance-based accountability.<sup>17</sup>

### **Blue Ribbon Task Force**

On May 4, 2012, Governor Scott issued an executive order creating the Blue Ribbon Task Force on State Higher Education Reform (BRTF).<sup>18</sup> The vision for the BRTF is to advance the SUS's Constitutional charge to operate, regulate, control, and be fully responsible for the management of the whole university system.<sup>19</sup> BRTF's responsibilities include, but are not limited to:

- Catalog and consolidate the recommendations of the various efforts addressing Florida's higher education system with respect to the SUS;
- Assess strengths and weaknesses of the SUS's governance model related to its Constitutional charge;
- Analyze the ability of state universities to contribute to the SUS 2012-2025 strategic plan;
- Recommend strategies, such as incentive systems and governance improvements, to encourage cooperation between institutions leading to reduced duplication and improved efficiencies;
- Recommend amendments to statutes and BOG regulations necessary to improve accountability and transparency on the part of state universities to the BOG and the BOG to the Legislature and Governor; and

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<sup>12</sup> Other components of the SUS Governance Agreement include: master planning and coordination of Florida's higher education systems; strategic planning; university governance; financial aid programs; the Administrative Procedures Act and BOG regulations; tuition; and fees. *See* Ch. 2010-78, L.O.F.

<sup>13</sup> The HECC is comprised of the following members: the Commissioner of Education; the Chancellor of the State University System of Florida; the Chancellor of the FCS; the Executive Director of the Commission for Independent Education; the Executive Director of the Independent Colleges and Universities of Florida; and two members representing the business community, one appointed by the President of the Senate and one appointed by the Speaker of the House of Representatives. *See* s. 1004.015(2), F.S.

<sup>14</sup> Section 1004.015(1), F.S.

<sup>15</sup> HECC goals and guiding principles are provided in s. 1004.015(3), F.S.

<sup>16</sup> Section 1004.015(5), F.S.

<sup>17</sup> Higher Education Coordinating Council, "Higher Education Coordinating Council Releases Recommendations," December 19, 2011, <http://www.floridahighereducation.org/20111219.php> (last visited 5/4/2012).

<sup>18</sup> *See* Governor's Executive Order Number 12-104, May 4, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>19</sup> *Id.*

- Conduct a review and analysis of efforts to achieve national preeminence and academic and research excellence by Florida universities, including elements that may be considered for future legislation to advance higher education.<sup>20</sup>

## B. YEAR-ROUND OPERATIONS

Currently, there is a growing movement for universities to re-evaluate their operations to better serve students while lowering costs by moving to year-round operations. Year-round operation requires universities to conduct regular academic programs over the entire year, without lowering the level of academic offerings and services over the summer.<sup>21</sup> Universities would provide courses and services in quantity and quality comparable to every other term of the year.<sup>22</sup> Through year-round operations, universities can provide a full academic year of instruction to at least one-third more<sup>23</sup> students compared to institutions using traditional calendars of three quarters or two semesters. This provides students with the opportunity to accelerate their studies or vary the season in which they take an annual break.<sup>24</sup> Several states and postsecondary institutions have begun instituting the idea of the year-round operations.

### California

In 1999, the state of California looked at implementing a year-round university system as a way to facilitate enrollment growth.<sup>25</sup> A report by the California State Legislative Analyst's Office (LAO) found that year-round operations in higher education could serve one-third more students in existing instructional facilities and save several billions of dollars that would be otherwise spent on additional buildings. The report determined that year-round operations would have no impact on faculty workload, while increasing students' access to high-demand campuses and allowing students to accelerate their timeline to degree completion.<sup>26</sup>

Following the LAO report, a feasibility study<sup>27</sup> by the University of California found that year-round instruction addresses many critical needs, including:

- Responding to concerns about impacts on local communities by shifting some students away from the traditional Fall-Winter-Spring attendance patterns;
- Decreasing some of the impacts of large and rapid enrollment growth on campuses, including crowding that will occur if new construction cannot keep pace with growth; and
- Making better use of existing classroom and class laboratory facilities to avoid capital costs of \$200 to \$240 million and associated maintenance costs, thereby freeing up funds for construction of other new core academic space that will be needed.<sup>28</sup>

The State of California subsequently provided funding for the University of California and California State University to begin year-round operations in the 2001 summer term.<sup>29</sup> By 2006, the California State LAO

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<sup>20</sup> The BRTF is required to provide a written report detailing assessments and recommendation to the Governor, Senate President, and Speaker of the House of Representatives no later than November 15, 2012. *Id.*

<sup>21</sup> Guyer, P., J. Kuhn, and B. Breedlove, "Year-Round Operation in Higher Education. An LAO Report," *California State Legislative Analyst's Office*, February 1999, p. 1, [http://lao.ca.gov/1999/021299\\_year\\_round.pdf](http://lao.ca.gov/1999/021299_year_round.pdf) (last visited 5/4/2012).

<sup>22</sup> *Id.* at p. 6.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at p. 2.

<sup>26</sup> *Id.*

<sup>27</sup> The California Legislature required the University of California and California State University to complete feasibility studies on year-round academic programs. See State of California, "Supplemental Report of the 1999 Budget Act," [http://www.lao.ca.gov/1999/99-00\\_supp\\_rpt\\_lang.html#6440](http://www.lao.ca.gov/1999/99-00_supp_rpt_lang.html#6440) (last visited 5/17/2012).

<sup>28</sup> University of California, "The Feasibility of Year Round Instruction within the University of California," April 2000, p. 1, <http://www.ucop.edu/planning/documents/yroundrpt2000.pdf> (last visited 5/17/2012).

found that summer enrollment had increased for all of the University of California campuses by 103% combined.<sup>30</sup>

## Postsecondary Institutions

In January 2012, the president of Purdue University announced that the school would begin a shift towards a year-round, trimester-based calendar.<sup>31</sup> According to the university, offering a third semester will provide students with the opportunity to complete a four-year degree in as little as three-years, saving students time and money.<sup>32</sup> This move is estimated to create \$40 million dollars in additional revenue for the university while making better use of classrooms, residence halls and other campus facilities during the summer months.<sup>33</sup> Brigham Young University (BYU)-Idaho offers a three semester or three-track system. Students are on campus for two semesters and, once they have proven they can succeed, they may apply to attend year-round. This has enabled BYU-Idaho to grow from 14,892 students in 1998 to 22,997 in 2009.<sup>34</sup> BYU-Idaho faculty increased to accommodate the increase in students; however the square footage per student decreased, (153 to 126 per student) and the operation cost per student increase was less than 7 percent (\$5,771 to \$6,155).<sup>35</sup>

## University of Florida Innovation Academy

In 2011, the University of Florida was authorized to develop and implement a student enrollment plan for the spring and summer terms to align on-campus student enrollment with the availability of instructional facilities.<sup>36</sup> As a new enrollment model operating on a spring-summer calendar, students in this pilot are limited to on-campus enrollment during these terms.<sup>37</sup> The University of Florida cites this as an effort to increase access to the university and better spread its resources by boosting enrollment in the summer;<sup>38</sup> it is not an actual year-round school model.

## Change and Efficiency

There are many benefits identified with moving to a year-round university schedule. With more classes available each year, students would be able to accelerate their graduation timelines.<sup>39</sup> A year-round calendar

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<sup>29</sup> See State of California, "2011-02 Final Budget Summary," <http://www.documents.dgs.ca.gov/osp/GovernorsBudget/pdf/2001-02budsum.pdf> (last visited 5/17/2012).

<sup>30</sup> For fully converted campuses, partially converted campuses were only up 91 percent. California State LAO, "LAO 2006 Budget Analysis: Intersegment: Year-Round Operations at UC and CSU," February 2006, p. 3, [http://www.lao.ca.gov/analysis\\_2006/education/ed\\_21\\_an106.html](http://www.lao.ca.gov/analysis_2006/education/ed_21_an106.html) (last visited 5/17/2012).

<sup>31</sup> Schedler, Carrie, "Purdue to move to year-round academic system," *Desert News*, January 11, 2012, <http://www.deseretnews.com/article/700214486/Purdue-to-move-to-year-round-academic-system.html> (last visited 5/4/2012).

<sup>32</sup> Sigurdson, Chris, "Purdue trimester plan will accelerate time-to-degree, enhance educational opportunities," *Purdue University News Source*, January 11, 2012, <http://www.purdue.edu/newsroom/academics/2012/120111CordovaTrimester.html> (last visited 5/4/2012).

<sup>33</sup> *Id.*

<sup>34</sup> Clark, Kim, "Vision and Change at BYU-Idaho," *Forum Futures 2011*, p. 24, <http://www.acenet.edu/AM/Template.cfm?Section=Forum&Template=/CM/ContentDisplay.cfm&ContentID=43625> (last visited 5/17/2012).

<sup>35</sup> Shaw, Jane S., "How should a university prepare for a challenging economic and financial environment?" March 11, 2012, <http://www.popecenter.org/commentaries/article.html?id=2664> (last visited 5/17/2012).

<sup>36</sup> The Florida House of Representatives, Final Bill Analysis, CS/HB5201, March 19, 2012, p. 10, <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/16/2012).

<sup>37</sup> *Id.* See also <http://innovationacademy.aa.ufl.edu/> (last visited 5/17/2012).

<sup>38</sup> Crabbe, Nathan, "UF plans for students kept out of fall semester," June 10, 2011, <http://chalkboard.blogs.gainesville.com/2011/06/uf-plans-for-students-kept-out-of-fall-semester/> (last visited 5/17/2012).

<sup>39</sup> Runner, George, "A Year-Round University Makes Sense," *Los Angeles Times*, February 14, 1999, <http://articles.latimes.com/print/1999/feb/14/local/me-8065> (last visited 5/4/2012).

would allow students requiring remedial courses to begin college with a lighter course load.<sup>40</sup> Nationally, about 53 percent of entering freshman must take at least one remedial course to prepare for the rigor of college-level work, and many of these students could benefit by having a lighter course load early in their college career.<sup>41</sup> Businesses and communities near the university could benefit by avoiding the traditional summer sales drop-off.<sup>42</sup> The University would benefit by maximizing the number of students served while minimizing the duplication of departmental overhead expenses.<sup>43</sup> The financial efficiency of campus operations would increase by ensuring that upkeep for buildings on campus are being paid for by the students actually using them.<sup>44</sup>

Some issues raised by those opposed to year-round operations relate to building maintenance and energy costs. The California LAO report found the amount of money spent on wear caused by additional students in the summer would be similar to what would have cost for the additional buildings required in the absence of year-round operations.<sup>45</sup> Additionally, they found that campus utility costs would not increase substantially because campuses cool many buildings in the summer, even when they are not being used at or near their full capacities.<sup>46</sup>

## Recommendations

**The Task Force recommends implementing a pilot project for year-round school operation in the State University System at one of Florida’s universities.** This pilot program should serve as a model for other SUS institutions and carefully consider the success of existing year-round operation models, such as the California higher education system and BYU-Idaho Campus. These universities, among others, successfully employed unique year-round school models to increase access, optimize degree completion and minimize operating costs.

## C. DEGREE PRODUCTION

Florida faces an emerging talent gap, and this crisis in human capital represents a vast and growing unmet need for a highly skilled and educated workforce.<sup>47</sup> A highly skilled and educated workforce is our state’s most important resource for driving sustainable economic development and a diversified economy.<sup>48</sup> The Florida Council of 100 found that for Florida to reach the education level of the 10 most productive states within the next 20 years, we will need 4.5 million adults with baccalaureate degrees – 1.3 million more than expected at the current rates.<sup>49</sup> In order to address these issues, Florida must increase degree production to meet the needs of this new global economy.

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<sup>40</sup> “Educators Urge Focus on ‘Year-Round’ College,” *Black Issues*, June 3, 2004, <http://diverseeducation.com/article/3716/> (last visited 5/17/2012).

<sup>41</sup> *Id.*

<sup>42</sup> Runner, George, “A Year-Round University Makes Sense,” *Los Angeles Times*, February 14, 1999, <http://articles.latimes.com/print/1999/feb/14/local/me-8065> (last visited 5/4/2012).

<sup>43</sup> *Id.*

<sup>44</sup> Wright, Sarah, “The Case for Year Round Schools,” [http://education-portal.com/articles/The\\_Case\\_for\\_Year-Round\\_Schools.html](http://education-portal.com/articles/The_Case_for_Year-Round_Schools.html) (last visited 5/17/2012).

<sup>45</sup> Guyer, P., J. Kuhn, and B. Breedlove, “Year-Round Operation in Higher Education. An LAO Report,” *California State Legislative Analyst’s Office*, February 1999, p. 12, [http://lao.ca.gov/1999/021299\\_year\\_round.pdf](http://lao.ca.gov/1999/021299_year_round.pdf) (last visited 5/4/2012).

<sup>46</sup> *Id.* at p. 12.

<sup>47</sup> Florida Council of 100, “Closing the Talent Gap: What Florida Needs from its Talent Supply Chain,” 2010, p. iii, [http://www.flchamber.com/wp-content/uploads/ClosingtheTalentGap\\_2010.pdf](http://www.flchamber.com/wp-content/uploads/ClosingtheTalentGap_2010.pdf) (last visited 5/30/2012).

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

## Degree Completion

Florida's economic future may be dependent on having a highly educated and skilled workforce to remain competitive with other states and nations.<sup>50</sup> Of young adults between the ages of 25 and 34, persons with a college degree, working year-round, earn about 40 percent more than persons with some college education who have not completed a degree, and about two-thirds more than persons with just a high school degree.<sup>51</sup> Additionally, Americans with bachelor's degrees and higher have almost half the unemployment rate as Americans with some college or associate degrees.<sup>52</sup> Only 26.6 percent of adults (between the ages of 25 and 64) in Florida have a baccalaureate degree or higher, compared to the U.S. average of 29.8 percent.<sup>53</sup>

When a student enrolls in college but does not complete a degree, the State of Florida receives little return on its investment in the student's education. The cost of first-year dropouts from 2003-2008 to the state of Florida was \$274,900,000 in state expenditures and another \$18,400,000 was lost in federal student grants.<sup>54</sup> The costs to the individual and to the state are also felt in the form of lost wages and tax revenue. Florida college students who started college in fall 2002 but did not graduate in 6 years lost a potential one-year total of \$132 million in income and lost a potential of \$5.6 billion in income over the course of their lifetimes.<sup>55</sup> For those same students, the federal government has lost a potential one-year total of \$19 million in tax revenue and a potential \$1.1 billion in tax revenue over the course of their lifetimes.<sup>56</sup>

## Three-year Degree

With the economic downturn, more pressure has been placed on the higher education system to reduce the cost of obtaining a degree. Although not a new idea, the three-year degree has recently become more popular. According to Lamar Alexander, "the three-year degree could become the higher-education equivalent of the fuel-efficient car."<sup>57</sup> Eliminating an extra year of school can save students 25 percent in non-tuition costs.<sup>58</sup> Students must still earn the same number of credits required for a bachelor's degree, but the programs typically cost less because they eliminate an extra year of room-and-board and other non-tuition costs.<sup>59</sup>

Building on former Governor Ted Strickland's dual enrollment initiative for high school seniors,<sup>60</sup> current Ohio Governor John Kasich has ordered Ohio state universities "to investigate ways for students to get a bachelor's

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<sup>50</sup> Schneider, M., and L. Yin, "The High Cost of Low Graduation Rates: How Much Does Dropping Out of College Really Cost?" August 2011, p. 1, [http://www.air.org/files/AIR\\_High\\_Cost\\_of\\_Low\\_Graduation\\_Aug2011.pdf](http://www.air.org/files/AIR_High_Cost_of_Low_Graduation_Aug2011.pdf) (last visited 5/18/2012).

<sup>51</sup> Data on mean earnings by educational attainment are available through the U.S. Census Bureau at [http://www.census.gov/hhes/www/cpstables/032010/perinc/new04\\_001.htm](http://www.census.gov/hhes/www/cpstables/032010/perinc/new04_001.htm). From Schneider, M., and L. Yin, "The High Cost of Low Graduation Rates: How Much Does Dropping Out of College Really Cost?," August 2011, p. 1, [http://www.air.org/files/AIR\\_High\\_Cost\\_of\\_Low\\_Graduation\\_Aug2011.pdf](http://www.air.org/files/AIR_High_Cost_of_Low_Graduation_Aug2011.pdf) (last visited 5/18/2012).

<sup>52</sup> Bureau of Labor Statistics, April 2012, <http://www.bls.gov/news.release/empsit.t04.htm> (last visited 5/18/2012).

<sup>53</sup> U.S. Census Bureau, 2009 American Community Survey Public Use Microdata Sample File. From The Florida House of Representatives, Final Bill Analysis, CS/HB 5201, March 19, 2012, p. 9, <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/18/2012).

<sup>54</sup> Schneider, M. "Finishing the First Lap: The Cost of First-Year Attrition in America's Four-Year Colleges and Universities," American Institute of Research, October 2010, p. 10, [http://www.air.org/files/AIR\\_Schneider\\_Finishing\\_the\\_First\\_Lap\\_Oct101.pdf](http://www.air.org/files/AIR_Schneider_Finishing_the_First_Lap_Oct101.pdf) (last visited 5/18/2012).

<sup>55</sup> Schneider, M., and L. Yin, "The High Cost of Low Graduation Rates: How Much Does Dropping Out of College Really Cost?" August 2011, p. 5, [http://www.air.org/files/AIR\\_High\\_Cost\\_of\\_Low\\_Graduation\\_Aug2011.pdf](http://www.air.org/files/AIR_High_Cost_of_Low_Graduation_Aug2011.pdf) (last visited 5/18/2012).

<sup>56</sup> *Id.*, at p. 6.

<sup>57</sup> Alexander, Lamar, "The Three-Year Solution," *Newsweek*, October 16, 2009, <http://www.thedailybeast.com/newsweek/2009/10/16/the-three-year-solution.html> (last visited 5/4/2012).

<sup>58</sup> *Id.*

<sup>59</sup> Shellenbarger, Sue, "Speeding College to Save \$10,000," *Wall Street Journal*, May 12, 2010, <http://online.wsj.com/article/SB10001424052748703565804575238341696523742.html> (last visited 5/4/2012).

<sup>60</sup> The "Seniors to Sophomores" program allows high school seniors to earn both high school and college credit at the same time by enrolling in college classes at a University System of Ohio campus. University System of Ohio, "Seniors to Sophomores," <http://pilot.uso.edu/opportunities/seniors2soph/index.php> (last visited 5/4/2012).

degree in three years.”<sup>61</sup> In 2009, the Rhode Island Legislature passed “The Rhode Island Bachelor’s Degree in Three Program Act,”<sup>62</sup> which enabled students in Rhode Island to apply advanced placement (AP), dual enrollment and other credit-bearing courses taken in high school to their college program.<sup>63</sup> Ideally, this program will reduce a year of their college education.<sup>64</sup>

Several U.S. colleges and universities currently offer three-year degree programs. The University of North Carolina Greensboro launched “UNCG in 3” in the fall of 2010.<sup>65</sup> This program is open to students in 17 departments and requires that students enter the program with 12 hours of college credit gained in high school.<sup>66</sup> Florida State University has offered a three-year program since 2000.<sup>67</sup> From 2007 to 2009, the enrollment in this program rose 73%, from 71 students to 123 students.<sup>68</sup>

## Adult Completer Programs

Currently, there are an estimated two million<sup>69</sup> Floridians who have not finished college and do not have the skills needed for high-wage, high-skill jobs that our economy requires.<sup>70</sup> This year the Legislature established a Degree Completion Pilot Program<sup>71</sup> for the purpose of recruiting, recovering, and retaining the state’s adult learners and assisting them in completing an associate or baccalaureate degree aligned to high-wage, high-skilled workforce needs.<sup>72</sup> Recently, other states have implemented similar programs.

Texas has the GradTX<sup>73</sup> program, which is a statewide initiative targeting adult learners who have earned at least 90 semester credit hours of college work, but never completed their program and encourages them to return to college to earn their bachelors degree.<sup>74</sup> Oklahoma’s Reach Higher program is designed for working adults who have earned some college credit<sup>75</sup> by offering flexible class schedules that enable students to keep full-time jobs while earning their college education.<sup>76</sup> The program offers limited<sup>77</sup> degree options and classes are available in an online format in eight-week durations.<sup>78</sup>

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<sup>61</sup> Abramson, Larry, “Ohio Universities Told To Develop 3-Year Degrees,” *NPR.org*, April 19, 2011, <http://www.npr.org/2011/04/19/135545481/ohio-universities-told-to-develop-3-year-degrees> (last visited 5/4/2012).

<sup>62</sup> 2009-H 5286 and 2009-S 1052.

<sup>63</sup> Szyba, Randall T., “Three years to a college degree in Rhode Island,” *Rhode Island General Assembly*, October 29, 2009, <http://www.rilin.state.ri.us/news/pr1.asp?prid=5939> (last visited 5/4/2012).

<sup>64</sup> *Id.*

<sup>65</sup> De Vise, Daniel, “Three-year degrees: A closer look,” *Washington Post*, June 16, 2011, [http://www.washingtonpost.com/blogs/college-inc/post/three-year-degrees-a-closer-look/2011/06/16/AGSM62XH\\_blog.html](http://www.washingtonpost.com/blogs/college-inc/post/three-year-degrees-a-closer-look/2011/06/16/AGSM62XH_blog.html) (last visited 5/4/2012).

<sup>66</sup> *Id.*

<sup>67</sup> Shellenbarger, Sue, “Speeding College to Save \$10,000,” *Wall Street Journal*, May 12, 2010, <http://online.wsj.com/article/SB10001424052748703565804575238341696523742.html> (last visited 5/4/2012).

<sup>68</sup> *Id.*

<sup>69</sup> This makes up 23 percent of our workforce. See The Florida Senate, Bill Analysis and Fiscal Impact Statement, SB 1992, Senate Committee on Budget, February 12, 2012, p. 25, <http://www.flsenate.gov/Session/Bill/2012/1992/Analyses/kMc4baxtYILifVPhVS/8oEXnyzI=%7C11/Public/Bills/1900-1999/1992/Analysis/2012s1992.bc.PDF> (last visited 6/1/2012).

<sup>70</sup> *Id.*

<sup>71</sup> Currently there is no funding in the budget for this program.

<sup>72</sup> Florida House of Representatives, “Final Bill Analysis CS/HB 5201,” March 19, 2012, p. 9, <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/15/2012).

<sup>73</sup> See <http://gradtx.org/> (last visited 5/18/2012).

<sup>74</sup> Texas Higher Education Coordinating Board, “Self-Evaluation Report to the Sunset Advisory Commission,” September 1, 2011, p. 32, <http://www.theccb.state.tx.us/files/dmfile/SunsetSER2011Final5.pdf> (last visited 5/18/2012).

<sup>75</sup> For the bachelor’s degree program adult students must be at least 21 years old, have completed at least 72 hours of college credit and had a minimum of 2.0 grade point average (GPA). For the associate’s degree program students must be at least 21 years old and have completed at least 18 hours of college credit with a minimum GPA of 2.0. McElroy, T. and D. Blanke, “Reach Higher” (copy on file with Government Efficiency Task Force staff).

<sup>76</sup> Southwester Oklahoma State University, “Reach Higher Program Information,” <http://www.swosu.edu/administration/registrar/reach-higher.asp> (last visited 6/1/2012).

Project Win-Win is a collaborative effort between the Institute for Higher Education Policy and the State Higher Education Executive Officer, and funded principally by Lumina Foundation for Education.<sup>79</sup> The program partners with colleges and four-year institutions authorized to award associate's degrees to identify former students, no longer enrolled anywhere and never awarded any degree, whose record qualifies them for an associate's degree, and award those degrees retroactively.<sup>80</sup> Simultaneously, these institutions identify former students who are "academically short" of an associate's degree by no more than nine to 12 credits, find them, and seek to bring them back to complete the degree.<sup>81</sup> Currently Broward College, Indian River State College, and St. Johns River State College will be serving as pilot colleges for Florida.<sup>82</sup>

## Excess Credits and Incentives

It is important for Florida that students graduate on time and without excess credits. A 2006 OPPAGA study found that excess credit hours cost the state \$62 million in Fiscal Year 2004-05.<sup>83</sup> Currently, the state charges a surcharge for students who graduate with excess credit hours. Florida requires a surcharge of 100 percent of tuition for each credit hour in excess of 110<sup>84</sup> percent of the number of credit hours required for completion of the students' registered degree program.<sup>85</sup>

Other states offer tuition incentives in the form of credits or discounts if students commit to meeting certain goals, such as graduating on time or early.<sup>86</sup> Other states like Texas offer \$1,000 in a tuition rebate for students who complete a bachelor's degree efficiently, taking as few courses outside their degree plan as possible.<sup>87</sup> To receive the rebate a student enrolled after high school graduation at a college or university for the first time in fall of 1997 or later must graduate with no more than three semester credit hours in excess of the minimum number of credit hours required to degree.<sup>88</sup> Students enrolled after high school graduation at a college or university for the first time in fall 2005 or later must also graduate in a timely manner<sup>89</sup> to earn the rebate.<sup>90</sup>

## Recommendations

**The Task Force recommends the Blue Ribbon Task Force develop strategies to increase degree production.** Example strategies may include incentives for timely and expedited completion of bachelor degrees, creating more three-year degree programs, and developing a statewide degree completer program.

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<sup>77</sup> One bachelor's degree in Organizational Leadership, and three associate's degrees. McElroy, T., and D. Blanke, "Reach Higher" (copy on file with Government Efficiency Task Force staff).

<sup>78</sup> Southwester Oklahoma State University, "Reach Higher Program Information," <http://www.swosu.edu/administration/registrar/reach-higher.asp> (last visited 6/1/2012).

<sup>79</sup> Institute for Higher Education Policy, "Project Win-Win," <http://www.ihep.org/projectwin-win.cfm> (last visited 5/18/2012).

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

<sup>82</sup> Florida Department of Education, State Board of Education, "Elimination of College Level Academic Skills," July 20, 2011, <http://www.fldoe.org/cc/OSAS/Correspondence/pdf/07-11EliminationofCLAS.pdf> (last visited 5/18/2012).

<sup>83</sup> OPPAGA, "Excess Hours Cost State \$62 Million Annually: University Actions May Help Address Problem," Report No. 06-58, August 2006, p. 2, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0658rpt.pdf> (last visited 5/18/2012).

<sup>84</sup> This was changed from 115 percent in HB 5201. OPAGGA estimated this reduction will save the state an additional \$11 million in FY 2012-13. See The Florida House of Representatives, Final Bill Analysis, CS/HB 5201, March 19, 2012, p. 11, <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/18/2012).

<sup>85</sup> Chapter 2012-134, L.O.F.

<sup>86</sup> National Conference of State Legislatures, "Getting What You Pay For: Tuition Policy and Practice," November 2008, p. 3, <http://www.wiche.edu/info/gwypf/badolato.pdf> (last visited 5/18/2012).

<sup>87</sup> See <http://www.collegeforalltexas.com/apps/financialaid/tofa2.cfm?ID=447> (last visited 5/18/2012).

<sup>88</sup> *Id.*

<sup>89</sup> According to the most recent revision of this program, a timely manner is graduating in four calendar years for a four-year degree program or within five calendar years if the degree is in a program determined by the board to require more than four years to complete. See <http://www.collegeforalltexas.com/apps/financialaid/tofa2.cfm?ID=447> (last visited 5/18/2012).

<sup>90</sup> *Id.*

The Task Force recommends that the BRTF study the Project Win-Win program and its results at participating Florida colleges to determine if this program (or similar program) could be applied to SUS institutions. The BRTF should investigate initiatives in other states to see the value to Florida of an adult completer program that requires state funding. The Task Force recommends the BRTF research the effectiveness of programs aimed at student retention in higher education.

