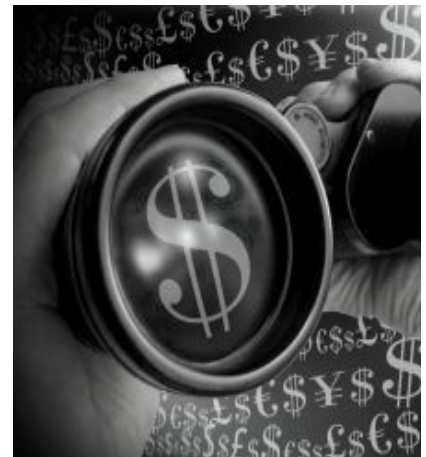


Florida TaxWatch Suggestions
For Improved Government Performance

“Food For Thought”
For Constitutional, Statutory, and Executive Councils,
Commissions, and Task Forces
Addressing State Efficiency and Accountability Issues



A Florida TaxWatch Special Report
September 2007

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Introduction

Florida TaxWatch Suggestions for Improved Government Performance

Recently enacted laws and voter-approved constitutional amendments are providing unprecedented opportunities to improve the effectiveness, efficiency and accountability of state government to benefit Florida taxpayers. The confluence of these opportunities can and should improve the return on Florida taxpayer investments, and Florida government must strive to realize this potential.

This Florida TaxWatch report provides “food for thought” for major fiscal review organizations and other groups undertaking their important work on behalf of Florida taxpayers.

Major Fiscal Review

Taxation and Budget Reform Commission - Within its broad scope, this constitutional panel is authorized to address government productivity and efficiency. It can offer recommendations for legislative consideration and, with a two-thirds affirmative vote, put proposed constitutional amendments on the general election ballot as early as November 2008.

Government Efficiency Task Force - Approved by voters on November 7, 2006, every four years this constitutional task force will develop recommendations for improving governmental operations and reducing costs.

Council on Efficient Government - Established by statute, this Council is evaluating business cases for outsourcing government functions, and it will report annually to the Legislature on ways to improve efficiency, effectiveness, and competition in delivery of government services.

Other Groups

Florida Energy Commission - The 2006 Florida Renewable Energy Technologies and Energy Efficiency Act established the Florida Energy Commission, a nine-member advisory board for the governor and legislature. The board is to suggest how best to establish a secure and affordable energy future for Florida, including development of alternative sources.

Governor’s Council on Integrity and Efficiency - Established by a 1995 Governor’s Executive Order, the Council is chaired by the Chief Inspector General in the Governor’s Office. Its charge includes promoting economy and efficiency in government programs and operations.

Agency Chief Information Officers Council - The Council develops policies, resolves deficiencies, and identifies and recommends best practices concerning enterprise information technology planning and management, and public access.

Creating a Culture of Innovation in Florida Government



A culture of innovation in Florida government can provide the bedrock for organically growing efficiencies which are critical to providing world class public services while containing unit costs.

Culture means “the environment in which things are done” in an organization.

Innovation refers to transforming an organization’s processes or practices to increase value, and helping employees change to implement them.

A culture of innovation emphasizes continuous quality improvement, including benchmarks for performance, incentives and recognition. Productivity is a desired outcome of, but not a proxy for, innovation.

The late management guru Peter Drucker cited seven sources of innovation in work environments: the unexpected, incongruities, process needs, changes in organizational structure, demographics, changes in public mood or perception, and new knowledge.

Innovation, according to Drucker, involves six steps: identify an opportunity, create a new possibility to address it, create a business plan that includes costs, benefits, risks, responses to risk, and key milestones; listen to fellow employees and customers, fine tune and execute the business plan, and focus attention on a simple idea behind a change to minimize distractions.

Richard Florida, an economist and urban studies theorist at George Mason University, notes that creativity and innovation in organizations runs the gamut – it can involve anything from engineers and scientists developing new designs that are readily transferable and broadly useful; to professionals practicing creative problem-solving; to technicians applying complex bodies of knowledge to processes and tasks; to secretaries devising and setting up new clerical systems and ways to channel the flow of information.

