

SPECIAL REPORT



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Assessment of Florida Government Cost Savings Reported by Florida TaxWatch (1980-1997)

Total added value between 1980 and 1997 is \$6.2 billion

Prepared by The Office for Needs Assessment and Planning, Florida State University

When Florida TaxWatch was founded in 1979, its Articles of Incorporation and Bylaws pledged to promote government effectiveness and efficiency and reduce waste. TaxWatch has pursued its mission by focusing on ways of managing public services to add value. Finding real cost savings takes practical and responsible action. Implementing them requires a firm commitment to public service, leadership by elected and appointed officials, and a lot of plain hard work by state employees. It frequently requires taking unpopular stances and reporting data and recommendations that may sound uncomfortable.

This report by the Office For Needs Assessment and Planning at Florida State University (hereafter referred to as ONAP) assesses how cost saving possibilities can be realized when a sustained public and private effort is made to seek them out and put them to work for the benefit of Florida taxpayers. The report compares savings estimates that Florida TaxWatch projected for the period 1980 to 1997 against estimated actual savings for this period computed by ONAP with assistance from appropriate state agency staff.

Since 1979, Florida TaxWatch has worked in partnership with the Florida Legislature, government agencies and citizen volunteers to recommend more than 800 cost saving initiatives. Eight years ago, TaxWatch released its most recent report on implementation of its recommendations (entitled *Cost Savings in Florida Government 1980-89*) which documented \$1 billion worth of savings for the period 1980 - 1988. Since then, several hundred additional recommendations have been made by TaxWatch and implemented throughout Florida government, and there have been reported recurring savings from many of TaxWatch's 1980- 1988 recommendations.

This ONAP report examines and assesses cost savings from initiatives recommended by TaxWatch during its initial eighteen years as a government watchdog and education foundation for Florida taxpayers. Since revisiting all cost savings identified during this period was not feasible, two sets of cost saving reports were sampled as a starting point:

■ The above mentioned TaxWatch report, *Cost Savings in Florida Government 1980-89*, which estimated cost saving dollar amounts for 67 of 119 recommended initiatives. ONAP could attribute accurate dollar amounts to some initiatives for five years, ten years, and in two instances more than ten years after their implementation. *One evident conclusion is that savings reported by TaxWatch in 1989 were significantly lower than actual savings to the citizens of Florida as of 1997.*

■ Savings from "Partners in Productivity," a public/private initiative established in 1987 by Florida TaxWatch, The Florida Council of 100 and the State of Florida to identify, measure and reward cost savings and management improvements in state government. Partners in Productivity reports issued in 1988-89 made 272 recommendations regarding the state's largest spending areas: corrections, transportation, health and social services and K-12 education. ONAP examined a sample of 17 of these recommendations, selected based on large potential savings and data availability.

Methodology and Findings

ONAP's review of Florida TaxWatch's recommended cost savings started by examining the previously cited 67 recommendations in TaxWatch's 1989 report "*Cost Savings in Florida Government, 1980-89.*" A random sample of 36 of the 67 items was identified. The majority of these initiatives were still in place, but because seven or more years had passed since their implementation most had become embedded in the standard operating procedure of state government and were no longer being tracked as individual cost saving items. Thus, only ten of the sampled cost savings were fully assessed. *Based on this sample, ONAP believes that the substantiated cost savings from these ten items serve to validate the methodology used by TaxWatch in calculating the original cost savings.*

Each Florida government agency currently responsible for the sampled initiatives was contacted by ONAP staff to help in calculating new estimates of cost savings. The sum of the new savings was placed into a ratio with the 1989 sum of the same savings. This ratio was then applied to total savings identified in the 1989 Florida TaxWatch report cited above. The savings, however, did not end there; many of them continued to yield value, we believe, for years after TaxWatch's initial cost saving projections and their implementation.