## D. SYSTEM EFFICIENCY

### Sharpening the Pencil Act

Building on the Best Financial Management Practice (BFMP) Reviews,<sup>91</sup> the Legislature passed the “Sharpening the Pencil Act” in 2001 to assist school districts in identifying and realizing cost savings through implementation of best financial management practices.<sup>92</sup> These reviews were intended to improve the use of resources, identify cost savings, and improve the districts’ performance accountability systems.<sup>93</sup> To achieve these goals, the Commissioner of Education was required to develop best practices in several areas, including efficient delivery of educational services, facilities construction and maintenance, performance accountability, and cost control systems.<sup>94</sup>

The scope of the reviews focused on the best practices adopted by the Commissioner; however, OPPAGA could include additional items after seeking input from the district and the Department of Education.<sup>95</sup> The reviews culminated in a final report containing an action plan for addressing financial management. The total savings realized by Florida school districts from the BFMP and Sharpening the Pencil reviews,<sup>96</sup> over a five year period, was \$933,209,474.00.<sup>97</sup>

### University Audits

Currently, the Auditor General is required to conduct annual financial audits<sup>98</sup> of all state universities and colleges, and at least every three years, conduct operational audits<sup>99</sup> of the accounts of state universities and colleges.<sup>100</sup> Audits are made to determine whether financial resources are properly accounted for; whether public officials comply with applicable laws, rules, regulations and other legal requirements; whether proper and effective internal controls are in place over entity operations; and whether assets are properly safeguarded.<sup>101</sup>

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<sup>91</sup> BFMP reviews were an assessment system based on a comprehensive set of best practices to improve school districts’ management and use of resources. The best practices covered a broad range of school district educational and program services. *See* s. 11.515, F.S., repealed in 2001 (*see also* Ch. 2001-86, L.O.F.). These reviews were in-depth projects that involved reviewing district operations at the individual program level. *See* The Florida House of Representatives, Bill Analysis, CS/CS/HB 0269, Committee on General Education, June 1, 2001, p. 10 (copy on file with Government Efficiency Task Force staff).

<sup>92</sup> *Id.*

<sup>93</sup> *Id.*

<sup>94</sup> Chapter 2001-86, L.O.F.

<sup>95</sup> Section 230.2302(2), F.S., subsequently changed to s. 1008.35(2), F.S. in 2002 (*see also* Ch. 2002-387, L.O.F.)

<sup>96</sup> These reviews have not been funded by the Legislature since 2004. Kinsley, Chris, email from BOG, May 31, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>97</sup> The Best Financial Management Practices reviews and Sharpening the Pencil reviews conducted by OPPAGA achieved an annual savings of \$186,641,894.90, or a total savings of \$933,209,474.00 over five years. OPPAGA, “Sharpening the Pencil: Reviews by District,” <http://www.oppaga.state.fl.us/districtlist.aspx> (last visited 5/2/2012). For more information on the Best Financial Management Practices reviews, *see* s. 11.515, F.S., repealed in 2001 (*see also* Ch. 2001-86, L.O.F.).

<sup>98</sup> Section 11.45(1)(c), F.S.

<sup>99</sup> Section 11.45(1)(g), F.S.

<sup>100</sup> Sections 11.45(2)(c) and (f), F.S.

<sup>101</sup> The Florida House of Representatives, Final Bill Analysis, CS/HB 5201, March 19, 2012, p. 2, <http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=h5201z.HEAS.DOCX&DocumentType=Analysis&BillNumber=5201&Session=2012> (last visited 5/15/2012).

## Recommendations

**The Task Force recommends the Board of Governors (BOG) create a University Review Program.** This program should be similar to the K-12 system's BFMP reviews and the "Sharpening the Pencil" Act. The university reviews should identify ways each university can achieve savings; improve management; and increase efficiency and effectiveness. The BOG should compile a list of best practices, including innovative strategies successfully implemented at individual universities. While the Task Force recognizes the Auditor General's Office conducts financial and operational audits to promote government accountability and stewardship and improve government operations, the objectives<sup>102</sup> of these audits are broader than the purpose of the recommended "University Review Program." The "University Review Program's" main focus should be on cost saving strategies and efficiencies.

## E. SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS (STEM) DEGREES

### STEM Degrees

Research conducted by the Center on Education and the Workforce at Georgetown University found the risk of unemployment among recent graduates, along with the amount of money a graduate makes, depends on their major.<sup>103</sup> Median earnings among recent college graduates is \$36,000 higher for a Computer Engineering major than a Physiology major.<sup>104</sup> This is just one indicator of the importance of STEM degrees in today's economy.

A major factor in Florida's future economic growth will be the ability of the state university and state college systems to promote economic growth and meet the needs of the state's businesses. In order to do this, Florida's universities must produce more graduates in STEM fields, increase their STEM research productivity that can be commercialized and expanded into new economic opportunities, and build strong relationships with the business community to expand services such as business incubators that will promote targeted economic growth.<sup>105</sup> Governor Scott recognized the importance of STEM initiatives and included it as one of his seven key steps in the Governor's 2012 Job Creation and Economic Growth Agenda.<sup>106</sup>

Florida is a leader in multiple high-tech sectors, ranking among the top four in space and defense systems manufacturing, photonics manufacturing, internet and telecommunications services, engineering services, and computer training.<sup>107</sup> Overall, Florida ranks fifth in the nation for employing high-tech workers.<sup>108</sup> Although the research has not effectively addressed the human and financial capital necessary to generate a sufficient STEM talent pool, the current economic landscape demands that targeted investments be made, not in spite of the economic downturn, but rather because of it.<sup>109</sup> The leading companies and clusters that will emerge over the next 20 years will locate themselves in states where they have access to a top-quality workforce.<sup>110</sup>

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<sup>102</sup> See Auditor General, *Annual Report of the Auditor General: November 1, 2010 through October 31, 2011*, p. 10, [http://www.myflorida.com/audgen/pages/pdf\\_files/annual%20report%202011.pdf](http://www.myflorida.com/audgen/pages/pdf_files/annual%20report%202011.pdf) (last visited 5/15/2012).

<sup>103</sup> Carnevale, A., B. Cheah, J. Strohl, "Hard Times: College Majors, Unemployment and Earnings: Not All College Degrees are Created Equal," Georgetown University Center for Education and the Workforce, January 4, 2012, p. 4, <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Unemployment.Final.pdf> (last visited 5/23/2012).

<sup>104</sup> *Id.* at p. 6.

<sup>105</sup> Governor Rick Scott, "2012 Job Creation and Economic Growth Agenda," October 13, 2011, p. 7, <http://www.flgov.com/wp-content/uploads/2011/12/2012FINAL.pdf> (last visited 5/23/2012).

<sup>106</sup> *Id.* at p. 6.

<sup>107</sup> TechAmerica Foundation, "Florida Is the 5<sup>th</sup> Largest Cyberstate by Tech Employment," October 5, 2011, <http://www.techamericafoundation.org/cyberstates2011-florida> (last visited 5/23/2012).

<sup>108</sup> *Id.*

<sup>109</sup> The Florida Senate, "Review the Effect of State High School Graduation Requirements on Student Preparation for Postsecondary Education and the Workforce," Interim Report 2012-112, October 2009, p. 1, [http://archive.flsenate.gov/data/publications/2010/Senate/reports/interim\\_reports/pdf/2010-112ed.pdf](http://archive.flsenate.gov/data/publications/2010/Senate/reports/interim_reports/pdf/2010-112ed.pdf) (last visited 5/23/2012).

<sup>110</sup> Florida Council of 100, "Closing the Talent Gap: What Florida Needs from its Talent Supply Chain," 2010, p. iii, [http://www.flchamber.com/wp-content/uploads/ClosingtheTalentGap\\_2010.pdf](http://www.flchamber.com/wp-content/uploads/ClosingtheTalentGap_2010.pdf) (last visited 5/30/2012).

The Florida Council of 100 found that within five years, Florida will need at least 100,000 more science and technology professionals than we are currently on track to produce.<sup>111</sup> By 2018, Florida's economy will demand a total of 385,010 STEM jobs, up from 322,560 in 2008.<sup>112</sup> Of those jobs, 58 percent will require a bachelor's degree or higher and a total of 89 percent will require some postsecondary education and training.<sup>113</sup> Currently,<sup>114</sup> less than 20 percent of bachelor's degrees awarded through the SUS<sup>115</sup> were in STEM fields.<sup>116</sup>

### Florida's STEM Strategic Plan Efforts

In 2007, the Legislature created the Florida Center for Research in Science, Technology, Engineering and Mathematics (FCR-STEM).<sup>117</sup> FCR-STEM is housed at Florida State University's Learning System's Institute.<sup>118</sup> FCR-STEM's mission is to help the State of Florida improve teaching and learning in K-12 science, technology, engineering and math and prepare students for higher education and STEM careers in the 21<sup>st</sup> century.<sup>119</sup> A National Governor's Association (NGA) response to an FCR-STEM grant proposal, noted:

Florida's gap analysis completed for NGA's grant application indicates that the state has many STEM partners, programs, and activities, but they are not well connected, aligned, or working cooperatively to achieve the common goal of improving student achievement in STEM areas. Additionally, despite these multiple STEM programs in public schools, colleges, universities, Space Florida, and STEM-related business and industry, student achievement in STEM content areas and programs is not where it needs to be for students' future success in these areas. Secondary students lack essential competencies to succeed in postsecondary STEM education and 21<sup>st</sup> Century STEM careers. As a result, employers are looking outside of Florida and the nation to fill high skill STEM positions.<sup>120</sup>

As a result of the NGA's findings, FRC-STEM, in partnership with the Florida Chamber of Commerce (Florida Chamber Foundation), established a task force to develop a cohesive state plan to engage the educational and workforce entities essential to create a sustained and high-skilled workforce and a more viable state economy.<sup>121</sup> In 2009, Workforce Florida, Inc., announced a request for proposal (RFP) to provide funding in support of efforts to improve STEM outcomes in Florida.<sup>122</sup> In order to avoid duplication of efforts and increase

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<sup>111</sup> *Id.*

<sup>112</sup> Carneval, A., N. Smith, and M. Melton, "STEM State-Level Analysis," Georgetown University Center for Education and the Workforce, October 20, 2011, p. 21, [http://www.mcla.edu/About\\_MCLA/uploads/textWidget/4175.00014/documents/stem-states-complete.pdf](http://www.mcla.edu/About_MCLA/uploads/textWidget/4175.00014/documents/stem-states-complete.pdf) (last visited 5/23/2012).

<sup>113</sup> *Id.*

<sup>114</sup> FY 2010-11.

<sup>115</sup> However, 37 percent bachelor's degrees were in areas of strategic emphasis that include STEM, globalization, security/emergency services, health professions, and education (critical). State University System of Florida, Board of Governors, "Annual Accountability Report 2010-2011," March 2012, p. 12, [http://www.flbog.org/about/doc/budget/System Annual Accountability Report.pdf](http://www.flbog.org/about/doc/budget/System%20Annual%20Accountability%20Report.pdf) (last visited 5/23/2012).

<sup>116</sup> State University System of Florida, Board of Governors, "Annual Accountability Report 2010-2011," March 2012, p. 12, [http://www.flbog.org/about/doc/budget/System Annual Accountability Report.pdf](http://www.flbog.org/about/doc/budget/System%20Annual%20Accountability%20Report.pdf) (last visited 5/23/2012).

<sup>117</sup> Section 59, Ch. 2006-60, L.O.F., (codified in s. 1004.86, F.S.) instructed the Department of Education to competitively select a public or private university to create and operate the Florida Center for Mathematics and Science Education Research for purposes of increasing student achievement in mathematics and science, with an emphasis on K-12 education.

<sup>118</sup> Learning Systems Institute, Florida State University "Florida Center for Research in Science, Technology, Engineering and Mathematics," [http://www.lsi.fsu.edu/centers/fcrstem/documents/brochure\\_fcrstem.pdf](http://www.lsi.fsu.edu/centers/fcrstem/documents/brochure_fcrstem.pdf) (last visited 5/23/2012).

<sup>119</sup> *Id.*

<sup>120</sup> The Florida Senate, *Review the Effect of State High School Graduation Requirements on Student Preparation for Postsecondary Education and the Workforce*, Interim Report 2010-112, prepared by Committee on Education Pre-K – 12, October 2009, p. 7, [http://archive.flsenate.gov/data/publications/2010/Senate/reports/interim\\_reports/pdf/2010-112ed.pdf](http://archive.flsenate.gov/data/publications/2010/Senate/reports/interim_reports/pdf/2010-112ed.pdf) (last visited 5/23/2012).

<sup>121</sup> *Id.* at p. 8.

<sup>122</sup> *Id.* at p. 6.

the likelihood of developing a STEM Plan that would have a state-wide impact, leaders of the FCR-STEM task force decided to collaborate with the Consortium of Florida's Education Foundation and others in responding to the RFP.<sup>123</sup> *STEMflorida* initiative was selected<sup>124</sup> and the eventual result was the Florida STEM Strategic Plan issued in December 2011.<sup>125</sup>

The STEM Strategic Task Force was composed of over 70 members of the business, industry, education, policy and philanthropic communities, who relied on state of the state reports, literature reviews, roundtable discussions, and earlier initiatives to gain a clear picture of both the current and necessary STEM performance in Florida and business-recommended and evidence-based strategies for overcoming that gap.<sup>126</sup> The plan focuses on three main areas: students, educators, and sustainable infrastructure.<sup>127</sup> For students, the goal is to increase the percentage of students successful at each level to ensure our diverse population is:

- Capable of conducting real-world STEM projects and inquiry;
- Capable of authentic and collaborative problem solving;
- Proficient in applying multidisciplinary knowledge and skills through STEM;
- Proficient in English and other languages in order to succeed on a global scale; and
- Knowledgeable about and interested in STEM careers.<sup>128</sup>

For educators, the goal is to increase the quality of STEM educators.<sup>129</sup> Lastly, for a sustainable infrastructure, the goal is to create a statewide sustainable STEM leadership organization to align existing and emerging STEM initiatives and represent Florida as one voice in meeting STEM demands.<sup>130</sup>

The Legislature, noticing the lack of a statewide strategic STEM plan, passed HB 7135 in 2012.<sup>131</sup> HB 7135 requires the SBE, in consultation with the BOG and the Department of Economic Opportunity, to adopt a unified plan to improve K-20 STEM education and prepare students for high-skill, high-wage, and high-demand employment in STEM and STEM-related fields.<sup>132</sup>

### **Economic Security Report (HB 7135 – Post Secondary Education)<sup>133</sup>**

Passed during the 2012 Regular Session, HB 7135 requires the Department of Economic Opportunity (DEO) to prepare, or contract with an entity to prepare, an annual *Economic Security Report* of employment and earning outcomes report using Florida Education and Training Placement Information Program (FETPIP) data, FCS data, SUS data, and the Integrated Postsecondary Education Data System (IPEDS). The report will include information on graduates, degrees, education delivery system, public assistance, student loan debt, employment, income, continuing education, and graduate degrees for all students who earn a degree in the SUS, the FCS, and those who hold industry certifications.

Beginning in the 2014-15 academic year and each year thereafter, SUS institutions and FCS institutions will be required to provide students with the DEO report by the time of course registration. Each state university is also required to provide students with information detailing the top 25 percent and lowest 10 percent of degrees in regard to earnings.

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<sup>123</sup> *Id.*

<sup>124</sup> *Id.* at p. 8.

<sup>124</sup> FCR-STEM, "Florida STEM Strategic Plan," December 2011, p. 6,

[http://www.lsi.fsu.edu/centers/fcrstem/resources/documents/floridaSTEM\\_strategic\\_plan\\_dec2011.pdf](http://www.lsi.fsu.edu/centers/fcrstem/resources/documents/floridaSTEM_strategic_plan_dec2011.pdf) (last visited 5/23/2012).

<sup>125</sup> *See Id.*

<sup>126</sup> *Id.* at p. 1.

<sup>127</sup> *Id.*

<sup>128</sup> *Id.* at p. 11.

<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

<sup>131</sup> *See* Ch. 2012-118, L.O.F.

<sup>132</sup> *Id.*

<sup>133</sup> House Bill 7135 (2012), Ch. 2012-196, L.O.F.

## State University Accountability and Strategic Plan (HB 7135 – Post Secondary Education)<sup>134</sup>

The State University System Strategic Plan 2005-2013 outlined seven accountability measures for the SUS: graduation rates, degree production, meeting statewide and professional workforce needs, enrolling underserved populations, licensure passage, academic learning compacts, and building world-class nationally recognized programs.<sup>135</sup> HB 7135 expands the specific performance metrics and standards used to monitor the performance at the system level in each of the major areas of instruction, research, and public service, while recognizing the differing mission of each of the state universities. Metrics are to be included in the SUS strategic plan, and university and system progress will be reported annually in the accountability plans. The bill does not delineate the specific performance metrics and standards common to all institutions or metrics and standards unique to institutions depending on institutional core missions, but specifies certain metrics and standards, including: admission requirements, graduation, retention, employment, continuing education, licensure passage, excess hours, student loan burden and default rates, and well-known, highly-respected national rankings for institutional and program achievements.

The university system accountability process requires each board of trustees to submit to the BOG a university annual report that describes progress regarding articulated goals and summarizes other key data, including the above-mentioned performance metrics, with accompanying narrative to highlight or explain information. The plan must include student enrollment and performance data by method of instruction including traditional, online, and distance learning. The BOG must submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives. This accountability process provides for the systematic, ongoing evaluation of quality and effectiveness of state universities by the BOG. The strategic plan must also consider reports and recommendations of the HECC and the Articulation Coordinating Committee .

### Recommendations

**The Task Force is aware of the high degree of interest among policy makers in increasing the production of science, technology, engineering, and mathematics (STEM) degrees in the State of Florida and concurs with that as a stated and laudable goal of the Blue Ribbon Task Force (BRTF). The Task Force recommends the BRTF review methods to increase the production of STEM degree graduates in the SUS, and in doing so, consider the actions of HB 7135 (Chapter 2012-195, L.O.F.) and the creation of a statewide STEM strategic plan.** Graduates with STEM degrees have high employment rates and are drivers of economic progress for the State of Florida. Efforts, like those in HB 7135, should be encouraged and expanded. The BRTF should look at the strategic plan developed by FCR-STEM, but also examine initiatives other states have undertaken related to statewide STEM planning. The BRTF should make sure to investigate Florida's economy and identify STEM fields that are most important to expanding our economy and include in the plan.

The plan should establish metrics that enable all those involved with higher education to understand the economic impact of particular degree programs at each SUS institution. Beyond the requirements of HB 7135's Economic Security Report, this should involve a cost-per-degree assessment to provide students with the economic value based on a degree holders' median earnings. Multiple performance measures should be developed to provide the absolute and relative economic value of degree programs, and provide transparency to those involved the process so resource and allocation decisions can be based on a higher return on investment to the state and its citizens.

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<sup>134</sup> *Id.*

<sup>135</sup> Board of Governors, "State University System Strategic Plan 2005-2013," 2005, p. 42, [http://www.flbog.edu/about/doc/strategicplan/StrategicPlan\\_05-13.pdf](http://www.flbog.edu/about/doc/strategicplan/StrategicPlan_05-13.pdf) (last visited 5/16/2012). The most recent strategic plan, *State University System Strategic Plan 2012-2025*, published in November 2011, includes 28 BOG identified performance indicators to measure progress toward the SUS 2025 goals. See [http://www.flbog.edu/pressroom/doc/2011-11-28\\_Strategic\\_Plan\\_2012-2025\\_FINAL.PDF](http://www.flbog.edu/pressroom/doc/2011-11-28_Strategic_Plan_2012-2025_FINAL.PDF) (last visited 5/2/2012).

The plan must take into account, coordinate, and streamline all STEM initiatives taking place throughout the K-20 system. STEM initiatives taking place at all higher education institutions must factor into the development of the State University Accountability and Strategic Plan,<sup>136</sup> including adding a metric for number of STEM degrees produced by each state university and college.

## F. FACILITY UTILIZATION

### Public Education Capital Outlay

The Public Education Capital Outlay program (PECO) is Florida's primary source of facility funding for the SUS, which utilizes the funds for new teaching and research facilities and to keep existing buildings functional with deferred maintenance spending.<sup>137</sup> PECO was established in 1963 by constitutional amendment to fund public higher education construction and maintenance projects.<sup>138</sup> PECO works to fund Florida's long-term need for education facilities with a portion of the gross receipts tax on utilities, including electricity, telecommunications and cable.<sup>139</sup> The GRT is utilized to borrow money at very low interest rates by issuing tax-exempt PECO bond offerings.<sup>140</sup> Currently, PECO bonds<sup>141</sup> account for nearly 40 percent of the state's debt.<sup>142</sup>

Within the SUS, fixed capital outlay expenditures are based on 3-year<sup>143</sup> and 5-year<sup>144</sup> plans provided by the institutions.<sup>145</sup> The plans are submitted to the BOG, which approves a 3-year PECO list.<sup>146</sup> The list is then sent to the Legislature, which determines the projects to receive PECO funding. Additionally, SUS institutions have a supplementary revenue source for capital improvements in the Capital Improvement Trust Fund Fee (CITF) and the building fee.<sup>147</sup>

Postsecondary institutions rely heavily on PECO funds to pay for fixed capital outlay projects.<sup>148</sup> In January 2012, the Revenue Estimating Conference reduced the PECO funding amount to zero for the next two years<sup>149,150</sup> It is critical SUS institutions utilize existing facilities as efficiently as possible, because increasing

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<sup>136</sup> As required by HB 7135 (2012), Ch. 2012-196, L.O.F.

<sup>137</sup> State University System of Florida, Board of Governors, "Fact Sheet: Public Education Capital Outlay (PECO)," September 29, 2011, p. 1, [http://www.flbog.org/resources/\\_doc/publications/infobrief/9-2011\\_FACT\\_SHEET\\_Public-%20Education-Capital-Outlay-final.pdf](http://www.flbog.org/resources/_doc/publications/infobrief/9-2011_FACT_SHEET_Public-%20Education-Capital-Outlay-final.pdf) (last visited 5/14/2012).

<sup>138</sup> *Id.*

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> Section 1010.62, F.S., establishes the process for authorizing and issuing university debt and identifies the revenues that are available for payment of fixed capital outlay debt over a period of time.

<sup>142</sup> Florida TaxWatch, "Public Education Capital Outlay," May 20, 2011, p. 2, <http://www.floridataxwatch.org/resources/pdf/05202011PECOFUNDSReport.pdf> (last visited 5/14/2012).

<sup>143</sup> As required by s. 1013.64, F.S.

<sup>144</sup> As required by s. 1013.31, F.S.

<sup>145</sup> Florida State University, "Major Project Funding Process," March 16, 2012, [http://www.facilities.fsu.edu/FDC/Major\\_Funding.php](http://www.facilities.fsu.edu/FDC/Major_Funding.php) (last visited 5/14/2012).

<sup>146</sup> State University System of Florida, Board of Governors, "Fact Sheet: Public Education Capital Outlay (PECO)," September 29, 2011, p. 1, [http://www.flbog.org/resources/\\_doc/publications/infobrief/9-2011\\_FACT\\_SHEET\\_Public-%20Education-Capital-Outlay-final.pdf](http://www.flbog.org/resources/_doc/publications/infobrief/9-2011_FACT_SHEET_Public-%20Education-Capital-Outlay-final.pdf) (last visited 5/14/2012).

<sup>147</sup> Section 1009.24(8), F.S., establishes the Capital Improvement Trust Fund Fee (CITF) and the building fee. Prior to this legislative session, the CITF was capped at \$2.44 per credit hour and the building fee was capped at \$2.32 per credit hour. HB 5201 (*see* Ch. 2012-134, L.O.F) allows universities to increase the CITF up to 10 percent of tuition or the sum of tuition and out-of-state fees as approved by a fee committee and the board of trustees. The fee may increase no more than \$2 per credit hour over the prior year for resident students.

<sup>148</sup> OPPAGA, "Higher Education Facility Construction Costs are Reasonable; Some Improvements could Maximize Use of Classroom Space," Report No. 06-31, March 2006, p. 3, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0631rpt.pdf> (last visited 5/15/2012).

<sup>149</sup> FY 2012-13 and FY 2013-14.

building utilization can delay the need for new classrooms.<sup>151</sup> The BOG has identified the importance of utilization in these tough economic times. For the 2013-14 Fixed Capital Outlay Budget Request, the BOG required SUS universities to consider utilization in the prioritization of their projects.<sup>152</sup>

## Utilization

Florida law requires classrooms to be used at least 40 hours per week and that 60% of student stations be occupied.<sup>153</sup> The statutory language for higher education presumes a 40-hour work week, based primarily on faculty schedules of the past, and the standard 40-hour work week.<sup>154</sup> With the addition of distance learning, expansion of adjunct faculty, and other non-traditional approaches that blend classroom and non-classroom instruction, the 40-hour paradigm may no longer be the most appropriate bench mark.<sup>155</sup>

A 2006 OPPAGA report found classrooms at some state universities and colleges were underutilized.<sup>156</sup> As a result of this report, the BOG established a facilities task force in May 2006, which made recommendations for updating the formulas used in the planning process to determine need for additional classrooms and other types of instructional and non-instructional space. Currently, the BOG has not acted on the recommendations to update to the formula.<sup>157</sup> In a 2009 follow-up report, OPPAGA found that higher education classroom utilization remains low during some time periods despite the efforts of some postsecondary institutions.<sup>158</sup> OPPAGA noted that more state-level action is needed to improve classroom utilization and the facilities planning process.<sup>159,160</sup> This year the BOG has established another Facilities Task Force, which is required to produce final recommendations by November 7, 2012.<sup>161</sup> The Facilities Task Force's focus will be on studying ways to address the "facilities funding crisis."<sup>162</sup>

## Recommendations

**The Task Force recommends the Blue Ribbon Task Force review and develop a comprehensive assessment tool to evaluate facility usage, including classroom utilization, to more accurately determine the need for PECO funds.** The BOG should make recommendations to the BRTF for consideration regarding maximization of facility usage and optimum facility utilization. Other recommendations

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<sup>150</sup> Revenue Estimating Conference, January 13, 2013, <http://edr.state.fl.us/content/conferences/peco/pecoexec.pdf> (last visited 5/15/2012).

<sup>151</sup> OPPAGA, "Higher Education Facility Construction Costs are Reasonable; Some Improvements could Maximize Use of Classroom Space," Report No. 06-31, March 2006, pp. 3, 6, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0631rpt.pdf> (last visited 5/15/2012).

<sup>152</sup> Jones, Tim, "2013-14 Fixed Capital Outlay Budget Request General Instructions," Memo to University Presidents, August 1, 2012, p. 2, <http://flbog.edu/about/doc/cod/cipinstructions/1-CIP-General-Instructions.pdf> (last visited 5/15/2012).

<sup>153</sup> Section 1013.03(2), F.S.

<sup>154</sup> FCS and SUS, "Florida Higher Education Classroom Utilization Study," 2011, p. 2, (copy on file with Government Efficiency Task Force staff).

<sup>155</sup> *Id.*

<sup>156</sup> OPPAGA, "Higher Education Facility Construction Costs are Reasonable; Some Improvements could Maximize Use of Classroom Space," Report No. 06-31, March 2006, p. 6, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0631rpt.pdf> (last visited 5/15/2012).

<sup>157</sup> *Id.* at p. 5.

<sup>158</sup> OPPAGA, "More State Direction Could Increase the Utilization of Higher Education Classrooms," Report No. 09-25, April 2009, p. 2, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0925rpt.pdf> (last visited 5/15/2012).

<sup>159</sup> *Id.* at p. 5.

<sup>160</sup> The FCS and BOG conducted their own higher education utilization study. For their results see FCS and SUS of Florida, "Florida Higher Education Classroom Utilization Study," 2011, p. 2 (copy on file with Government Efficiency Task Force staff).

<sup>161</sup> SUS Facilities Task Force, "Meeting Materials," April 30-May 1, 2012, p. 15, [http://www.flbog.edu/documents\\_meetings/0166\\_0596\\_4749\\_Agenda%20and%20Meeting%20materials.pdf](http://www.flbog.edu/documents_meetings/0166_0596_4749_Agenda%20and%20Meeting%20materials.pdf) (last visited 5/15/2012).

<sup>162</sup> Wilmath, Kim, "Board of Governors to study facilities funding," *Tampa Bay Times*, March 21, 2012, <http://www.tampabay.com/blogs/the-buzz-florida-politics/content/board-governors-study-facilities-funding> (last visited 5/15/2012).

should focus on ways to improve utilization data to ensure postsecondary institutions are meeting their potential for enrollment and whether steps are necessary to address underutilization at these sites.<sup>163</sup>

## G. UNIVERSITY FUNDING

State universities receive funding from state appropriations, student tuition and fees, private sources, and federal programs.<sup>164</sup> This year's budget provided about \$3.5 billion to the SUS.<sup>165</sup> According to the BOG, the SUS's overall budget was in excess of \$9.7 billion last year.<sup>166</sup>

### Performance-based Funding

Performance-based funding (or outcomes-based funding) is a postsecondary finance strategy that links state funding for public colleges and universities with institutional performance.<sup>167</sup> Unlike traditional funding, which has been based on linking appropriations to enrollment growth, performance-based funding links state appropriations to outcomes that align with the state's goals and priorities.<sup>168</sup> Performance-based funding has been promoted as a policy option for improving campus productivity and boosting college completion by the Lumina Foundation, Bill and Melinda Gates Foundation, College Board, National Conference of State Legislatures, National Governors Association, and Education Commission of the States.<sup>169</sup> The main components for performance-based funding are goals, measurements and incentives.<sup>170</sup> In order to be successful, these three components must be aligned and complementary with each other.<sup>171</sup>

There are three main delivery models that link state funding and campus outcomes: output-based funding, performance contracts, and performance set-asides.<sup>172</sup> Output-based systems are funding formulas linking state funding and outputs.<sup>173</sup> Performance contracts are negotiated agreements between states and institutions to achieve results.<sup>174</sup> Finally, performance set-asides are a separate portion of state funding designed to improve university performance, which may be a bonus fund or a separate portion of a regular state appropriation.<sup>175</sup>

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<sup>163</sup> See OPPAGA, "More State Direction Could Increase the Utilization of Higher Education Classrooms," Report No. 09-25, April 2009, <http://www.oppaga.state.fl.us/MonitorDocs/Reports/pdf/0925rpt.pdf> (last visited 5/15/2012).

