Florida TaxWatch

Annual Florida TaxWatch

Government Efficiency Recommendations

2015

Florida TaxWatch

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Chairman, Center for Government Efficiency

Dear Fellow Taxpayers and Elected Florida Leaders,

Florida TaxWatch has made thousands of cost-saving recommendations since its inception in the late 1970s. In the last several years, the TaxWatch Center for Government Efficiency (CGE) has carried the mantle and made cost-saving recommendations an annual priority. In that time, the CGE recommendations that have been implemented have resulted in an estimated savings of over $4 billion to Florida taxpayers without reducing essential state and local services.

The CGE Government Efficiency Report originated in late 2008 at a time when our state was facing a significant budget shortfall during the height of the global recession and its goal was to produce immediate cost savings so the state could continue to fund critical services. Economic circumstances have changed and so have the focus of these recommendations.

The distinguished members of the CGE Advisory Board, for the purposes of this report, have defined Government Efficiency as the intersection of Cost Avoidance, Targeted Investments, and Effective Governance. These criteria recognize the opportunities currently available to improve efficiency by investing in the culture and business of governance ("Targeted Investments") as well as identifying cost avoidance and effective governance opportunities.

This year, the CGE Government Efficiency Report proposes new and innovative ways for the state to save taxpayer dollars. These recommendations include strategic goals for enterprise-wide state operations such as procurement, as well as specific operational changes that, when employed, will ultimately improve efficiency in our state government. Therefore, it is crucial to continue to implement previous recommendations that are still relevant but not yet complete and which continue to have the potential to save taxpayer dollars.

Sincerely,

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About the Center for Government Efficiency

Thanks to the hard work of some incredible volunteers dedicated to the success of Florida TaxWatch and the betterment of the state, the Florida TaxWatch Government Cost Savings Task Force saved the taxpayers of Florida more than $4 billion since 2009.

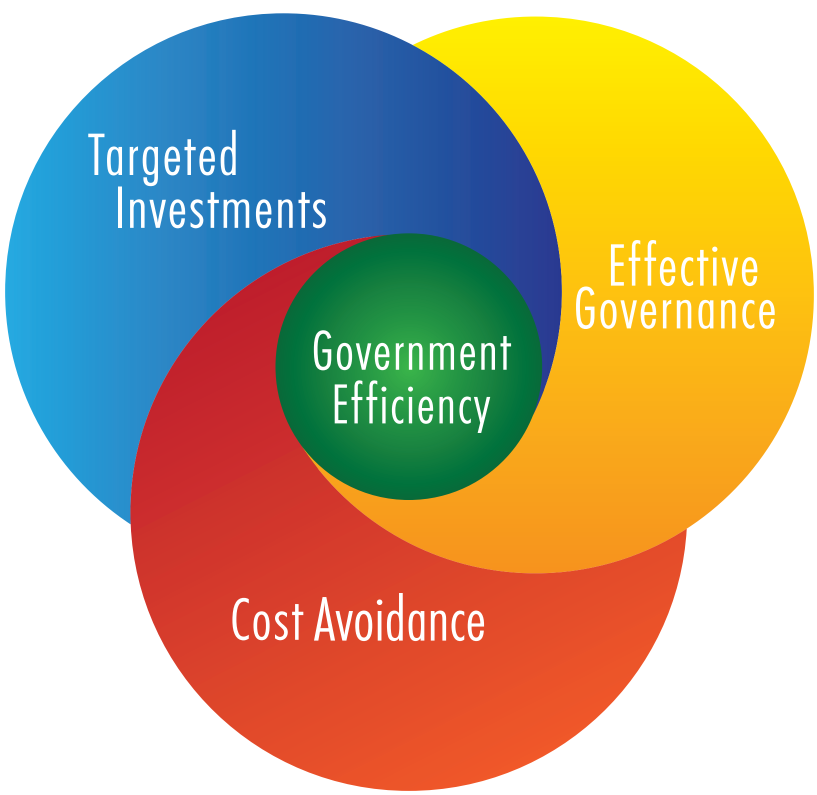
The overwhelming success of these annual reports has shown that a continuous effort and focus on cost-saving ideas should have an even more significant impact on maximizing taxpayer value and reducing the cost of Florida's governments.

To address this need, Florida TaxWatch created the TaxWatch Center for Government Efficiency, a Center of Excellence focused on expanding the policy recommendations of the Task Force, and developing new solutions on a full time basis.

True to its name, the primary focus of the Task Force was on cost-saving ideas and reforms, while the Center for Government Efficiency takes a broader approach. Cost-saving recommendations are still the bedrock of this report, and the work of the Center, but there are additional ways in which the state can improve the delivery and cost of services to its residents.

The Center for Government Efficiency believes that truly effective and efficient government is the result of three distinct operational goals, intricately woven together: the targeted investment of taxpayer dollars, effective governance, and the deliberate avoidance of unnecessary costs.

This report provides recommendations to that end, and the work of the Center will continue to focus on maximizing the impact of these three goals.



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Executive Summary

In this report, the Florida TaxWatch Center for Government Efficiency (CGE) offers actionable recommendations to the 2015 Legislature, Governor, and Chief Financial Officer to improve efficiency in state government and save taxpayer dollars. The current economic climate offers Florida the unique opportunity to invest in operational efficiencies so that services can be better delivered to Floridians at a reduced cost.

Florida TaxWatch commends the Legislature for taking the initiative on two longstanding TaxWatch recommendations in 2014: the replacement of FLAIR and the establishment of the Agency for State Technology; however, success depends on effective implementation. The Agency for State Technology needs to be appropriately staffed and must establish enterprise IT policies for the state before the return-on-investment can be realized, and the FLAIR replacement project has a long implementation process ahead.

The recommendations in this report target specific aspects of Florida governance and policy that will ultimately improve basic business operations, as well as the cost and culture of governance for Floridians. This report includes recommendations to improve Florida's government in the following areas:

Pension Reform

The costs of Florida's defined benefit (DB) retirement plan have consistently increased since its inception and Florida's unfunded pension liabilities have grown to $21.6 billion as of July 1, 2013.[1] Nearly all private sector companies offer only defined contribution (DC) plans, and providing similar benefits to public employees would make compensation comparisons more reliable. These reforms will benefit the state's long-term financial health and help protect retirement benefits for future state employees.

Shared Facility Management

The Department of Management Services (DMS) is responsible for the overall management of state-owned facilities, yet of the more than 13,000 state-owned facilities (not including universities, state colleges, and water management districts), only 108 are actually managed by DMS. Currently, individual state entities are managing their own facilities without high-level coordinated contracting efforts. Coordinating the state's facility operations would leverage management contracts through economies of scale for significant savings to the state.

Increase Drawdown of Available Federal Dollars

Florida is considered a donor state, as it contributes more federal tax dollars than it receives through federal funding. In fiscal year 2012, the Internal Revenue Service collected $122.2 billion in gross tax dollars from Florida taxpayers. This represents $6,328 per capita and 15.7 percent of the gross state product.[2] Florida should receive an equitable and proportional share of federal dollars, and needs effective and proactive mechanisms for maximizing the drawdown of available federal funds.

Procurement

Taxpayers benefit from a well-functioning enterprise-wide procurement function in the form of lower prices and reduced costs: the costs of goods and services purchased are lower through economies of scale; and administrative costs are reduced because the number of

1 Florida Retirement System. "Comparison of Actuarial Assets to Liabilities and Benefit Payments."

2 Internal Revenue Service Data Book, 2012". IRS.gov. Statistics of Income Division, Communications and Data Dissemination Section. p. 12. Retrieved November 4, 2013.

individual competitive solutions is reduced. Florida taxpayers must hold state government accountable for making smart business decisions and doing the high-level planning and project management necessary to minimize the risk to the state and to make sure every commodity and service procured reflects the highest quality and best value.

Criminal Justice

The Florida Department of Corrections (DOC) housed 100,942 inmates as of June 30, 2014, and the population is expected to grow 2.5 percent by FY2018-19.[3] Unfortunately, a significant portion of this increasing population consists of offenders being recycled through the system. Despite a variety of methods used by the DOC to reduce recidivism, 27.6 percent of inmates released from prison continue to be re-incarcerated within three years of release.[4] With a rapidly growing corrections population costing taxpayers over $2 billion annually,[5] the state can no longer afford to continue enforcing and implementing policy choices that have led to dramatic growth in both costs and offender populations. Over the past decade, corrections costs have increased by almost 20 percent.[6]

Health Services

Healthcare and Human Services comprises the largest portion (over 40 percent) of Florida's budget, with $31.87 billion appropriated in FY2014-15.[7] With this funding, the state provides health services to Florida's most vulnerable citizens, funds medical research, and offers health insurance to state employees. An educated health consumer makes better, less expensive decisions, so investing in healthy lifestyles, reducing the overdependence on expensive emergency room care, and providing options for spousal and dependent coverage are avenues the state should pursue to improve health services and reduce costs.

Fraud Reduction

Taxpayers entrust the state with billions of dollars annually to provide services to Florida's most vulnerable citizens. Unfortunately, it is often these services that are targeted by predatory and fraudulent actors. It is the state's responsibility to ensure that the distribution of these funds and services are legitimate and received by those that need it most. Health care fraud is a serious and costly problem that affects all taxpayers. Estimates indicate 5 to 20 percent of health care expenditures are lost due to fraud, abuse, and waste. This is likely to increase as the cost of health care is projected to swell.

Tax Compliance

The difference between taxes that are owed and what is actually collected is known as the "tax gap." A tax gap is inevitable – the Federal Government and every state, as well as every other discernable taxing entity in history, suffers some lost percentage due to a variety of factors. The tax gap can be minimized by providing the Department of Revenue with the tools and legislative changes necessary to both increase voluntary compliance, and to pick up where voluntary compliance ends: auditing and enforcement. Modernizing the state's tax laws can also be of tremendous help. Technological changes, especially the advent of the Internet, were not contemplated when the state's tax laws were developed.