Obstacles to overcome in creating a culture of innovation include:

- Lack of a shared vision, purpose, and/or strategy
- Constantly shifting priorities
- Rewarding crisis management rather than crisis prevention
- Absence of idea management processes
- Lack of innovation in the performance review process
- Lack of incentives and rewards for innovation and cost-saving
- Penalizing organizations that create savings by cutting their budget the following year
- Lack of reward and recognition programs

The State of Georgia’s mission statement includes the principle of inspiring innovation and productivity by state employees on the frontlines by cutting unnecessary bureaucracy and regulation, and by providing incentives for an effective and efficient state government.

Perhaps the best example of a culture of innovation is Phoenix, Arizona, which for 15 years has been cited as one of the best-run governments in the U.S. and indeed the world. The city's 2006 survey of residents found that 89% were satisfied with the overall performance of the city in providing services. **See Appendix A for additional information.**

Recommendations

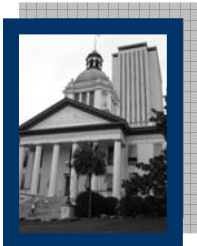
1. Florida government should work to develop a culture of innovation where employees and managers are incentivized, recognized, and rewarded for identifying and implementing program and process improvements that add value to services while producing unit cost savings. Rewards to employees should include cash bonuses that reflect their contribution to productivity improvements.



2. The Council on Efficient Government should:

- Use activity-based costing to identify improvements in productivity and to determine the appropriate bonus awards to employees for their contributions.
- Review ways that the 2001 “service-first” state government civil service reform, including its savings sharing component, can help create, drive and sustain a culture of innovation;
- Use questions such as those in Appendix A to obtain views on innovation from state agency managers, supervisors and employees.

Organically Growing Cost Savings



Incentives to implement Florida government cost savings and innovations are needed.

For several years, Florida TaxWatch has been attempting to get legislative traction on the concept of creating incentives for implementing government cost savings and innovations. However, recent legislative initiatives mandating reductions in agency spending met with little success because they were not tied to verifiable measures of efficiency or effectiveness. When tasked to identify areas to reduce costs, some agencies include politically popular activities and services to dissuade legislators from enacting any cuts. Others avoid cost reduction mandates by reporting they cannot reduce overall costs because of increased demand for services. Such strategies may be characterized as “cut me—you bleed.”

Florida TaxWatch recommends that each quarter, agencies should be required to explain, for better or worse, how well they achieved or missed their target cost reductions. To provide incentives, bonuses and/or raises could be connected to such accomplishments, together with increased flexibility and management discretion. This is an essential way to keep our public institutions more responsive and productive and create a culture of efficiency and increasingly better public stewardship.

To ensure that this process has accountability, Florida TaxWatch also recommends that state agency Inspector Generals include an attestation with each quarter report relative to the accuracy of the information. In addition, OPPAGA should be tasked with performing an annual compilation of agency savings results. Finally, as part of its regularly scheduled operational audit of each agency, the Auditor General should be required to validate each agency's reports cost reductions.

To help ensure that mandated cost savings are established in a fair and equitable manner among each organizational unit within an agency, Florida TaxWatch also recommends that each agency establish efficiency benchmarks based on the inflation adjusted cost-incurred in FY 2001-02 for each of its budget entities. Specified reductions in expenditures for each budget entity would vary and be based on the difference between the actual expenditure in the previous year and the FY 2001-02 inflation-adjusted amounts. This methodology would not punish those budget entities that had produced efficiencies in recent years, but would demand greater reductions for those budget entities that have experienced cost increases that substantially exceed the inflation-adjusted amount. Exceeding their benchmarks would be entitled to a percentage of the above-targeted savings achieved to be dispersed as merit pay for excellence in performance.

This approach is radically different because agencies would be required to find ways to save instead of only asking for more and, if pressed, defending what is currently spent. The legislatively established methodology would be used to annually adjust the cost base for inflation and to include amortization of investments in non-recurring items such as equipment and software. Savings should be redirected to higher priorities and demands of today and tomorrow, not merely those of yesteryear. This is an essential way to keep our public institutions more responsive and productive, and create a culture of cost-effectiveness and increasingly better public stewardship.