<sup>164</sup> OPPAGA, "Government Program Summaries: Education System State University System," October 3, 2011, p. 3, <http://www.oppaga.state.fl.us/profiles/2101/> (last visited 5/15/2012).

<sup>165</sup> Kinsley, Chris, email from BOG, May 31, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>166</sup> FY 2011-12. The SUS budget is divided into five major components: Education and General state and tuition funds, Contracts and Grants, Auxiliary Services, Local Funds, and Faculty Practice Plans. State University System of Florida, Board of Governors, "Annual Accountability Report 2010-2011," March 2012, p. 22, [http://www.flbog.org/about/doc/budget/System Annual Accountability Report.pdf](http://www.flbog.org/about/doc/budget/System%20Annual%20Accountability%20Report.pdf) (last visited 5/18/2012).

<sup>167</sup> American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing," June 2011, p. 2, [http://www.congressweb.com/aascu/docfiles/Performance\\_Funding\\_AASCU\\_June2011.pdf](http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf) (last visited 5/18/2012).

<sup>168</sup> Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 1, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/2012).

<sup>169</sup> American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing," June 2011, p. 2, [http://www.congressweb.com/aascu/docfiles/Performance\\_Funding\\_AASCU\\_June2011.pdf](http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf) (last visited 5/18/2012).

<sup>170</sup> *Id.*

<sup>171</sup> Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 1, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/2012).

<sup>172</sup> *Id.*

<sup>173</sup> *Id.*

<sup>174</sup> *Id.* at p. 3.

<sup>175</sup> *Id.*

There are many advantages to performance-based funding. It can lead to greater awareness of performance on college campuses, while improving the delineation of state and institutional priorities.<sup>176</sup> Performance-based funding can also enhance transparency and accountability and increase productivity.<sup>177</sup>

## Other States Using Performance-based Funding

### Tennessee

Tennessee, which first implemented performance-based funding in 1979, passed legislation in 2010<sup>178</sup> to restructure the state's higher education funding model.<sup>179</sup> They have changed their primarily enrollment-driven higher education finance system to an output-based approach<sup>180</sup> that will eventually tie 100 percent of state funding for two and four-year colleges and universities to a new set of outcome-based metrics.<sup>181</sup> Currently, Tennessee is the only state utilizing outcomes and an institution-specific weighting structure to completely replace the enrollment-based funding model in higher education finance policy.<sup>182</sup>

The Tennessee model weights outcomes for each institution separately,<sup>183</sup> which allows the model to be tailored to an institution's specific mission.<sup>184</sup> Each institution's formula calculation is independent of other institutions and there are no state-imposed targets or pre-determined goals.<sup>185</sup> The allocation of available state appropriations is competitive and the distribution follows a pro-rata share of each institution's formula calculation.<sup>186</sup> For instance, if the state funds 50 percent of the overall higher education request, then each institution will receive 50 percent of its outcomes formula request.<sup>187</sup> Every year the funding allocation for higher education is available again; no institutions are entitled to appropriations based on prior-year funding.<sup>188</sup>

The Tennessee Higher Education Commission cited several advantages of the outcome-based model, including:

- Multiple measures of productivity, previously unaccounted for, will now be credited to the institution.
- The formula is not prescriptive in how to achieve success and excellence.
- The model does not penalize failure to achieve pre-determined goals.
- The model emphasizes unique institutional mission.
- The model is more flexible and can accommodate future shifts in mission or desired outcomes.
- The model is more transparent and simpler for state government.

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<sup>176</sup> Maryland Department of Legislative Services, Office of Policy Analysis, "Performance Models and Metrics in Higher Education," February 23, 2012, p. 6, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/2012).

<sup>177</sup> *Id.* at p. 7.

<sup>178</sup> Tennessee SB 7006 (2010), Public Chapter No. 3.

<sup>179</sup> Hermes, Jim, "States trend toward performance funding," *Community College Times*, February 17, 2012, <http://www.communitycollegetimes.com/Pages/Funding/States-trend-toward-performance-funding.aspx> (last visited 5/21/2012).

<sup>180</sup> Community colleges and four-year state colleges and universities are also treated differently, allowing the formulas to account for differences in institutional missions. American Association of State Colleges and Universities, "Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing," June 2011, p. 6,

[http://www.congressweb.com/aascu/docfiles/Performance\\_Funding\\_AASCU\\_June2011.pdf](http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf) (last visited 5/18/2012).

<sup>181</sup> Hermes, Jim, "States trend toward performance funding," *Community College Times*, February 17, 2012, <http://www.communitycollegetimes.com/Pages/Funding/States-trend-toward-performance-funding.aspx> (last visited 5/21/2012).

<sup>182</sup> Presentation by Tennessee Higher Education Commission, "Tennessee's Outcomes-Based Funding Formula," pp. 11-12 (copy on file with Government Efficiency Task Force staff).

<sup>183</sup> For instance, if research has a larger role in an institutions mission, it gets weighted more heavily in the model. *Id.* at p. 19.

<sup>184</sup> *Id.*

<sup>185</sup> *Id.* at p. 45.

<sup>186</sup> *Id.* at p. 46.

<sup>187</sup> *Id.*

<sup>188</sup> *Id.* at p. 47.

- The model is directly linked to the educational attainment goals of Tennessee’s Public Agenda for higher education.<sup>189</sup>
- The model establishes a framework for government to have an ongoing policy of discussion with higher education.
- The model is adjustable to account for new outcomes or a different policy focus by changing the weights.<sup>190</sup>

This model allows state government to be clear in its expectations for higher education, while institutions are given wide latitude in organizational, budgetary, programmatic and academic matters.<sup>191</sup> The state provides incentives for achievement, but is not interfering with instructional judgments about how to achieve these goals.<sup>192</sup>

### *Pennsylvania*

The Pennsylvania State System of Higher Education (PASSHE) has been cited by the Lumina Foundation for Education as a national leader in performance-based funding. In 2000, PASSHE implemented performance funding, allocating a portion of its funds each year to reward those institutions that demonstrate improvements in key areas including student achievement.<sup>193</sup> Since implementing performance-based funding, PASSHE has experienced significant changes in its campuses’ attitudes toward performance, with gains cited in student retention and graduation rates, campus diversity, program quality and faculty productivity.<sup>194</sup> The average number of credits at graduation has decreased, while retention and graduation rates have increased.<sup>195</sup>

In 2011, PASSHE approved a new performance-based funding system that will replace the system old system that had been in place since 2000.<sup>196</sup> Pennsylvania’s goals for their new system are to emphasize results instead of inputs; be aligned with PASSHE’s strategic goals and national accountability efforts; create a funding system that will reduce competition among universities; and allow for institution-specific measures.<sup>197</sup> The new system is based on the core values of student success, access, and institutional stewardship of resources.<sup>198</sup> Each PASSHE university is measured on 10 performance indicators, five of which will be the same for all institutions and five of which will be selected by the individual universities based on their strategic goals.<sup>199</sup> All indicators will measure the universities’ progress toward institution-specific goals and against external comparisons or expectations.<sup>200</sup> The new model changes how money is

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<sup>189</sup> The Tennessee Public Agenda for higher education establishes the direct link between the state’s economic development and its educational system. The overarching goal is to have Tennessee meet the projected national average in educational attainment by 2025. See [http://tn.gov/thec/complete\\_college\\_tn/ccta\\_summary.html](http://tn.gov/thec/complete_college_tn/ccta_summary.html) (last visited 5/21/2012).

<sup>190</sup> Presentation by Tennessee Higher Education Commission, “Tennessee’s Outcomes-Based Funding Formula,” pp. 53-56 (copy on file with Government Efficiency Task Force staff).

<sup>191</sup> *Id.* at p. 59.

<sup>192</sup> *Id.*

<sup>193</sup> Maryland Department of Legislative Services, Office of Policy Analysis, “Performance Models and Metrics in Higher Education,” February 23, 2012, p. 2, <http://mlis.state.md.us/2012rs/misc/PolicyBriefing-PerformanceMetrics.pdf> (last visited 5/21/2012).

<sup>194</sup> American Association of State Colleges and Universities, “Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing,” June 2011, p. 3, [http://www.congressweb.com/aascu/docfiles/Performance\\_Funding\\_AASCU\\_June2011.pdf](http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf) (last visited 5/18/2012).

<sup>195</sup> *Id.*

<sup>196</sup> *Id.* at p. 6.

<sup>197</sup> Snyder, Martha, “Pennsylvania’s Performance Funding System, March 2011 Case Study,” December 7, 2011, <http://www.thekc.org/blogs/pennsylvania%E2%80%99s-performance-funding-system-march-2011-case-study> (last visited 5/21/2012).

<sup>198</sup> American Association of State Colleges and Universities, “Performance-based Funding: A Re-Emerging Strategy in Public Higher Education Financing,” June 2011, p. 6, [http://www.congressweb.com/aascu/docfiles/Performance\\_Funding\\_AASCU\\_June2011.pdf](http://www.congressweb.com/aascu/docfiles/Performance_Funding_AASCU_June2011.pdf) (last visited 5/18/2012).

<sup>199</sup> Snyder, Martha, “Pennsylvania’s Performance Funding System, March 2011 Case Study,” December 7, 2011, <http://www.thekc.org/blogs/pennsylvania%E2%80%99s-performance-funding-system-march-2011-case-study> (last visited 5/21/2012).

<sup>200</sup> Marshall, Kenn, “PASSHE revises performance funding program,” Pennsylvania State System of Higher Education, January 20, 2011, <http://www.passhe.edu/inside/ne/press/Lists/Press%20Releases/DispForm.aspx?ID=461> (last visited 5/21/2012).

appropriated. Under this model, the performance funding pool will be set at 2.4 percent of PASSHE's total Educational and General Appropriation, resulting in approximately the same funding level but ensuring greater productivity for universities.<sup>201</sup>

### Texas

In 2011 the Texas legislature passed the "Higher Education Outcomes-Based Funding Act,"<sup>202</sup> which required the Texas Higher Education Coordinating Board to include in its biennial funding proposal to the Legislature a portion of funding (no more than 10 percent of the total appropriations for higher education) to reward institutions for achieving student success outcomes, such as increased graduation rates.<sup>203</sup> In April 2012, the Texas Higher Education Coordinating Board approved recommendations for outcomes-based funding. For two-year colleges, 10 percent of funding would use the outcomes-based methodology beginning in 2014-15.<sup>204</sup> These institutions would earn momentum points for the number of students annually completing certain metrics and the funding would be allocated to an institution in proportion to its share of the total momentum points earned statewide.<sup>205</sup>

For universities, the proposal would institute an outcomes-based allocation model to be funded outside the instruction and operations formula with 10 percent of funding that would have been allocated to undergraduate weighted credit hours.<sup>206</sup> The university model allocates funds based on a three-year rolling average of institutions' performance on certain metrics, which are all weighted the same<sup>207</sup> and based only on undergraduates.<sup>208</sup> The board noted that because the state's public health-related institutions have high graduation rates and do not face the same challenges with increasing student degree attainment as Texas' public universities and two-year colleges, they were not recommended for outcomes-based funding.<sup>209</sup>

### Florida Performance-based Funding Initiatives

#### Colleges

The FCS first implemented performance-based funding in FY 1996-97, when the Legislature provided a specific appropriation for performance incentives.<sup>210</sup> The most recent year the Legislature appropriated funding for performance incentives was FY 2008-09.<sup>211</sup> Performance-based funding was distributed on a formula approved by the Council of Presidents and recommended to the Legislature. The formula recognized performance in efficiency (time to degree), program completions, degrees and certificates awarded, job placements, and meeting critical employment needs.<sup>212</sup>

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<sup>201</sup> Snyder, Martha, "Pennsylvania's Performance Funding System, March 2011 Case Study," December 7, 2011, <http://www.thekc.org/blogs/pennsylvania%E2%80%99s-performance-funding-system-march-2011-case-study> (last visited 5/21/2012).

<sup>202</sup> Texas HB 9 (2011).

<sup>203</sup> National Conference of State Legislatures, "Higher Education Legislation in 2011," <http://www.ncsl.org/issues-research/educ/highereducationlegislation2011.aspx> (last visited 5/21/2012).

<sup>204</sup> Texas Higher Education Coordinating Board, "Formula Funding Recommendations 2012," April 2012, p. 8, <http://www.theccb.state.tx.us/reports/PDF/2591.PDF?CFID=28381880&CFTOKEN=98685641> (last visited 5/21/2012).

<sup>205</sup> *Id.*

<sup>206</sup> *Id.* at p. 9.

<sup>207</sup> One metric, critical fields factor (degrees awarded in fields identified as critical workforce needs such as Computer Science, Engineering, Math, Physics, Nursing, Allied Health and Teaching Certificates for Math and Science) are weighted double. *Id.*

<sup>208</sup> Graduate and professional students are excluded from the calculation. *Id.*

<sup>209</sup> *Id.*

<sup>210</sup> Florida College System, "Community College Funding," email from FCS, May 23, 2011 (copy on file with Government Efficiency Task Force staff).

<sup>211</sup> *Id.*

<sup>212</sup> *Id.*

Performance funding was applied to as much as six percent of total college funding.<sup>213</sup> Florida did realize some success from the performance-based funding system. Over a six-year period, remedial students passing the highest remedial course within two years increased by 7.6 percent for reading, 4.3 percent by math, and 4.6 percent for writing.<sup>214</sup>

### *SUS Performance Based Funding (HB 7135 – Post Secondary Education)*

For Fiscal Year 2012-13, the Legislature allocated \$15 million<sup>215</sup> for performance funding for state universities.<sup>216</sup> HB 7135 outlines the formula by which the BOG must review and rank each state university that applies for performance funding:

- Twenty-five percent of a state university's score must be based on the percentage of employed graduates who have earned degrees in computer and information science, computer engineering, information system technology, and management information systems.
- Twenty-five percent of a state university's score must be based on the percentage of graduates who earned baccalaureate degrees in the concentrations above and who earn industry certifications in a related field from a FCS institution or state university before beginning a baccalaureate degree program.
- Fifty percent of a state university's score must be based on factors determined by the BOG that relate to increasing the probability that graduates who have earned degrees in computer and information science, computer engineering, information systems technology, and management information systems will be employed in high-skill, high-wage, and high-demand jobs.

The BOG must award up to \$15 million to the highest-ranked state universities from funds appropriated for this purpose. The minimum amount awarded to a state university must be at least 25 percent of the total amount appropriated.

### **Colorado's Higher Education Voucher System**

In May 2004, Colorado implemented the first, and to date only, voucher-based financing system for higher education statewide.<sup>217</sup> Colorado no longer appropriates money to institutions for undergrad education, but provides direct funding to in-state undergraduate students through the "College Opportunity Fund" (COF).<sup>218</sup> Students apply for and authorize the use of the voucher, which is applied to the student's university bill.<sup>219</sup> Unlike most funding systems where taxpayer money that a university receives for each student is not transparent, this plan shows the state's contribution on the tuition bill.<sup>220</sup> The state directs university expenses through fee-for-service contracts and conditional funding based on performance measures.<sup>221</sup> The fee-for-service contracts are negotiated between the institution and the state Department of Higher Education to fund several specific state needs, such as graduate education,

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<sup>213</sup> Dougherty, K., and E. Hong, "State Systems of Performance Accountability for Community Colleges: Impacts and Lessons for Policymakers," July 2005, p. 4 (copy on file with Government Efficiency Task Force staff).

<sup>214</sup> *Id.*

<sup>215</sup> This is only .52% of the universities education and general activities funds (including tuition). Excluding tuition, it is only 1.18% of the universities education and general activities funds. See Governor Rick Scott's Office of Policy and Budget, "K-20 Funding Sources Report," April 23, 2012 (copy on file with Government Efficiency Task Force staff).

<sup>216</sup> House Bill 5001 (2012), Ch. 2012-118, L.O.F.

<sup>217</sup> Western Interstate Commission for Higher Education, "An Evaluation of Colorado's College Opportunity Fund and related Policies," 2008, p. i, <http://www.wiche.edu/info/publications/policyCOF.pdf> (last visited 5/22/2012).

<sup>218</sup> University of Colorado, "College Opportunity Fund (COF) Project," <https://www.cu.edu/ums/cof/faq.html> (last visited 5/22/2012).

<sup>219</sup> *Id.*

<sup>220</sup> Sivasailam, Abhi, "Changes to College Funding System Could Increase Efficiency, Transparency," December 7, 2009, <http://showmeinstitute.org/publications/commentary/education/181-changes-to-college-funding-system-could-increase-efficiency-transparency.html> (last visited 5/22/2012).

<sup>221</sup> *Id.*

specialized education services, and professional degrees.<sup>222</sup> Performance contracts are negotiated and established for accountability purposes.<sup>223</sup> With guaranteed funding, the state has created incentives for universities to keep operating costs and sticker prices low, in order to attract a larger pool of applicants.<sup>224</sup>

## Recommendations

**The Task Force recommends the Blue Ribbon Task Force investigate innovative strategies of funding for higher education.** This should include a review of other successful funding mechanisms for higher education being employed by other states, including Tennessee, Pennsylvania, Texas and Colorado.

## Transparency in Higher Education Funding

Transparency in government is not a new issue, nor is transparency in higher education funding. Several states have recognized the worthiness of making higher education funding more transparent. Effective May 2009, Utah State agencies, including higher education institutions, were required to provide financial data (including transactional data) to the Utah State Division of Finance website for transparency.<sup>225</sup> Similarly, the Virginia's State Legislature added language to its 2011 appropriations bill to require the Governor's Commission on Higher Education Reform, Innovation, and Investment to review a proposal to no longer permit the transfer of general fund appropriations to non-general funds for institutions of higher education.<sup>226</sup> Implementation of this proposal would improve transparency in the accounting system for higher education by separately accounting for expenditures in educational and general funds that are paid with tax dollars (general funds) and non-general funds (tuition).<sup>227</sup>

## Recommendations

**The Task Force recommends the Blue Ribbon Task Force find ways to increase transparency in state funding of higher education.** The BRTF should review how other states, like Utah and Virginia, are increasing transparency in their higher education funding and analyze the potential use for Florida. Increasing transparency will enable the higher education system to align with Florida's other state transparency initiatives.

## Market Rate Tuition (HB 7129 – State University of Academic and Research Excellence and National Preeminence)

Passed by the Legislature during the 2012 Regular Session, HB 7129 would have exempted state research universities of national preeminence, defined as those meeting 11 of 14 specified criteria, from statutory limits on the amount of tuition and fees that could be charged to undergraduate students and would have authorized the universities to establish undergraduate and graduate tuition at differentiated and market rates. During 2011-12, the tuition and fee average for Florida's public universities was \$5,626 per year, making Florida 45<sup>th</sup> in

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<sup>222</sup> Western Interstate Commission for Higher Education, "An Evaluation of Colorado's College Opportunity Fund and related Policies," 2008, p. 4, <http://www.wiche.edu/info/publications/policyCOF.pdf> (last visited 5/22/2012).

<sup>223</sup> *Id.*

<sup>224</sup> Sivasailam, Abhi, "Changes to College Funding System Could Increase Efficiency, Transparency," December 7, 2009, <http://showmeinstitute.org/publications/commentary/education/181-changes-to-college-funding-system-could-increase-efficiency-transparency.html> (last visited 5/22/2012).

<sup>225</sup> On the TransparentUtah.gov website, universities list revenues, distinguishing between state and non-state funds and describing the source of the revenue. Expenses are categorized by the use of the funds including salaries and wages, and employer paid benefits. University of Utah, "Learning about the Transparency Initiative," <http://fbs.admin.utah.edu/transparency/what/> (last visited 5/22/2012).

<sup>226</sup> Virginia House Bill 1500, Chapter 874, Item 248.E.

<sup>227</sup> Virginia's Governor's Commission on Higher Education Reform, Innovation, and Investment, "Increasing Transparency in Higher Education Accounting," December 16, 2011, p. 4, <http://www.education.virginia.gov/initiatives/HigherEducation/meetingPresentations/121611/IncreasingTransparency.pdf> (last visited 5/22/2012).

the nation for average tuition cost.<sup>228</sup> The national average for the same period of time was \$8,244.<sup>229</sup> At this time only the University of Florida and Florida State University meet 11 of the 14 preeminence measures.<sup>230</sup>

### Veto

On April 27, 2012, the Governor vetoed HB 7129 citing concerns about the increased debt burden on students and a lack of evidence that the increased tuition would provide additional return on investment for students.<sup>231</sup> The Governor stated that in order to move the SUS toward excellence for the good of Florida, the university system will need to develop a statewide plan and distinctive mission tied to degree production, geographic location, and excellence for each university, and conduct an operational review of each university to identify potential cost savings and efficiencies.

### Recommendations

**The Task Force recommends the Blue Ribbon Task Force study the issue of market rate tuition and provide recommendations to the Governor and Legislature on its implementation.** The study should include whether sufficient evidence exists for increasing tuition at certain universities above the current 15 percent cap. The study should analyze the possible effect on the return on investment for students and the SUS as a whole. If the BRTF recommends market rate tuition, it should identify a plan to ensure flat rate tuition for First-Time-In-College (FTIC) students for their first four years and upper level transfer students for two years.

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<sup>228</sup> State University System of Florida, Board of Governors, “New National Rankings released for States’ Tuition and Fees,” October 26, 2011, <http://flbog.edu/pressroom/news.php?id=418> (last visited 5/3/2012).

<sup>229</sup> *Id.*

<sup>230</sup> *See* Preeminence Measures by University (chart on file with Government Efficiency Task Force staff).

<sup>231</sup> *See* Governor’s veto letter of HB 7129, April 27, 2012 (copy on file with Government Efficiency Task Force staff).



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** University Procurement

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding university procurement by a vote of 10 yeas, 0 nays:

- **State University Procurement**
  - The State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida.
- **Collaboration with the Department of Management Services**
  - The Board of Governors, state universities, and the Department of Management services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.
  - The Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties.
  - State universities utilize state term contracts to achieve savings.
- **Florida Polytechnic**
  - The Board of Governors leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. STATE UNIVERSITY SYSTEM

##### Governance

The governing body for the State University System (SUS) is the Board of Governors (BOG).<sup>1</sup> The BOG is made up of 17 members, including the Commissioner of Education, the chair of the Advisory Council of Faculty Senates, the Florida Student Association president, and 14 citizen-appointments made by the Governor and confirmed by the Florida Senate.<sup>2</sup> The BOG is the constitutionally created body required to “operate, regulate, control, and be fully responsible for the management of the whole university system.”<sup>3</sup>

Locally, each institution is governed by a board of trustees<sup>4</sup> comprised of 13 members (the chair of the faculty senate, the president of the institution’s student body, six members appointed by the Governor and confirmed by the Florida Senate, and five members appointed by the BOG and confirmed by the Florida Senate).<sup>5</sup> The local boards of trustees are responsible for governing their institutions in accordance with BOG rules and regulations.<sup>6</sup>

Each university is charged with managing its own procurement and purchasing services. Pursuant to BOG regulations, “each university Board of Trustees shall adopt regulations establishing basic criteria related to procurement, including procedures and practices to be used in acquiring commodities and contractual services”.<sup>7</sup>

#### B. UNIVERSITY PROCUREMENT

##### Inter-institutional Committee on Purchasing

The Inter-institutional Committee on Purchasing (ICOP) is an association comprised of SUS institutions’ purchasing directors. ICOP goals include increasing coordination of purchasing operations, reducing operating costs, increasing efficiencies, and leveraging quantities of scale to maximize volume discount opportunities for the purchase of shared goods and services. ICOP develops policies and guidelines for establishing system-wide contracts and cooperative agreements for use by universities. The ICOP listserv is utilized to share information on advantageous contract pricing through other purchasing groups and consortia.

##### Procurement Regulation

SUS institutions must adhere to the following regulations when purchasing goods and services:

- Chapter 18 of the Board of Governors Regulations provides regulations for purchasing, including competitive solicitation, notice and protest procedures, and solicitation bonding requirements.<sup>8</sup> University Boards of Trustees are permitted to establish a competitive solicitation threshold up to \$75,000.<sup>9</sup>

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<sup>1</sup> Article XI, s. 7(d), Fla. Const.

<sup>2</sup> Art. IX, s. 7(d), Fla. Const.; s. 1001.71(2) and (3), F.S.

<sup>3</sup> Art. IX, s. 7(d), Fla. Const.

<sup>4</sup> Art. IX, s. 7(c), Fla. Const.; s. 1001.71(1), F.S.

<sup>5</sup> Section 1001.71(1), F.S.

<sup>6</sup> Art. IX, s. 7(c), Fla. Const.; *see also* Florida Board of Governors Regulation 1.001 (Feb. 16, 2012).

<sup>7</sup> Florida Board of Governors Regulation 18.001(1).

<sup>8</sup> Florida Board of Governors Regulation Chapter 18.

<sup>9</sup> Florida Board of Governors Regulation 18.001(2).

- Due to federal procurement requirements, BOG procurement regulations continue to be aligned with the procurement provisions in ch. 287, F.S.
- Universities are subject to annual operational audits by federal, state, and internal auditors.
- Universities are required to complete federally-mandated education and training in procurement best practices.

## **The Florida State University and University of Florida Strategic Sourcing and E-Procurement Initiative**

Although the use of strategic sourcing best practices is common throughout the SUS, the Florida State University (FSU) and the University of Florida (UF) have developed a fully integrated electronic procurement system, including an on-line catalog of purchasing options. The system contract was awarded to SciQuest, the premier provider of e-procurement software for research universities and institutions.

UF and FSU focused on six commodity areas for strategic sourcing throughout the university procurement process: IT hardware, courier, office products, scientific supplies, copiers, and maintenance, repairs, and operations. SUS institutions purchase from a contract between the Florida Distance Learning Consortium and Blackboard. Pricing is negotiated based on aggregate spend. The BOG leveraged aggregate spend and utilized the e-procurement system to purchase a system-wide contract with Microsoft.

FSU and UF collaboratively issued joint, strategically sourced invitations to negotiate (ITN) to establish e-procurement contracts for information technology equipment and scientific and medical supplies. The ITNs resulted in three joint IT contracts and ten lab supply contracts and agreements.

## **Recommendations**

**The Task Force recommends the State University System adopt an electronic procurement platform(s) that offers functionality similar to the systems at the Florida State University and the University of Florida.** FSU and UF utilize an electronic platform for procurement. Implementation of the system resulted in improved control and tracking of procurement spend,<sup>10</sup> decreased ordering time for universities and vendors, and a reduction in paperwork. Utilization of technology, along with changes in procurement law, has allowed FSU to reduce its procurement work force by eleven positions.<sup>11</sup> Implementation of similar procurement platforms would allow the other nine universities of the SUS to realize similar benefits and savings.<sup>12</sup> Consideration should be given to leveraging of such a system across multiple institutions.

## **Other Buying Groups and Consortia**

Each SUS institution is a member of the National Association of Educational Procurement (NAEP). NAEP members are eligible to use dozens of competitively-bid and strategically-sourced contracts established by Educational & Institutional Cooperative Service, Inc. (E&I). E&I is a not-for-profit buying cooperative established by members of NAEP to provide goods and services to members at the best possible value.<sup>13</sup>

SUS institutions are also eligible to use competitively-bid consortium contracts established by other government groups, such as the Western States Contracting Alliance, and buying groups, such as the U.S. Communities and Horizon Resource Group.

<sup>10</sup> The improved control and tracking of spend allows for the ability to utilize strategic sourcing, which may lead to cost savings in the procurement of services and commodities.

<sup>11</sup> The elimination of positions occurred over a 20-year period of changing procurement law and substantial adoption of technology to increase efficiency. FSU staff has estimated that it has saved over \$1.3 million in staff reduction and \$900,000 in cost avoidance over the last 9 years. Information provided by FSU (copy on file with Government Efficiency Task Force staff). Other factors include increased efficiency of current staff use, less ordering time, better tracking of spend, and more predictable ordering.