3 Florida Legislature. Criminal Justice Estimating Conference, July 23, 2014.

4 Florida Department of Corrections. "Quick Facts" January 2014.

5 Florida Department of Corrections. "Agency Statistics-Budget". FY2012-13.

6 Ibid; including FY2002-2003.

7 Florida TaxWatch. "The Taxpayer's Pocket Guide to Florida's FY2014-15 State Budget."

Replacing the Florida Accounting Information Resource (FLAIR)

OPPORTUNITY STATEMENT: The state is moving forward with the replacement of the Florida Accounting Information Resource (FLAIR) and the Cash Management System (CMS). It is critical that the state make smart business decisions, and do the high-level planning and project management necessary to minimize the risk to the state. Maintaining the FLAIR system will cost the state nearly one hundred million dollars during the next few years, and significantly more after that if the system is not replaced or overhauled.

RECOMMENDATION: CFO Atwater should continue to provide strong executive-level leadership and coordination with the Governor, legislature, and state agencies necessary to make the right decisions, build support, commit resources, resolve disputes, and enforce the terms and conditions of the contract(s) with the vendor(s). To provide the Legislature with the information necessary to appropriate sufficient funding each year and to avoid delays or disruptions, a multi-year financial model to cover the entire project life cycle should be developed and maintained. The major benefits of replacing FLAIR and CMS are significant cost avoidance and a major increase in effectiveness of government through increased accountability.

BACKGROUND: FLAIR is a double-entry, computer-based, general ledger accounting system, which is used to perform the state's accounting and financial management functions. State agency activities related to payments for payroll, retirement, unemployment compensation, expenses, and public assistance are processed through FLAIR, which is more than 30 years old.

The programming language and data file structure are obsolete and, within the marketplace, there are few (if any) companies with the resources and staff knowledgeable enough to support FLAIR's underlying technology. FLAIR is currently maintained by Department of Financial Services (DFS) internal IT support staff, more than 40 percent of which have 30 years or more of service.[8] These employees have considerable institutional knowledge and technical expertise and, as they retire, the chances of replacing this knowledge and expertise in today's market are highly unlikely.

For CMS, there is a similar, albeit more modern, situation regarding support staff. While a portion of CMS functionality was replaced by more modern technology, the resource pool supporting and developing the modern components is constrained by a small number of existing senior employees. This presents additional risk across the functions of the Treasury.

In 2013, the Legislature directed DFS to procure the services of an independent consulting firm with experience in planning public sector technology projects to complete a study of FLAIR and to recommend either enhancing or replacing FLAIR. DFS selected North Highland to conduct the study. North Highland looked at four options and recommended that Florida pursue the replacement of FLAIR and Cash Management System with a "Commercial off the Shelf" enterprise resource plan (ERP) solution for the financial management processes to support the constitutional obligations of the CFO.

8 Florida Department of Financial Affairs. "FLAIR Study." Deliverable 5, North Highland Worldwide Consulting, March 31, 2014.

The replacement of FLAIR and CMS would:

- Mitigate the risks associated with maintaining an increasingly fragile technology platform;
- Implement a statewide accounting system to enforce standardization of business practices;
- Act as a scalable foundation to evolve as business needs change; and
- Position Florida for future innovation with the ability to consider a true enterprise system.[9]

North Highland estimated the total costs, spread over a 15-year period, to be $667.6 million, almost $100 million of which reflects expenses associated with supporting FLAIR until it is retired in the next 8-9 years.

The replacement of FLAIR is a large IT project. In a 2008 report to the Governor,[10] the Council on Efficient Government looked critically at MyFloridaMarketPlace, Project Aspire and People First and found common problems that plagued the implementation of each project, including:

- A lack of strong executive sponsorship, coupled with agency resistance to move away from existing business processes, resulted in a significant number of software customizations;
- Project team members lacked the subject matter expertise and experience to successfully plan and implement projects of such large scope and significance;
- Frequent customer surveys with stakeholders to identify and measure their level of satisfaction were not taken and communication with agency users was limited; and
- Work requirements were added by the state that were not included in the original scopes of work, resulting in significant delays and additional costs.

Florida taxpayers must hold state government accountable for making smart business decisions and doing the high-level planning and project management necessary to minimize the risk to the state. Florida Chief Financial Officer (CFO) Jeff Atwater must continue to function as a strong Executive Sponsor for this project.

It is essential that a project plan be developed that includes the following elements:

- A well-developed and logical system architecture.
- A well-defined scope of work.
- Well-defined roles and responsibilities of key stakeholders.
- Detailed work breakdown and realistic and achievable project schedules.
- Well-defined resource needs and allocations.
- Well-defined training needs and a process for training project staff, stakeholders and end users.
- A well-defined and detailed process for communicating and managing change with stakeholders and end users.
- A clear and detailed structure to be used to govern the project.

It is critical that stakeholders have an opportunity to voice their opinions during the early stages of the project and throughout project implementation. Without such input, stakeholders will be less likely to cooperate and commit to the project, and less likely to remain engaged. As the Executive Sponsor, the CFO must identify the key stakeholders; solicit their input during the planning phase of the project; and secure their commitment to make the project

9 Florida Department of Financial Affairs. "FLAIR Study." Deliverable 5, North Highland Worldwide Consulting, March 31, 2014.

10 Council on Efficient Government. "Report to the Governor on MyFloridaMarketPlace, People First and Project Aspire." Report No. R08-002, January 17, 2008.

a success. It is important that communications with stakeholders be ongoing throughout the life of the project, and that stakeholders have input before major project decisions are made or modified.

COST SAVING ESTIMATE: The major benefits of replacing FLAIR and CMS focus on risk avoidance and cost avoidance and not cost savings. Costs will be avoided as a result of agency business process standardization, reduced costs to maintain the system, and a reduced need for agency-run financial management systems and external financial data repositories.[11]

11 Florida Department of Financial Affairs. "FLAIR Study." Deliverable 5, North Highland Worldwide Consulting, March 31, 2014.

Implementing the Agency for State Technology

OPPORTUNITY STATEMENT: Florida's past attempts to create an agency to oversee IT spending and manage large-scale state agency IT projects have been unsuccessful. The newly created Agency for State Technology (AST) affords state leaders an opportunity to look at all technology projects on an enterprise-wide level, with a view toward consolidation and standardized business processes. Absent the strong political leadership necessary to make this work, Florida is destined to repeat its past failures. The state spends nearly three-quarters of a billion annually on technology.

RECOMMENDATION: Develop and articulate an implementation strategy which: incorporates the results of an operational assessment (due February 1, 2015), a feasibility study (due June 1, 2015), and a risk assessment (due June 30, 2015); and addresses the desired outcomes and potential challenges to ensure a successful transition. Additionally, a joint committee of the House and Senate should be appointed to provide the proper oversight and direction of the AST. The joint committee should supplant, and not supplement, the current legislative committee structure for the oversight of the AST, such that the Legislature's sole and exclusive authority for overseeing the implementation of the AST should be vested in this joint committee. Implementing these recommendations will result in cost avoidance.

BACKGROUND: Most recently, the Agency for Enterprise Information Technology, which was created by the legislature in 2007, was defunded and abolished in 2012. Since that time, Florida has been the only state without a Chief Information Officer (CIO). State agencies have essentially had to fend for themselves on issues related to information technology. This has created a host of problems, including redundant projects, unnecessary expenditures, and uncertainty about how much money state agencies spend on IT.[12]

During the 2014 Legislative Session, HB 7073 established the Agency for State Technology (AST), which has the responsibility to set enterprise technology policy for the state and oversee IT projects with total costs of $10 million or more. The Legislature appropriated $4.8 million and 27 full-time positions for FY2014-15.

Specific duties of the AST include: [13]

- Establishing policy for managing the state's IT resources;
- Developing and implementing standards for IT architecture;
- Establishing standards for project management and oversight for use by state agencies;
- Overseeing IT projects with total costs of $10 million or more, except for Cabinet agencies;
- Providing management and oversight of state data center operations;
- Identifying opportunities to standardize and consolidate IT services that support common business functions;
- Recommending additional consolidations of agency data centers or computing facilities into the state data center;
- Providing project oversight for any cabinet agency IT project that has a total project cost of $50 million or more and impacts another agency or agencies; and
- Assessing state agency compliance with all IT standards and guidelines developed by the AST.

The Legislature has also directed the AST to:[14]

- Complete an operational assessment of the state data center that focuses on standardizing operational processes and identifying duplication of any staff resources (due to Governor, the President of the Senate and the Speaker of the House of Representatives by February 1, 2015);
- Conduct a feasibility study that analyzes, evaluates, and provides recommendations for managing state government data (due to the Governor, the President of the Senate and the Speaker of the House of Representatives by June 1, 2015); and
- Contract with a third-party consulting firm to complete a risk assessment of information technology security that analyzes and provides recommendations for protecting the state's information, data, and information technology resources (due to the Governor, the President of the Senate, and the Speaker of the House of Representatives by June 30, 2015).

While the creation of the AST and the statutory language within HB 7073 are great successes for the state, implementing the agency and meeting the established requirements within the timelines will be challenging. The successful implementation of the AST will require extraordinary leadership, cooperation and vision at the levels of executive and legislative leadership to capture and ensure cost efficiency in all aspects of IT services.

12 David Stegon. Information Technology Industry Council. "A Brand New Day: Florida Agency for State Technology Becomes Reality." July 1, 2014.

13 Florida House of Representatives. Final Bill Analysis: HB 7073. July 9, 2014.

14 Florida House of Representatives. Final Bill Analysis: HB 7073, July 9, 2014.

The AST should adopt a multi-year, phased-in approach that keeps agency CIOs empowered to determine the needs of their respected agencies, while ensuring that the AST fulfills its statutory responsibility to set enterprise technology policy for the state and oversee IT projects with total costs of $10 million or more.