As the old saying goes, "we treasure what we measure and we account for what we budget."

Recommendations

1. Ideas for cost savings should originate from individuals and teams within agencies, from the Governor's Office of Policy and Budget, from suggestions by legislators, legislative analysts and auditors, or from research institutes such as Florida TaxWatch and the Prudential Financial - Davis Productivity Awards program. Examples are in **Appendix B, page 24**.
2. Agencies should identify efficiency benchmarks to identify cost savings as described above.
3. To assure fidelity, agency Inspector Generals should report quarterly to the Legislative Budget Commission (LBC) on actions taken and savings achieved. The Office of Program Policy Analysis and Government Accountability and the Auditor General, respectively, should examine the process annually to provide independent perspectives to the LBC on accomplishments and accuracy of savings achieved.



Activity-Based Costing



Activity-based Costing (ABC) is a method for state agencies to account for both direct and indirect expenditures for each unit of taxpayer services and products. Activity and unit costs provide useful information on how well agencies are using taxpayer resources.

The unit cost to produce a service or product is the average total direct and indirect cost of producing a single output. To illustrate, a regulatory program consisting of three inspection activities (1, 2, and 3) would report (a) the total cost of each activity, (b) the number of inspections conducted (output), and (c) the derived unit cost, determined by dividing each inspection activity cost by the number of inspections. As noted, ABC allocates both direct and indirect costs of producing outputs.

Legislators can use unit cost information to:

- Make decisions regarding the most cost-effective use of resources to accomplish state statutory goals and desired outcomes.
- Help determine whether an agency is improving its efficiency over time;
- Compare the efficiency of similar services provided by two or more agencies;
- Predict how changes in demand for services will affect agency appropriations;
- Compare the cost of providing services in-house with those of outside providers; and
- Have a quantitative-based method to incentivize individuals and teams in agencies to produce savings.

Direct costs are labor and materials related exclusively to activities performed to deliver services and products. These costs vary with fluctuations in the number of outputs produced, and are eliminated if an activity is discontinued.

Indirect costs, often referred to as overhead, cannot readily be associated with performing an activity or production of a specific output. Indirect costs related to providing services and products include executive direction and monitoring; rule making and other legal services; administrative support such as personnel, finance, and budgeting services; and space and equipment. Agencies continue to incur indirect costs, although at a somewhat reduced level, if an activity is discontinued.

The 2006 Florida Government Accountability Act requires agencies' annual budget requests to include performance measures and standards for each activity, and to develop a methodology to compute the costs of activities and associated units of output.

The Act established a work group to develop a cost-allocation methodology for state agencies to use in preparing annual budget requests. This group concluded in its December 2006 report that to fully achieve the goal of creating comparable and auditable unit cost data, the Legislature should consider a number of changes to current cost accounting and indirect cost allocation practices before developing a new unit cost methodology. The group cautioned that a decision to proceed likely would require substantial, potentially costly changes to agency accounting practices.

Beginning with a 1986 report, *Building A Better Florida: A Management Blueprint To Save Taxpayers Over \$1 Billion*, Florida TaxWatch has advocated more results-driven and accountable state budgeting and spending processes. A major step forward, the 1994 Government Performance and Accountability Act, created a framework for changes in state budgeting and program management. A 1994 Florida TaxWatch report on the new law stated that preparation and evaluation of performance-based budgets would require **clearly defined costs for units of service** delivered by state agencies, **including all indirect costs**.