<sup>12</sup> A recent proposal to implement a system similar to that of FSU and UF among the other nine SUS institutions was estimated to cost between \$1.4 to \$1.7 million annually, with an additional one-time implementation cost of \$2 million. Information provided by ICOP (copy on file with Government Efficiency Task Force staff).

<sup>13</sup> See <https://www.eandi.org/> (last visited 05/29/2012).

## Regional Procurement

By working with larger institutions, smaller state universities with specialized needs have achieved procurement savings at the regional level. For example, the University of North Florida (UNF) implemented the SunGuard Banner ERP system in FY 2003-04 as a result of a SUS ITN initiative chaired by UF, FSU, UNF, the University of Central Florida (UCF), and Florida Atlantic University (FAU). UNF has achieved significant savings through its solicitation process. UNF's procurement savings was \$570,628 in 2010, \$352,059 in 2011, and \$361,293 through the third quarter of 2012. UNF's purchasing department has generated revenue over the past five years, including two signing bonuses for office supply contracts utilizing strategic sourcing with other universities and rebates from E&I contracts.

### C. UNIVERSITY COLLABORATION WITH STATE PURCHASING

The Department of Management Services (DMS) has organized a group of representatives from local governments, state colleges, and state universities (referred to as other eligible users or OEUs) called Florida Professionals for Public Procurement. The group meets monthly and has representation from the University of Florida, the University of North Florida, Polk State College, Florida Atlantic University, and Florida Gulf Coast University.

The group has several long term objectives including:

- Maximizing best in class procurement processes;
- Bringing the best value to the state and OEUs through strategic sourcing, standard contracts, and standard processes;
- Managing administrative costs through supply chain management and a shared services delivery model;
- Working with the Division of State Purchasing (the division) to create a flexible technology platform;<sup>14</sup> and
- Maximizing spend visibility.

In addition, the division also communicates with universities through the Florida Association of Public Procurement Officials.<sup>15</sup>

SUS institutions also utilize DMS's Vendor Bid System to post solicitations in order to increase competition and are substantial users of DMS state term contracts.<sup>16</sup>

### Recommendations

**The Task Force recommends that the Board of Governors, state universities, and the Department of Management services continue coordinating their efforts in the area of procurement in order to better manage tracking of spend, contracting, strategic sourcing, and best procurement practices.**

Representatives from DMS and several SUS institutions (UF, University of North Florida (UNF), Florida Atlantic University (FAU) and Florida Gulf Coast University (FGCU)) meet monthly to coordinate and improve procurement. This cooperative effort should continue and be expanded by the addition of other SUS institutions. The BOG should also consider having one person or current SUS institution procurement officer be the point person for DMS to contact regarding procurement issues and strategic procurement.

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<sup>14</sup> This would include the following items from the Task Force recommendations on state procurement: provide a public facing catalog solution for OEUs to purchase state term contract items; convert Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes; and increase utilization of MyFloridaMarketPlace (MFMP).

<sup>15</sup> See <http://www.fappo.org/> (last visited 5/29/2012).

<sup>16</sup> Examples of use of state contracts include: furniture, IT, gasoline, carpet, rental cars, lab supplies, office supplies, audio visual, bank services, and telecommunication. Information provided by ICOP (copy on file with Government Efficiency Task Force staff).

**The Task Force recommends that the Department of Management Services and the State University System identify and jointly strategically source common goods and services in order to achieve maximum savings to both parties.** DMS should work with SUS institutions to identify those common goods and services in order to strategically procure them to the benefit of both the state and the SUS.

**The Task Force recommends that state universities utilize state term contracts to achieve savings.** Utilization of state term contracts allows the state and OEUs to achieve savings, track spending, and leverage volume to strategically procure commonly-utilized goods and services. Increasing OEU utilization of state term contracts will provide additional leverage for DMS in negotiating better pricing. DMS and the SUS institutions should also evaluate university contracts to determine if university pricing is more competitive than current state contracts.<sup>17</sup>

#### **D. FLORIDA POLYTECHNIC UNIVERSITY**

Passed during the 2012 Regular Session, Senate Bill 1994<sup>18</sup> provided for the creation of Florida Polytechnic University as a new, independent institution in the state university system,<sup>19</sup> effective upon becoming law. Florida Polytechnic is required to meet the following BOG requirements by December 31, 2016:

- Achieve regional accreditation from the Commission on Colleges of the Southern Association of Colleges and Schools (SACS);
- Initiate development of new STEM programs;
- Seek discipline-specific accreditation for programs;
- Attain a minimum full-time equivalent student enrollment (FTE) of 1,244, with a minimum 50 percent of that FTE in STEM fields and 20 percent in STEM-related fields;
- Complete, at minimum, construction of the Science and Technology Building, Phase I of the Wellness Center, and a residence hall or halls with at least 190 beds;
- Have the ability to provide administration of financial aid, admissions, student support, information technology, and finance and accounting with an internal audit function.

USF Lakeland (formerly USF Polytechnic) has about 1,300 students: 60% of them are part-time, approximately 70% are from Polk County, and 98% are FL residents. Currently, there are only upper-division students, but the first class of freshman is expected to start in fall 2012. There are also approximately 196 faculty and staff, with an additional 18 employed by the Florida Industrial and Phosphate Research Institute. USF Lakeland occupies half of a joint-use building in Lakeland, shared with Polk State College. Construction on Phase 1 of the Science and Technology Building has begun, but Florida Polytechnic will share the joint-use facility until construction is completed. Currently, there are no students associated with Florida Polytechnic University; the University will require an appointed Board of Trustees, who will then hire a president before they can begin enrolling new students.<sup>20</sup>

#### **Recommendations**

**The Board of Governors should leverage the creation of Florida Polytechnic to pursue opportunities to implement shared services models across multiple institutions.** With the addition of Florida Polytechnic as the 12<sup>th</sup> university in the SUS, there is an opportunity to create shared service models and find efficiencies that can be applied system wide. Initial focus should be on shared services for smaller institutions that have comparable needs.

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<sup>17</sup> DMS should also take into consideration other incentives that SUS institutions utilize such as rebates. For example, ICOP reports that when rebates and incentives are taken into consideration, the FSU contract pricing for office supplies is lower than the current state term contract. Information provided by ICOP (copy on file with Government Efficiency Task Force staff).

<sup>18</sup> See Senate Bill 1994, Ch. 2012-129, L.O.F.

<sup>19</sup> Section 1000.21, F.S.

<sup>20</sup> First entering class estimated fall 2013.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Business Regulation

### RECOMMENDATION SUMMARY

On November 2, 2011, the Government Efficiency Task Force approved the following recommendations regarding business regulation by a vote of 14 yeas, 0 nays:

- **Provisional Business Permits**

- Implement a provisional business permit for select industries.
- Create an evaluation process for industries linked to health and human safety to qualify for a provisional business permit.
- Utilize information from the business dashboard to identify key industries that would qualify for the permit.
- Utilize the provisional permit process to identify and eliminate unnecessary regulations.
- Conduct a pilot program in selected counties or cities to benchmark the effectiveness of the permit.

- **Business Dashboard**

- Implement a business permit dashboard that tracks the amount of time it takes for a company to get started in the State of Florida.
- Begin the dashboard at the state level, tracking the business as it goes through the state regulatory process.
- Begin with a pilot program with counties participating on a voluntary basis.
- Encourage county/city compliance by requiring participation as a condition for certain funding.
- Utilize current information already collected by state agencies, the Chamber of Commerce, and local governments.
- Designate one agency, preferably the Department of State, to receive all information related to the business dashboard.
- Utilize dashboard metrics to identify unnecessary regulations, industries that do not require regulation, and industries or businesses that would qualify for the provisional business permit.
- Allow private businesses to submit additional information.
- For each week in reduced startup time resulting from the business dashboard, the state would save an estimated **\$3.44 million** in unemployment benefit payments.

- **One-Stop Business Portal**

- Implement the One-Stop Portal in stages as recommended by Department of Revenue Executive Director Lisa Vickers.
- Identify redundancies and potential consolidations as the portal is phased in.
- Utilize the consolidation process to identify unnecessary agency regulation.
- Create a "Phase 1a" comprised of a "splash page" website with agency links to fast track businesses through the startup or renewal process.
- Utilize existing call center functions to include a live chat feature to provide real time assistance to users.
- Include a mechanism that allows for feedback from businesses regarding regulation, which would be forwarded to the Office of Fiscal Accountability and Regulatory Reform and the Legislature.

## FULL RECOMMENDATION(S) ANALYSIS

### I. RECOMMENDATIONS(S) AND BACKGROUND

#### A. PROVISIONAL BUSINESS PERMITS

##### Background

A provisional business permit would allow industries that do not affect health and human safety to start a business more quickly and be managed to compliance after the business is in operation. This would allow for reduced startup and hiring times in applicable industries. The result would be higher employment and enhanced revenue to the state. The increased ease of doing business in Florida may also attract more business to the state and encourage more people to create startup businesses.

##### Change and Efficiency

The new process would require a reorganization of the manner in which the state regulates businesses. This would result in a culture change as regulators look for creative ways to regulate to compliance after the business is open rather than requiring all regulation at the beginning of the process. Implementing new processes of provisional permitting may also identify and eliminate unnecessary regulations.

The efficiencies achieved would include reduced startup times for new businesses and more efficient hiring of new employees. More businesses leads to increased job creation in Florida, and would also generate increased revenue for the state.

##### Recommendations

The Task Force recommends the following:

- Implement a provisional business permit for select industries;
- Create an evaluation process for industries linked to health and human safety to qualify for a provisional business permit;
- Utilize information from the business dashboard to identify key industries that would qualify for the permit;
- Utilize the provisional permit process to identify and eliminate unnecessary regulations; and
- Conduct a pilot program in selected counties or cities to benchmark the effectiveness of the permit.

#### B. BUSINESS DASHBOARD

##### Background

The purpose of the dashboard is to provide metrics for the time it takes for a business to be fully licensed and permitted. Currently, the state tracks the time it takes for a business to receive certain permits or licenses. For example, the Department of Business and Professional Regulation (DBPR) consistently tracks the amount of time it takes for a person or business to receive a professional license, which is often one of the many steps to open a business. The state does not currently measure the total time it takes for a business to open. Since the majority of business regulation and permitting takes place at the local level, local government participation would be needed in order for the program to achieve its goals. Once implemented, the dashboard could provide information on the startup phase of a business from all levels of regulation, state and local. Once collected, the data could be analyzed to see where the delays and challenges occur for businesses. The data could also be displayed online for the public to use in deciding where to locate their business and planning throughout the startup process.

## Change and Efficiency

The most significant change implemented with the business dashboard is the data collected and its impact. Government, at all levels, currently tracks how long it takes to receive permits or licenses, but no state or local governmental entity tracks how long it takes an individual business to open. Displaying this data could lead to a culture change that encourages local governments to become more efficient in order to compete for businesses and jobs in their area. The data collected may also help analyze current regulations at all levels and indicate what regulations are unnecessary burdens on business. The implementation of a dashboard system could provide crucial information to assist businesses starting in the state and deciding in which county or city to locate.

The cost savings is difficult to calculate. The data itself would not create cost savings or efficiencies, but the application of the data could speed up the business startup process. By identifying and eliminating potential impediments that the dashboard uncovers, businesses can get started more quickly. Each week a business is not operating translates to lost income to the business owner, the potential employee, and the state. Also, if some of the potential employees are unemployed, the state may be paying them unemployment benefits. Based on the statistics that Mr. Tarren Bragdon<sup>1</sup> presented, startups created 172,236 jobs in 2009. If we assume that 10% of those hired by the startup businesses were on unemployment and receiving benefits (\$200 a week for this calculation), the state would save **\$3.44 million** in unemployment benefit payments per each week less that those individuals are collecting benefits.

## Recommendations

The Task Force recommends the following:

- Implement a business permit dashboard that tracks the amount of time it takes for a company to get started in the State of Florida;
- Begin the dashboard at the state level, tracking the business as it goes through the entire state regulatory process;
- Begin with a pilot program with counties participating on a voluntary basis;
- Encourage county/city participation by requiring participation as a condition for certain funding;
- Utilize current information already collected by state agencies, the Chamber of Commerce, and local governments;
- Designate one agency, preferably the Department of State, to receive all information related to the business dashboard;
- Utilize dashboard metrics to identify unnecessary regulations, industries that do not require regulation, and industries or businesses that would qualify for the provisional business permit; and
- Allow private businesses to submit additional information.

## C. ONE STOP BUSINESS PORTAL

### Background

The One-Stop Business Portal is a method to “virtually consolidate” agency functions when it applies to the registration and regulation of businesses. The portal would consolidate all information collection for businesses into one website and would then send the data collected to the appropriate agency. The portal would include a wizard program to steer individuals through the registration process and to help guide the new business owner

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<sup>1</sup> Mr. Bragdon is the Chief Executive Officer of the Foundation for Government Accountability. The organization’s website is <http://www.floridafga.org/> (last visited 10/27/2011). Mr. Bragdon presented to the Government Efficiency Task Force on October 19, 2011. Video and materials available at [www.floridaefficiency.com/meetings.cfm](http://www.floridaefficiency.com/meetings.cfm) (last visited 10/27/2011).

to the appropriate registrations.<sup>2</sup> The implementation, as described by Ms. Lisa Vickers, would allow the portal to be phased in. A phased approach would give agencies time to make necessary adjustments to the new process, lessen the initial cost of the portal, and possibly spread out the costs over several years.<sup>3</sup>

## **Change and Efficiency**

The implementation of the portal would lead to greater government efficiency by eliminating duplicative business processes as the different phases are adopted, which could lead to lower costs in administering government regulation. The one-stop initiative could also lead to identifying and eliminating unneeded agency regulation. The ability for local government to participate in the portal will deliver the best possible efficiencies for Florida businesses.

## **Recommendations**

The Task Force recommends the following:

- Implement the One-Stop Portal in stages as recommended by Department of Revenue Executive Director Lisa Vickers;
- Identify redundancies and potential consolidations as the portal is phased in;
- Utilize the consolidation process to identify unnecessary agency regulation;
- Create a “Phase 1a” comprised of a “splash page” website with agency links to fast track businesses through the startup or renewal process;
- Utilize existing call center functions to include a live chat feature to provide real time assistance to users; and
- Include a mechanism that allows for feedback from businesses regarding regulation, which would be forwarded to the Office of Fiscal Accountability and Regulatory Reform and the Legislature.<sup>4</sup>

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<sup>2</sup> An example given by Ms. Vickers would be a barber shop. The barber shop is required to register the business with the Department of State and apply for a professional license with DBPR. The wizard program would ask a question such as, “Will you be selling hair care products?” If the person answers yes, the program will know to collect sales tax registration information.

<sup>3</sup> Ms. Vickers believes that Phase 1 can be done within the current budget of the participating agencies.

<sup>4</sup> The Florida Legislature is currently collecting data related to regulatory rules called “YourVoice.” See [http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?DocumentType=Press Release&FileName=449](http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?DocumentType=Press+Release&FileName=449) (last visited 10/27/2011).



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Expressway and Bridge Authority Consolidation

### **RECOMMENDATION SUMMARY**

On November 16, 2011, the Government Efficiency Task Force approved the following recommendations regarding expressway and bridge authority consolidation by a vote of 10 yeas, 3 nays:

- An independent party who specializes in best management practices should assist in effectively consolidating the administrative functions of the Orlando-Orange County Expressway Authority (OOCEA) and Tampa-Hillsborough County Expressway Authority (THEA) into Florida's Turnpike Enterprise (FTE). The Florida Department of Transportation (FDOT) estimates a savings of **\$24,318,000** per year. With the utilization of a third party, this process may be more efficient and achieve even greater savings.
- If THEA and OOCEA are consolidated into FTE, all revenue collected in the regions should be spent within the same region and local boards should be maintained to make policy decisions on road construction.
- Consolidate the Mid-Bay Bridge Authority into FTE.
- Consolidate all toll collections into a single entity and system, including all administrative functions, software and IT systems, accounting, collection personnel, enforcement, customer service, and billing.
- Require regional toll agencies to benchmark regional and state transportation and authority salaries to avoid possible excessive salaries.

**FULL RECOMMENDATION(S) ANALYSIS**

**I. RECOMMENDATIONS(S) AND BACKGROUND**

**A. REGIONAL EXPRESSWAY AND BRIDGE AUTHORITIES GLOBAL CONSOLIDATION**

There are three independent Expressway and Bridge Authorities considered in the recommendation: Orlando-Orange County Expressway Authority (OOCEA), Tampa-Hillsborough Regional Expressway Authority (THEA), and the Mid-Bay Bridge Authority (MBBA). All three authorities currently operate pursuant to a lease-purchase agreement<sup>1</sup> with the Florida Department of Transportation (FDOT).<sup>2</sup>

**The Florida Turnpike Enterprise**

Florida’s Turnpike was created in 1953 as the Florida State Turnpike Authority. The State Turnpike authority became part of the department in 1969. The Turnpike was reorganized as an office within the department in 1988 and as a district in 1994. Florida’s Turnpike Enterprise (FTE), a business-focused organization within the department, was created by the Legislature in 2002 to manage the Turnpike System (Turnpike). The Turnpike is a system of toll-financed expressways serving sixteen Florida counties covering 460 miles.<sup>3</sup>

*The Florida Turnpike Enterprise*

	Lane Miles	Gross Toll Revenue FY 2010-11	Toll Transactions FY 2010-11	Bond Debt Outstanding	Long Term Payable to FDOT
<b>FTE</b>	2,112	\$600,897,000	652,900,000	\$2,811,830,000	\$162,403,077

**Orlando-Orange County Expressway Authority**

The Orlando-Orange County Expressway Authority (OOCEA) was created in 1963 by the Florida Legislature.<sup>4</sup> The purpose of the authority is for the construction and operation of an expressway road system in Central Florida. OOCEA has the statutory authority to construct, operate, and maintain roads, bridges, avenues of access, thoroughfares, and boulevards together with authority to construct, repair, replace, operate, install, and maintain electronic toll payment systems outside of Orange County with the respective county’s written consent. OOCEA is also authorized to issue toll revenue bonds to finance portions of the system.

*Orlando-Orange County Expressway Authority*

	Lane Miles	Gross Toll Revenue FY 2010-11	Toll Transactions FY 2010-11	Bond Debt Outstanding	Long Term Payable to FDOT
<b>OOCEA</b>	671	\$263,787,000	292,477,739	\$2,696,415,000	\$270,088,808

<sup>1</sup> For more information regarding lease-purchase agreements, see The Florida Senate, *Toll Facility Lease-Purchase Agreements*, Issue Brief 2011-227, prepared by Senate Committee on Transportation, <http://www.flsenate.gov/Committees/InterimReports/2011/2011-227tr.pdf> (last visited 11/10/2011).

<sup>2</sup> The Santa Rosa Bay Bridge Authority also operates pursuant to a lease-purchase agreement with FDOT but is not considered in this recommendation report.

<sup>3</sup> See The Florida Senate, *Cost Effectiveness of Regional Expressway and Bridge Authorities*, Issue Brief 2012-208, prepared by Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations, <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-208%20BTA.pdf> (last visited 11/10/2011).

<sup>4</sup> OOCEA operates pursuant to ch. 348, F.S., part V.

## Tampa-Hillsborough County Expressway Authority

The Tampa-Hillsborough County Expressway Authority (THEA) was created in 1963 as an agency of the state pursuant to ch. 348, F.S., for the purposes of and having the authority to construct, reconstruct, improve, extend, repair, maintain and operate the expressway system within Hillsborough County.

### *Tampa-Hillsborough County Expressway Authority*

	Lane Miles	Gross Toll Revenue FY 2010-11	Toll Transactions FY 2010-11	Bond Debt Outstanding	Long Term Payable to FDOT
THEA	112	\$40,476,072	31,634,997	\$324,520,000	\$200,655,481

## Change and Efficiency

### OOCEA and THEA

The Task Force found there is waste and inefficiency by having separate toll agencies. Each toll agency performs the same functions: administration of road construction and toll collection. Therefore, each agency has duplicative systems and personnel. Significant savings and efficiencies can be achieved through reduction of administrative personnel and consolidation of different systems into one larger system.<sup>5</sup>

Estimates from FDOT provide that the following savings may be realized by consolidating THEA and OOCEA into FTE:

- \$6,572,000 per year from authority contract services;<sup>6</sup>
- \$5,850,000 per year from authority administrative salaries and benefits;<sup>7</sup> and
- \$14,877,000 per year from authority back office toll collection.<sup>8</sup>

FDOT also estimates a savings of \$1,712,000 per year for the removal of the airport plaza and installation of electronic tolling at ramps. With an estimated recurring cost of \$4,693,000 per year to FTE, the consolidation of OOCEA and THEA into FTE would lead to a conservative savings estimate of **\$24,318,000** per year.<sup>9</sup>

Staff of the Senate Committee on Budget, during the 2011 session, also estimated that Florida taxpayers would save \$24 million each year by merging all of the independent toll agencies into the Florida Turnpike Authority.<sup>10</sup>

To better assess the benefits of a merger/consolidation, Expressway and Bridge Authority Consolidation Work Group Chairman Matthew Falconer researched past mergers and consolidations in other states. The most

<sup>5</sup> Mr. Falconer visited the facilities of OOCEA, THEA, and FTE (Mr. Falconer's visit reports are on file with Government Efficiency Task Force staff).

<sup>6</sup> Savings are estimated at \$6.145 million per year for OOCEA and \$427,000 per year for THEA (estimates on file with Government Efficiency Task Force staff).

<sup>7</sup> Savings are estimated at \$3.781 million per year for OOCEA and \$2.069 million per year for THEA (estimates on file with Government Efficiency Task Force staff).

<sup>8</sup> Savings are estimated at \$14.261 million per year for OOCEA and \$616,000 per year for THEA (estimates on file with Government Efficiency Task Force staff).

<sup>9</sup> This does not take into account any possible savings from real estate holdings, leased property and related maintenance and utilities. Savings resulting from debt refinancing are also excluded.

<sup>10</sup> The Florida Senate Bill Analysis and Fiscal Impact Statement, SB 2152 (SPB 7198), Senate Committee on Budget, April 1, 2011, <http://www.flsenate.gov/Session/Bill/2011/2152/Analyses/Vwph1SsHimSG5hGTFLi2jnfIuuM=%7C7/Public/Bills/2100-2199/2152/Analysis/2011s2152.bc.PDF> (last visited 11/10/2011).

relevant example found was the merger of the New Jersey Turnpike and the Garden State Parkway.<sup>11</sup> The New Jersey Turnpike and Garden State Parkway collect 2.2 million tolls per day and \$650,000,000 per year. The consolidation allowed for a reduction of 212 employee positions and achieved administrative savings of \$8,200,000 per year. The consolidation also reduced the amount of office space required. Consolidation achieved savings and reduced time for road project completion due to the combined resources of the larger agency.<sup>12</sup>

## Recommendations

Task Force research concluded a global consolidation will result in significant savings, similar to that of the New Jersey Turnpike. Separate agencies require additional administration and multiple software and IT recourses. Savings from a global consolidation are estimated to be in the tens of millions of dollars annually. In addition, the savings in terms of interest are estimated to be in the tens of millions of dollars as a result of the lower interest rate available to FTE.<sup>13</sup>

Consolidation may also result in a changed business model for the raising of capital for roadway projects and expense planning. THEA and OOCEA currently have \$3.02 billion in outstanding bond debt compared to FTE's \$2.812 billion.<sup>14</sup> FTE, which is required to sell bonds through the Division of Bond Finance, tends to be more conservative in its approach to bond debt. Consolidation may result in a more conservative business model, resulting in less debt and quicker repayment of operations and maintenance expenses to the state.

While there appears to be considerable savings through administrative savings and culture change, because of the complexity of such a consolidation, the Task Force believes that it is beyond the group's capacity to detail how a consolidation would be carried out. **The Task Force recommends that an independent party who specializes in best management practices should assist in effectively consolidating the administrative functions of the Orlando-Orange County Expressway Authority (OOCEA) and Tampa-Hillsborough County Expressway Authority (THEA) into Florida's Turnpike Enterprise (FTE).**<sup>15</sup>

If a global consolidation or merger is completed, the Task Force recommends the following to ensure local governments maintain their influence on local decisions:

**The Task Force recommends that revenue collected stay in the same system in which it is collected.** The funds collected should be placed into a separate account or be designated for use in the same road system where the funds are collected.

**The Task Force recommends that local boards be maintained to make policy decisions on road projects built within their system.** Local boards should maintain control of their systems even if administered by a consolidated agency.

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<sup>11</sup> See *Report of the New Jersey Toll Road Consolidation Study Commission*, February 14, 2003, [http://slic.njstatelib.org/slic\\_files/digidocs/r628/r6282003.pdf](http://slic.njstatelib.org/slic_files/digidocs/r628/r6282003.pdf) (last visited 11/10/2011).

<sup>12</sup> See *Consolidation Case Study: The New Jersey Turnpike Authority and The New Jersey Highway Authority, Two Years Later*, September 26, 2005 <http://www.ibtta.org/files/PDFs/Diane%20Scaccetti.pdf> (last visited 11/10/2011).

<sup>13</sup> The Expressways have a lower bond rating than FTE. OOCEA's bond rating was recently lowered by Moody's Investor Service to A2 with a negative outlook. The downgrade was due to "continued lower than forecasted traffic and revenue growth combined with reduced operating revenue support from Florida's Department of Transportation (FDOT) which we expect will result in lower debt service coverage ratios (DSCRs) going forward. Additional pressures include potential opposition to planned toll increases; a complex and increasingly back-loaded debt structure with substantial exposure to variable rate debt and swaps; and large as yet unfunded capital needs over the next three years" (copy of letter on file with Government Efficiency Task Force staff).

<sup>14</sup> These numbers are based on the presentation by Reynold Myer, staff director of the Florida Senate Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations. Presentations materials are available at <http://www.floridaefficiency.com/UserContent/docs/File/20111005MeetingPacket.pdf> (last visited 11/10/2011).

<sup>15</sup> The Hay group performed such a study in the consolidation of the New Jersey Turnpike and the Garden State Parkway.

## B. CONSOLIDATION OF MID-BAY BRIDGE AUTHORITY INTO THE FLORIDA TURNPIKE ENTERPRISE

### Mid-Bay Bridge Authority

In 1986, the Legislature created the Mid-Bay Bridge Authority (MBBA) as the governing body of an independent special district in Okaloosa County for the purpose of planning, constructing, operating and maintaining a bridge traversing Choctawhatchee Bay.

#### *Mid-Bay Bridge Authority*

	Lane Miles	Gross Toll Revenue FY 2010-11	Toll Transactions FY 2010-11	Bond Debt Outstanding	Long Term Payable to FDOT
MBBA	20.6	\$15,476,000	6,519,391	\$287,115,000	\$17,120,448

### Change and Efficiency

The Task Force researched the consolidation of the Mid-Bay Bridge Authority into FTE. The Task Force reviewed the Florida Senate issue brief on authority cost effectiveness<sup>16</sup> and received testimony from MBBA Executive Director Jim Vest.<sup>17</sup> MBBA currently consists of two employees and oversees 20.6 lane miles of roadway and bridge.<sup>18</sup>

Task Force research concluded MBBA's lower credit rating costs an additional \$5 million to \$10 million per year in interest payments when compared to FTE's interest rate.<sup>19</sup>

FDOT and FTE can absorb oversight of management of the existing construction project and HRE contract. FDOT may be able to better handle the project than an agency with one Executive Director and one administrative assistant.

If the MBBA is consolidated into FTE, FDOT projects an annual reduction in operational costs of \$400,000 to \$500,000.<sup>20</sup> Possible savings on bond refinancing may be between \$5 million and \$10 million per year.<sup>21</sup>

Due to lower interest rates and operational costs, consolidation of MBBA into FTE will prevent a possible default situation like the Santa Rose Bay Bridge.<sup>22</sup> The Task Force members believe that consolidation of MBBA into FTE is in the best interest of the customers of the Mid-Bay Bridge and the taxpayers of Florida.

<sup>16</sup> The Florida Senate, *Cost Effectiveness of Regional Expressway and Bridge Authorities*, Issue Brief 2012-208, prepared by Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations,

<http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-208%20BTA.pdf> (last visited 11/10/2011).

<sup>17</sup> Mr. Vest testified during the November 4<sup>th</sup> Expressway and Bridge Authority Consolidation Work Group meeting and answered questions from members. The podcast is available at <http://www.floridaefficiency.com/meetings.cfm> (last visited 11/10/2011).

<sup>18</sup> See The Florida Senate, *Cost Effectiveness of Regional Expressway and Bridge Authorities*, Issue Brief 2012-208, prepared by Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations, p. 1, <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-208%20BTA.pdf> (last visited 11/10/2011).