There is currently no legislative committee in either the House or the Senate whose primary duty is to oversee state agency IT programs and purchases. Because the power over IT spending lies primarily in the Legislature, a joint committee of the House and Senate should be appointed to provide the proper oversight and direction of the AST.

COST SAVING ESTIMATE: Based upon its current $733 million in annual technology spending,[15] a 1 percent efficiency improvement in cost and delivery would result in $7.33 million in annual cost savings.

15 Matt Williams. "Florida Seems Poised to Bring Back its State CIO's Office – Will it Work This Time?" Solutions for State and Local Government Technology, May 16, 2014.

Reforming the Florida Retirement System (FRS)

OPPORTUNITY STATEMENT: While nearly all private sector companies offer only Defined Contribution (DC) retirement plans to employees, the majority of FRS members participate in the Defined Benefit (DB) pension plan.[16] Florida's unfunded pension liabilities in the DB plan have grown to $21.6 billion and the continued enrollment of new FRS members into the DB pension plan has the potential to threaten the state's long-term financial security.

RECOMMENDATION: The Legislature should enroll all new FRS members in the DC Investment Plan to improve government efficiency by modernizing the system and ensuring that it is actuarially sound going forward, which could avoid billions in future liabilities.

BACKGROUND: The DB Pension Plan sets its annual contribution levels based on actuarial reports that calculate future costs of retirement based on assumptions of future economic and demographic conditions. These assumptions are so variable that an accurate prediction of future retirement costs is difficult to determine, and often these predictions are a better analysis of retrospective trends rather than prospective outcomes.

When actuarially prescribed contribution rates are inadequate or unobserved, the deficit contributes to the FRS Unfunded Actuarially Accrued Liability (UAAL), which as of July 1, 2013 was approximately $21.6 billion.[17]

16 Florida Department of Management Services, Division of Retirement. "Florida Retirement System 2011-12 Annual Report."

17 Florida Retirement System. "Comparison of Actuarial Assets to Liabilities and Benefit Payments."

Credit rating agencies are placing increased weight on the liabilities of pension funds, and while the DB plan's pension fund has performed well during times of economic growth, it has been shown to be susceptible to business cycles.

A soft-freeze of the DB Pension Plan would allow all current members and beneficiaries to continue receiving promised benefits, and strengthen Florida's future financial position. In addition, enhancing educational opportunities on retirement and investing will empower FRS members to make sound financial decisions and take responsibility for their retirement.

Legislation that would have closed the DB plan to all new FRS members passed the Florida House of Representatives in both the 2013 and 2014 Sessions; however, the House and Senate failed to reach agreement on a solution.

Enrolling all new FRS members in the DC Investment plan will benefit the state's pension system by better aligning government benefits with those of the private sector (which will attract top-quality employees from the private sector), reducing the state's long-term financial liabilities, and generating significant savings in the future.

COST SAVING ESTIMATE: The Florida Legislature commissioned a report by the state's actuaries to determine the costs associated with closing the DB plan. An analysis of the actuarial study by the professional staff of the Florida House of Representatives determined an initial cost of $2.7 million in FY2014-15, then a savings of $12.9 million in FY2015-16, out to $9.8 billion in savings in FY2042-43.[18]

18 Florida House of Representatives. "Press Release and Analysis of Actuarial Study. 2013."

Utilizing Shared Facility Management

OPPORTUNITY STATEMENT: Florida's current real estate delivery model is decentralized among, and within, multiple agencies. Twenty state agencies manage over 13,000 facilities totaling more than 63 million square feet. The Department of Management Services (DMS) is the only agency with facility management, operations, construction and leasing as its core mission. Despite this, the department only manages a footprint of more than 12 million square feet, and oversees only 108 facilities. The inefficiency of facility management of state owned assets is costing taxpayers millions each year.

RECOMMENDATION: The DMS should be designated the responsibility and authority by the Legislature to accelerate the implementation of best practices and a shared-services model by consolidating and standardizing facility management, operations, construction, and leasing to optimize the state's real estate portfolio to achieve significant long-term cost-avoidance.

BACKGROUND: There are clusters of state-owned facilities in every metropolitan area. In Tallahassee, for example, the 24 state facilities are clustered in the downtown area and are managed by seven different agencies. This decentralized model of facility management creates inefficiencies in services contracts and results in agencies individually procuring services from the same vendors with different pricing structures. Management is inconsistent among facilities, and there are varying standards applied at different facilities.

State agencies are experts at the services they provide, but often lack expertise in facility management.

For example, complex HVAC systems require specialized engineers to repair and operate efficiently and conserve energy,which individual agencies do not employ. Often these operations require collaborative efforts that involve multiple agencies, private and public interactions, and strategic coordination. Addressing these operations as an enterprise-wide initiative can create value for the state by improving services and reducing costs.

The Florida Department of Environmental Protection (DEP) and DMS recently collaborated to generate the FL-SOLARIS database, a centralized database for the collection of records for all state-owned real estate. This is the first step in changing the current decentralization of facility management, and a platform for implementing an enterprise-wide shared facility management model.

In August 2012, DMS contracted with CBRE Group, Inc., to develop a comprehensive Real Estate Optimization Plan that spans across all state agencies, space types, uses and geographies.[19] While the initial investment outlined in the CBRE Group, Inc. report was in excess of $493 million, DMS has a more focused and fiscally prudent implementation plan which would include the following strategies and recommendations:

- Reduce occupancy management costs by reducing the amount of space needed for agency operations;
- Consolidate oversight and operations of the state's real estate function into DMS. This includes moving all operations, maintenance and leasing positions into DMS;
- Enhance sourcing strategy; restructure contracts for consistent service delivery and unit cost reductions by implementing state-wide procurements instead of individual agency procurements for local facilities;
- Transfer responsibility for portfolio-wide facilities-related energy management to DMS; and
- Help the state utilize its real estate in the highest and best use or to monetize its assets.

COST SAVING ESTIMATE: The DMS has already worked with agencies to better utilize existing state owned space and reducing the leased space footprint. From July 1, 2011 through June 30, 2014, agencies reduced leasing spend by more than $48 million and square footage by more than 900,000 square feet. Similar efforts in operations, contracts and energy management could produce an additional $70 million to $80 million in reduced costs.

19 CBRE Group, Inc. "Implementation Plan for Portfolio Optimization, Shared Services and Cost Savings Initiatives." November 30, 2012.

Increase Drawdown of Available Federal Dollars

OPPORTUNITY STATEMENT: Florida lacks effective and proactive mechanisms for maximizing the drawdown of available federal funds, which is costing the state hundreds of millions of dollars in federal assistance.

RECOMMENDATION: The Governor and Legislature should make every practical effort to collect all appropriate federal funds for which Florida is eligible under current existing laws and policies (including the maximization of Section 179D incentives) without spending additional taxpayer money. Implementing this recommendation will increase opportunity for state revenue by hundreds of millions of dollars annually.

BACKGROUND: In fiscal year 2012, the Internal Revenue Service collected $122.2 billion in gross tax dollars from Florida taxpayers. This represents $6,328 per capita and 15.7 percent of the gross state product.[20] During the 2009 special session of the Florida legislature, SB 44A directed the CFO to offer recommendations for maximizing the drawdown of available federal funds for the state. In a March 2009 report, the CFO reported that Florida ranked 45th in the nation in per capita grant funding. The CFO's report found that Florida "lacks effective and proactive systems to maximize the draw down of federal grants" and that "Florida also has not been providing the matching funds necessary to receiving many of the federal grants." The CFO offered 10 recommendations intended to enhance coordination among key state agencies and increase awareness of the federal grant process, including a recommendation by Florida TaxWatch to consider contracting with third parties that can perform comprehensive evaluations of federal funding opportunities.[21]

In 2003, the Chief Financial Officer of Florida issued a five-year (competitively selected) contract to find and help secure federal funds to which the state was legally entitled. Under this contract, the state collected approximately $150 million with a minimal amount of effort and incurred no out-of-pocket costs to secure the funds. However, there likely remain hundreds of millions of dollars of federal money to which Florida is legally entitled.

The state should either undertake an expanded contract like the 2003 arrangement, or attempt to collect this money in-house. In order to encourage the agencies to focus appropriate attention and effort, the Legislature could both require the agencies to collect this revenue as well as provide incentives for the agencies to maximize or capture revenue.

A specific example of such available federal dollars that the state currently neglects is Section 179D of the Internal Revenue Code, which allows commercial properties (with a special provision for governmental entities) to receive a tax deduction for energy efficiency enhancements per square foot of facility space. The state is constantly undertaking these enhancements with facilities space exceeding 22 million square feet. This is an easy opportunity for the state to collect additional revenues, yet Florida has consistently not taken advantage of these available revenue sources.

20 Internal Revenue Service, Statistics of Income Division, Communications and Data Dissemination Section. "Internal Revenue Service Data Book, 2012."

21 Department of Financial Services. "Initial Recommendations for Maximizing Federal Funding for the State of Florida." March 3, 2009.

Additionally, the Legislature should best utilize available federal funding to provide Medicaid coverage to more Floridians in a manner that best safeguards Florida's citizens and protects the State's financial health. The Associated Industries of Florida and the Florida Chamber of Commerce identified 11 conditions under which Florida should expand Medicaid, and adhering to those standards would provide additional federal funding without compromising Florida's financial health.

COST SAVING ESTIMATE: Prior to the 2003 contract, the vendor compiled a list of such funds that exceeded $900 million. The contract resulted in $150 million. With a similar effort, the state should be able to collect at least $150 million, mostly in recurring revenue.

Review the Organization and Operations of State Procurement

OPPORTUNITY STATEMENT: The absence of a cohesive statewide procurement function and lack of centralized direction promotes inconsistent and inefficient procurement practices among and within agencies, which could cost the state millions in unnecessary expenditures.