Recommendations

1. The Legislature should consider the costs and benefits of phasing in ABC and indirect cost allocation practices to achieve the goal of auditable and comparable unit cost data across state agencies. This issue is outlined in the above mentioned report by the working group created by the 2006 Florida Government Accountability Act to assist in developing a cost-allocation methodology for agencies to use in computing activity and unit cost data.
2. The Legislature should consider implementing a recommendation in Florida TaxWatch's December 2006 report, *Making Florida's Latest Government Accountability Law Work for Improved Performance and Taxpayer Value*, that any methodology chosen by agencies to compute their activity and unit costs should be based on the following:
 - **Cost Effectiveness** - The benefits of information should exceed costs of producing it, and be able to be produced on a timely basis. The Legislature should consider requiring agencies to use the state's new financial accounting system, ASPIRE, to record activity-based cost information.
 - **Completeness** - All agency funds should be allocated among activities related to providing state services and products. To avoid year-to-year distortions, the amount of non-recurring appropriations applied to the cost of each activity should be identified.
 - **Consistency** - Definitions of activities and associated cost allocation methodologies should be documented. The Legislature should consider requiring agencies to submit descriptions of each activity and unit of service or product, as well as the methodology used to compute its cost, to the Department of Financial Services (DFS) for review and approval. In this way, DFS can serve as a statewide repository of all activity and cost accounting to help ensure that similar activities are uniformly defined, and that cost allocation methodologies are documented to facilitate comparison among agencies concerning year-to-year performance and comparative performance of similar service and product activities.
 - **Auditability**. A program's costs, consisting of supporting activities added together, must be reconcilable to agency appropriations.



3. The Legislature should incentivize individuals and teams in agencies to reduce unit costs.

Federal Funding Maximization



Many services provided by Florida government are funded partially by the federal government. Often, the amount of federal dollars is contingent on an agency documenting its eligibility for funds. Florida should increase its share of federal funding by ensuring that agencies identify all program expenses that are eligible for federal reimbursement, and that state matching funds are available.

Florida TaxWatch research reports issued in 1986, 1996 and 1998 found that Florida was shortchanged by billions of dollars on federal grants, relative to federal taxes paid. The 1998 report stated that Florida ranked 49th in per capita grant receipts, with only Virginia getting less.

A 2003 Urban Institute study determined that Florida ranked 47th in the nation in securing federal dollars for eleven social services programs. A subsequent Florida Senate staff analysis stated that although the Legislature had implemented strategies to draw down federal funds, Florida had lost millions of dollars because state general revenue match was not available. A study by the Donors Forum of South Florida focused on strategies to increase revenue maximization for private sector funding of health and human services.

A question asked in every appropriations committee before dollars are appropriated:

Does this investment result in matched dollars from the federal government, local government or private funds?

*Senator Lisa Carlton, President Pro Tempore and Chair, Fiscal Policy and Calendar Committee
The Florida Senate, March 29, 2007*

These studies and analyses helped prompt the 2004 Legislature's unanimous approval of the Local Funding Revenue Maximization Act for social and economic assistance. The Act expresses legislative recognition that matching federal funds for health, social, and human service needs are not fully utilized.

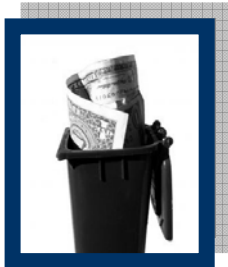
Major areas of revenue maximization include fund recovery, eligibility enhancement, revenue protection, and direct and indirect cost identification. Activity Based Costing, discussed in the previous section and in **Appendix D, page 30**, can help maximize federal funding. Also, numerous private sector companies assist state and local governments in this effort.

Maximizing federal revenue, like increasing productivity and cutting costs, is an effective tool but by no means a panacea for funding challenges of multi-billion dollar state programs like Medicaid and social services.

Recommendations

1. The Legislature should consider expanding the 2004 Local Funding Revenue Maximization Act for social and economic assistance to encompass maximization of federal funding in all areas of Florida government.
2. The Department of Management Services should report to the Governor and Legislature on whether current revenue maximization contracts with private sector firms are an optimal number and are correctly aligned with key areas of available federal funding.
3. The Legislature's Office of Program Policy Analysis and Government Accountability should review state agency positions established to identify and pursue federal funding and national grant opportunities to determine whether they are adequate in number and scope, and whether they are linked effectively to agency missions and networked with their counterparts in other agencies.
4. The Department of Management Services should develop enterprise-wide written procedures to identify federal funding opportunities.
5. The state should implement a centralized review process for indirect cost allocation plans submitted by state agencies as required for eligibility for federal funding. An entity such as the Department of Financial Services should be responsible for ensuring that all eligible expenses are included, and that allocation of indirect and direct costs ensures that all eligible expenses are eligible for funding.

