

Budget Watch



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Florida TaxWatch Offers Additional Ideas to Deal With Budget Shortfall

Earlier this month, Florida TaxWatch issued a Budget Watch detailing \$700 million worth of cost savings and budget cuts in the face of a projected budget shortfall caused by a slowing economy and exacerbated by the terrorist attacks of September 11.

Since then, state revenue estimators have revised their projections and have increased the estimated budget shortfall for the current fiscal year from \$670 million to \$1.3 billion. As the Legislature is currently meeting in Special Session to address this deficit, Florida TaxWatch is offering in this *Budget Watch* another set of ideas to save almost \$400 million.

Some of these ideas may not be of immediate help in balancing the budget--particularly this year's because it may take longer for the savings to accrue. Some of the savings are in trust funds, and without legislative action, can't be used to offset general revenue shortfalls. Still, all these items can help reduce the cost of government and lessen the impact of budget cuts.

Recommended Budget Cuts / Cost Savings / Productivity Improvement

Annualized Savings

	Total	GR	Trust
Eliminate Unspent Member Projects	\$50,000,000	\$25,000,000	\$25,000,000
Reduce Ineffective DJJ Commitment Programs	\$3,800,000	\$3,800,000	
Reduce State Agency Expenses	\$136,500,000	\$43,800,000	\$92,700,000
Workers Comp - dispute resolution, electronic filing	\$5,730,000		\$5,730,000
Competitively Bid Pharmacy Contract	\$17,200,000	\$7,400,000	\$9,800,000
Sanction Underperforming Contracted Medicaid providers	\$33,000,000	\$16,500,000	\$16,500,000
Sanction Underperforming Contracted Providers serving the Elderly	\$800,000	\$600,000	\$200,000
Sanction Underperforming Contracted Providers in DOH	\$2,200,000	\$1,600,000	\$600,000
Convert to Quarterly Mailings of Child Support Payment Coupons	\$500,000	\$250,000	\$250,000
Expand Economic Self-Sufficiency Pilot Program	\$8,000,000	\$4,000,000	\$4,000,000
Automate Paper-Intensive Subsidized Childcare Processes	\$2,000,000	\$1,000,000	\$1,000,000
Irresponsible Driver Surcharge	\$100,000,000	\$100,000,000	
Enhanced Motor Fuel Tracking	\$30,000,000		\$30,000,000
Expand Trucking Pre-pass to Dept. of Agriculture	\$1,000,000	\$1,000,000	
Electronic Oversize/Overweight Truck Permitting	\$2,000,000		\$2,000,000
Total	\$392,730,000	\$204,950,000	\$187,780,000

Recommended Budget Cuts / Cost Savings / Productivity Improvement

1. Eliminate Unspent 2001-02 Member Projects. Any member project of less than statewide implication that has not yet been funded should be eliminated from this year's budget. Florida TaxWatch identified \$282 million of these projects in it's 2001

Turkey Watch report (\$179 million of which were vetoed by the Governor.) In this climate of budget cuts, this issue should extend even beyond the "turkey" designation, to all member projects that benefit a local area only.

Potential Savings: \$50.0 million

2. Cut Ineffective Programs in the Department of Juvenile Justice. DJJ should cut spending on programs that are not effective and do not meet the agency's self-imposed standards. DJJ produces an annual outcome evaluation report that provides an in-depth analysis of each commitment program's effectiveness. The efficacy of each commitment program is "measured by comparing the actual success rate of youth who complete the program to the expected success rate, based on the youth's initial likelihood of recidivating". Programs are placed into four categories: Highly Effective, Effective, Average, Below Average, and Least Effective. If only 50% of the money spent on the Least Effective category programs could be saved by eliminating these programs, annual savings of approximately \$5.7 million would result.

Potential Savings: \$3.8 million

3. Reduce State Agency Expense Budgets. This budget cut is aimed at targeting administrative costs first. The reduction was calculated by taking 10% total expense budget category. This cost saver aims to motivate agencies to increase their use of technology - - teleconferencing, e-learning, e-mail, etc. - - in lieu of travel, remote classroom training and postage. With upcoming agency and staff reductions via Service First, as well as the numerous efficient capabilities offered by the Internet, Florida TaxWatch believes such expense cost reductions can be made with minimal disruption to services.