RECOMMENDATION: The Legislature should provide funds to DMS to contract with an independent third-party consulting firm with experience in strategic sourcing and procurement to complete a business case study of the State of Florida's procurement function focusing on the enterprise-wide organizational structure and operating model. This study would build upon, and not duplicate, the 2010 business case analysis prepared for MFMP and will improve the effectiveness of Florida government. Chapters 120 and 287, Florida Statutes, should be amended as necessary to support the recommendations contained in the study. Alternatively, a panel with expertise in procurement should be appointed and authorized to make recommendations to improve the organization and operations of all aspects of the state procurement program.

BACKGROUND: State and local government agencies spend a tremendous amount of taxpayer money procuring commodities and services, and even a small improvement in efficiency will generate a large savings. The potential for greater improvements in efficiency and even greater savings to taxpayers justifies a thorough review of how Florida's procurement program works and how it can be improved.

Florida's procurement program is neither centralized nor decentralized, but a combination of the two. Centralized management is the responsibility of DMS' Division of State Purchasing; DMS is charged with providing uniform commodity and contractual service procurement policies, rules, procedures, and forms for use by agencies and eligible users.[22] DMS negotiates state term for services and commodities used by all state agencies to leverage the state's buying power. State agencies and other public entities are granted a certain level of independence from DMS and are authorized to process, oversee, and/or approve purchases up to certain dollar thresholds and negotiate their own contracts. Each agency has its own budget for procurement staff and activities.

The DMS website identifies 30 state agencies and 8 committees, commissions and other governmental entities that have their own agency purchasing officer and staff.[23] The Department of Agriculture and Consumer Services has its own separate procurement function.

DMS does not record the procurement activities of all state agencies, as MyFloridaMarketPlace (MFMP), the state's e-Procurement tool, is not utilized by all state agencies. It is not until payment is made by the Department of Financial Services that procurement of a commodity or service has been recorded. For those purchases made in the MFMP, the spend is visible, reportable, and accessible for analysis at a commodity level. For items not purchased in the MFMP, the state will know how much money was spent, and the vendor to which it was paid, but will not have information on the specific commodity codes and details of what was purchased.

22 Subsection 287.032(2), *Florida Statutes*.

23 Department of Management Services. http://www.dms.myflorida.com/business_operations/state_purchasing/vendor_resources/contact_a_purchasing_professional/agency_purchasing_officers

Recently implemented TaxWatch Center for Government Efficiency recommendations have focused on improving the oversight of contracts and grants by DFS to ensure taxpayer moneys are being spent wisely and accountably. This recommendation builds on that success by DFS and the CFO to bring the concept to commodities under DMS.

A survey of purchasing practices in more than 300 organizations in a wide range of industries by a leading management consulting firm revealed that public-sector agencies generally lag behind on several performance dimensions, including efficiency of purchasing tools and processes, capabilities, and performance management.[24]

In their expert analysis, McKinsey & Company found that public institutions often lack a consolidated view of their spending because:

- Purchasing responsibility is spread across many departments, and there is no unifying set of processes.
- Control of budgets may reside across multiple layers of authority, so there is little centralized oversight, which makes it difficult for institutions to know what they are spending or how many supplier relationships they maintain.
- A lack of transparency also makes it difficult for the institution, and sometimes for departments within, to align on strategic priorities and targets, and makes it impossible to establish central performance-management system to track overall spending, employee performance, and quality of goods and services.[25]

The above is true for Florida as well. Another analysis by McKinsey & Company found that the highest performing private-sector procurement organizations take a centralized, or

24 Christian Husted and Nicolas Reinecke. "Improving public sector purchasing." McKinsey on Government, Summer 2009. page 20.

25 Ibid page 19.

similar, approach to managing procurement.[26] This suggests that Florida's hybrid model of centralized and decentralized procurement authority could be strengthened by making it more centralized. Furthermore, there is evidence to suggest that there is some inefficiency in Florida's agency-based approach, despite a number of valiant efforts to improve functionality.

For example, MFMP the state's e-Procurement system and a source for centralized procurement activities and streamlined interactions between vendors and state agencies, has historically been underutilized by state agencies. In 2012 the state launched an effort to improve MFMP utilization by state agencies. Utilization goals and performance levels were established and tracked monthly, and agency performance is available for review on a scorecard on the MFMP website.[27] The efforts to improve Florida's e-procurement system demonstrate that there is opportunity to look beyond MFMP for ways to improve the functionality of the state's procurement processes.

COST SAVING ESTIMATE: In more than 500 purchasing projects that the management consulting firm McKinsey & Company has supported in both the private and public sectors over the past five years, improved purchasing in the public sector yields an average savings of 28 percent.[28] A 28 percent savings would save Florida taxpayers approximately $1.4 billion.[29]

26 See, e.g., McKinsey & Company. "Global Procurement Excellence: A Quantitative way to determine PSM best practices." Presentation to the EIPM Annual Conference, Geneva, Switzerland. December 8, 2006.

27 Florida Department of Management Services. http://www.dms.myflorida.com/business_operations/state_purchasing/myfloridamarketplace/utilization_initiative/myfloridamarketplace_utilization_scorecard, retrieved September 24, 2014.

28 See footnote 25, page 18.

29 $5 billion x 28% = $1.4 billion.

Training Procurement Staff

OPPORTUNITY STATEMENT: Many agencies "hire and train" procurement employees and use internal promotion as a way to provide lower-level procurement employees a career path to higher-paying and more responsible jobs. The retirement of the Florida Certified Purchasing Agent and Florida Certified Purchasing Manager certification programs decreases the likelihood that procurement employees will receive the training necessary to function effectively in higher paying and more responsible jobs.

RECOMMENDATION: The State of Florida should increase its commitment to having well-qualified and well-trained procurement personnel. It should be the policy of the state that training for procurement staff should be limited to enhancing or honing procurement skills, and not to develop basic procurement skills and core competencies.

BACKGROUND: In addition to the processes, it is also critical to look at the people who are making Florida's procurement system work. The culture and capability of procurement professionals is one of the key drivers of success in procurement.[30]

One of the challenges facing the State is whether to "hire and train" or "buy and hold" its procurement staff. The "hire and train" strategy permits agencies to use internal promotion as a way to provide lower-level employees a career path to higher-paying, more responsible jobs.

30 Spiller, Peter, Reinecke, Nicolas, Ungerman, Drew and Teixeira, Henrique. "Procurement 20/20: Supply Entrepreneurship in a Changing World." December 2013.

Consistent with this strategy, the Division of State Purchasing offers a seven-stage professional development program designed to maintain, broaden, and improve the knowledge, skills, and abilities of public procurement professionals.[31] This program helps participants develop solid foundations and then builds upon that foundation to offer both certification paths and specialized training opportunities.

There is evidence to suggest that the state has diminished its commitment to hire and train state agency procurement staff. The Florida Certified Purchasing Agent and Florida Certified Purchasing Manager certification programs have been retired. No new certifications are being be issued for initial or renewal certification, and existing certification holders will be able to maintain their current certifications through their current expiration date. A review of the DMS website identified 181 purchasing agents and 160 purchasing managers who have been certified through these programs.[32]

Contrary to the "hire and train" strategy, the "buy and hold" strategy permits public procurement agencies to recruit procurement staff that is already well-qualified and well-trained. Because these employees will already have the core competencies necessary to function effectively, any additional investment into their training or professional development is likely to be minimal.

This strategy acknowledges the importance of post-secondary education, professional certification and previous procurement experience when recruiting procurement staff.

The Universal Public Procurement Certification Council has established guidelines for obtaining the Certified Public Procurement Officer (CPPO) and Certified Professional Public Buyer (CPPB) designations. The CPPO designation requires (at a minimum) a bachelor's degree and five years of public procurement experience, three of which must be in a supervisory/management position. The CPPB designation requires (at a minimum) an associate's degree and three years of public procurement experience. These, or comparable, certification requirements could be included in the hiring criteria for hiring procurement staff.

The "buy and hold" strategy would likely require the state to reevaluate the compensation package for procurement officers to recruit and retain procurement staff with the desired qualifications.

COST SAVING ESTIMATE: The benefits from recruiting and retaining qualified staff ("buy and hold") to manage state purchasing are significant yet indeterminate.

31 Certifications available through this program include the Project Management Professional (PMP), Florida Certified Contract Negotiator (FCCN), Florida Certified Contract Manager (FCCM), and Florida Certified Purchasing Agent (FCPA) and Florida Certified Purchasing Manager (FCPM). The FCCM certification is important because each contract manager who is responsible for contracts in excess of $100,000 annually must complete training in contract management and become a certified contract manager. The FCCN and PMP certifications are important because at least one person negotiating contracts valued at $1 million or more in any fiscal year must be certified as a contract negotiator, and if the contract is valued $10 million or more in any fiscal year, at least one of the persons conducting negotiations must be a Project Management Professional.

32 Department of Management Services. http://www.dms.myflorida.com/business_operations/state_purchasing/public_procurement_professional_development/certifications_for_the_public_procurement_professional/florida_certified_purchasing_agent_and_manager2, retrieved September 25, 2014.

Develop risk/needs assessment and cost-analysis tools to be used at the time of sentencing

OPPORTUNITY STATEMENT: Two decades after Congress passed the Violent Crime Control and Law Enforcement Act of 1994, with lawmakers focused on locking up more offenders for longer periods, Florida's imprisonment rate has climbed 31 percent and crime has declined 54 percent.[33] With the implementation of "tough-on-crime" approaches to offending, beginning with Florida's 1983 Sentencing Guidelines, judges have faced increasingly narrowing discretion in sentencing options as well as pressure to put offenders away for less serious crimes and for longer periods of time in situations where they do retain discretion.

RECOMMENDATION: Create a risk/needs assessment tool that allows judges access to offense/offender-specific cost and recidivism estimates and enable them to use evidence in order to: combat the demand for excessively harsh sentences; develop sentencing options best targeted to individual offenders; and reduce the overall prison population over time. This recommendation will help Florida save money without jeopardizing public safety.