Fraud, Waste and Abuse



Fraud is intentional deception or misrepresentation by a person with the knowledge that it will result in unauthorized benefit to himself, herself, or another person.

Waste is failure to use a resource wisely, properly, fully, or to good effect.

Abuse refers to actions of vendors and others that, while not fraudulent, are improper and inconsistent with accepted practices, and result in unnecessary costs.

The federal Government Accounting Office estimated that in 2004, approximately \$45 billion was lost nationally to improper payments caused by fraud, waste and abuse. Of particular concern in Florida are the Medicaid program, the insurance industry, and post-hurricane relief and construction. State law and annual expenditure of millions of dollars seek to deter and reduce wrongdoing:

- Section 17.03 *Florida Statutes*, requires the CFO to investigate any claims of fraud, waste, and abuse.
- Section 17.325 *Florida Statutes*, requires Florida's Chief Financial Officer (CFO) to establish and operate a 24-hour government efficiency hotline.

■ Inspector Generals receive complaints and coordinate their agencies' activities as required by the Whistle-blower's Act, Section 112.3187, F.S.

■ Numerous organizational units dedicated to deterring and reducing fraud, waste and abuse are listed in **Appendix E, page 35**.

Recommendations

The Governor's Council on Integrity and Efficiency should:

1. Examine and report on whether organizational units and programs throughout state government that seek to prevent and reduce fraud, waste and abuse have the tools they need, and to assure that there is effective and efficient linkage among these units and programs to avoid overlap and duplication. Cooperation should be maximized and duplication minimized.
2. Be responsible for sharing best practices among organizational units and programs that deal with prevention and prosecution of fraud, waste, and abuse in state government and the private sector.
3. Encourage the state to equip fraud and abuse detection units with state-of-the-art technology such as intelligent software agents and other sophisticated data mining and analysis tools.



Data Integrity



Agency managers, legislators, and policy makers need information they can be sure is both reliable and valid. Ready access to data that meet this criterion is essential for making resource allocation decisions that accurately reflect agencies' activities and citizens' needs.

As specified by 20.055, Florida Statutes, inspector generals (IGs) are required to examine the integrity of data undergirding agency performance measures and standards before it is provided to legislators and policy makers. IGs assess data reliability and validity and recommend improvements, if necessary, prior to submission of those measures and standards to the Executive Office of the Governor.

Assessment of **data reliability** determines the extent to which the same results would be produced through repeated trials. Assessment of **validity** concerns the degree to which a test measures what it is supposed to measure. For example, inconsistently applied procedures relating to data capture will produce unreliable information, while use of inappropriate data elements produce information that is not valid.

Many agencies are not fully complying with a statutory requirement to assess the accuracy of information concerning performance measures and standards. A Florida TaxWatch analysis of 80 Justification Reviews conducted by the Legislature's Office of Program Policy Analysis and Government Accountability found that assessment of the validity and reliability of information used to calculate legislative performance measures was not conducted for 25 agency programs. Performance measures for 18 additional programs were determined by the agencies

themselves to be invalid. This means that data used for performance measures and standards in 43 of 80 agency programs either was not assessed or was invalid and/or unreliable.

**Exhibit One
OPPAGA Justification Reviews of Data Used for
Agency Program Performance Measures and Standards**

No Data Assessment Conducted	Data determined to be Unreliable and/or Invalid	Date Determined to be Reliable and Valid
25	18	37

Recommendations

1. The Legislature should ensure that agency inspector generals are provided with specific guidelines regarding the methodology to assess whether information used to produce legislative performance measures is both reliable and valid.
2. The Auditor General should be required to review and comment on inspector generals' assessments of the reliability and validity of agency program performance measures and standards conducted during an audit review period.