<sup>19</sup> This estimate is based on FTE issuing bonds at a higher credit rating compared to MBBA issuing bonds at its current credit rating.

<sup>20</sup> Savings based on FDOT estimates with \$302,000 savings from authority contractual services (non-toll) and \$224,000 from authority administrative salaries and benefits (estimates on file with Government Efficiency Task Force staff).

<sup>21</sup> This savings estimate is based on refinancing existing debt obligations of MBBA under the FTE bond rating.

<sup>22</sup> See Connor, Michael, *Florida Bridge Authority Misses Bond Payment, Defaults*, Reuters On-line,

<http://www.reuters.com/article/2011/07/01/us-florida-bridge-default-idUSTRE76053620110701> (last visited 11/11/2011).

## Recommendations

**The Task Force recommends MBBA be consolidated into FTE without further study.** This consolidation is estimated to result in immediate savings of \$400,000 to \$500,000 per year and produce annual savings of \$5 million to \$10 million per year if the revenue bonds can be refinanced by FTE. With only two employees, there is little reason to keep MBBA a separate agency, and consolidation will cost very little to execute. The five-member MBBA board should remain intact to provide local input to FTE.

### C. CONSOLIDATION OF TOLL COLLECTION

#### Toll Collection

The Task Force also reviewed consolidating services provided by the toll agencies. Aside from road design and construction, toll collection is perhaps the most important service the toll agencies provide. The Task Force reviewed toll collection both from a cost standpoint as well as the effective and efficient use of time by the toll paying public.

Currently, there are three toll transponder systems in Florida:

- Sun Pass;<sup>23</sup>
- E-Pass,<sup>24</sup> and
- Lee-Way.<sup>25</sup>

In addition, several agencies have gone to “Pay by Plate” systems and “all electronic tolling.” In these locations there is no option to pay cash, and new customers or customers without transponders are mailed invoices for use of the toll roads.

Residents of Florida and visitors must comply with different rules and transponder systems. Currently, Florida’s Turnpike Enterprise (FTE), Orlando-Orange County Expressway (OOCEA), and the Tampa Hillsborough Expressway Authority (THEA) all use different toll collection systems. This requires three separate software systems, three separate vendors, three separate IT systems, and three different invoice and enforcement policies.

#### Change and Efficiency

Having a different collection system for each authority and turnpike is inefficient from a collection standpoint as well as from the customer’s point of view. There are duplicative costs and inconsistent regulations regarding collection between counties. A customer with a dead battery in their toll transponder can receive violations from three separate agencies in the same day, leading to confusion.<sup>26</sup>

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<sup>23</sup> Administered by Florida’s Turnpike Enterprise and the Florida Department of Transportation. See <https://www.sunpass.com/index> (last visited 11/10/2011).

<sup>24</sup> Administered by the Orlando-Orange County Expressway Authority. See <http://www.expresswayauthority.com/corporate/epass/> (last visited 11/10/2011).

<sup>25</sup> Used for three bridges in Lee County. See <https://www.leewayinfo.com/> (last visited 11/10/2011).

<sup>26</sup> The Expressway and Bridge Authority Consolidation Work Group received testimony from an Orlando resident, Darlene Petty Raimondi. Ms. Raimondi had a transponder in her car but was unaware that her battery in the transponder lost power. Ms. Raimondi used the toll roads and received violations for unpaid tolls. Unaware there are two separate tolling agencies on the same highway, Ms. Raimondi resolved the toll violation with one agency. The other agency’s toll violation was not resolved, resulting in Ms. Raimondi’s license being suspended. As a result Ms. Raimondi’s insurance rates went up. A unified toll collection system and enforcement procedures will be more efficient from the taxpayer’s perspective.

The Orlando-Orange County Expressway (OOCEA) testified that consolidating toll collections under one agency can “save \$22 million per year.”<sup>27</sup> The savings will come from the economies of scale using one software system and one vendor.

Currently, Florida’s Turnpike Enterprise processes 652 million transactions each year. FTE also collects tolls for MBBA. THEA processes 31 million transactions per year and OOCEA processes 292 million.<sup>28</sup> SunPass (FTE) has by far the largest number of transponders in service and 3100 locations for customers to buy and replenish accounts.

## Recommendations

**The Task Force recommends that Florida’s Turnpike Enterprise be responsible for all toll collection in Florida.** All toll collections should be consolidated into a single entity and system, including all administrative functions, software and IT systems, accounting, collection personnel, enforcement, customer service, and billing.

Florida’s Turnpike Enterprise has by far the most transponders in Florida and processes double the transactions of all other agencies combined. The transformation will allow every customer to utilize one transponder system and will reduce collection costs significantly.

A single system should have a uniform procedure and fee for collecting the toll revenue. For example, if an electronic toll is collected by the Turnpike and paid to OOCEA, the Turnpike should be able to deduct the cost of collecting that toll. By setting that fee at or below current collection costs, there will be no loss of revenue to any toll agency.

The cost to collect tolls will be reduced and have an estimated savings of \$22 million per year. The customer will enjoy a better service when dealing with one collection entity.

## D. WAGE PARITY

### Authority Wages vs. Turnpike Wages

During the course of the research, the Task Force was provided documentation on employee salaries of the various agencies. Salaries between the authorities and FTE varied greatly, even when the job descriptions were identical. As an example, the Executive Director of OOCEA makes \$247,000 and the Florida Secretary of Transportation makes \$140,000, despite having more than ten times the staff.<sup>29</sup> Of the 61 employees at OOCEA, ten make over \$100,000 per year.<sup>30</sup>

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<sup>27</sup> Executive Director of OOCEA, Mike Snyder, testified before the Government Efficiency Task Force on October 5<sup>th</sup>, 2011. Video available at <http://www.floridaefficiency.com/meetings.cfm> (last visited 11/10/2011). FDOT estimates a conservative savings of \$14 to \$15 million per year.

<sup>28</sup> See The Florida Senate, *Cost Effectiveness of Regional Expressway and Bridge Authorities*, Issue Brief 2012-208, prepared by Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations, p.1. <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-208%20BTA.pdf> (last visited 11/10/2011).

<sup>29</sup> See Tracy, Dan, *Senator Targets Top Expressway Salaries*, Orlando Sentinel, October, 7, 2011, [http://articles.orlandosentinel.com/2011-10-07/news/os-salaries-snyder-gaetz-20111007\\_1\\_orlando-authority-salaries-gaetz](http://articles.orlandosentinel.com/2011-10-07/news/os-salaries-snyder-gaetz-20111007_1_orlando-authority-salaries-gaetz) (last visited 11/10/2011).

<sup>30</sup> Data is from: The Florida Senate, *Cost Effectiveness of Regional Expressway and Bridge Authorities*, Issue Brief 2012-208, prepared by Budget Subcommittee on Transportation, Tourism, and Economic Development Appropriations, <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-208%20BTA.pdf> (last visited 11/10/2011).

*Salary & Benefits of Authorities and Turnpike*

	MBBA	THEA	OOCEA	Combined Authorities	FTE
Salary & Benefits	\$223,000	\$2,010,194	\$6,419,842	\$8,663,036	\$30,197,148
FTEs	2	17	61	80	468
Average per FTE	\$111,500	\$118,247	\$105,243	\$108,288	\$64,524 <sup>31</sup>

**Change and Efficiency**

**Recommendations**

Regional authority employees perform the same functions as the state employees who make a fraction of the salary. There is considerable cost savings by requiring the expressway and bridge authorities to follow a pay scale similar to FDOT. **The Task Force recommends that regional toll agencies should benchmark regional and state transportation and authority salaries to avoid possible excessive salaries.** Pay parity will ensure taxpayers are getting value for the public service being performed.

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<sup>31</sup> Averages are calculated by dividing the total amount of salary & benefits by the total number of FTEs.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Consultants' Competitive Negotiation Act (s. 287.055, F.S.)

### **RECOMMENDATION SUMMARY**

On November 16, 2011, the Government Efficiency Task Force approved the following recommendations regarding the Consultants' Competitive Negotiation Act by a vote of 11 yeas, 2 nays:

- Allow agencies to utilize the "Best Value" process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow price to be a factor of up to 50% when ranking the top three most qualified firms. The process would work best for a project with a well-defined scope.
- Allow agencies to utilize the "Modified Best Value" process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow the agency to see the price of the top three most qualified firms, but not re-rank the firms, thus preventing the agency from entering negotiations with insufficient information on pricing. This process would work best for projects that do not have a specific scope and for agencies that would otherwise use the current CCNA over "Best Value."
- Maintain the current CCNA process as an option for agencies to utilize when "Best Value" or "Modified Best Value" would not be appropriate. This process would work best for a project that does not have a well-defined scope.

## FULL RECOMMENDATION(S) ANALYSIS

### I. RECOMMENDATION(S) AND BACKGROUND

#### A. CONSULTANTS' COMPETITIVE NEGOTIATION ACT (CCNA)

The Consultants' Competitive Negotiation Act (CCNA) was passed in 1973.<sup>1</sup> The Act is largely based on the Federal Brooks Act, which was passed in 1972.<sup>2</sup> CCNA provides that all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping<sup>3</sup> be contracted according to qualifications-based selection (QBS). CCNA applies to all projects above \$325,000 and all studies above \$35,000<sup>4</sup> bid out by the state, a state agency, a municipality, a political subdivision, a school district, or a school board.<sup>5</sup>

QBS follows these phases:

##### Phase One

1. The agency publicly announces the project or study.<sup>6</sup>
2. The agency evaluates current statements of qualifications and performance currently on file, together with those that are submitted by other firms and conducts discussions with no fewer than three firms regarding their qualifications, approach to the project, and ability to furnish the required services.<sup>7</sup>
3. The agency then selects in order of preference no fewer than three firms deemed to be the most qualified.<sup>8</sup>
4. The agency may consider the following factors in determining whether a firm is qualified: ability of professional personnel; whether a firm is a certified minority business enterprise; past performance; willingness to meet time and budget requirements; location; recent, current, and projected firm workload; and the volume of work previously awarded to each firm by the agency.<sup>9</sup>
5. The agency may not consider compensation during this phase.<sup>10</sup>

##### Phase Two

1. The agency negotiates with the most qualified firm regarding compensation.<sup>11</sup>
2. If the agency cannot come to an agreement with the most qualified firm, then negotiations with that firm must be formally terminated.<sup>12</sup>
3. The agency may then begin negotiations with the second most qualified firm.<sup>13</sup>
4. If the agency cannot come to an agreement with the second most qualified firm, then negotiations with that firm must be formally terminated.<sup>14</sup>
5. The agency may then begin negotiations with the third most qualified firm.<sup>15</sup>

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<sup>1</sup> See s. 287.055, F.S.

<sup>2</sup> See Public Law 92-582.

<sup>3</sup> Section 287.055(2)(a), F.S.

<sup>4</sup> See s. 287.055(3)(a)(1), F.S., which cites to s. 287.017, F.S. Section 287.017(5), F.S., provides that a category 5 project is defined as a project over \$325,000 and s. 287.017(2), F.S. provides that a category 2 is a study over \$35,000.

<sup>5</sup> Section 287.055(2)(b), F.S.

<sup>6</sup> Section 287.055(3)(a)(1), F.S.

<sup>7</sup> Section 287.055(4)(a), F.S.

<sup>8</sup> Section 287.055(4)(b), F.S.

<sup>9</sup> *Id.*

<sup>10</sup> Section 287.055(4)(c), F.S.

<sup>11</sup> Section 287.055(5)(a), F.S. "Compensation which the agency determines is fair, competitive, and reasonable."

<sup>12</sup> Section 287.055(5)(b), F.S.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

6. If the agency cannot come to an agreement with the third most qualified firm, then negotiations with that firm must be formally terminated.<sup>16</sup>
7. If the agency cannot negotiate a satisfactory contract with any of the three most qualified firms, the agency can negotiate with additional firms selected in order of their competence and qualifications.<sup>17</sup>
8. Once negotiations with a firm are terminated, the agency may not resume negotiations with that firm for the project.

## Change and Efficiency

The Government Efficiency Task Force and the Design Procurement Work Group heard testimony from interested parties regarding CCNA.<sup>18</sup> Local government officials raised the following inefficiencies with CCNA:

- **Price is not considered.** The agency may not consider cost until the second phase when negotiating with the most qualified firm.
- **Negotiations with a firm may not be resumed once formally terminated.** If the agency is unable to negotiate a price within budget with the most qualified firm, he or she must completely close out negotiations and not resume them with that firm. The inability to reopen negotiations reduces the agency's negotiating power and limits them to the remaining firms, even if those firms negotiate a higher fee.
- **Excludes smaller firms.** Since larger firms are more qualified based on the set parameters, smaller or solo firms have a more difficult time procuring contracts for public works, thus hindering competition.
- **Lack of transparency.** The selection process is not as open and competitive as other procurement methods and taxpayers lack the ability to access prices and costs.

The Task Force and Work Group also heard testimony and comments from industry representatives. Industry representatives cited the following benefits of CCNA:

- **Focuses negotiations on qualifications rather than price.** This protects the health and safety of the public.
- **QBS process helps control construction costs.** Since the QBS process facilitates negotiations that focus on the scope of the project rather than costs, there are fewer change orders and cost overruns. Both parties have a better understanding of the project at the outset.
- **Scope of the project is not well-defined.** Industry representatives provided that in many solicitations, the scope of the project is not well-defined, making it difficult to provide an accurate bid. The current QBS process facilitates planning while negotiating, which may lead to lower costs.

The Task Force members discussed the testimony and comments. The Task Force recommends adopting two additional procurement methods for agencies<sup>19</sup> to follow in the selection of architecture, professional engineering, landscape architecture, or registered surveying and mapping services in addition to the current CCNA process.

**The first recommended process is the "Best Value" process.**<sup>20</sup> The best value process is defined as:

The selection of a firm or firms whose proposal provides the greatest overall benefit to an agency in accordance with the requirements of a formal solicitation.

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<sup>16</sup> *Id.*

<sup>17</sup> Section 287.055(5)(c), F.S.

<sup>18</sup> Senator Pat Neal, Chairman of the Design Procurement Work Group, presented to the Task Force at the November 2, 2011, meeting regarding reforming CCNA. Carlos Beruff and Steve Carnell also presented. Video and podcast of the meeting are available at <http://www.floridaefficiency.com/meetings.cfm> (last visited 11/10/2011).

<sup>19</sup> Agencies includes: state agencies, state entities, local government, school boards, and the university system.

<sup>20</sup> The process was presented by Mr. Steve Carnell at the November 2, 2011, meeting of the Government Efficiency Task Force.

The best value process would allow agencies to:

1. Solicit proposals and include a written scope of work for the project to the competing firms.
2. Rank all firms based on qualifications and establish a “short list.”<sup>21</sup>
3. Rank “short listed” firms on qualifications and price.<sup>22</sup>

Price would be allowed to be solicited from the top three most qualified firms only and would be factored in to the evaluation at no more than 50%. Since unqualified firms would not make the original short list, only the most qualified firms would have an opportunity to be awarded the contract. This would address the concerns raised about health and human safety in the procurement process. The best value option would work most effectively with projects that have a well-defined scope.

**The second recommended process is the ‘Modified Best Value’ process.** The modified best value process would allow agencies to:

1. Solicit proposals and include a written scope of work for the project to the competing firms.
2. Rank all firms based on qualifications and establish a “short list.”<sup>23</sup>
3. The agency would be able to see the price bid for the top qualified firms, but the firms would not be re-ranked with price as a factor.

This process would eliminate the concern that procurement officers have about entering negotiations with insufficient information on pricing. This method allows the agency to know the price of the other two bids, but still begin negotiations with the most qualified firm. This gives the agency a stronger position during negotiations. This method would be most effective for agencies that would otherwise use CCNA, not best value, or when the scope of the project is not well-defined.

**The Task Force also recommends maintaining the current CCNA procedures as an option for an agency when “Best Value” or “Modified Best Value” would not be appropriate.** The process is effective and bases all bidding on qualifications. For projects that do not have a well-defined scope, this may be the best method for an agency. However, in projects with a well-defined scope, this procedure would not be the best method of procurement and may result in higher costs to the agency.

The Task Force recommends changes to CCNA because the increased procurement options would:

- Give public agencies more discretion in the procurement of professional services;
- Align the procurement method for CCNA professional services with how other professional services are purchased; and
- Be a vehicle to increase transparency and public confidence in the procurement process as a whole.

## Recommendations

- Allow agencies to utilize the “Best Value” process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow price to be a factor of up to 50% when ranking the top three most qualified firms. The process would work best for a project with a well-defined scope.
- Allow agencies to utilize the “Modified Best Value” process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow the agency to see the price of the top three most qualified firms, but not re-rank the firms, thus preventing the agency from entering negotiations with insufficient information on

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<sup>21</sup> The first two steps are the same as the current CCNA process and would remain the same under Best Value.

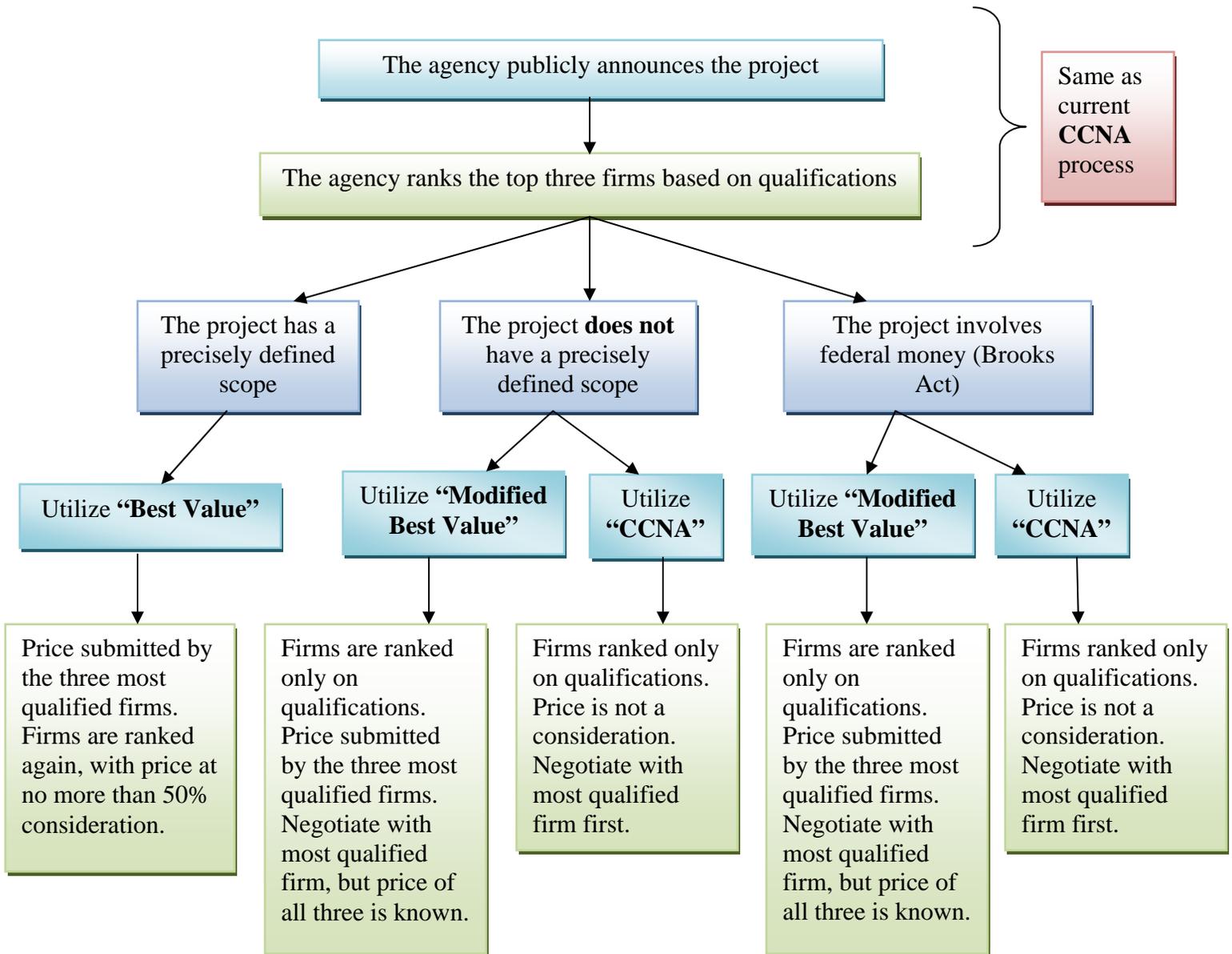
<sup>22</sup> The third step is a deviation from CCNA and would allow price to be a component of ranking the short list.

<sup>23</sup> The first two steps are the same as the current CCNA process and proposed best value process.

pricing. This process would work best for agencies that would otherwise use the current CCNA over best value or for a project that does not have a specific scope.<sup>24</sup>

- Maintain the current CCNA process as an option for agencies to utilize when “Best Value” or “Modified Best Value” would not be appropriate. This process would work best for a project that does not have a well-defined scope.

*Task Force Recommendation: “Procurement Officer Tool Box”*



<sup>24</sup> The “Modified-Best Value” may be able to be used by agencies that come under the Brooks Act. The Brooks Act dictates the procurement process when federal dollars are used.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Enterprise Information Technology

### **RECOMMENDATION SUMMARY**

On December 16, 2011, the Government Efficiency Task Force approved the following recommendations regarding enterprise information technology by a vote of 11 yeas, 0 nays:

- Redefine the role of the Agency for Enterprise Information Technology (AEIT) in governance of state enterprise information technology (IT) and clarify designated enterprise applications and operations.
- Strengthen statutory language to provide AEIT with enforceable governance.
- Provide AEIT with budget and procurement authority for enterprise IT projects and services.
- Maintain the current organizational structure of AEIT under the Governor and Cabinet.
- Establish an Enterprise Technology Advisory Council (ETAC) of public and private industry chief information officers and IT professionals to function in an advisory capacity to the state Chief Information Officer (CIO).
- Task the CIO with modifying AEIT's organizational structure to provide flexibility and nimbleness and to accommodate further adjustments as necessary.
- Direct AEIT to identify and align agencies in process oriented design structures (PODS), grouping similar business processes and functions across state government.
- Direct AEIT to implement enterprise IT in support of this alignment, executed in successful phases according to business processes and functions.
- Direct AEIT to immediately begin identification and alignment of PODS with financial management, due to the foundational importance of the Florida Accounting and Information Resource (FLAIR) subsystem.

## FULL RECOMMENDATION(S) ANALYSIS

### I. RECOMMENDATIONS(S) AND BACKGROUND

#### A. AGENCY FOR ENTERPRISE INFORMATION TECHNOLOGY (AEIT)

In 2006, the Florida House of Representatives issued a report that identified the following issues with Florida's information technology (IT) governance:

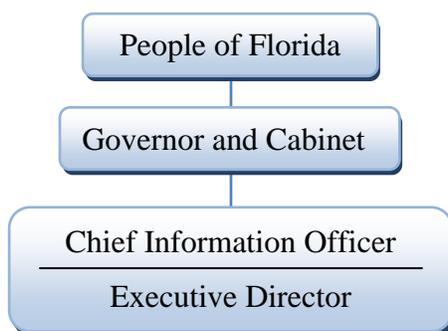
- A lack of a clear vision for the future of IT, its role in government operations, and its value to the state;
- An absence of an enterprise governance framework, which limits Florida's ability to capitalize on enterprise-wide technology solutions; and
- Inadequate visibility into IT funding of agencies and across the enterprise.<sup>1</sup>

In 2007, the Florida Senate issued a similar report that cited insufficient planning, management, and governance of enterprise IT services. The report provided that many state projects experience cost overruns and fall behind schedule, management does not understand or value IT governance and investments, and IT is often an impediment to innovative new processes.<sup>2</sup> Additionally, lack of planning, contract management, and accurate assessment of IT capabilities resulted in suspension of projects and led to substantial changes in direction and scope during development and implementation.<sup>3</sup>

The Senate report concluded that "The state would benefit financially and organizationally from defining enterprise- and agency-level IT projects and operations."<sup>4</sup> The report also provided that Florida "would improve its enterprise IT capabilities by requiring shared service delivery, planning, management, and operations for common, non-strategic IT services."<sup>5</sup>

The Senate and House committee recommendations led to the creation of the Agency for Enterprise Information Technology (AEIT or the agency). The agency's focus is IT as an enterprise responsibility linking the state's separate business and jurisdictional entities.<sup>6</sup> The agency reports to the Governor and Cabinet, and is administratively housed within the Executive Office of the Governor (EOG), but is a separate budget entity and not subject to control, supervision, or direction by EOG. The agency is headed by a Chief Information Officer (CIO) who is appointed by the Governor and confirmed by the Cabinet, subject to confirmation by the Senate, and serves at the pleasure of the Governor and Cabinet.<sup>7</sup>

*Current AEIT high-level organizational structure*



<sup>1</sup> The Florida House of Representatives, *Information Technology Management in Florida*, State Infrastructure Council/Spaceport and Technology Committee, January 2006, pp. 10-11 (copy on file with Government Efficiency Task Force staff).

<sup>2</sup> The Florida Senate, *Enterprise Information Technology: Senate Review and Study*, Report No. 2007-140, prepared by Committee on Governmental Operations, January 2007, p. 5, ([http://archive.flsenate.gov/data/Publications/2007/Senate/reports/interim\\_reports/pdf/2007-140golong.pdf](http://archive.flsenate.gov/data/Publications/2007/Senate/reports/interim_reports/pdf/2007-140golong.pdf)) (Last visited 12/12/2011).

<sup>3</sup> *Id.* at pp. 9-11.

<sup>4</sup> *Id.* at p. 11.

<sup>5</sup> *Id.*

<sup>6</sup> See Ch. 2007-105, L.O.F.

<sup>7</sup> Section 14.204(1), (2), and (3), F.S.

Principal responsibilities of AEIT include:

- Developing strategies for the design, delivery, and management of enterprise IT services;
- Planning and establishing policies and standards for enterprise IT services;
- Identifying and recommending strategies and opportunities to improve delivery of cost-effective and efficient enterprise IT services;
- Coordinating acquisition planning and procurement negotiations for hardware and software products and services;
- In consultation with the Department of Management Services (DMS), establishing best practices for the procurement of IT products; and
- Providing recommendations for consolidating the purchase of IT commodities and services, and for establishing a process to achieve savings through consolidated purchases.<sup>8</sup>

Pursuant to legislative direction, AEIT organizes the required consolidation of agency data centers, and is working on the implementation of an enterprise-wide email system.<sup>9</sup>

## Change and Efficiency

### *Governance*

The current operations and organizational configuration of IT is dispersed throughout individual state agencies and departments. This process limits the ability to execute system-wide changes and oversight. A lack of centralized IT governance also hinders streamlining and elimination of duplication to achieve efficiencies and cost savings.

## Recommendations

**The Task Force recommends redefining the role of AEIT in governance of state enterprise IT and clarifying designated enterprise applications and operations.** Enterprise IT services for all state agencies and departments should be further defined under AEIT, with special considerations and exemptions determined by the agency. Centralizing all enterprise IT under AEIT will allow the agency to examine technology across all agencies to identify duplication in applications, operations, and associated processes. Eliminating duplication and consolidating technology assets will achieve cost savings and lead to more efficient, effective service for both agencies and the citizens they serve. Centralization will lead to a great economy of scale, which can be leveraged for significant cost savings in negotiation of contracts, licensing, and purchasing.

Clarifying enterprise applications and operations under a single agency will provide clear direction to the agency. This will allow AEIT to evaluate and make decisions on maintaining, advancing, or outsourcing technology solutions to best achieve efficiencies and cost savings.

Current law limits the scope of AEIT to IT services established in law as enterprise and used by all agencies or a subset of agencies. AEIT makes recommendations to the Legislature concerning services that should be designed, delivered, and managed as enterprise IT services, but the Legislature designates services as enterprise.<sup>10</sup>

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<sup>8</sup> Section 14.204(4), F.S.

<sup>9</sup> Sections 282.201 and 282.282.34, F.S.

<sup>10</sup> See s. 282.0041(11), F.S.

The Legislature should include the following applications and operations identified by the Task Force for centralization under AEIT:

- MyFloridaMarketPlace (MFMP);
- Legislative Appropriations System/Planning and Budgeting System (LAS/PBS);
- Florida Accounting and Information Resource (FLAIR) subsystem;
- PeopleFirst;
- Network services;
- E-mail; and
- Data centers.

Telecommunications and call centers should also be considered for centralization. These applications have considerable impact and utilization across multiple agencies. Centralization would eliminate duplicative equipment costs and physical lease space, streamline agency support models, and provide world class customer service.