BACKGROUND: Since Florida first enacted its Sentencing Guidelines in 1983,[34] the state's sentencing policy has explicitly rejected rehabilitation as a primary purpose of sentencing. Today, under the Criminal Punishment Code adopted in 1998, the policy reads: "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."[35]

The calculation used to determine the sentence focuses not on risk or needs, or the likelihood of reoffending, but on the appropriate dose of punishment, based on static risk factors such as the nature of the primary offense and any additional offenses, prior criminal history, and injury to the victim. These are factors that cannot change and thus cannot be addressed through targeted interventions.

A 2006 National Conference of State Courts survey stated that

> *"the top concerns of state trial judges hearing felony cases included the high rates of recidivism among felony offenders, the ineffectiveness of traditional probation supervision and other criminal sanctions in reducing recidivism, restrictions on judicial discretion that limited the ability of judges to sentence more fairly and effectively, and the absence of effective community corrections programs. The survey also found that the state chief justices believed that the most important sentencing reform objective facing the state courts was to improve public safety and reduce recidivism through expanded use of evidence-based practices and programs, including offender risk and needs assessment tools."*[36]

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33 The Pew Charitable Trusts. "Prison and Crime: A Complex Link." September 2014.

34 Florida Department of Corrections. "Florida's Criminal Punishment Code: A Comparative Assessment – Part I: Introduction, Overview of Florida's Sentencing Policies." FY2000-2001.

35 921.002 (b), *Florida Statutes* The Criminal Punishment Code.

36 Warren, Roger K. "Evidence-Based Practice to Reduce Recidivism: Implications for State Judiciaries." The Crime and Justice Institute and the National Institute of Corrections, Community Corrections Division, 2007.

While evidence-based approaches to rehabilitation have been most commonly associated with prison and community-based programs, states (in response to frustrating and persevering recidivism rates) have been developing policies and practices that address risk at the time of sentencing so that the sentence is most appropriate to the individual defendant's risk of recidivating.[37]

Accordingly, states are moving away from policies that place less emphasis on or entirely neglect the objective of reducing recidivism; instead choosing to embrace sentencing policies and practices based on what research has demonstrated to be effective in reducing criminality, keeping corrections budgets in check, and helping rehabilitate convicted offenders. These tenets of smart justice are at the heart of drug and other treatment-oriented courts (also called problem-solving courts), regardless of whether official state policy favors or eschews rehabilitation for offenders.

Some states have established recidivism reduction as an explicit sentencing goal. The Oregon Judicial Conference, for example, requires judges to consider the sentence's potential impact on reducing future criminal conduct. Building flexibility into sentencing laws allows judges to better select sanctions that provide the best chance of reducing recidivism.

Research by the Pew Center on the States indicates 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. This means shorter or probationary sentences for some offenders, and perhaps longer prison terms for others.[38]

Rather than focusing only on static factors, a validated tool that assesses criminogenic needs and "dynamic" risks (e.g., low self-control, substance abuse, antisocial attitudes, criminal thinking) can guide sentencing towards an effective treatment. Missouri's Sentencing Commission has developed a web-based tool for judges to use in sentencing that provides them extensive information about sentencing options and the risks and costs associated with each alternative. This tool is available for use by judges, prosecutors, defendants and their attorneys, and the public. The user simply types in the code number for the highest level offense upon which the defendant has been (or will be) convicted, along with demographic, criminal history, substance abuse involvement, education and other information about the defendant, and the tool provides the user with the recommended sentences, the risk assessment, recidivism projections and the costs of incarceration, supervision, and community alternatives, including treatment where warranted.[39]

COST SAVING ESTIMATE: Florida can responsibly reduce the prison population while maintaining public safety by adjusting sentencing restrictions and embracing alternative sentencing methods that reduce recidivism by targeting individual offender risks, needs and characteristics. Every 1 percent reduction in recidivism represents 400 fewer inmates admitted over a three-year period and savings of approximately $8 million.[40]

37 Pew Center on the States, Public Safety Policy Brief. "Arming the Courts with Research: 10 Evidence-Based Sentencing Initiatives to Control Crime and Reduce Cost," May 2009.

38 Pew Center on the States, Public Safety Policy Brief, "Arming the Courts with Research: 10 Evidence-Based Sentencing Initiatives to Control Crime and Reduce Cost," May 2009.

39 For more info: https://www.courts.mo.gov/rs/.

40 Florida Department of Corrections. "2009 Florida Prison Recidivism Study. Releases from 2001 to 2008." May 2010.

Expand electronic monitoring as a tool to divert non-violent offenders from prison

OPPORTUNITY STATEMENT: The cost of incarceration is about eight to ten times higher than the cost of electronic monitoring[41] and there are more than 47,000 inmates in Florida prisons whose primary offense is not a violent crime (e.g., drug, property, or other offense).[42]

RECOMMENDATION: Expand the authority of and funding for the use of electronic monitoring as an alternative to incarceration at sentencing for non-violent offenders. Alternative sentencing programs for non-violent offenders, such as electronic monitoring, have proven effective in reducing recidivism and do so at significantly lower costs to taxpayers.

BACKGROUND: A 2010 study examining the impact of Florida's electronic monitoring policies and practices found that "[E]lectronic monitoring reduces the likelihood of failure under community supervision…[by] about 31 percent, relative to offenders placed on other forms of community supervision."[43]

While many criminal offenders need to be sentenced to time in state prison, some non-violent or low-level offenders may be better served through alternative sentences.

Offenders sentenced to prison for non-violent offenses make-up approximately 47 percent of Florida's FY2012-13 prison population[44] at an average cost to taxpayers of $47.50 per inmate per day.[45] In a 2010 report addressing the troubling size and cost of this subsect of prisoners, OPPAGA evaluated ways that Florida could reduce its prison costs through expanding the use of community-based sanctions. They concluded that every 100 inmates diverted from prison would lead to annual savings of $1.2 million to the state. Additionally, they noted that 75 out of every 100 offenders placed on electronic monitoring will not violate the terms of their supervision.[46]

COST SAVING ESTIMATE: If 10 percent of Florida's non-violent admissions were sentenced through an Electronic Monitoring program instead of prison in 2013, taxpayers could have saved up to approximately $120 million.[47]

41 Based on a comparison between the average per diem rate of incarceration ($47.50, Source: Florida Department of Corrections. "Agency Statistics- Budget, FY2012-13," and the per diem rate of electronic monitoring ($4.90-$5.50, via direct correspondence with industry representative).

42 Florida Department of Corrections. "2012-2013 Agency Statistics-Inmate Population."

43 Bales, Bill, et al. The Florida State University College of Criminology and Criminal Justice, Center for Criminology and Public Policy Research. "A Quantitative and Qualitative Assessment of Electronic Monitoring, Report Submitted to the Office of Justice Programs, National Institute of Justice, U.S. Department of Justice." January 2010.

44 Department of Corrections. "2012-2013 Agency Statistics: Inmate Population."

45 Department of Corrections. "Agency Statistics: Budget." FY2012-13.

46 Lize, Steve and Seeger, Kelley. The Florida Legislature's Office of Program Policy Analysis and Government Accountability. "Intermediate Sanctions for Non-Violent Offenders Could Produce Savings. Report No. 10-27." March 2010.

47 Note: This estimate was calculated using Florida's prisoner cost per diem ($47.50, Source: Florida Department of Corrections. "Agency Statistics- Budget, FY2012-13,") and the daily cost of operating an EM device ($4.90-$5.50 Source: Direct correspondence with private industry representative) for a population of 2,234 (10 percent of annual nonviolent admissions from the "FDOC, Agency Statistics: Admissions FY2012-13."

Authorize the possibility of release for certain elderly offenders

OPPORTUNITY STATEMENT: Florida continues to bear the increasing medical and housing costs of a growing elderly prison population when some of these offenders would pose little, if any, risk to the public if they were released from prison, saving the millions of dollars it costs to incarcerate.

RECOMMENDATION: Amend Florida's elderly offender release eligibility standards to consider the release of elderly inmates through the existing discretionary review process established by the Florida Commission on Offender Review, which could avoid many millions in near-term and long-term costs.

BACKGROUND: Despite the fact that research shows that most offenders age out of their crime-committing years, the elderly portion of the national prison population is growing; now representing 10 percent of total U.S. incarcerations.[48]

As of June 2014, the data show that Florida has 5,694 prisoners at least 60 years of age, 1,091 prisoners at least 70 years old, 130 octogenarians, and 10 nonagenarians.[49] Among the octogenarians, 40 percent were sentenced to terms of years as opposed to life without parole, and 19 have release dates in the next 3 years. Florida also has two prisoners aged 92, who rank at the top of the oldest prisoners in the US.

Florida Senate staff research indicates that the cost of incarcerating a person over the age of 50 is three times greater than that of incarcerating younger people, primarily due to medical costs. This is problematic because neither prisons nor their inmates are eligible for federal health care support. Conversely, individuals in the community or nursing homes who are disabled or elderly are eligible for federally funded Medicaid (with state match) and/or Medicare. The establishment of prerequisites regarding access to services, like health care, may be added to the conditions of discretionary release. This would be congruent with existing practices for conditional medical release, which require candidates to meet additional criteria for release (e.g. establishment of a residence)[50] that indicate an adequate post-release plan.

COST SAVING ESTIMATE: Elderly prisoners cost the most to incarcerate, but pose the least danger to public safety. The potential savings available are substantial, as a 1 percent reduction in Florida's prison population gained through early release of elderly prisoners could result in annual savings of $67 million. A 5 percent reduction would save more than $300 million.[51]

48 U.S. Department of Justice, Bureau of Justice Statistics. Corrections Statistical Analysis Tool (CSAT) - Prisoners (2008).