This would result in recurring savings of approximately \$43.8 million in General Revenue and \$92.7 million in trust funds.

Potential Savings: \$136.5 million

4. Worker's Compensation Program. Although requiring a change in applicable statutes, injured workers could resolve disputes directly through the Department of Labor prior to filing a petition to the agency, saving a potential \$3.6 million. Further savings would be accomplished if the applicant review process was handled by the Florida Guaranty Association for an additional \$130,000 annually. OPPAGA has suggested the agency rely more heavily on the electronic filing of pertinent information for an annual savings of \$2 million dollars. The agency has already implemented some of OPPAGA's recommendations, but it has yet to fully implement concepts that could provide even greater savings.

Statutory changes to s.20.171, Ch. 440, F.S. would be needed

Savings would be recurring trust fund dollars.

Potential Savings: \$5.7 million annually

5. Implement OPPAGA Recommendations Regarding Pharmacy Contract. In the 2001 General Session, the Florida Legislature passed a bill to allow Florida government to negotiate with pharmaceutical companies the placement of their medications on the formulary of preferred drugs in exchange for the companies granting the government rebates, education of consumers and other cost-saving services. Florida has commenced with these negotiations and has entered into at least two contracts. OPPAGA's *Fiscal Impact Report, 01-47*, reports that significant cost savings can still be achieved by the state aggressively pursuing more arrangements.

Savings would be \$7.4 million from General Revenue and \$9.8 million from trust funds.

Potential Savings: \$17.2 million

6. Strengthen Authorization and Ability to Sanction Consistently Under-Performing Contracted Medicaid Providers. Based

on program reviews by OPPAGA and anecdotal reports by a number of state officials and other Floridians, Florida TaxWatch conservatively estimates that a fraction of one percent of appropriations designated for contracted Medicaid providers represent partial monies allocated to underperforming providers. Such providers are those who significantly fall short of meeting their performance outcome and/or those not complying with state laws or regulations. Therefore, this item consists of savings realized through sanctions imposed on these providers via overpayment recovery, rate cuts, or contract terminations. Florida TaxWatch believes the amount is higher but wants to encourage the state to redistribute additional monies saved via sanctions to above average or new providers.

The cost-savings calculation is based on the assumption that the state will experience non-performance by contractors receiving no more than 1% of appropriations for grants and aids and special categories. These figures are based on a sampling of such appropriations in the current year's budget for AHCA.

Savings would be a combination of General Revenue and Trust Funds.

Potential Savings: \$33 million

7. Strengthen Authorization and Ability to Sanction Consistently Under-Performing Contracted Providers Serving the Elderly. Again, Florida TaxWatch conservatively estimates that a fraction of one percent of appropriations designated for contracted providers represent partial monies allocated to underperforming providers. Such providers are those who significantly fall short of meeting their performance outcome and/or those not complying with state laws or regulations. Therefore, this item consists of savings realized through sanctions imposed on these providers via overpayment recovery, rate cuts, or contract terminations. Florida TaxWatch believes the amount is higher but wants to encourage the state to redistribute additional monies saved via sanctions to above average or new providers.

Savings would be a combination of General Revenue and Trust Funds.

Potential Savings: \$800,000

8. Strengthen Authorization and Ability to Sanction Consistently Under-Performing Providers Contracting with the Department of Health. Florida TaxWatch conservatively estimates that a fraction of one percent of appropriations designated for contracted providers represent partial monies allocated to underperforming providers. Such providers are those who significantly fall short of meeting their performance outcome and/or those not complying with state laws or regulations. Therefore, this item consists of savings realized through sanctions imposed on these providers via overpayment recovery, rate cuts, or contract terminations. Florida TaxWatch believes the amount is higher but wants to encourage the state to redistribute additional monies saved via sanctions to above average or new providers.

Savings would be a combination of General Revenue and Trust Funds.