### *Authority*

AEIT is tasked with the responsibility for developing strategies for enterprise IT and writing policies for enterprise IT services established in law. Design, planning, project management and implementation are the responsibility of AEIT, while supervision, design, delivery, and management are handled by individual agencies.<sup>11</sup> In its current form, AEIT lacks the ability to implement and enforce its administrative rules across all state agencies.<sup>12</sup> This inhibits AEIT's effectiveness and allows agencies to delay or decline implementation of rules and recommendations for cost-effective and efficient enterprise projects.

### **Recommendations**

**The Task Force recommends strengthening statutory language to provide AEIT with enforceable governance.** Section 14.204 and Chapter 282, F.S., should be modified to remove optional language for agency implementation of AEIT's recommendations and rules.<sup>13</sup> Affirmative language will allow AEIT to enforce its policies to effectively design, plan, and manage enterprise IT services in order to leverage assets in the most effective and efficient manner. AEIT should have the authority to create and enforce rules related to enterprise IT strategy, planning, standards, policy, project management, licensing, and contract management. AEIT should work with the Legislature to create enforceable standards that facilitate communication, collaboration, and consensus among agencies.

**The Task Force recommends providing AEIT with budget and procurement authority for enterprise IT projects and services.** Placing budget authority within AEIT instead of under disparate agencies will enhance consistency in IT allocations and spending. Budget authority will provide AEIT with the ability to enforce its recommendations and standards. Centralizing IT budgets will also provide transparency for IT funding across agencies. This transparency will facilitate faster discovery of efficiencies and cost savings.

### *Structure*

Current law provides that the head of AEIT is the Governor and Cabinet, with an executive director who is the state's Chief Information Officer.<sup>14</sup> AEIT's responsibility is limited to executive branch agencies, including Cabinet agencies and departments.<sup>15</sup>

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<sup>11</sup> See s. 282.0055, F.S.

<sup>12</sup> See ss. 14.204(4), (6), and (7), F.S. and s. 282.201(6), F.S.

<sup>13</sup> An example of strengthening language would be: "Develop, publish, and biennially update a long-term strategic enterprise information technology plan that identifies and provides governance for recommends strategies and opportunities to improve the delivery of cost-effective and efficient enterprise information technology services to be proposed for establishment pursuant to s. 282.0056." Section 14.204(4)(e), F.S.

<sup>14</sup> See ss. 14.204(1) and (3), F.S.

Multiple attempts to create new enterprise IT governance structures have been unsuccessful or have had limited success.<sup>16</sup> The creation of new agencies may provide solutions, but may also create additional problems. For example, business processes could be transferred without sufficient evaluation. Also, new and unanticipated issues may arise from insufficient planning and management in the transfer of duties and creation of a new agency. Creation of a new entity is not the most effective solution. Any adjustments to IT centralization should include a thorough evaluation of business processes and sufficient planning and management to avoid past mistakes.

## Recommendations

**The Task Force recommends maintaining the current organizational structure of AEIT under the Governor and Cabinet.** With governance of IT projects across all state agencies, AEIT should continue to be overseen by the Governor and Cabinet. This will provide appropriate oversight by stakeholders whose IT functions are managed by AEIT.

Successful implementation of enterprise IT projects requires agency cooperation and support. This issue has been raised by current agency CIOs as a critical element in establishing strong, centralized IT governance. Agency CIOs suggested that a method to improve AEIT's ability to garner agency support is through increased leverage of industry best practices, including those of both public and private sectors.<sup>17</sup>

**The Task Force recommends establishing an Enterprise Technology Advisory Council (ETAC) of public and private industry chief information officers and IT professionals to function in an advisory capacity to the state CIO.** ETAC will provide independent analysis of data to assist the CIO in developing standards and policies for enterprise services. Input from industry professionals with knowledge of current industry best practices will provide the CIO with additional resources and support for enterprise initiatives. ETAC will also assist in building consensus across agencies for enterprise projects and provide additional credence to AEIT initiatives. The council will help facilitate AEIT's ability to develop standards, and manage procurement and contracts to maximize efficiency and cost savings.

**The Task Force recommends tasking the CIO with modifying AEIT's organizational structure to provide flexibility and nimbleness and to accommodate further adjustments as necessary.** The CIO should be given authority to determine AEIT's internal organizational structure with consideration for the needs of the Governor, Cabinet, state agencies, and citizens of Florida. Flexibility to modify AEIT's structure will help the agency adapt to changing technology, business processes, and state needs.

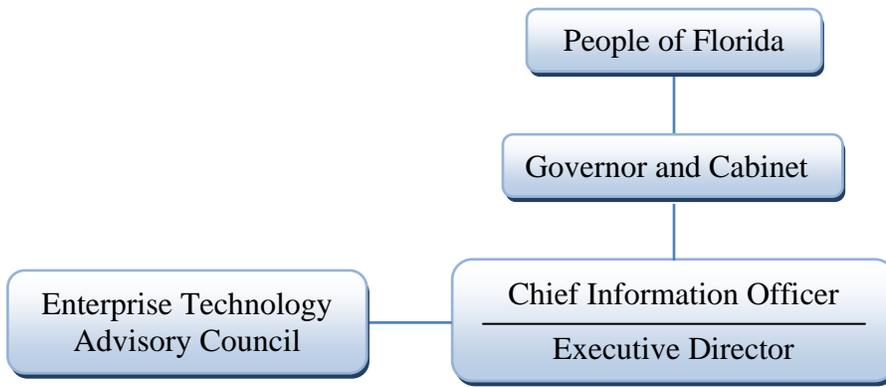
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<sup>15</sup> AEIT services are limited to "executive branch agencies created or authorized in statute to perform legislatively delegated functions." Section 282.0055, F.S. A list of executive branch agencies can be found at the State of Florida website, <http://www.myflorida.com/taxonomy/government/executive%20branch/> (last visited 12/12/2011).

<sup>16</sup> The Legislature created the State Technology Office (STO) in 2000 to oversee agency IT resources. Due to issues in funding and legislative support, the law authorizing STO as the central state IT service entity was only partially implemented. Further changes to the responsibilities of STO and creation of the Florida Technology Council (FTC) to take over the role of IT oversight were vetoed by the Governor on June 27, 2005, and STO underwent de facto dissolution. The Florida House of Representatives, *Information Technology Management in Florida*, State Infrastructure Council/Spaceport and Technology Committee, January 2006 (copy on file with Government Efficiency Task Force staff). See also Ch. 2000-164, L.O.F., Ch. 2001-261, L.O.F., Senate Bill 1494 (2005), and Veto Message for Committee Substitute for Committee Substitute for Senate Bill 1494, June 27, 2005.

<sup>17</sup> An enterprise IT questionnaire developed by the Task Force was distributed to select state agency CIOs on November 18, 2011. Responses were compiled and distributed to the enterprise information technology work group members on December 2, 2011, (questionnaire and CIO responses on file with Government Efficiency Task Force staff).

*Recommended AEIT high-level organizational structure*



*Implementation*

Agencies have historically approached IT projects within the scope of the individual agency, even when administering enterprise services. It is a challenge for agencies to accurately examine their role in the larger picture of state IT. Current enterprise IT projects would benefit from the focus provided by a single agency tasked with developing and implementing an overarching vision for enterprise IT services.

**Recommendations**

**The Task Force recommends directing AEIT to identify and align agencies in process oriented design structures (PODS), grouping similar business processes and functions across state government.** Lisa Vickers, Executive Director of the Florida Department of Revenue, presented a framework of state entities organized into process oriented design structures (PODS), or units based on similar functions, processes, and resources.<sup>18</sup> This model can be used to create an overarching schema for enterprise IT that supports all agencies, encourages collaboration, and locates efficiencies.<sup>19</sup>

**The Task Force recommends directing AEIT to implement enterprise IT in support of this alignment, executed in successful phases according to business processes and functions.** A phased approach will allow AEIT to effectively implement new strategies, governance concepts, and processes within logical, focused units.

**The Task Force recommends directing AEIT to immediately begin identification and alignment of PODS with financial management, due to the foundational importance of the Florida Accounting and Information Resource (FLAIR) subsystem.** Financial management serves a critical function to state operations, and its applications and data are utilized across numerous state agencies. An effective enterprise financial application would create efficiency and transparency, and provide effective tools for cost analysis.

The Task Force recommends implementing Phase 1 in a unit comprised of financial management agencies, including: the State Board of Administration, the Department of Financial Services, the Financial Services Commission, the Office of Financial Regulation, and the Office of Insurance Regulation (see appendix 1). Before starting Phase 1, AEIT should communicate with agencies to build consensus on the basic framework for a statewide financial management system. Initiating implementation with financial management, which includes a significant IT component, would provide a greater benefit to the state and realize substantial cost savings.

<sup>18</sup> Lisa Vickers, Executive Director of the Florida Department of Revenue, presented a consolidated government concept utilizing this structure to the Task Force on December 2, 2011. Presentation video, audio podcast, and materials are available at [www.floridaefficiency.com/meetings.cfm](http://www.floridaefficiency.com/meetings.cfm) (last visited 12/13/2011).

<sup>19</sup> Appendix 1 includes the diagram for the Financial Management unit using the PODS system.





# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** State Procurement

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding state procurement by a vote of 10 yeas, 0 nays:

- **Increased utilization of state term contracts**
  - Review all statutory barriers and remove those unnecessary for full utilization of state term contracts.
  - Create a process that gives the Department of Management Services (DMS) an approval role for non-state term contract purchases by agencies.
  - Estimated savings for strategically sourcing the estimated \$1.8-\$2.5 billion in potential sourceable spend is 6-10%, or **\$108-\$180 million** to **\$150-\$250 million** per year.
- **Increased utilization of MyFloridaMarketPlace**
  - Review the 1% usage fee for MyFloridaMarketPlace (MFMP) and adjust to allow for the greatest utilization by state agencies and other eligible users. Increased utilization is estimated to achieve savings of **\$9.5 million** per year.
  - Measure full cycle utilization of MFMP through DMS. Reduction in hard and soft costs is estimated to achieve savings of **\$10.9-\$11.9 million** per year.
  - Provide a public facing catalog solution for other eligible users of MFMP.
  - Convert Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes.
- **Increased effectiveness of MyFloridaMarketPlace**
  - Implement a data analytics solution for MFMP.
  - Automate electronic posting of solicitations created in Sourcing to the Vendor Bid System.
  - Automate the workflow between the Ariba Buyer and Ariba Sourcing modules of MFMP.
  - Provide a public portal for contract information.
- **Strategic sourcing**
  - Utilize the increased visibility and volume in spend achieved via increased use of state term contracts and MFMP to strategically procure commodities and services.
  - Create an incentive model that utilizes savings achieved by agencies to encourage participation in strategic sourcing.
- **Consultants' Competitive Negotiation Act (CCNA)**
  - Allow agencies to utilize the "Best Value" process for all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping. This process would allow price to be a factor of up to 50% when ranking the top three most qualified firms.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. STATE PROCUREMENT

##### Department of Management Services

The Department of Management Services (DMS) provides administrative and support services to other state agencies and to state employees. DMS's areas of responsibility include, but are not limited to:

- Employee benefits (retirement and insurance);
- Human resource management;
- Business operations (real estate development and management, state purchasing, and specialized services);
- Telecommunications; and
- Agency administration.<sup>1</sup>

##### State Procurement of and Contracts for Personal Property and Services

Under ch. 287, F.S., the Division of State Purchasing in DMS is responsible for developing and administering standardized procurement policies, procedures, and practices to be used by state agencies in acquiring commodities, contractual services, and information technology. A variety of procurement methods are available for use by the agencies depending on the cost and characteristics of the needed good or service, the complexity of the procurement, and the number of available vendors. To guide the procedures for the procurement method to be used, the type of review required, and the method for the award of any contract, the following purchasing categories with threshold amounts have been established:

- Category one: \$20,000
- Category two: \$35,000
- Category three: \$65,000
- Category four: \$195,000
- Category five: \$325,000<sup>2</sup>

DMS prescribes methods of securing competitive sealed bids, proposals, and replies.<sup>3</sup> The competitive solicitation process must be used for procurement of commodities or contractual services in excess of the category two threshold amount and include any of the following solicitation methods: invitations to bid, requests of proposals, and invitations to negotiate. Many services procured by state agencies are exempt from competitive solicitation requirements regardless of whether the purchase exceeds the applicable cost threshold, including artistic services, auditing services, and legal services.<sup>4</sup> Agencies currently must seek approval from DMS to use an alternate contract source to purchase commodities or services from term contracts or requirements contracts competitively established by other governmental entities. In approving the alternate contract source, DMS determines if the contract source is cost-effective and in the best interest of the state.<sup>5</sup>

All agreements in excess of the category two threshold must be evidenced by a written agreement and include provisions for the required minimum level of service to be performed by the contractor, criteria for evaluating the successful completion of each deliverable, and financial consequences for nonperformance. There must

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<sup>1</sup> See the Department of Management Services website, <http://www.dms.myflorida.com/> (last visited 04/18/2012).

<sup>2</sup> Section 287.017, F.S.

<sup>3</sup> Rules 60A-1.041 and 60A-1.002, F.A.C.

<sup>4</sup> Section 287.057(3)(f), F.S.

<sup>5</sup> Rule 60A-1.047, F.A.C.

also be a provision dividing the contract into quantifiable, measurable, and verifiable units of deliverables that must be received and accepted in writing by the contract manager before payment. Each deliverable must be directly related to the scope of work and specify the required minimum level of service to be performed and criteria for evaluating the successful completion of each deliverable.<sup>6</sup>

State agencies may use a variety of procurement methods, depending on the cost and characteristics of the needed good or service, the complexity of the procurement, and the number of available vendors. These include the following:

- "Single source contracts," which are used when an agency determines that only one vendor is available to provide a commodity or service at the time of purchase;
- "Invitations to bid," which are used when an agency determines that standard services or goods will meet its needs, wide competition is available, and vendors' experience will not greatly influence the agency's results;
- "Requests for proposals," which are used when the procurement requirements allow for consideration of various solutions and the agency believes more than two or three vendors with the ability to provide the required goods or services exist; and
- "Invitations to negotiate," which are used when negotiations are determined to be necessary to obtain the best value and involve a request for highly complex and customized services by an agency dealing with a limited number of vendors.<sup>7</sup>

Chapter 287, F.S., also establishes a process by which a person may file an action protesting a decision or intended decision pertaining to contracts administered by DMS, a water management district, or certain other agencies.<sup>8</sup>

### **State Term Contracts**

Agencies also purchase commodities and contractual services utilizing agreements called "state term contracts" procured by DMS.<sup>9</sup> A state term contract is an agreement that leverages the state's volume and buying power to procure the best price for services and commodities. DMS negotiates state term contracts when it is in the best interest of the state to purchase mass quantities of a specific commodity or service. DMS is also responsible for compiling statistical procurement data concerning the method of procurement, terms, usage, and disposition of commodities and contractual services by agencies. This data is available in the Florida Accounting Information Resource (FLAIR) subsystem and the state's MyFloridaMarketPlace (MFMP) centralized e-procurement system.<sup>10</sup>

The advantage of state term contracts is that the procurement process allows the state to leverage increased volume and buying power to provide commodities and services at lower cost to state agencies and other eligible users (OEU).<sup>11</sup> The more state agencies and OEUs utilize state term contracts, the more leverage DMS has in negotiating a better price. In FY 2011-12, the Division tracked the following state term contracts:

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<sup>6</sup> Section 287.058(1), F.S.

<sup>7</sup> See ss. 287.012(6) and 287.057(1), (3), F.S.

<sup>8</sup> See s. 287.042(2)(c), F.S.

<sup>9</sup> See ss. 287.042(2)(a) and 287.056, F.S.

<sup>10</sup> Department of Management Services Operational Audit, Report No. 2011-075, January 2011 (copy on file with Government Efficiency Task Force staff).

<sup>11</sup> Section 287.012(11), F.S., provides that "'Eligible user' means any person or entity authorized by the department pursuant to rule to purchase from state term contracts or to use the online procurement system." Rule 60A-1.005, F.A.C., provides that the following entities are eligible users: governmental entities as defined in s. 163.3164, F.S., (a county, city, school board, or special district that has a physical presence in Florida) and any independent, nonprofit college or university that is located within the State of Florida and is accredited by the Southern Association of Colleges and Schools.

- PCs, laptops, and monitors;<sup>12</sup>
- Information Technology (IT) network infrastructure;<sup>13</sup>
- Medical and dental supplies;<sup>14</sup>
- Office and classroom supplies;<sup>15</sup>
- Uniforms;<sup>16</sup> and
- Office and educational consumables.<sup>17</sup>

DMS identified \$41.6 million in annualized savings over FY 2011-12, which equates to 19% savings compared to the estimated spend under the pre-state term contract price.<sup>18</sup>

Category	Estimated Annual Spend (Before Sourcing)	Actual Identified Annual Savings \$	Actual Identified Annual Savings %	Impacted FY 2011-12 Spend	Actual FY 2011-12 Spend	Actual FY 2011-12 Savings
<b>PCs, Laptops and Monitors</b>	\$174,861,114	\$56,834,099	33%	\$88,944,688.47	\$60,035,496	\$28,909,172.47
<b>IT Hardware: Network Infrastructure</b>	\$133,857,238	\$15,661,312	12%	\$91,204,979.65	\$80,533,987	\$10,670,922.65
<b>Medical/Dental Supplies</b>	\$8,466,927	\$2,024,192	24%	\$1,569,471.19	\$1,194,257.00	\$375,214.19
<b>Office and Classroom Supplies</b>	\$45,717,154	\$3,116,256	7%	\$4,915,976.74	\$4,580,885.00	\$335,091.74
<b>Uniforms</b>	\$2,285,981	\$325,461	14%	\$718,246.76	\$615,988.00	\$102,258.76
<b>Office and Education Consumables</b>	\$40,463,264	\$1,627,757	4%	\$31,235,860.42	\$29,986,426.00	\$1,249,434.42
<b>Totals</b>	<b>\$405,651,678</b>	<b>\$79,589,077</b>	<b>19.6%</b>	<b>\$218,589,203.23</b>	<b>\$176,947,039</b>	<b>\$41,642,164.23</b>

Despite the demonstrated success that DMS has attained in reducing costs for services and commodities through state term contracts, there is a large amount of unaddressed state spend that is not volume purchased through these contracts.<sup>19</sup> Many state agencies have not taken full advantage of the state term contracts provided by DMS, so volume purchasing opportunities are missed. DMS estimates that \$1 to \$1.7 billion<sup>20</sup> was purchased by state agencies through a state term contract last fiscal year with the opportunity to source<sup>21</sup> an

<sup>12</sup> Contract 250-040-08-1.

<sup>13</sup> Contract 250-000-09-1.

<sup>14</sup> Contract 475-000-11-1.

<sup>15</sup> Contract 618-001-07-ACS.

<sup>16</sup> Contract 200-050-05-1.

<sup>17</sup> Contract 618-000-11-1.

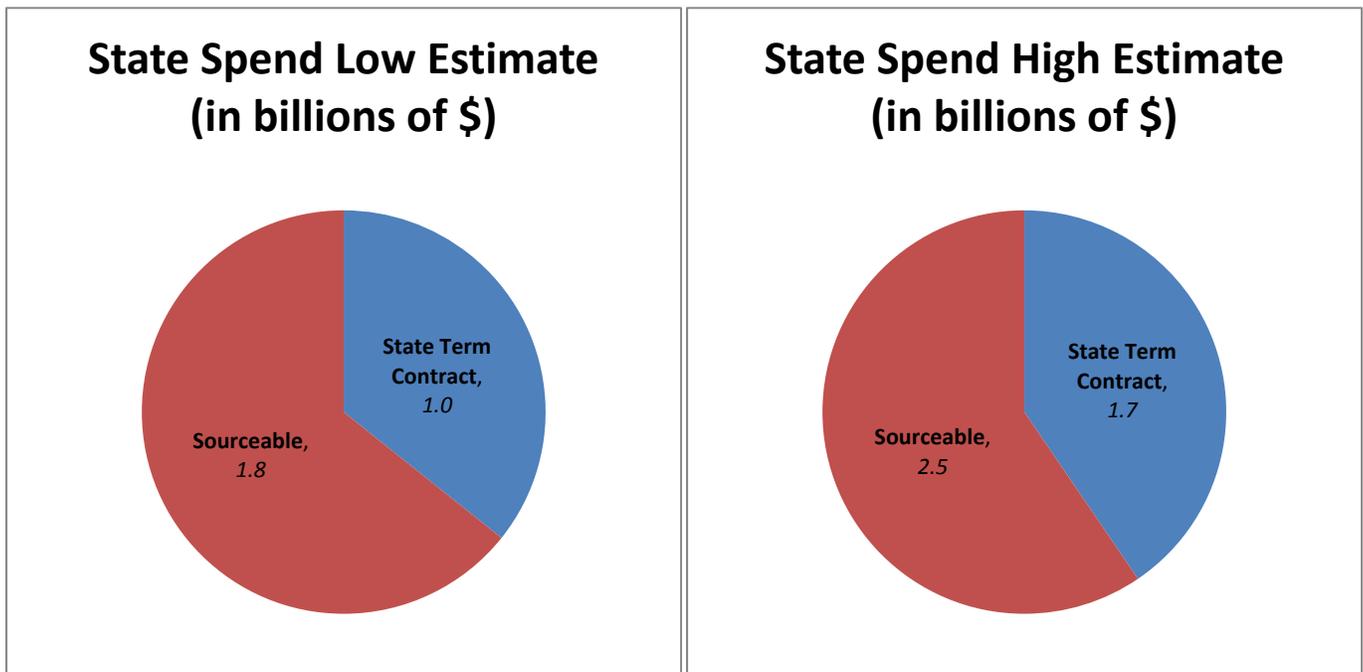
<sup>18</sup> Report provided by DMS at request of the Government Efficiency Task Force General Government Subcommittee Chairman (copy on file with Government Efficiency Task Force staff).

<sup>19</sup> Florida Senate, *State Contract Management System*, February 2011.

<sup>20</sup> DMS was able to track \$1 billion of state term contract spend through MFMP and estimates that an additional \$700 million was purchased on state term contracts outside of MFMP through FLAIR for a total estimate of \$1 to \$1.7 billion in total agency spend.

<sup>21</sup> "Opportunity to source" refers to agency spend to which a strategic sourcing methodology could be applied (i.e., a state term contract could be negotiated to procure the service or commodity).

additional \$1.8 to \$2.5 billion of state agency spend. This potential sourceable spend does not include OEUs, or commodities or services exempted pursuant to s. 287.057(3)(f), F.S.



If DMS was able to strategically source the additional \$1.8 to \$2.5 billion in sourceable spend through multiple state term contracts and achieve a savings between 6-10%, the result would be in the range of \$108-\$180 million<sup>22</sup> to \$150-\$250 million<sup>23</sup> per year.

## Change and Efficiency

### Increase Use of State Term Contracts

The Task Force identified two primary reasons for under-utilization of state term contracts:

1. Lack of enforcement capability of DMS for state term contracts; and
2. Statutory barriers in the form of exceptions of use.

#### *Approval of Non-Use of State Term Contracts*

Section 287.042(2)(a), F.S., provides that DMS has the duty:

To establish purchasing agreements and procure state term contracts for commodities and contractual services, pursuant to s. 287.057, under which *state agencies shall*, and eligible users may, make purchases pursuant to s. 287.056.<sup>24</sup>

<sup>22</sup> This range is based on a 6% or 10% savings on the additional \$1.8 billion of potential sourceable spend.

<sup>23</sup> This range is based on a 6% or 10% savings on the additional \$2.5 billion of potential sourceable spend.

<sup>24</sup> Emphasis added.

Additionally, s. 287.056, F.S., provides that:

*Agencies shall, and eligible users may, purchase commodities and contractual services from purchasing agreements established and state term contracts procured, pursuant to s. 287.057, by the department.*<sup>25</sup>

While state agencies are required to utilize state term contracts pursuant to statute,<sup>26</sup> DMS lacks an enforcement mechanism. Pursuant to Rule 60A-1.044, F.A.C., an agency that chooses to purchase outside a state term contract need only document why the state term contract does not meet its needs. Since DMS does not have a part in the approval process for non-state term purchases, the department does not receive feedback for improvement of state term contracts, which leads to ineffective contract negotiation and spend analysis.

## Recommendations

**The Task Force recommends creating a process that gives the Department of Management Services an approval role for non-state term contract purchases by agencies.** Currently, while an agency may be mandated by statute to purchase from a state term contract, there is no approval or enforcement mechanism. DMS should have an approval role for agency purchases when the purchase can be made on a state term contract and the agency wants to purchase elsewhere. This would aid DMS in collecting data regarding the effectiveness of the state term contract and also enforce utilization of the state term contract when appropriate. This recommendation would aid DMS in strategically sourcing the estimated \$1.8-\$2.5 billion in potential sourceable spend to achieve an estimated savings between 6-10%. This would equate to a savings of **\$108-\$180 million**<sup>27</sup> to **\$150-\$250 million**<sup>28</sup> per year.<sup>29</sup>

### *Statutory Barriers to Use of State Term Contracts*

There are several statutory barriers to use of state term contracts. Section 287.057(3)(f), F.S., lists exceptions to the competitive solicitation requirements, including:

- Artistic services;
- Academic program reviews;
- Lectures by individuals;
- Legal services;
- Health services;
- Services provided to persons with mental or physical disabilities by not-for-profit corporations;
- Medicaid services delivered to an eligible Medicaid recipient;
- Family placement services;
- Prevention services related to mental health;
- Training and education services;
- Contracts entered pursuant to s. 337.11, F.S.; and
- Services or commodities provided by governmental agencies.

For example, in FY 2010-11, \$315 million, or 24% of the \$1.27 billion, in substance abuse and mental health contracts were procured under the health services exemption.<sup>30</sup> This spend may be sourceable, but due to the

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<sup>25</sup> Emphasis added.

<sup>26</sup> See ss. 287.042(2)(a), and 287.056(1), F.S.

<sup>27</sup> This range is based on a 6% or 10% savings on the additional \$1.8 billion of potential sourceable spend.

<sup>28</sup> This range is based on a 6% or 10% savings on the additional \$2.5 billion of potential sourceable spend.

<sup>29</sup> Sourcing and management of the added state term contracts may require additional staff.

<sup>30</sup> OPPAGA, *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (copy on file with Government Efficiency Task Force staff). See also the Task Force recommendations specific to the issue of substance abuse and mental health services procurement.

statutory authority, the purchase is exempt. Additionally, the combined spend for all exempt procurements is \$8.4 billion annually.<sup>31</sup>

## Recommendations

**The Task Force recommends removing statutory barriers to full utilization of state term contracts.** All exceptions to the competitive procurement process should be reviewed and those that are unnecessary should be repealed. By removing exemptions, there will be an increase in competition and ensure the best value for the State of Florida.

## MyFloridaMarketPlace

MyFloridaMarketPlace (MFMP) was established to create a procure-to-pay system for commodities and services. The system aids DMS in utilizing a strategic sourcing methodology for state purchasing.<sup>32</sup> MFMP's purpose is to increase visibility and analysis into statewide spend, which allows the state to consolidate purchases across state entities. The strategic sourcing model used by the Division of State Purchasing (the division) seeks to maximize usage of MFMP by state agencies and other eligible users (OEU) to:

- Increase total spend under management;
- Increase spend visibility; and
- Leverage the increased visibility and volume of spend to develop better procurements.

This visibility allows the division to target deeper discounts through negotiations with suppliers, resulting in stronger contracts. The state as a whole, including local governments, realizes reduced costs of procured products and services from these contracts. MFMP currently provides catalog availability only to agencies in the State of Florida. Currently, less than 50 percent of State of Florida spend is under management. Industry best practice is to achieve spend management of more than 80 percent, which has been achieved by other states.<sup>33</sup>

Utilization of MFMP by agencies provides the following benefits to the state:

1. Supply base management, which reduces procurement costs;
2. Supplier portal/network access, which creates greater competition;
3. Spend analysis, which provides a better understanding of state purchases;
4. Strategic sourcing, which leverages more dollars in order to achieve better pricing;
5. Contract lifecycle management, which reduces transition costs and provides greater visibility of spend; and
6. Procure-to-Pay availability, which reduces transaction costs.

In order for the state of Florida to achieve the greatest procurement efficiency and savings, state agencies need to utilize MFMP to its fullest capability. With greater use, the state agencies will achieve:

- Tighter control and better visibility of their purchases;
- Better control of encumbered funds;
- Significant reduction in invoicing and payment costs; and
- Easier detail and accessibility of spend data for audit purposes.

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<sup>31</sup> Analysis of the State Contract Management System database and agency data. Includes all exempt purchases, not just exemptions pursuant to s. 287.057(3)(f), F.S.