49 Florida Department of Corrections. Corrections Offender Network: Offender Information Search. June 10, 2014.

50 Florida Regulations, 23-21.0165: Conditions of Parole.

51 Florida TaxWatch. "Florida's Aging Prisoner Problem." September 2014.

Implement a State Employee Wellness Program

OPPORTUNITY STATEMENT: Health insurance for employees costs the state nearly $2 billion each year and an estimated 75 percent of all health care spending is attributed to preventable medical conditions. An emerging trend is to offer incentives to employees based on leading health indicators, primarily tobacco use and body mass index, as part of employee wellness programs.

RECOMMENDATION: The Florida Legislature should implement a state employee wellness program adopting only those practices that have evidenced a high return on investment. The state employee wellness program will provide incentives and disincentives for state employees based on nationally-recognized, evidenced-based health indicators to avoid millions in future health care costs for employees.

BACKGROUND: Employers are increasingly looking for ways to reduce employee health care costs. According to a study in the peer-reviewed journal Health Affairs, private companies with wellness programs have seen a 28 percent decrease in sick leave, a 26 percent reduction in adjunctive health care costs, and a 30 percent reduction in disability and workers compensation costs.[52] A meta-analysis of the literature on costs and savings associated with workplace wellness programs found that medical costs fall by about $3.27 for every $1 spent on wellness programs, and that absenteeism costs fall by about $2.73 for every $1 spent.[53] However, not all prevention programs are created equally.

Successful wellness programs must focus on encouraging only prevention behaviors that are evidence-based, reflect nationally-recognized health indicators, and have been proven to reduce undesirable costly outcomes, such as chronic diseases, emergency room visits, and hospital readmissions. A well-designed incentive program for state employees could yield benefits primarily because of the longevity of the employer-employee relationship. State workers tend to remain employed with the state for long periods of time; therefore, a wellness program would likely have a high return on investment.

COST SAVING ESTIMATE: Every dollar invested into evidence-based workplace wellness programs can be expected to reduce medical costs by about $3.27 and reduce absenteeism costs by about $2.73.[54] Other benefits of implementing a worksite wellness program include improved employee morale, improved employee health, reduced absenteeism, reduced workers compensation claims, and increased productivity.

52 Health Affairs, Volume 21, Number 2, March 2002.

53 Baicker K, Cutler D, Song Z. "Workplace wellness programs can generate savings." Health Affairs 2010;29:304–311.

54 Ibid.

Increase Copayments for Emergency Room Visits for State Employees

OPPORTUNITY STATEMENT: Health care consumers are generally over-dependent on Emergency Room (ER) services, when many circumstances can be prevented or mitigated through proactive primary care. Emergency room visits are the most expensive and least effective types of care delivery and the co-pays paid cover only a tiny fraction of the millions of dollars these visits cost the state each year.

RECOMMENDATION: Increase copays for ER visits that do not result in hospitalization to $250 (co-pay would continue to be waived if the visit results in hospitalization) to better reflect true costs and deter an increased utilization and reliance on costly ER care, thus avoiding unnecessary costs.

BACKGROUND: Emergency department use has increased substantially in past years, mostly because of increased use by people with private insurance and other health coverage. While emergency department crowding is often attributed to the uninsured, their use of emergency departments is considerably less than privately insured people. Increases in emergency department visits by the uninsured account for only a small share of the overall increase in emergency department volumes. Today, hospital emergency departments are a major source of primary health care in the community, treating a broad range of health problems that include many visits for minor ailments and other non-urgent conditions.[55]

Increases in emergency department visits reflect a more general increase in the demand for ambulatory care. Many hospital emergency departments are expanding capacity to accommodate the increased demand. As part of a broader strategy to put hospitals where the patients are and to increase market share, stand-alone emergency rooms are being created to address the growing demand for, and overutilization of, emergency room access for ambulatory health care. These centers are open around the clock, offer shorter wait times than traditional hospital ERs, and have the capacity to treat a variety of ailments and illnesses. Any ER visit, whether it is to a traditional hospital ER or a stand-alone ER, costs the patient and insurer considerably more than a visit to the patient's doctor or to an urgent care center. As a result, every non-essential or non-urgent visit to stand-alone ERs increases the costs to consumers and insurers. For the same type of outpatient visit, Medicare reimburses medical providers $316 if a patient is treated in an ER, compared with $138 in an urgent care center.[56]

There is little in the way of incentives for most insured patients to visit their doctor or an urgent care center. In most cases, the modest copayment and deductible offered by insurers for an ER visit is only slightly higher than the cost to visit a doctor's office or urgent care center. Because insurers are required by law to pay for coverage any time a patient visits an ER (whether there is an actual emergency or not), there is not much the insurers can do to reduce the number of non-essential or non-urgent ER visits.

The U.S. Centers for Disease Control and Prevention say that about 8 percent of ER visits are for non-urgent problems that could be treated less expensively in a doctor's office or clinic; others put the number of non-emergency

55 Statement of Peter Cunningham, Ph.D., Center for Studying Health System Change, before the U.S. Senate, Health, Education, Labor and Pensions Subcommittee on Primary Health and Aging, May 11, 2011.

56 Julie Appleby. "More Emergency Rooms Open Away From Hospitals." USA Today. November 6, 2014.

visits much higher. A 2010 Health Affairs study found that 27 percent of those visiting ERs could be treated more cost-effectively at doctors' offices or clinics.[57] Across all Florida hospitals, the average cost of an emergency room visit was $3,678 in 2012.[58]

Marginal copays create little incentive for state employees to better anticipate their health needs by regular visits to primary care practitioners, or to obtain lower cost care at urgent care facilities. An increase of copayment to $250 for emergency room visits would cover more of the total cost (6.8 percent of the average cost), and incentivize employees to seriously weigh the severity of their condition, better gauging whether an emergency room visit is worth the cost.

For habitual ER users, the copayments would quickly add up and deter unnecessary ER use. For those times when ER use is warranted, such that hospital admission is suggested by the attending physician, the $250 copayment could be waived, thereby providing a balance between deterrence and necessity.

COST SAVING ESTIMATE: The state would save $3,678 for every unnecessary ER visit avoided, the cumulative savings from which are significant yet indeterminate.

57 Phil Galewitz. Kaiser Health News. "Hospitals Demand Payment Upfront From ER Patients With Routine Problems." February 20, 2012.

58 Customized search of all emergency department utilization data across all Florida counties, with averages and percentages separately derived from available data. "Emergency Department Data Query Results for Time Period: April 2012 through March 2013."

Audit State Group Health Insurance Status to Determine Dependent Eligibility and Current Coverage

OPPORTUNITY STATEMENT: There are currently an unknown, but substantial, number of ineligible dependents fraudulently receiving health coverage under the State Group Insurance Program.

RECOMMENDATION: The Legislature should allocate funding for a comprehensive audit of eligibility status of dependents covered under the State Group Insurance Program to avoid unnecessary costs paid for ineligible recipients.

BACKGROUND: DMS currently contracts with NorthgateArinso to develop and maintain a web-based human resources system for the state. NorthgateArinso offers a suite of human resources services, including determining compliance with eligibility criteria of State Group Insurance subscribers and their dependents. Employees may enroll or make changes in state health plans:

- Within 60 days of their hiring date;
- Within 31 days of a qualifying status change (e.g., marriage, divorce, etc.);
- Within 60 days of a birth or adoption;
- Within 60 days after termination (to continue coverage through COBRA);
- Within 31 days after retirement; and
- During the annual open enrollment period each fall.

The People First system generates a form letter requesting dependent documentation (e.g., social security number, Medicare eligibility information, etc.) when an employee registers a dependent. Once documents are submitted, and meet all of the requirements, the dependent is added to the employee's policy.

The processing of the required documentation is focused primarily on whether or not the correct documents were submitted, rather than if the individual being added to the policy is or should be eligible to be added. As a result, dependents may end up covered even though the documentation necessary to confirm their eligibility is not provided.

COST SAVING ESTIMATE: Purging the State Group Insurance Program of ineligible recipients would generate immediate and recurring savings to the state that would be significant, yet indeterminate.

Increase the Number of Coverage Categories within the State Group Insurance Program

OPPORTUNITY STATEMENT: Currently, there are only two categories within the State Group Insurance Program: employee only coverage and family coverage. These designations provide limited choices for employees, and a limited ability for the state to capture data that will be used to reduce costs.

RECOMMENDATION: The Legislature should increase the number of coverage categories within the State Group Health Insurance Program beyond two categories to more accurately capture coverage needs and to facilitate the creation of cost-saving measures based on coverage categories.

BACKGROUND: For employee-only coverage, the employee pays 10 percent of the premium rate. For family coverage, the employee pays 15.9 percent of the premium rate. In the aggregate across all plans, employees are paying 14.3 percent of the total premium rates --- the balance of 85.7 percent is paid by the state. Although state employees pay more for family coverage, the state pays significantly more (more than twice as much) for family coverage than for employee only coverage, and the amount the state pays continues to increase each year.[59]

A 2008 actuarial study[60] analyzed and evaluated the contribution rate structure and recommended several alternate contribution scenarios for the state and state employees. The intent was for the state to be able to offer

59 Buck Consultants. "Actuarial Study for Program Modifications." September 22, 2008.

60 Ibid.

"cost-neutral" health insurance plans. The study recommended moving from the current 2-tier (employee only and family) contribution rates to 3-tier (employee only, employee plus one, and family) or 4-tier (employee only, employee plus spouse, employee plus child(ren), and family) contribution rates.

Moving to either the 3-tier or 4-tier contribution rate will favor employees with one or no dependents and negatively impact employees with family coverage. The end result, however, will be a more equitable cost-sharing arrangement, since the employee's rate of contribution will be tied more directly to the number of dependents that are covered.

COST SAVING ESTIMATE: Although the cost savings cannot be determined at this time, the benefits of moving from a 2-tier contribution rate to a 3-tier or 4-tier contribution rate include mitigation of rising trust fund expenditures, and more stable state premium costs.

Utilize available telehealth technologies

OPPORTUNITY STATEMENT: The availability of health manpower and resources to serve Florida's growing population continues to be a problem, a problem that is not confined to just rural areas. While telehealth has proven to be effective in providing access to quality care, there are barriers and disincentives that limit its expansion.