Potential Savings: \$2.3 million

9. Convert to Quarterly Mailings of Child Support Payment Coupons. This cost saver is aimed at targeting administrative costs first. Currently, the Department of Revenue contracts with the Florida Clerks Association to handle court-ordered child support payments. The payment coupons are mailed each month for a cost of \$120,000 a month. If these mailings occurred quarterly, the state would save \$480,000 a year.

Savings would be a combination of General Revenue and Trust Funds.

Potential Savings: \$480,000

10. Expand Economic Self-Sufficiency Pilot Program. The Department of Children and Families currently provides

eligibility determination statewide. The Legislature has authorized the privatization of this function with three pilot programs. Only one, in Palm Beach County, has been implemented. The other two jurisdictions, Polk County and five counties in central Florida, await implementation. Depending on the scope and timing of the pilot program's expansion, it is estimated that the state could possibly realize savings of \$8 million to \$35 million. Customers will be served through regional workforce development boards, where they will be guided to employment opportunities and job training prior to applying for benefits. State workers who currently perform ESS eligibility will be offered employment and benefits by the private vendor(s) who contract with the regional workforce development boards and who take over this privatized function.

This issue requires local, state and federal authorization. The workforce development boards in Palm Beach, Polk and in Central Florida must submit letters of support. The executive branch must grant its approval to expand the pilot project to include Polk County and Central Florida. The Legislature has to amend statute. Waivers must be granted by the U.S. Department of Health and Human Services.

Savings would be a combination of General Revenue and Trust Funds.

Potential Savings: \$8 million

11. Automate Paper-Intensive Subsidized Childcare Processes. In Florida, the Department of Children and Families, Subsidized Childcare, licenses subsidized child day care programs. The Partnership for School Readiness handles payments, accounting and other documentary and reporting functions. Over 200,000 children in Florida are eligible for subsidized day care. Comanche County in Oklahoma uses a system whereby parents or guardians of children eligible for subsidized day care are given an electronic benefits transfer (EBT) card. They swipe the card when they drop off their child at the day care center, and they swipe it again when they pick up the child from the center. It is believed that such a process in Florida could result in greater accuracy and timeliness of payments and report preparation. Reliable eligibility tracking will depend on interworkings of disparate state data systems. Departmental staff deem this to be a significant undertaking, though potentially worthwhile.

Savings would be a combination of General Revenue and Trust Funds.

Potential Savings: \$1 million

12. Irresponsible Driver Surcharge. New Jersey has instituted a program where drivers who have committed serious violations or are near having their license suspended must pay a surcharge to renew their license. The number of violations in New Jersey have been decreasing over the last four years, indicating that this system may be changing driving habits. This could increase revenue and improve safety on Florida's roads.

Increased revenue could be directed to the General Revenue Fund.

Potential Added Revenue: \$100 million

13. Enhanced Motor Fuel Tracking. Florida should explore an automated system to increase motor fuel tax collections by reducing reporting errors and highlighting evasion. Similar programs in other states have reduced the amount of tax revenue lost through filing errors, evasion, cumbersome filing requirements and large volumes of data with limited audit/enforcement staff.

Potential Added Revenue: \$30 million

14. Expand Trucking Pre-Pass System to Department of Agriculture. The Department of Transportation is currently implementing a "smart" system at its weigh stations that can identify oncoming trucks and determine if the truck should be allowed to bypass the station. The state should explore expanding this system to the Dept. of Agriculture and Consumer Services' inspection stations. This can increase enforcement by targeting trucks needing inspection and reduce costs by identifying ones that do not. It also provides benefits to the industry as well.

Savings would be in recurring General Revenue.

Potential Savings: \$1 million

15. *Electronic Overweight/Oversize Truck Permitting.* The state should explore an electronic system for issuing, tracking and managing the permit process. Such a system would be directly available to carriers and allow for self-issuance and payment over the Internet, 24 hours a day, seven days a week. The system should be able to save the Dept. of Transportation money by automating permit application, analysis and issuance.

Potential Savings: \$2 million

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