Information Management



Citizens and businesses expect rapid, accessible, and reliable government information. In response, the Florida Legislature has identified state information as a strategic asset to be managed as a valuable resource.

Substantial progress on automation of information processes and citizen access has been made over the past decade, particularly under the leadership of former Governor Bush.

Six trends in information management for state and local government are: (a) adapting quickly to change, (b) producing reports on demand, (c) reducing costs, (d) improving service, (e) working with legacy systems, and (f) linking past, present, and future systems.

Section 282.005, Florida Statutes, requires development of an information technology system through which public and private entities, including libraries, universities, state agencies and private citizens, can gain local and long-range access to all forms of information provided under the *Government in the Sunshine* law.

In 2006-07, state government is spending an estimated \$1.5 billion on information technology related items. How well are these funds being invested?

Topics related to information management, addressed in **Appendix G, beginning on page 36**, include:

Call Centers, which are centralized offices intended to improve operations and reduce costs by providing rapid, uniform services in response to requests from citizens and government employees.

Document Management, which is the use, distribution, storage, and protection of paper and electronic documents.

Communication of Public Information, which is a critical component of our democracy. Government employees who are knowledgeable about public records facilitate communication and reduce time needed for agency processing, and for the public to access information.

Recommendations

1. **Call Centers:** Give careful consideration to concerns and recommendations in a June 2006 report on handling taxpayer complaints by the Legislature's Office of Program Policy Analysis and Government Accountability, which are summarized in **Appendix G, page 35**.
2. **Document Management:** Consider the feasibility of (a) creating statewide vendor contracts for state agencies and local governments to save money on acquiring or upgrading their document management systems, (b) creating a statewide clearinghouse of existing document management systems and resources for review as a prerequisite to contracting in order to avoid "reinventing the wheel," and (c) creating incentives for individuals and teams in agencies to reduce the number of documents that are produced on paper and increase the use of electronic medium distribution by allocating a portion of cost reductions to state employee bonus pools.
3. **Communication of Public Information:** Assure that the Office of Open Government established by Governor Crist trains state and local employees on open records and meeting requirements. A 2004 audit by the Reporters' Committee for Freedom of the Press revealed that 43% of public records requests statewide showed violations, largely resulting from ignorance of the state's open records law.



Energy Efficiency



Florida's electric consumption is expected to increase as much as 30% over the next decade. Responding to this challenge, Governor Bush appointed an Energy 2020 Study Commission which recommended measures to promote fuel diversity and renewable energy. In 2005, the Governor issued an executive order to develop a statewide energy plan. This order encouraged all state agencies and local governments to develop and implement long-term conservation initiatives.

In accordance with the Governor's order, the Department of Environmental Protection hosted an energy forum that brought together energy experts and business, industry, and environmental leaders to share their expertise and insights on Florida's current and future energy demands.

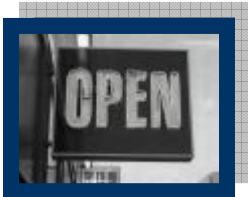
Input from the forum helped to shape an energy plan whose recommendations were approved by the 2006 Legislature in the Florida Renewable Energy Technologies and Energy Efficiency Act. This act creates a Florida Energy Commission; establishes a \$15 million Renewable Energy Technologies Grant program and a \$2.5 million Solar Energy System Incentives program; promotes development and use of bio-diesel, ethanol, hydrogen and other renewable fuels; and provides a sales tax holiday for energy efficient products.

Recommendations

1. The Florida Energy Commission should review successful local government energy efficiency programs, including those summarized in Appendix H, page 49, for their adaptability statewide.
2. The Legislature should provide incentives for state agencies to improve energy efficiency, such as allocating a portion of savings to employee bonus pools.



Business Start-up and Operating Costs



Startup costs represent the average level of capital required to start a business.

Operating costs are the average percentage of gross revenue spent to run a business.

Examining government processes, including (a) registering, permitting and inspecting new and existing businesses and (b) administration of laws, regulations, and processes related to zoning, re-zoning, and permitting, may identify efficiencies to reduce government costs while benefiting the private sector and protecting the public interest.