RECOMMENDATION: The Legislature should remove disincentives and barriers to use of telehealth services, and while detailed policies are being determined Florida should provide a foundation for statewide expansion of telehealth. This recommendation will increase opportunity for Florida and avoid future costs.

BACKGROUND: The Health Resources Services Administration defines telehealth as "the use of electronic information and telecommunications technologies to support long-distance clinical health care, patient and professional health-related education, public health and health administration. Technologies include videoconferencing, the Internet, store-and-forward imaging, streaming media, and terrestrial and wireless communications."

As of December 2012, there were 36 federally designated Medically Underserved Areas in Florida, 12 of which were rural counties. All 67 Florida counties have at least one underserved geographic area or population. In addition, there were 121 designated primary care shortage areas located in 65 counties. According to the federal shortage designation statistics, the number of Floridians without access to a primary care provider is 4,190,410 or 26.6 percent of Florida's population. Sixty-one counties also have Dental Health Professional Shortage Areas and 44 counties have Mental Health Professional

Shortage Areas, most of which are rural. The availability of health manpower in Florida's rural areas is particularly acute as the majority of existing providers are nearing retirement age. The ratio of population to practicing primary care physicians in 2011 for the 30 rural counties (2,067 per physician) was almost twice that for the state as a whole (1,304 persons per physician) and ranged from 905 in Union County to 5,577 persons per primary care physician in Hardee County. One rural county (Liberty) had no practicing primary care physicians.[61]

Telehealth services have been successfully implemented in other states and some isolated pockets of Florida as a way to:

- Address the shortages of specialists such as dermatologists, neurologists, radiologists, critical care doctors, and mental health specialists.
- Close the care gap for patients who live in rural areas; and
- Close the care gap for patients with debilitating illnesses for whom travel is difficult or impossible.

While the use of telehealth to provide access to quality health care and reduce costs holds great promise, there are barriers than must be removed if that promise is to be realized. Foremost among these barriers is reimbursement.

For more information on Florida's Telehealth options see the TaxWatch report, *Critical Connections to Care: Expanding the Use of Telemedicine in Florida will Improve Health Outcomes and Generate Savings*, and November 2014 report, *Time for Telehealth*.

61 Department of Health. "Rural Health Services" website. http://www.floridahealth.gov/programs-and-services/community-health/rural-health/rural-health-services.html. November 7, 2013.

COST SAVING ESTIMATE: Telehealth services can reduce the use of costly medical interventions such as Emergency Rooms visits and length of hospital stay. A 1 percent reduction in these interventions would save the state over $1 billion.

Reduce Medicaid Fraud, Waste and Abuse

OPPORTUNITY STATEMENT: The bulk of the Healthcare and Human Services budget is the state's contribution and administration of Medicaid, over $21 billion, and Medicaid fraud is considered to be an epidemic that costs Florida and the federal government billions of dollars annually.

RECOMMENDATION: The Legislature should direct the Agency for Health Care Administration (AHCA) to develop a Fraud and Abuse Prevention plan that targets savings in the Medicaid program of at least 1 percent (up to $2.12 billion). Additionally, the efforts and recommendations of the ongoing "Medicaid Strike Force" should be explored and implemented.

BACKGROUND: Combating Medicaid fraud, abuse, and waste is a significant effort that requires the partnership of states, beneficiaries, providers, and contractors to ensure that taxpayer dollars are spent appropriately. Federal law requires each state to have a Medicaid program integrity (MPI) unit within the Medicaid state agency to detect and investigate Medicaid fraud and abuse. Located within AHCA, the prevention of Medicaid fraud and after-the-fact recovery efforts is a high-priority activity of the MPI. Prevention activities by MPI include:

- Using predictive modeling and analytics to evaluate claims and prevent fraudulent claims from being paid;
- Initiating audit and review projects to address areas that are believed to be more susceptible to fraud and abuse;
- Making referrals to other regulatory and law enforcement entities;
- Assisting the Agency with provider education initiatives; and
- Ensuring that MPI investigations include a conclusory evaluation as to whether Medicaid system edits or Medicaid policy amendments might have prevented or increased the likelihood of preventing the erroneous claims in the first place.[62]

Federal law also requires states to establish and operate a Medicaid Fraud Control Unit (MFCU) to conduct a statewide program for the investigation and prosecution of health care providers that defraud the Medicaid program. Located within the Office of the Attorney General, the MFCU investigates allegations of patient abuse, neglect, and exploitation in facilities receiving payments under the Medicaid program, such as nursing homes, facilities for the mentally and physically disabled, and assisted living facilities. The MFCU also investigates a wide range of misconduct originating primarily from fraudulent billing schemes. The most common schemes involve billing for services never performed, over-billing for services provided, or billing for tests, services and products that are medically unnecessary.

The MFCU and MPI have continued their joint efforts to prevent, reduce, and mitigate health care fraud waste and abuse. During FY2012-13, the return on investment for the MPI was 5.8 to 1, meaning that every $1 spent resulted in the recovery of $5.80.[63] From January 2011 to August 2014, Attorney General Bondi's MFCU has obtained more than $460 million in settlements and judgments.[64]

62 Agency for Health Care Administration, Office of the Inspector General. "Annual Report FY2013-14" September 2014.

63 Agency for Health Care Administration. "The State's Efforts to Control Medicaid Fraud and Abuse FY2012-13."

64 Florida Attorney General, Medicaid Fraud Unit.

Medicaid fraud in Florida is big-dollar crime. The health care program for the poor in Florida costs taxpayers $21.2 billion, nearly a third of the state's overall budget. Of the total, $11.6 billion is paid for by the federal government. Estimates put the amount lost to fraud in Florida each year at between 5 and 10 percent of the state budget ($1.06 billion - $2.12 billion).[65]

Florida needs to develop an annual Fraud and Abuse Prevention plan to identify and prevent fraudulent and abusive activities in the Medicaid program and to prevent improper payments as a result of fraud and abuse. Additional efforts are needed in the following ten strategic areas:

Managed Care Fraud Controls: Fraud and abuse reporting requirements for managed care plans and agency monitoring should be increased and broadened, especially now that Florida has shifted to a statewide managed care model.

Site Visit Verification: Statutory authority to conduct site visits should be expanded as a requirement for provider enrollment in the Medicaid program for moderate and high risk providers. These in-depth due diligence clinic investigations could be outsourced to private investigation firms. For example, site visits or in-depth investigations could verify a clinic's physical location and inspect the facility; verify all medical licenses of healthcare workers and medical directors; conduct surveillance to determine number of individuals entering and exiting the clinic; interview claimants and medical staff on the premises; conduct background checks on the owners; and determine if treatment is actually being conducted.

Criminal and Administrative Sanctions: Increased criminal and administrative sanctions for providers and Medicaid recipients that have committed Medicaid fraud or abuse will act as a deterrent.

Passed in the 2011 session, House Bill 7109 increased the disqualification period from five to ten years for those found to have committed Medicaid fraud.

Pre-payment Review and Correct Coding Initiative (CCI): Requiring and enhancing the prepayment review, including the implementation of a CCI, will prevent the payment of inappropriate claims.

Recovery Audit Contractors (RAC): Florida should implement a post adjudication process that identifies areas for further investigation, as well as the use of recovery audit contractors to investigate and assist the agency in recovering inappropriate payments. To reduce costs, recovery audit contractors should be paid on a contingency basis such that they are not paid by the state until payment recovery has been made and then receive payment as a percentage of the recovery.

Evaluation and Management Codes: Requirements for additional review and edits prior to, and after, payment of claims for extended and comprehensive coding levels would identify fraud before payment is made.

Additional Surety Bonds: Further increasing types of providers that are required to post a surety bond (or a similar alternative, such as letters of credit or reserve accounts for selected providers) prior to enrollment in the Medicaid program based upon risk analysis would ensure some level of recovery and deter fraud.

65 Florida Trend Special Report. "Medicaid Fraud: Crime, No Punishment." November 5, 2012.

Establish a reward for identifying and/or reporting fraud: The state should establish a program to incentivize individuals to report Medicaid fraud, waste, and abuse where a certain percentage of the savings could be rewarded to the whistle-blower. Alternatively, a certain portion of the recovery should be shared with the government entity identifying the fraud, waste, or abuse as an incentive.

Implement a moratorium on new home health and durable medical equipment providers: Medicaid fraud is often concentrated in certain service areas. Health and durable medical equipment are areas where fraud remains high. Implementing a temporary moratorium on new providers will help reduce fraud in these areas.

Increase use of predictive modeling to identify fraud: Extensive use of the most modern predictive evaluation engine would help identify potential aberrant Medicaid claims prior to any field investigation, which could reduce or eliminate unnecessary investigative work.

COST SAVING ESTIMATE: The Medicaid program in Florida costs taxpayers $21.2 billion, nearly a third of the state's overall budget. Estimates put the amount lost to fraud in Florida each year between 5 and 10 percent ($1.06 – $2.12 billion),[66] and therefore the implementation of a Fraud and Abuse Prevention plan that reduced Medicaid fraud by 1 percent would save the state an estimated $10.6 million to $21.2 million annually.

66 Rockwell, Lilly. Florida Trend. "Crime, No Punishment, Special Report: Medicaid Fraud." November 2012.

Implement a fraud deterrent system for child care providers

OPPORTUNITY STATEMENT: Florida's unreliable self-reporting process for compensating child care providers is estimated to waste tens of millions of taxpayer dollars annually.

RECOMMENDATION: The state should contract for an automated child care electronic verification service and the Legislature should require all providers in the state system to utilize the service to avoid tens of millions in fraudulent payments.