As noted above, ONAP randomly sampled ten out of 67 cost savings between 1980 and 1989. A new total of cost savings was estimated by taking the original (FY 1980-89) Florida TaxWatch total and multiplying it by the percentage increase determined from the sample. Approximately 75% (50 out of 67) of the savings recurred (rolled over). ONAP applied this rollover percentage to the universe of cost savings, where applicable, which is reflected in the total cost savings amount.

Results: Cost savings from the random sample were in excess of the \$815 million dollars as identified in Florida TaxWatch's 1989 report. ONAP currently estimates savings from the sample are more than \$3.8 billion using a ten-year rollover estimate.

ONAP also examined implementation of a sample of 17 of the 272 (ratio of 1 to 16) cost saving suggestions made by Partners in Productivity in its 1988-89 reports, and estimated cost savings for 15 of these recommendations. Florida TaxWatch's five-year estimated savings of \$575 million achieved by these 15 initiatives contrasts with ONAP's current estimate of \$1.25 billion based on a ten-year rollover. Again, a ratio of the percentage increase in savings from TaxWatch's original estimates to ONAP's current ones was applied to determine savings for all 272 suggestions. TaxWatch's estimate of \$715 million for all of the Partners in Productivity reports' recommendations for FY 1990-94 contrasts with our new estimate of cost savings of approximately \$1.55 billion using an ten-year rollover.

ONAP also notes that, while outside the purview of its review/validation and not included in the above savings total, Florida TaxWatch documented \$2.2 billion of "added value" (cost savings, cost avoidances and revenue increases under Florida law) achieved by more than 2,000 state employee winners of Davis Productivity Awards between 1989 and 1997.

The grand total of estimated savings from Florida TaxWatch and Partners in Productivity recommendations between 1980 and 1997 is \$6.2 billion.

Value to Florida Taxpayers

Government cost savings can be applied to individual Florida families by determining how much each family has likely benefitted from implementation of Florida TaxWatch's cost saving suggestions. The approximate number of households in Florida is 5.8 million. Applying that number to total savings estimated in this report (\$6.2 billion), each Florida household has gained over approximately \$1,000 worth of value in the delivery of state services.

Caveats and Confidence Intervals

ONAP suggests two caveats to the above findings. First, the universe of cost savings was not validated because many state employees who helped formulate savings initiatives as far back as 1980 were not available and their successors often were not able to provide assistance to determine current estimates of cost savings.

Secondly, the rollover of cost savings could be flawed because TaxWatch's estimates were made as early as 1980 and ONAP could not verify that annual rollover for as long as 12 or 13 years (as in two cases) was valid, or that any rollover at all took place. Limiting rollover to five years reduces the likelihood of counting savings from TaxWatch recommendations made many years ago that cannot be traced directly to those recommendations in recent years. However, for some recommendations, the rollover likely continues for ten years or longer, thus resulting in our possible underestimation of cost savings based on just a five-year rollover. *In fact, ONAP's research found that taken as a whole, previous Florida TaxWatch estimates were much likely lower than actual savings to the citizens of Florida.*

The data collected by ONAP on Florida TaxWatch 's recommended cost savings may not reach a level of reliability necessary for strict statistical analysis because the small sample size may reduce the statistical significance of the validation exercise. However, degrees of freedom and related confidence intervals tends to support the positive contributions that TaxWatch has made during its first 18 years of operation. ONAP finds with 95% confidence the range of cost savings is between \$5.4 and \$7.0 billion based a ten-year rollover. With 85% confidence, ONAP finds the range of savings narrowed to between \$5.7 and \$6.7 billion. Confidence interval information assures that even if the information collected from state agencies is not totally accurate, the savings attributed to the work of Florida TaxWatch are considerable.

It is not always possible to verify if it was a Florida TaxWatch recommendation that led to implementation in every case we reviewed. We do assume, however, TaxWatch has had a positive, functional role. We also did not assess the opportunity costs of not adopting Florida TaxWatch recommendations.

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