<sup>32</sup> Section 287.057(22), F.S., directs DMS to develop a program for online procurement of commodities and contractual services, which developed into MyFloridaMarketPlace.

<sup>33</sup> North Highland, *Business Case Of The eProcurement Solutions*, October 26, 2011, p.10 (copy on file with Government Efficiency Task Force staff).

## State Agency Utilization of MFMP

Currently, MFMP is not fully utilized by all agencies across state government. Measuring agency utilization is best captured in terms of the percent of addressable spend that is captured in agency MFMP Purchase Order (PO) dollars. Currently, DMS State Purchasing identified \$3.8 billion of addressable spend in FY 2011-12. This was derived from FLAIR payments to vendors, categorized by accounting object code.

The expected total MFMP PO dollars at full agency utilization totals an estimated \$3.6 billion. Currently, there are state agencies that are exempted from both competitive solicitation and utilization of MFMP. According to DMS, exempt agencies account for an additional estimated \$100 million in addressable spend, while purchasing card (P-card) transactions account for an additional estimated \$123 million in addressable spend. Additionally, approximately \$1.7 billion of the \$3.6 billion (47 percent) went through MFMP POs in FY 2011-12. Lastly, 32 vendors account for more than 65 percent of PO dollars not entered in MFMP. To better understand current state agency utilization trends, the Task Force has broken down agency MFMP PO utilization below into three categories:

1. State agencies with high utilization;
2. State agencies with medium utilization; and
3. State agencies with low utilization.

The chart below shows the agencies organized by MFMP utilization.

State Agencies with High MFMP Utilization (75% or More PO Adoption)	State Agencies with Medium MFMP Utilization (75-30% PO Adoption)	State Agencies with Low MFMP Utilization (Less than 30% PO Adoption)
The Agency for Work Force Innovation <sup>34</sup>	Department of Health	State Courts System
Department of Highway Safety and Motor Vehicles	Department of Corrections	Department of Revenue
Division of Administrative Hearings	Department of State	Department of Juvenile Justice
Department of Veteran Affairs	Department of Elder Affairs	Department of Transportation
Florida Fish and Wildlife Conservation Commission	Attorney General and Legal Affairs	Department of Environmental Protection
Department of Financial Services	Executive Office of the Governor	Department of Military Affairs
Florida Department of Law Enforcement	Department of Community Affairs <sup>35</sup>	Agency for Health Care Administration
Department of Children and Families <sup>1</sup>	Florida Parole Commission	Department of Citrus
Department of Business and Professional Regulation	Florida School for the Deaf and Blind	Florida Lottery
Department of Management Services		Department of Education
Agency for Persons with Disabilities		

<sup>1</sup> As of March 2012, the Department of Children and Families has 100 percent fully integrated MFMP utilization throughout the agency.

## Change and Efficiency

### Increase Usage of MyFloridaMarketPlace

#### 1% Transaction Fee

One of the main identified factors for under utilization involved the 1% fee currently charged to vendors who utilize MFMP. Section 287.057(22)(c), F.S., provides that: "The department may impose and shall collect all

<sup>34</sup> Transitioned to Department of Economic Opportunity in 2011.

<sup>35</sup> Transitioned to Department of Economic Opportunity in 2011.

fees for the use of the online procurement systems.” The statute provides DMS flexibility in setting the fees for usage of MFMP. The current 1% is established via Rule 60A-1.031, F.A.C., with a list of exceptions to the 1% fee provided in Rule 60A-1.032, F.A.C.

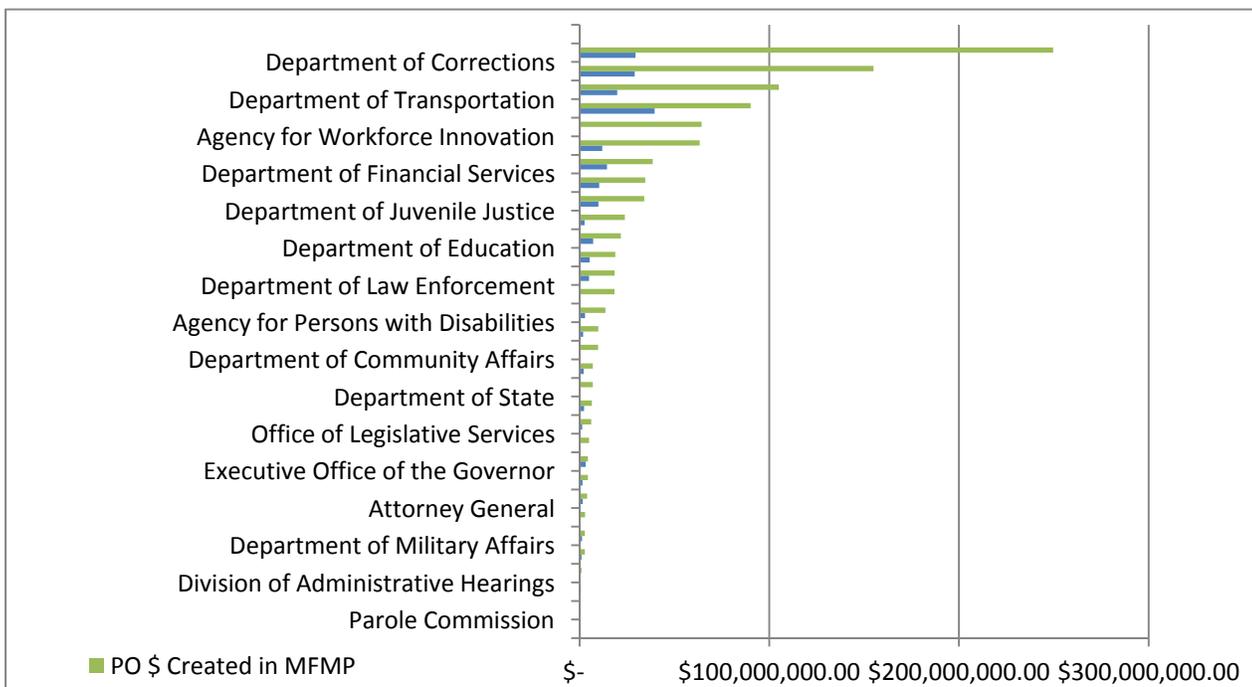
## Recommendations

**The Task Force recommends that the 1% usage fee for MyFloridaMarketPlace be reviewed and adjusted to allow for the greatest utilization by state agencies and other eligible users.** Users of MFMP are charged a 1% usage fee. The fee and funding structure of MFMP should be reviewed and changed to allow for the greatest utilization.<sup>36</sup> If increased utilization was able to generate a 1% savings on only 50% of the possible spend that could utilize MFMP, the savings would total **\$9.5 million** per year.<sup>37</sup>

### Full Cycle Utilization

As demonstrated in the below graph, agencies do not fully utilize MFMP. Many agencies will order (create a PO) within the system, but will not utilize the e-Invoicing system; instead the agency will utilize FLAIR. Utilizing FLAIR creates additional soft and hard costs<sup>38</sup> involved in the invoicing process. Two separate reports estimate a savings of \$10-\$15 per transaction if the order were to be processed via the e-Invoicing in MFMP rather than through FLAIR.<sup>39</sup> DMS has estimated a cost savings of \$10.9-\$11.9 million per year if 80% of addressable spend were to utilize the e-Invoicing system with MFMP.

**MFMP Invoice Payment dollars against MFMP POs**



<sup>36</sup> DMS provided several high-level concepts of a revised fee, including reducing the fee, an e-transaction incentive model, and two hybrid models (copy on file with Government Efficiency Task Force staff).

<sup>37</sup> This is calculated by taking 1% of the 50% of the \$1.9 billion in potential MFMP spend (1% of \$950 million), which equates to \$9.5 million.

<sup>38</sup> Soft costs refer to the labor involved in processing the order, while hard costs refer to the printing and sending of the invoice.

<sup>39</sup> These reports were done by Forrester and Accenture (copy on file with Government Efficiency Task Force staff).

## Recommendations

**The Task Force recommends that DMS measure full cycle utilization.** There are significant savings to be realized by not printing and mailing out invoices to customers. The hard costs alone (postage, paper, custom envelopes) are significant enough to justify adoption, but there are also significant soft costs in labor savings. Agencies should utilize MFMP for invoicing. This recommendation would result in savings of **\$10.9-\$11.9 million** per year if implemented.<sup>40</sup>

### *MFMP Enhancements*

DMS's objective is to establish the following guiding principles to ensure that MFMP is fully as a best-in class<sup>41</sup> e-Procurement solution:

- Maximize spend visibility;
- Maximize usage by both agencies and other governmental entities;
- Bring best value to the state through strategic sourcing, standard contracts, and processes;
- Manage administrative costs through self-service and a shared services delivery model; and
- Create a flexible technology platform that is easy to use and maintain.

There are several enhancements available to the MFMP system that can further improve the realized efficiencies, produce greater savings from economies of scale, support open government requirements, better leverage OEU spend to Florida's collective benefit, further ease implementation of a unified statewide procurement process, embrace national and best-in-class standards, and embrace new cloud technology.

## Recommendations

**The Task Force recommends implementing a data analytics solution.** MFMP should be modified to assist the state in gaining greater spend visibility for goods and/or services than is currently available. The goal should be data normalization at a minimum standard of 80 percent of the available dataset covering:

- a. Suppliers – including but not limited to:
  - i. Utilizing an external database to demonstrate parent-child relationships
  - ii. Federal employer identification number (FEIN) validation
  - iii. Physical location detail
- b. Commodity code– including but not limited to:
  - i. Transition to National Institute of Governmental Purchasing commodity codes
  - ii. Validate commodity code spend against vendor business class
- c. Supplier business status validation from a vendor-supplied database covering:
  - i. Minority
  - ii. Veteran
  - iii. Small Business

The services should provide information that will support the shared services initiatives the state is currently undertaking and should provide greater visibility in expenditures made by state agencies. This enhancement provides the necessary data to support a strategic sourcing process for the State of Florida. The ability to access disparate data sources and normalize spend creates a benchmarking opportunity that allows agencies and other users to evaluate procurement performance.

**The Task Force recommends automating electronic posting of solicitations created in Sourcing to the Vendor Bid System (VBS).** DMS developed and manages the VBS, to which approximately 1,000 solicitations

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<sup>40</sup> The savings estimate uses DMS calculations based on two reports by Accenture and Forrester.

<sup>41</sup> Gartner, *Understanding Your Top Procurement Processes*, May 11, 2011 (copy on file with Government Efficiency Task Force staff).

are posted each year. DMS also uses the Ariba Sourcing application to post solicitations and receive responses. One of DMS's goals is to roll-out the Ariba Sourcing application to all agencies. Currently all agencies use VBS and are required to manually post information in the system. DMS should create a solution to facilitate the automated posting of solicitation information in VBS from Ariba Sourcing to avoid manually entering data in both systems. This enhancement will reduce the duplication of efforts by state agencies as the Ariba Sourcing module is rolled out to other agencies in Florida.

**The Task Force recommends that DMS automate the workflow between the Ariba Buyer and Ariba Sourcing modules.** Buyers must manually create a requisition within MFMP Buyer when an electronic quote or sourcing event is awarded in the Sourcing tool. DMS should create a solution to automate the creation of requisitions in Buyer for electronic quotes awarded in Sourcing.

**The Task Force recommends providing a public portal for contract information.** DMS maintains all statewide agreement documents and contract information on the DMS website, as well as in the MFMP application. A best-in-class solution will provide a tool to maintain contract information within MFMP complemented by a public portal for contract information, in order to prevent the duplication of data in multiple locations. This enhancement would replace the DMS state term contract website and would be available to other agencies in a shared solutions model to support transparency in Florida.

#### *Other Eligible Users (OEU)*

OEU account for a significant amount of the sourceable spend on state term contracts. The more OEU utilize state term contracts and MFMP, the more DMS is able to negotiate better prices due to increase in volume of spend. MFMP does not currently utilize a public facing catalog for OEU. The public facing catalog would be similar to the platform on amazon.com or other on-line stores. The catalog would significantly increase the ease of ordering from MFMP for OEU.<sup>42</sup>

MFMP also utilizes Florida commodity codes. This codes are unique to the state and do not correspond with the majority of industry codes. Most OEU use National Institute of Governmental Purchasing (NIGP) codes. The difference in coding makes it difficult for OEU to navigate and locate the commodities they wish to purchase through MFMP and post solicitations on VBS once it becomes available to OEU.

### **Recommendations**

**The Task Force recommends providing a public facing catalog solution.** DMS establishes catalogs for all state term contracts in MFMP Buyer from which customers purchase. Current catalog types include line items, punch-outs (an interface between a supplier's online ordering portal and Buyer), and ordering instructions (general instructions to buyers on how to purchase). DMS is working to create a solution to make the MFMP catalog component available to OEU (e.g., cities, counties, and universities). This enhancement will also allow users to create a shopping cart of various items for print view reference and will accept P-card payment functionality. This addition will support the goal of increasing spend visibility by capturing purchases from OEU and making them reportable in MFMP analysis. This enhancement will better drive spend to state term contracts. Leveraging purchases across the entire State of Florida is a key component of strategic sourcing and will deliver better value to all Florida taxpayers.

**The Task Force recommends converting Florida commodity codes to the National Institute of Governmental Purchasing (NIGP) codes.** The State of Florida currently leverages custom commodity codes. These commodity codes are maintained by the Division of State Purchasing (the division) and are associated to a default object code (defined by DFS). DMS is interested in moving away from Florida customized commodity codes to a set of standard industry codes. Most OEU utilize NIGP codes. If they are adopted as the State of Florida standard, it will be easier for the OEU to utilize MFMP and VBS.

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<sup>42</sup> OEU spend is not currently tracked through MFMP. Vendors self report the sales in order to reconcile the 1% fee with the state. It is estimated that the amount reported by vendors is lower than the actual amount. *See* Rule 60A-1.031, F.A.C.

## Strategic Sourcing

The ultimate goal of the Task Force recommendations is to aid DMS in its mission to strategically source commodities and services, for both the state and OEUs, in order to achieve the best price. Increased utilization of state term contracts will immediately realize savings by negotiating a better price for agency purchases and will also allow DMS to continually negotiate better state term contracts through the increase in the volume of spend. Increased use of MFMP allows DMS to track spending and in turn negotiate new state term contracts or identify new avenues for savings.

## Recommendations

**The Task Force recommends utilizing the increased visibility and volume in spend achieved via increased use of state term contracts and MFMP to strategically procure commodities and services.** If utilization of state term contracts and utilization of MFMP are increased, the state will achieve greater spend visibility and purchasing leverage. DMS should utilize these processes to strategically procure and achieve greater savings.

**The Task Force recommends creating an incentive model that utilizes savings achieved by agencies to encourage participation in strategic sourcing.** In order to encourage agency compliance with the utilization of state term contracts and MFMP, the state should adopt an incentive model that awards an agency for cost savings through strategic procurement. The state should set realistic goals for savings achievement and reward agencies for achieving those goals, not just for participating.

## Consultants' Competitive Negotiation Act

The Consultants' Competitive Negotiation Act (CCNA) was passed in 1973.<sup>43</sup> The Act is largely based on the Federal Brooks Act, which was passed in 1972.<sup>44</sup> CCNA provides that all professional services within architecture, professional engineering, landscape architecture, or registered surveying and mapping<sup>45</sup> be contracted according to qualifications-based selection (QBS). CCNA applies to all projects above \$325,000 and all studies above \$35,000<sup>46</sup> bid out by the state, a state agency, a municipality, a political subdivision, a school district, or a school board.<sup>47</sup>

QBS follows these phases:

### Phase One

1. The agency publicly announces the project or study.<sup>48</sup>
2. The agency evaluates current statements of qualifications and performance currently on file, together with those that are submitted by other firms and conducts discussions with no fewer than three firms regarding their qualifications, approach to the project, and ability to furnish the required services.<sup>49</sup>
3. The agency then selects in order of preference no fewer than three firms deemed to be the most qualified.<sup>50</sup>
4. The agency may consider the following factors in determining whether a firm is qualified: ability of professional personnel; whether a firm is a certified minority business enterprise; past performance;

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<sup>43</sup> See s. 287.055, F.S.

<sup>44</sup> See Public Law 92-582.

<sup>45</sup> Section 287.055(2)(a), F.S.

<sup>46</sup> See s. 287.055(3)(a)(1), F.S., which cites to s. 287.017, F.S. Section 287.017(5), F.S., provides that a category 5 project is defined as a project over \$325,000 and s. 287.017(2), F.S. provides that a category 2 is a study over \$35,000.

<sup>47</sup> Section 287.055(2)(b), F.S.

<sup>48</sup> Section 287.055(3)(a)(1), F.S.

<sup>49</sup> Section 287.055(4)(a), F.S.

<sup>50</sup> Section 287.055(4)(b), F.S.

willingness to meet time and budget requirements; location; recent, current, and projected firm workload; and the volume of work previously awarded to each firm by the agency.<sup>51</sup>

5. The agency may not consider compensation during this phase.<sup>52</sup>

## **Phase Two**

1. The agency negotiates with the most qualified firm regarding compensation.<sup>53</sup>
2. If the agency cannot come to an agreement with the most qualified firm, then negotiations with that firm must be formally terminated.<sup>54</sup>
3. The agency may then begin negotiations with the second most qualified firm.<sup>55</sup>
4. If the agency cannot come to an agreement with the second most qualified firm, then negotiations with that firm must be formally terminated.<sup>56</sup>
5. The agency may then begin negotiations with the third most qualified firm.<sup>57</sup>
6. If the agency cannot come to an agreement with the third most qualified firm, then negotiations with that firm must be formally terminated.<sup>58</sup>
7. If the agency cannot negotiate a satisfactory contract with any of the three most qualified firms, the agency can negotiate with additional firms selected in order of their competence and qualifications.<sup>59</sup>
8. Once negotiations with a firm are terminated, the agency may not resume negotiations with that firm for the project.

## **Recommendations**

**The Task Force recommends that state agencies utilize the “Best Value” process.**<sup>60</sup> The best value process is defined as:

The selection of a firm or firms whose proposal provides the greatest overall benefit to an agency in accordance with the requirements of a formal solicitation.

The best value process allows agencies to:

1. Solicit proposals and include a written scope of work for the project to the competing firms.
2. Rank all firms based on qualifications and establish a “short list.”<sup>61</sup>
3. Rank “short listed” firms on qualifications and price.<sup>62</sup>

Price would be allowed to be solicited from the top three most qualified firms only and would be factored in to the evaluation at no more than 50%. Since unqualified firms would not make the original short list, only the most qualified firms would have an opportunity to be awarded the contract. This would address the concerns raised about health and human safety in the procurement process.

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<sup>51</sup> *Id.*

<sup>52</sup> Section 287.055(4)(c), F.S.

<sup>53</sup> Section 287.055(5)(a), F.S. “Compensation which the agency determines is fair, competitive, and reasonable.”

<sup>54</sup> Section 287.055(5)(b), F.S.

<sup>55</sup> *Id.*

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

<sup>58</sup> Section 287.055(5)(b), F.S.

<sup>59</sup> Section 287.055(5)(c), F.S.

<sup>60</sup> The process was presented by Mr. Steve Carnell at the November 2, 2011, meeting of the Government Efficiency Task Force. See <http://www.floridaefficiency.com/2011meetings.cfm> (last visited 5/7/2012). The Subcommittee on General Government also discussed CCNA and the best value process at the April 11 and May 2, 2012, meetings and adopted the best value process as a recommendation. See also the Task Force recommendations on the Consultants’ Competitive Negotiation Act.

<sup>61</sup> The first two steps are the same as the current CCNA process and would remain the same under best value.

<sup>62</sup> The third step is a deviation from CCNA and would allow price to be a component of ranking the short list.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Florida Retirement System (FRS)

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding the Florida Retirement System (FRS) by a vote of 10 yeas, 0 nays:

- **Define a goal for the state retirement system.** The state does not currently have a defined goal for the retirement system. The Florida Statutes and Constitution provide requirements, but do not outline a set goal or purpose for the state.
- **Prioritize portability and transferability of retirement funds.** The defined contribution (DC) plan currently offers portability for its members. Due to the changing nature of employment and the increasingly transient nature of employees, the state should place a priority on portability and transferability for all state employee retirement funds.
- **Review the assumed long term returns on the pension fund and the acceptable funding level.** The current assumed return for the FRS pension fund is 7.75%. This assumed rate should be reviewed in context of past market performance to determine if this is an accurate assumption. Various studies have indicated that a funding level of 80% is generally accepted as actuarially sound. As of June 2011, the FRS pension fund has a funding level of 87.5%. The funding level has many assumptions built in, including an assumed rate of return, length of FRS membership, and vesting time of benefits. The funding level policy should be reviewed in the context of the potential issues surrounding retirement funds. The Task Force also recommends that employees contribute a portion of their salary towards their retirement plan.
- **Place a cap on the average salary for calculating pension benefits.** High-salaried employees are one of the drivers of increased funding liability for the pension fund. The Internal Revenue Service (IRS) limits the amount of annual salary that may be applied towards retirement under a qualified plan. Currently, the IRS limits the annual salary to \$245,000 for members hired on or after July 1, 1996, and \$363,820 for members hired prior to July 1, 1996. The Task Force recommends a cap on salary applied towards retirement in line with the average salary of a head of state agency, which is \$140,000.
- **Consider a hybrid retirement system.** Various states have either adopted or are considering a hybrid retirement plan (incorporates both defined benefit (DB) and DC plans). Florida should review the hybrid option as a method to reduce future unfunded liability, provide flexibility for employees, and ensure adequate guaranteed retirement funds for state employees, particularly lower earning employees.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. FLORIDA RETIREMENT SYSTEM

The Florida Retirement System (FRS) was established in 1970 when the Legislature consolidated the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund.<sup>1</sup> The Florida Retirement System Act<sup>2</sup> governs the FRS, which is a multi-employer plan that provides retirement benefits to 643,680 active members,<sup>3</sup> 319,689 retired members and beneficiaries, and 45,092 members in the Deferred Retirement Option Program (DROP).<sup>4</sup> The FRS is the primary retirement plan for employees of state and county government agencies, district school boards, community colleges, and universities.<sup>5</sup> Participation in the FRS is compulsory for most state employees.<sup>6</sup> The FRS also serves as the retirement plan for participating employees of 185 cities and 243 special districts.<sup>7</sup>

The membership of FRS is divided into five membership classes:

- Regular Class:<sup>8</sup> 561,126 (87.1%)
- Special Risk Class:<sup>9</sup> 72,675 (11.3%)
- Special Risk Administrative Support Class:<sup>10</sup> 63 (0.01%)
- Elected Officers' Class:<sup>11</sup> 2,218 (0.34%)
- Senior Management Service Class:<sup>12</sup> 7,598 (1.2%)<sup>13</sup>

There are currently two retirement programs in which a member of the Florida Retirement System may participate: The Florida Retirement System Pension Plan (defined benefit or DB plan) or the Florida Retirement System Investment Plan (defined contribution or DC plan).

#### FRS Pension Plan

The FRS DB Plan was created in 1970 and is administered by the Secretary of the Department of Management Services through the Division of Retirement. Investment management is performed by the State Board of Administration. The DB plan also serves as the default retirement plan membership for all FRS

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<sup>1</sup> Department of Management Services, *The Florida Retirement System Annual Report: July 1, 2010 – June 30, 2011*, p. 10, [https://www.rol.frs.state.fl.us/forms/2010-11\\_Annual\\_Report.pdf](https://www.rol.frs.state.fl.us/forms/2010-11_Annual_Report.pdf) (last visited 5/15/2012). In 1972, the Judicial Retirement system was also consolidated into the FRS.

<sup>2</sup> See ch. 121, F.S.

<sup>3</sup> Information provided by the Department of Management Services, Division of Retirement (copy on file with Government Efficiency Task Force staff). Current as of 2/1/2012.

<sup>4</sup> *The Florida Retirement System Annual Report* at p. 22 (as of 6/1/2011).

<sup>5</sup> As of June 2011, there were 67 school boards, 28 community colleges, 396 county agencies and 55 agencies of the state participating in the FRS. *Id.* at p. 38.

<sup>6</sup> Section 121.051, F.S.

<sup>7</sup> *The Florida Retirement System Annual Report* at p. 38 (as of 6/1/2011).

<sup>8</sup> See s. 121.021(12), F.S. Regular Class “consists of all members who are not in the Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class, or Senior Management Class.”

<sup>9</sup> See s. 121.0515, F.S. Members of this class include law enforcement officers, firefighters, correctional officers, correctional probation officers, paramedics, emergency medical technicians, certain professional health care workers within Department of Corrections and the Department of Children and Families, and certain forensic employees.

<sup>10</sup> See s. 121.0515(8), F.S. Members are former members of the special risk class who are transferred or reassigned to an administrative support position in certain circumstances.

<sup>11</sup> See s. 121.052, F.S. Members are those who hold specified elective offices in either state or local government.

<sup>12</sup> See s. 121.055, F.S. Members are generally high level executive and legal staff or as specifically provided in law.

<sup>13</sup> Information provided by the Department of Management Services, Division of Retirement (copy on file with Government Efficiency Task Force staff). Current as of 2/1/2012.

participants. As of July 1, 2011, all active FRS members are required to contribute three percent of their gross salary towards their retirement plan.<sup>14</sup>

A member vests in the pension plan and becomes eligible for lifetime pension benefits after six years of employment with an FRS employer if initially enrolled before July 1, 2011, or after eight years if initially enrolled July 1, 2011, and after.<sup>15</sup> The benefits payable are calculated based on the years of service times the accrual rate times the average final compensation.<sup>16</sup> As of February 29, 2012, the market value of the pension fund was \$126.125 billion.<sup>17</sup>

## **FRS Investment Plan**

In 2000, the Legislature created the FRS Investment Plan (DC plan), a defined contribution plan offered to eligible employees as an alternative to the pension (DB) plan. The earliest any member could participate in the investment plan was July 1, 2002.

The plan is similar to private sector 401(k) plans. Benefits under the investment plan accrue in individual member accounts funded by employee and employer contributions.<sup>18</sup> Benefits are provided through employee directed investments offered by approved investment providers.<sup>19</sup> As of February 29, 2012, the total amount of funds in the investment plan was \$7.067 billion.<sup>20</sup>

## **Employer and Employee Contributions**

Section 121.71, F.S., provides employee and employer contributions to the Florida Retirement System. For FY 2011-12, all active FRS members are required to contribute three percent of their gross compensation, with the exception of members of DROP.<sup>21</sup> The contribution rates to fund normal cost benefits by employers for each membership class for FY 2011-12 are:

- Regular Class: 3.28%
- Special Risk Class: 10.21%
- Special Risk Administrative Support Class: 4.07%
- Elected Officers' Class:<sup>22</sup> 7.02%
- Elected Officers' Class:<sup>23</sup> 9.78%
- Elected Officers' Class:<sup>24</sup> 9.27%
- Senior Management Class: 4.81%
- DROP: 3.31%<sup>25</sup>

Section 121.71(5), F.S., also provides for employer contributions in order to address unfunded actuarial liabilities of the FRS Pension Plan. The contribution rates for employers for each membership class for FY 2011-12 are:

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<sup>14</sup> See s. 121.71(3), F.S.

<sup>15</sup> See s. 121.021(45)(b), F.S. The eight-year vesting period applies to employees covered under the FRS plan hired after July 1, 2011. The vesting period is six years for employees hired prior to July 1, 2011.

<sup>16</sup> See s. 121.091, F.S.

<sup>17</sup> See <http://www.sbafla.com/fsb/> (last visited 5/15/2012).

<sup>18</sup> Section 121.4501(7), F.S. Prior to July 1, 2011, the member accounts were only employer funded.

<sup>19</sup> Section 121.4501(9), F.S.

<sup>20</sup> See <http://www.sbafla.com/fsb/> (last visited 5/15/2012).

<sup>21</sup> Section 121.71(3), F.S.

<sup>22</sup> Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, and Public Defenders.

<sup>23</sup> Justices and judges.

<sup>24</sup> County elected officials.

<sup>25</sup> Section 121.71(4), F.S.