BACKGROUND: A December 2011 Auditor General report identified 16,589 individuals who had received subsidized child care benefits under work-dependent eligibility categories during periods of time for which they were also collecting Unemployment Insurance benefits. The child care subsidies ranged from $7 to $38,725 and totaled $39.8 million; the Unemployment Insurance benefit payments ranged from $10 to $31,707 and totaled $54.2 million.[67]

Implementing an automated verification program for child care providers rather than relying on frequently unreliable provider self-reporting of attendance would reduce the incidence of aberrant payments and save the State of Florida millions of dollars annually.

An automated services program would reduce incorrect payments and fraud while saving administrative funds through the elimination of data entry activities associated with provider invoicing.

67 Florida Office of the Auditor General. "Early Learning Programs and Related Delivery Systems, Report No. 2012-061." December 2011.

Parents or designated caregivers would check children in and out of care with the child's attendance verified through the use of a swipe-card or other point-of-sale verification method. Such automated programs are available from reputable contract service providers and are in use in other states. The program could be implemented quickly.

Similar programs are currently operational in Oklahoma, Indiana, Texas, Colorado, and Louisiana; while Ohio, Virginia, New Jersey, North Carolina, and Alabama are currently in the implementation phase. These services have been documented to reduce state child care provider costs by 10 percent or more by eliminating payment of fraudulent and errant billings.

States also made changes in their child care rules to maximize savings through automation. Additional administrative savings were realized through reassignment and attrition of data entry and audit staff, and through elimination of paper check printing and mailing.

The savings realized are a product of both the technology and the strengthened rules which require providers to utilize the technology. The use of the technology without strong supporting rules (specifically requiring all providers to use the system) would result in fewer savings.

Florida's Government Efficiency Task Force adopted this recommendation in 2012, and confirmed the benefits and cost savings potential.[68] During the 2013 session, the Florida Legislature passed House Bill 7165, which establishes criteria for early learning coalitions to establish anti-fraud plans.

COST SAVING ESTIMATE: Based on the operational costs experienced by other states, an automated child care electronic verification service could be provided for less than $12 million per year. If this service proved successful in preventing only the $39.8 million fraudulently paid to those 16,589 individuals who had received subsidized child care benefits under work-dependent eligibility categories during periods of time for which they were also collecting UI benefits, then the service would save the state $27.8 million.

68 Florida Government Efficiency Task Force. "Final Report." June 2012.

Collect the Existing Tax on Remote Sales

OPPORTUNITY STATEMENT: Floridians are required to pay sales taxes for online purchases, but little efforts have been made to enforce the billions of dollars in sales and use taxes owed under existing law, and ordinary Floridians are unknowingly evading taxes. Most importantly, brick-and-mortar retailers in the state are disadvantaged because they are required to collect the tax.

RECOMMENDATION: The Legislature should adopt "E-Fairness" legislation, and any additional revenue generated from the increased collections, which would be at least tens of millions but could be much more, should be used to offset another tax that is currently imposed on Floridians.

BACKGROUND: The most significant tax compliance and collection issue facing Florida and other states is the application of sales and use taxes on sales by remote vendors. Remote vendors are those without a physical presence, or "nexus," in a state. These transactions can be performed by telephone, mail and Internet.

The U.S. Supreme Court has ruled (*Quill Corp. v. North Dakota*) that a retailer must have a physical presence in a state for that state to require the out-of-state retailer to collect sales and use taxes from in-state purchasers. Therefore, when a Floridian makes a purchase from a seller located outside of Florida, the remote seller does not have to collect the sales and use tax at the time of the transaction, although the tax is still legally owed to the state by the Floridian.

However, few Florida residents know that they are required to pay the sales tax owed on remotely conducted transactions directly to the Florida Department of Revenue (DOR), and even fewer actually make such payments. This situation is costing Florida's state and local governments hundreds of millions of dollars. Moreover, not requiring internet sellers to collect sales tax erodes Florida's tax base and creates an unfair advantage over "bricks-and-mortar" retailers and "clicks and bricks" retailers with both online and traditional stores. A 6 to 7.5 percent price break is hard to overcome for Florida's retailers.

Due to a lack of state-specific e-commerce data, estimates of the sales tax revenue on remote sales that are not collected vary. A 2009 study estimates Florida's sales tax losses from uncollected e-commerce sales at $803.8 million for FY2011-12.[69] Another report in 2011 estimated tax revenue losses of $454 million in 2012.[70] While federal action is needed to mandate that all remote sellers collect and remit Florida sales taxes, there are two avenues Florida can take to begin collecting some of the taxes due: the Streamlined Sales and Use Tax Agreement (SSUTA) and "affiliate" legislation to expand which companies must collect and remit the sales tax.

The SSUTA provides an opportunity for Florida to begin collecting money from a compact of sellers that voluntarily collect the tax and remit to SSUTA states. The SSUTA is the result of the cooperative effort of 44 states, Washington, D.C., local governments, and the business community to simplify sales and use tax laws and minimize costs and administrative burdens on retailers that collect sales tax. It levels the playing field so that local "brick-and-mortar" stores and remote sellers operate under the same rules. Florida joined the coalition in 2002 but, despite broad support, legislation to bring Florida fully into the SSUTA has not been enacted. Twenty-four other states

69 Bruce, Donald and Fox, William. University of Tennessee. "State and Local Government Sales Tax Revenue Losses from Electronic Commerce." April 13, 2009.

70 Arduin, Laffer & Moore Econometrics. "Pro-Growth Tax Reforms & Internet Based Sales." September 2011.

(representing more than one-third of the nation's population) have passed such a law, with Georgia and Utah being the most recent additions.

Recent "affiliate" legislation considered in Florida provides that a representative of a dealer, in addition to an agent, soliciting or transacting business in a state may cause the dealer to have nexus for mail order sales. This legislation asserts nexus over remote retailers that are related to in-state companies, such as an out-of-state retailer that holds a substantial interest in an in-state retailer. Further, "click-through" provisions assert nexus exists if an out-of-state internet retailer pays an in-state agent for advertising or referring customers from their website.

There are already more than 1,400 retailers voluntarily collecting and remitting sales tax revenue to SSUTA member states. These retailers have remitted $1.4 billion in sales and use tax revenues to member states, and this amount is rising.[71]

Given the rate of growth in Internet sales transactions and the growth of revenue collected though the compact, it is not unreasonable to assume a 10 percent growth per year in collections, at least in the short-term. Moreover, state and local governments will collect significantly more revenue if the federal government requires remote retailers to collect and remit the sales and use tax.

COST SAVING ESTIMATE: If Florida were to collect a percentage of the total equal to its percentage of population among the participating states, it would bring in approximately $72 million in additional sales taxes through the SSUTA in 2015. A revenue estimate of "E-Fairness" legislation has not been developed; however, it would likely be even higher than the estimated revenue from SSUTA.

71 Information provided by the Executive Director of the Streamlined Sales Tax Governing Board, Inc. 2012

Expand Audit Coverage

OPPORTUNITY STATEMENT: The Department of Revenue (DOR) audits only one-half-of-one percent of its taxpayer accounts, whereas the federal Internal Revenue Service's audit coverage is 1.1 percent for individuals and 1.5 percent for corporations.[72]

RECOMMENDATION: The Legislature should increase the DOR's sales and use tax audit coverage by adding new auditors, creating new state positions, and contracting with private auditors. In addition, the Legislature should expand the Certified Audit Program to allow recipients of Notices of Intent to Audit to use a DOR-certified private auditor in lieu of an audit by the DOR. This increased opportunity could generate tens of millions of dollars for the state each year.

BACKGROUND: The state cut a total of 146 tax auditor positions (a 22 percent decrease) between 2001 and 2009. Beginning in 2009, Florida TaxWatch has consistently called for the state to increase the number of auditors, and since then 50 new positions have been added; however, the number of positions is still far below historical levels. The state would need to hire 386 new auditors (there are currently less than 500) to reach only 1 percent audit coverage.[73]

Another method to increase audit coverage is to expand the Certified Audit Program, where DOR Certified Public Accountants (CPAs) perform audits at no cost to the state by allowing businesses to participate in the program within a reasonable time after being issued a Notice of Intent to Audit by the DOR.[74]

72 Internal Revenue Service. "Fiscal Year 2011 Enforcement and Service Results."

73 Florida TaxWatch. "Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for Fiscal Year 2012-13."

74 The Certified Audit Program is a cooperative venture of

Changing the rules that prohibit taxpayers from participating in the program once the taxpayer has received a Notice of Intent to Audit would enable the state to increase audit coverage by freeing up existing auditors to conduct additional audits, and therefore the amount of taxes collected, with no additional cost to the state. During the 2013 Session, HB 495 would have accomplished this expansion of the Certified Audit Program, but died in the Senate.

COST SAVING ESTIMATE: When the 25 new auditors were added in 2010, at a cost of $1.5 million, the Revenue Estimating Conference estimated they would bring in $6 million annually in additional state and local taxes.[75] Once fully operational, 50 auditors, which would cost approximately $3 million, could increase state and local revenues by $12 million annually.

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the Florida Institute of Certified Public Accountants and the DOR designed to enhance the state's ability to conduct sales and use tax audits. The certified audit, which is an extension of the DOR's voluntary self-disclosure program, allows a taxpayer to use a private auditor by hiring a DOR-certified CPA audit firm to conduct the audit in lieu of the DOR.

75 Florida Revenue Estimating Conference. "Impact Conference on CS/HB 5801." March 29, 2010.

Past Annual Florida TaxWatch Cost Savings Reports

Modern Management & Sensible Savings (November 2013)
TaxWatch Center for Government Efficiency

Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for FY2013-14 (January 2013)
TaxWatch Government Cost Savings Task Force

Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for FY2012-13 (September 2011)
TaxWatch Government Cost Savings Task Force

Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force for FY2011-12 (December 2010)
TaxWatch Government Cost Savings Task Force

Report and Recommendations of the Florida TaxWatch Government Cost Savings Task Force to Save More Than $3 Billion (March 2010)
TaxWatch Government Cost Savings Task Force

Constructive Ideas to Help Florida Address the Budget Shortfall (January 2009)
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As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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