- Regular Class: 0.49%
- Special Risk Class: 2.75%
- Special Risk Administrative Support Class: 0.83%
- Elected Officers' Class:<sup>26</sup> 0.88%
- Elected Officers' Class:<sup>27</sup> 0.77%
- Elected Officers' Class:<sup>28</sup> 0.73%
- Senior Management Class: 0.32%
- DROP: 0.00%<sup>29</sup>

Employer and employee contributions are contributed monthly to the Division of Retirement and are initially deposited in the Florida Retirement System Contributions Clearing Trust Fund.<sup>30</sup> Allocations to investment plan member accounts are established pursuant to section 121.72(3), F.S., by membership class. For FY 2011-12, the allocations for the investment plan members are:

- Regular Class: 9.00%
- Special Risk Class: 20.00%
- Special Risk Administrative Support Class: 11.35%
- Elected Officers' Class:<sup>31</sup> 13.40%
- Elected Officers' Class:<sup>32</sup> 18.90%
- Elected Officers' Class:<sup>33</sup> 16.20%
- Senior Management Class: 10.95%<sup>34</sup>

After making the allocations required by statute,<sup>35</sup> the remaining balance in the Florida Retirement System Contributions Clearing Trust Fund is transferred to the Florida Retirement Trust Fund to pay the costs of providing pension plan benefits and plan administration.<sup>36</sup> The disability coverage for Investment Plan members is administered by the Division of Retirement and the funding specified in s. 121.71(3), F.S., is transferred to the Florida Retirement System Trust Fund to pay the cost of this benefit.

## Employee Participation

At the time of initial employment, a member of the FRS may choose to either participate in the pension plan or investment plan. If the member does not choose, the default choice is the pension plan. A member has one additional choice before termination or retirement to change retirement plans. The charts below reflect the current membership of the FRS by class and by retirement plan.<sup>37</sup>

<sup>26</sup> Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, and Public Defenders.

<sup>27</sup> Justices and judges.

<sup>28</sup> County elected officials.

<sup>29</sup> Section 121.71(5), F.S.

<sup>30</sup> Section 121.71(2), F.S.

<sup>31</sup> Legislators, Governor, Lt. Governor, Cabinet Officers, State Attorneys, and Public Defenders.

<sup>32</sup> Justices and judges.

<sup>33</sup> County elected officials.

<sup>34</sup> Section 121.72(4), F.S. House Bill 5005, passed during the 2012 session, reduces the contribution levels by approximately 30%. House Bill 5005 (2012), Ch. 2012-146, L.O.F.

<sup>35</sup> The allocations include investment member account funds (s. 121.72, F.S.), member disability coverage (s. 121.73, F.S.), and administrative and educational expenses (s. 121.74, F.S.).

<sup>36</sup> Section 121.75, F.S.

<sup>37</sup> Information was provided by the Department of Management Services, Division of Retirement (current as of 2/28/2012 and on file with Government Efficiency Task Force staff).

	Class	Members in Pension Plan	Total Salary	Members in Investment Plan	Total Salary
<b>FRS</b>	Regular	472,198	\$18,585,083,221	88,928	\$3,439,293,624
	Senior Management	5,430	\$453,933,974	2,168	\$145,877,359
	Special Risk	61,280	\$3,315,508,794	11,395	\$624,543,868
	Special Risk Administrative Support	45	\$2,070,774	18	\$796,462
	Elected Officers	1,682	\$142,579,733	536	\$26,073,922

The vast majority of FRS members participate in the pension plan (84%) versus the investment plan (16%). The percentage breakdown per class is as follows:

- Regular Class: 84.2% (Pension Plan) and 15.8% (Investment Plan)
- Senior Management Class: 71.5% (Pension Plan) and 28.5% (Investment Plan)
- Special Risk Class: 84.3% (Pension Plan) and 15.7% (Investment Plan)
- Special Risk Administrative Support Class: 71.4% (Pension Plan) and 28.6% (Investment Plan)
- Elected Officers' Class: 75.8% (Pension Plan) and 24.2% (Investment Plan)

Member plan choice has been consistent over the last three fiscal years. The chart below shows new employee choice of retirement plans.<sup>38</sup>

Participant Election Data			
New Employee Elections			
	**Default to Pension	Pension Plan	Investment Plan
FY 2009-10	21,501 (55.5%)	8,158 (21.1%)	9,071 (23.4%)
FY 2010-11	21,049 (52.6%)	9,042 (22.6%)	9,960 (24.8%)
FY 2011-12*	6,317 (51.4%)	2,782 (22.7%)	3,179 (25.9%)
Total	48,867 (53.7%)	19,982 (21.9%)	22,210 (24.4%)
* Percentages are shares of FY Totals as of 12/31/2011			
** Based on focus group and survey data, up to 45% of defaulters use this option as their active plan election choice to the pension plan			

<sup>38</sup> State Board of Administration of Florida, *Monthly Performance Report to the Trustees*, December 31, 2011, p. 13 (copy on file with Government Efficiency Task Force staff).

## Change and Efficiency

### Goal of the Florida Retirement System

The Florida Retirement System does not have an overriding goal in the Constitution or in statute. The Task Force provided several questions regarding the purpose of the FRS including:

- What is the state policy regarding the FRS?
- Is the purpose of the FRS for recruitment and retention of state and local employees?
- Is there a comparison between private and public retirement systems that provides a consistent balance between the two?

One articulation of the retirement system was that it was a three prong approach to retirement, where the FRS benefit served as one prong, with social security and personal savings serving as the other two prongs.<sup>39</sup>

### Recommendations

**The Task Force recommends defining a goal for the Florida Retirement System.** The state does not currently have a defined goal for the retirement system. The Florida Statutes and Constitution provide requirements, but do not outline a set goal or purpose for the state.<sup>40</sup>

**The Task Force recommends that portability and transferability of retirement funds be placed as a priority.** The DC plan currently offers portability for its members. Due to the changing nature of employment and the increasingly transient nature of employees, the state should place a priority on portability and transferability for all state employee retirement funds.

## B. FUNDING

The pension plan is funded through a combination of employee and employer contributions and investment earnings. Since the retirement benefits are guaranteed by the state, there is the potential for the pension fund to have a shortfall if the investment earnings are below the projected returns for the long term, or if the actuarially-required contributions are not paid to the system by employees and/or employers.

The pension fund's funding ratio<sup>41</sup> over the last twenty-five years has had a high of 118.1% and a low of 54.3%.<sup>42</sup> A 100% funding ratio indicates that the pension fund is able to meet its liabilities as of the valuation date for current retirees and current members who retire. In 2009, the funding ratio was 88.5%, in 2010 it was 87.9%, and in 2011 it was 87.5%.<sup>43</sup> Experts generally consider public pension plans with funding ratios at or above 80% to be fiscally sound.<sup>44</sup> The economic downturn has shown that state pension funds are vulnerable to market downturns.

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<sup>39</sup> As provided by Sarabeth Snuggs, Director of the Division of Retirement, at the meeting of the Subcommittee on General Government, May 2, 2012. This is not an official position of DMS, but a common articulation of various pension plans. Ms. Snuggs also noted that a fourth prong would also be any retirement benefits from other employers in the course of the FRS member's career. See <http://www.floridaefficiency.com/meetings.cfm> (last visited 5/8/2012).

<sup>40</sup> The Task Force does not recommend a particular goal.

<sup>41</sup> A funding ratio is a comparison of a pension's assets to its liabilities (current and future).

<sup>42</sup> See State Board of Administration, *Pension Portfolio Overview as of 6/30/2011*, p. 2 (copy on file with Government Efficiency Task Force staff).

<sup>43</sup> *Id.* See also [https://www.rol.frs.state.fl.us/forms/Asset\\_Liability\\_Chart.pdf](https://www.rol.frs.state.fl.us/forms/Asset_Liability_Chart.pdf) (last visited 5/15/2012). The funding ratio represents assets versus liabilities at a given point in time. The percentages were calculated as of June 30<sup>th</sup> of that year.

<sup>44</sup> U.S. Government Accountability Office (GAO), *State and Local Government Retiree Benefits: Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs*, Report No. 07-1156, November 2007 (copy on file with Government Efficiency Task Force staff).

## Change and Efficiency

### Funding Ratio Assumptions

In calculating the funding ratios of pension funds, actuaries take several assumptions into consideration including: salary increases, inflation, and investment returns. Most states have an assumed return of around 8 percent.<sup>45</sup> The economic downturn has caused some to question if the assumed rate is too optimistic.<sup>46</sup> The board that oversees the California Public Employees' Retirement System (Calpers) reduced their assumed rate from 7.75% to 7.5%,<sup>47</sup> while the Illinois State Employees' Retirement System lowered their rate from 8.5% to 7.75%.<sup>48</sup> Florida has a return assumption of 7.75%.<sup>49</sup>

The Pew Center report outlines the main debate regarding the assumed return rate:

At the heart of the debate surrounding the appropriate discount rate assumption is whether states should calculate the current value of these long-term promises using an expected rate of return. In other words, if investment returns are disappointing and do not meet expectations, states are still required to pay retirees the benefits they have earned.<sup>50</sup>

The study provides that several experts have recommended a riskless rate instead.<sup>51</sup> Two suggestions were the rate on 30-year treasury bonds<sup>52</sup> or the investment return required by the Final Accounting Standards Board, which is based on corporate bond rates.<sup>53</sup>

If Florida were to use a lower assumed rate of return, the funding ratio would be lower and additional contributions would be needed for the pension fund.<sup>54</sup> Based on the 2009 funding ratio, if the assumed rate were to be lowered to 5.22% the funding ratio would be 61% and if the rate was lowered to 4.38% the ratio would be 54%.<sup>55</sup>

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<sup>45</sup> The Pew Center on the States, *The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs*, April 2011, p. 8, <http://www.pewstates.org/research/reports/the-widening-gap-85899378209> (last visited 5/10/2012).

<sup>46</sup> *Id.* Citing Warren Buffett Says That Pension Accounting Encourages Cheating, Bloomberg.com, July 17, 2009, [http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aCb9PTevRP3g&refer=news\\_index](http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aCb9PTevRP3g&refer=news_index) (last visited 5/10/2012).

<sup>47</sup> *See Calpers Lowers Investment Target to 7.5%*, Wall Street Journal, March 15, 2012, <http://online.wsj.com/article/SB10001424052702304692804577281603950185684.html> (last visited 5/10/2012).

<sup>48</sup> *See Illinois Employers Lowers Return Assumption*, Pension & Investments, November 1, 2010, <http://www.pionline.com/article/20101101/PRINTSUB/311019987> (last visited 5/10/2012).

<sup>49</sup> This rate of return is assumed over 30 years, since the investment outlook for the pension fund is a long term 15-30 year horizon. The current return for the last 20 years is 7.78%; 15 years is 6.49%; 10 years is 5.19%; 5 years is 1.75%; and 1 year is 0.5%. Information provided by the State Board of Administration (copy on file with Government Efficiency Task Force staff).

<sup>50</sup> *The Pew Center on the States* at p. 8.

<sup>51</sup> *Id.*

<sup>52</sup> *Id.* As of 5/10/2012, the yield on a 30-year treasury bond was 3.08 (at the time of the Pew Study the yield was 4.38). *See* <http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/> (last visited 5/10/2012).

<sup>53</sup> *Id.* As of 5/10/2012, the yield on a AA Corporate bond was 3.95 (at the time of the Pew Study the yield was 5.22) *See* <http://www.bloomberg.com/quote/MOODCAA:IND> (last visited 5/10/2012).

<sup>54</sup> The City of New York recently lowered the assumed rate of return from 8% to 7% on its pension fund, which will result in an additional \$1 billion in contributions to the fund. Moody's gave this action a positive credit outlook, providing that, "While pension costs in the budget will increase, the plan over the long run will lead to greater stability, since using the 7% rate will mitigate market volatility in actuarial calculations of the city's pension liabilities." *See Moody's Welcomes Lower Investment Return Assumptions by Public Pensions*, Market News International, February 13, 2012, <https://mninews.deutsche-boerse.com/index.php/moodys-welcomes-lower-invst-return-assump-public-pensions?q=content/moodys-welcomes-lower-invst-return-assump-public-pensions> (last visited 5/15/2012).

<sup>55</sup> The ratio calculations are based on February 2009 pension figures released by the state and reflect the interest rate for a high end corporate bond (5.22%) and a 30 year US Treasury bond of 3/11. *See Can Investment Assumptions Worsen the State Pension Fund Crisis*, PBS News Hour, June 22, 2011, <http://www.pbs.org/newshour/rundown/2011/06/can-investment-assumptions-worsen-the-state-pension-fund-crisis-1.html> (last visited 5/15/2012).

## Recommendations

**The Task Force recommends reviewing the assumed long-term returns on the pension fund and the acceptable funding level.** The current assumed return for the FRS pension fund is 7.75%. This assumed rate should be reviewed in context of past market performance to determine if this is an accurate assumption.<sup>56</sup> Various studies have indicated that a funding level of 80% is generally accepted as actuarially sound. As of June of 2011, the FRS pension fund has a funding level of 87.5%. The funding level has many assumptions built in, including an assumed rate of return, length of FRS membership, and vesting time of benefits. The funding level policy should be reviewed in the context of the potential issues surrounding retirement funds. The Task Force also recommends that employees continue to contribute a portion of their salary towards their retirement plan.

**The Task Force recommends that a cap be placed on the average salary for calculating pension benefits.** High-salaried employees are one of the drivers of increased funding liability for the pension fund.<sup>57</sup> The Internal Revenue Service (IRS) limits the amount of annual salary that may be applied towards retirement under a qualified plan.<sup>58</sup> Currently, the IRS limits the annual salary to \$245,000 for members hired on or after July 1, 1996, and \$363,820 for members hired prior to July 1, 1996.<sup>59</sup> The Task Force recommends a cap on salary applied towards retirement in line with the average salary of a head of state agency, which is \$140,000.<sup>60</sup>

## C. GOVERNMENT RETIREMENT SYSTEMS

There are three main categories of retirement systems utilized by states:

- **Defined Benefit (DB)** – The traditional public pension structure in which the state (employer) assumes the risk of return and guarantees the employee’s payments. The size of the employee’s pension is based on a pre-defined equation that includes the employee’s duration of service and salary. DB plans use final or greatest salary averages to determine an employee’s pensionable salary. As such, the greatest portion of employer liability is accumulated during the latter years of employment.
- **Defined Contribution (DC)** – Similar to the private sector’s 401(k) plan. The employee and/or the employer pay a portion of wages into an individual retirement savings account that is invested per the employee’s direction. The eventual retirement benefits are determined by the value of the account. Investment risk is borne entirely by the employee.

Cash Balance (CB) plans are also categorized as DC plans. These combine some elements of DB and DC in that the employer bears the risk of return, but the contributions are made into individual retirement accounts.

- **Hybrid Plans (HP)** – These combine DB and DC plans and can be parallel or stacked. Stacked HP plans offer DB benefits on a prescribed level of income (usually set at no more than the average salary) and enroll employees in an additional DC plan. Employee and employer contributions to the DC portion

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<sup>56</sup> Staff of the State Board of Administration recently suggested reducing the target return by a half a percentage point. See Cotterell, Bill, “SBA report says it may be time for government employers to put more in pension fund,” *Florida Current*, May 17, 2012, <http://www.thefloridacurrent.com/article.cfm?id=27741971> (last visited 5/20/2012).

<sup>57</sup> There are currently 2455 members who make over \$140,000 per year enrolled in the defined benefit plan and 361 members enrolled in the defined contribution plan. Information provided by DMS (copy on file with the Government Efficiency Task Force staff).

<sup>58</sup> Section 401(a)(17) of the Internal Revenue Code.

<sup>59</sup> *Id.* The amount is based on the original cap of \$150,000 for members employed on or after July 1, 1996, and \$250,000 for members employed prior to July 1, 1996, and is annually adjusted by the IRS to reflect cost-of-living increases. Salary caps from 1996 to 2011 are on file with the Government Efficiency Task Force staff.

<sup>60</sup> Based on salaries of the Secretaries of Transportation, Lottery, Department of Business and Professional Regulation, and Department of Children and Families. Information provided by DMS.

of the plan can be optional or mandatory. Parallel HPs give the employee the option to save for retirement with a DC plan.

## Hybrid Retirement Plan

Four states, Georgia, Indiana, Oregon, and Rhode Island, all operate mandatory HPs. Three states, Ohio, Utah, and Washington, offer optional HPs. States have taken different approaches as to administering the different elements of the plans. Some administer the DB portion themselves but outsource the DC element, whereas others administer both elements. Generally, the employer makes the vast majority, or even all, of the contributions required for the DB portion of the plan, while the employee is required to make a specified contribution to the DC portion.

Advantages of hybrid retirement plans include:

- Provides a guaranteed benefit to the retiree;
- Provides some portability through a DC plan for salary above the average employee salary; and
- The benefit liability of the state is lessened since the salary level is capped.

Disadvantages of hybrid plans include:

- Higher earning employees will have a lower guaranteed benefit; and
- It may be more expensive to administer dual plans as compared to one plan.

### *Rhode Island Hybrid Plan*

Rhode Island is the most recent state to switch to a hybrid retirement plan. Rhode Island was facing an unfunded pension liability of \$7.3 billion, which equated to a 48.4% funding ratio.<sup>61</sup> In 2011, the state adopted a stacked hybrid plan that includes a smaller DB plan with a DC plan. The main difference between Rhode Island and other states is that Rhode Island has enrolled most current employees as well as new employees.

Rhode Island estimates that the switch to a hybrid plan will decrease the states unfunded pension liability to \$4.3 billion (approximately 41% decrease) and raise the funding ratio to 59.8%.<sup>62</sup> The pension plan is projected to achieve 80% funding by 2030 for Rhode Island state employees.<sup>63</sup>

## Change and Efficiency

### Types of Retirement Plans Offered

Florida currently offers a DB plan and a DC plan. The choice of plan is at the discretion of the member. Both plans have advantages and disadvantages for the FRS member and the FRS. The DB plan provides a guaranteed amount of retirement funds for the employee with a longer vesting period, but the FRS retains the liability for providing that amount regardless of market performance. The DC plan provides flexibility and portability for the members and there is no liability for the FRS, but the retirement amount is not guaranteed.<sup>64</sup> The hybrid retirement plan offers the benefits of both plans, while mitigating some of the disadvantages. In the hybrid plan, members receive a lower guaranteed benefit amount than a traditional DB plan, but are

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<sup>61</sup> Snell, Ron, *Lessons from Rhode Island: Bold Changes to its Pension Plan Have Caught the Attention of Other States*, National Council of State Legislatures (NCSL), February 2012, <http://www.ncsl.org/issues-research/labor/lessons-from-rhode-island.aspx> (last visited 5/15/2012).

<sup>62</sup> Burton, Paul, "Rhode Island Makes Reform Happen," *The Bond Buyer*, December 14, 2011, [http://www.bondbuyer.com/issues/120\\_239/rhode-island-pension-1034196-1.html](http://www.bondbuyer.com/issues/120_239/rhode-island-pension-1034196-1.html) (last visited 5/15/2012).

<sup>63</sup> *Id.*

<sup>64</sup> The retirement funds are employee directed and may not have a market performance equal or greater than the state pension plan.

supplemented by a DC plan as well. The hybrid plan reduces FRS liability, but continues to provide a reliable source of retirement funds for members.<sup>65</sup>

## Recommendations

**The Task Force recommends considering a hybrid retirement system.** Various states have either adopted or are considering a hybrid retirement plan (incorporates both DB and DC plans). Florida should review the hybrid option as a method to reduce future unfunded liability, provide flexibility for employees, and ensure adequate guaranteed retirement funds for state employees.

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<sup>65</sup> There are various different models of the hybrid plan. The Task Force does not recommend a particular model. The state should utilize SBA and DMS staff and private sector advisors to determine the benefits of each model for the State of Florida.



# Florida Government Efficiency Task Force

## *Recommendation Analysis*

**Subject Matter:** Division of Real Estate Development and Management

### **RECOMMENDATION SUMMARY**

On June 6, 2012, the Government Efficiency Task Force approved the following recommendations regarding the Division of Real Estate Development and Management by a vote of 9 yeas, 0 nays:

- **State Construction**

**The Task Force recommends utilizing a shared service model for state construction directed by one agency in order to create uniform best practices and achieve cost savings.** Currently, the Division of Real Estate Development and Management only manages building construction projects in Department of Management Services (DMS) facilities or those projects designated as DMS managed when appropriated to agencies. Additionally, building construction staff is located in multiple agencies, there are inconsistencies in contracting, and economies of scale are not leveraged through bundling of similar projects. All agencies involved in building construction should operate a shared services model directed through DMS, allowing for uniform standards, best practices, rules, and procedures for state construction. The state should institute an automatic review process for all state construction projects with a projected cost over a certain threshold. The state should also focus on function, in addition to form, in the design and renovation of state buildings.

- **State Leasing**

**The Task Force recommends that DMS continue with current initiatives to increase the value of state leasing while reducing costs.** DMS should continue its efforts to renegotiate leases statewide. DMS should propose legislation that will increase its authority in leasing decisions, save time in processing, and reduce the burden on private sector landlords. DMS should continue to work with other agencies and with local governments to maximize space utilization.

- **State Building Emergency Management**

**The Task Force recommends that DMS explore options for service management of state buildings and facilities in the event of a natural disaster.** The state does not currently have a contracted service for management of state facilities in the case of a natural disaster (i.e. hurricanes). In order to ensure the continued functioning of state facilities, the state should address proper disaster preparedness.

## FULL RECOMMENDATION(S) ANALYSIS

### I. BACKGROUND AND RECOMMENDATION(S)

#### A. DEPARTMENT OF MANAGEMENT SERVICES

##### The Division of Real Estate Development and Management

The Division of Real Estate Development and Management (REDM) is a division of the Department of Management Services (DMS).<sup>1</sup> REDM manages the Florida Facilities Pool (Pool),<sup>2</sup> administers public and private leasing for state agencies, and coordinates parking activities statewide. REDM manages construction projects for other agencies and serves as the state's lead real estate development consultant on state-administered construction projects.

As of July 1, 2011, there are 104 facilities in the DMS REDM-managed Pool.<sup>3</sup> By total, the facilities in the Pool represent less than one percent of the more than 20,000 facilities the state owns and manages.<sup>4</sup> REDM is responsible for a diverse set of resources within the Pool, ranging from the Capitol and Historic Capitol to the high-performance Department of Revenue complex in Tallahassee and the Department of Law Enforcement laboratory in Orlando.

Of these 104 Pool facilities, 69 are revenue-producing (available to lease).<sup>5</sup> The remaining 35 facilities in the Pool are special purpose properties such as the Historic Capitol, parking garages, and other structures that are not available for lease. As of July 1, 2011, DMS has 203 leases with state agencies in the 69 revenue-producing buildings.<sup>6</sup> In addition, as of July 1, 2011, agencies have entered into 971 leases with private landlords or federal and local government entities.<sup>7</sup>

##### *Construction Management Oversight*

Licensed professional staff within the Bureau of Building Construction provides project management oversight of public construction projects to help maintain the integrity of outsourced contracts with private providers.<sup>8</sup> In a process that often involves substantial tax dollars,<sup>9</sup> this oversight protects the public trust by ensuring that project managers spend taxpayer funds in accordance with legislative intent. REDM works with each customer to ensure the building meets the customer's business needs within the legislatively appropriated budget.

##### **Change and Efficiency**

##### **Shared Service Model**

Currently, REDM only manages building construction projects in DMS facilities or those projects designated as DMS managed when appropriated to agencies. Additionally, building construction staff<sup>10</sup> is located in multiple

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<sup>1</sup> REDM has statutory authority pursuant to Chapters 215, 216, 255, 272, 281, 287, 288 and 489, F.S. The Division has 298.5 positions with an operating budget of \$59.5 million and fixed capital outlay of \$46.5 million. For more information see [http://www.dms.myflorida.com/business\\_operations/real\\_estate\\_development\\_management](http://www.dms.myflorida.com/business_operations/real_estate_development_management) (last visited 5/29/2012).

<sup>2</sup> See s. 255.506, F.S.

<sup>3</sup> Information provided by the Division of Real Estate Development and Management (REDM) (copy on file with Government Efficiency Task Force staff).

<sup>4</sup> Information provided by REDM (copy on file with Government Efficiency Task Force staff).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> See s. 255.31, F.S.

<sup>9</sup> There are currently 169 active projects with a budget of \$58,261,977. See [http://oas.state.fl.us/reports/rwservlet?proj\\_no](http://oas.state.fl.us/reports/rwservlet?proj_no) (last visited 5/29/2012).

<sup>10</sup> This includes architects, engineers, project managers, construction managers, construction management support staff/contract management, and building permitting staff for construction projects.

agencies,<sup>11</sup> there are inconsistencies in contracting, and economies of scale are not leveraged through bundling of similar projects.

## Recommendations

**The Task Force recommends utilizing a shared service model for state construction directed by one agency in order to create uniform best practices and achieve cost savings.** All agencies involved in building construction should operate a shared services model directed through DMS, allowing for uniform standards, best practices, rules, and procedures for state construction. The state should institute an automatic review process for all state construction projects with a projected cost over a certain threshold. The state should also focus on function, in addition to form, in the design and renovation of state buildings. The shared service model allows for cross agency utilization of design and construction staff, which will reduce costs and allow for accountability.

## Leasing Management and Parking

REDM is the landlord for tenant agencies that occupy the 69 revenue-producing Pool facilities. Under the state's partially decentralized leasing model, Bureau of Leasing staff oversees agency acquisition of private leased space, in concert with the state's three contracted tenant brokers, with the goal to ensure effective use of taxpayer dollars.

- Bureau of Leasing staff members oversee 1,174 leases (203 Pool leases and 971 private leases), accounting for more than 13.9 million square feet of space that houses the majority of the more than 120,000 State of Florida employees.<sup>12</sup>
- Held at \$17.18 per square foot for the last five years, the Pool rental rate is consistently below the market rate statewide.<sup>13</sup>
- DMS currently maintains a 96 percent occupancy rate for the Florida Facilities Pool.
- REDM provides parking for more than 29,000 users in 92 parking lots and garages statewide.

REDM has several leasing initiatives including:

- Implementing strategy spelled out in the 2011 Strategic Leasing Plan and Master Leasing Report to reduce the state's lease costs;<sup>14</sup> and
- Coordinating with agencies to reduce lease costs by 20 percent over FY 2011-12 and 2012-13.

## Lease Cost Savings

Governor Rick Scott directed DMS to secure a 20 percent reduction in lease cost savings over FY 2011-12 and FY 2012-13, which equates to \$24.2 million. DMS has coordinated with state agencies and the state's tenant brokers to renegotiate lease contracts for private office space in excess of 2,000 square feet. To date, renegotiations since July 1, 2011, will result in a reduction of lease costs of more than \$15 million and a net reduction of the state's leased portfolio by more than 350,000 square feet. DMS has projected that it will exceed the Governor's expectations and timeline.

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<sup>11</sup> These agencies include the Department of Health, Department of Children and Families, Department of Corrections, Department of Environmental Protection, Department of Highway Safety and Motor Vehicles, and Department of Transportation.

<sup>12</sup> Information provided by REDM (copy on file with Government Efficiency Task Force staff).

<sup>13</sup> The pool rental rate is established in the General Appropriations Act each year. DMS annually submits a budget in accordance with s. 255.511, F.S. The rate accounts for the following factors: annual debt service, capital depreciation, reserve deposits, tenant space improvement funding, Capitol Police, and expenditures related to the operation and maintenance of each facility in the pool.

<sup>14</sup> For a copy of the Lease Renegotiation Status Report please see:

[http://www.dms.myflorida.com/business\\_operations/real\\_estate\\_development\\_management/facilities\\_management/lease\\_management](http://www.dms.myflorida.com/business_operations/real_estate_development_management/facilities_management/lease_management) (last visited 5/29/2012).

## Recommendations

**The Task Force recommends that DMS continue with current initiatives to increase the value of state leasing while reducing costs.** DMS should continue its efforts to renegotiate leases statewide. DMS should propose legislation that will increase its authority in leasing decisions, save time in processing, and reduce the burden on private sector landlords. DMS should continue to work with other agencies and with local governments to maximize space utilization.

## Facility Management

REDM operates and maintains more than 12.1 million gross square feet of space in Pool facilities, including adjacent grounds and parking facilities.<sup>15</sup> Building oversight tasks include, but are not limited to: building supervision, engineering and technical support, energy management, electrical, heating, ventilation and air conditioning, renovation services, central maintenance, parking, grounds keeping, fire and life safety, Americans with Disabilities Act compliance, and environmental and custodial services.

### *Emergency Services*

The state does not currently have a contracted service for emergency management of state facilities in the case of a natural disaster. With the many state owned and managed facilities, it is necessary to have a contracted service to provide for the management of state properties.

## Recommendations

**The Task Force recommends that DMS explore options for service management of state buildings and facilities in the event of a natural disaster.** The state does not currently have a contracted service for management of state facilities in the case of a natural disaster (i.e. hurricanes). In order to ensure the continued functioning of state facilities, the state should address proper disaster preparedness.

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<sup>15</sup> For more information on DMS managed facilities please see:

[http://www.dms.myflorida.com/business\\_operations/real\\_estate\\_development\\_management/facilities\\_management/building\\_information](http://www.dms.myflorida.com/business_operations/real_estate_development_management/facilities_management/building_information) (last visited 5/29/2012).