Recommendations

1. The Legislature's Office of Program Policy Analysis and Government Accountability should examine whether processes such as registering, permitting and inspecting new and existing businesses, and administration of laws and regulations related to zoning, re-zoning, and permitting, can be made more efficient to reduce the burden on new and expanding businesses and lower government costs while protecting the public interest.
2. The Florida Building Code Administrators and Inspectors Board, Department of Business and Professional Regulation, should examine whether building codes, permitting regulations, and inspections discourage innovations in building materials, styles, and energy use.



State Employee Merit Pay



Merit pay, also known as pay-for-performance, is a salary increase or bonus based on criteria set by an employer. Its purpose is to assist in motivating, retaining, and recruiting high-performing employees. Governor Crist's 2007-08 budget recommendations included \$13.4 million (\$9.2 million General Revenue and \$4.1 million from trust funds) for state employee merit increases.¹ This was the first time specific funding for this purpose had been proposed since 2002. However, House and Senate

budget negotiators determined there was not enough recurring revenue, and the Presiding officers decided to forego providing employee merit pay and limited state employee compensation increases to a one-time \$1000 bonus payment on November 1, 2007.

Florida TaxWatch has worked for more than two decades to help modernize Florida's career service system. Performance-based compensation and increased public management authority and accountability are key improvements. TaxWatch asserts that merit pay, in the form of one-time bonuses, is a good concept and that proper execution is the challenge. As a sponsor of the Prudential Financial - Davis Productivity Awards program since 1989, TaxWatch uses more than a dozen performance criteria as part of an independent, multi-level annual evaluation process to validate achievements of individuals and teams for cash awards and other recognition.

Recommendations

1. A merit pay system should be part of the fabric of government, it should be transparent, it should recognize performance that helps advance public goals and improve outcomes, and it should be based on criteria that document efforts and results above and beyond employee job descriptions.
2. Merit pay, in the form of one-time bonuses, should be based on quantitative measures of performance such as reduction in the unit cost of services and products, in part using Activity Based Costing, which is addressed on **on page 6 and in Appendix C, page 22**, and document management which is addressed in **Appendix G, page 36**.
3. Merit pay, or other tangible recognition, should be available to teams and inter-agency partnerships that accomplish much of the innovative work of state government. Teams and partnerships comprise a majority of more than 500 nominations submitted to the 2007 Prudential Financial – Davis Productivity Awards program.
4. Merit pay should be awarded at a separate time of year from across the board salary increases to establish a clear connection between meritorious services and merit raises.
5. In addition to merit pay, other incentives to improve performance should be broadly implemented. These include telecommuting, job sharing, part-time options, flexible/compressed work schedules, and other low cost tools.



¹ As specified in Section 216.163 F.S.

Merit pay is recommended as an incentive to promote organically growing efficiencies in Florida government, for energy efficiency, and for improved document management.

Pensions for Elected Officials



A 1998 Florida TaxWatch report, *Retirement Provision for Elected Officials Should Be Reformed*, cited a loophole that results in overly generous pensions for part time elected officials who subsequently may use political connections to receive high paying government jobs.

The 2000 Legislature created The Florida Retirement System Investment Plan, a 401(a) defined contribution plan that elected officials and employees may choose in lieu of the traditional defined benefit plan. Other states have adopted or considered proposals such as assigning elected and part-time officials to defined contribution plans.

Public pension systems, of which elected officials' pensions are a component, are a concern across the U.S. An August 2006 article in the *Wall Street Journal* stated that pensions should be the nation's next big target for financial reform, adding: "...because their size and complexity offer such a wide field for abuse, state and local systems pose a significant moral hazard – threatening the long-term stability of many of their sponsors." A June 13, 2005, article in *BusinessWeek* referred to public pension promises as a "sinkhole" that is draining state and city budgets.

Recommendations

1. As recommended by Florida TaxWatch since 1998, there should be dual calculation of retirement benefits for part time elected officials who subsequently take high-paying government jobs, as follows:
 - a. The portion of a retirement benefit earned in elected office should be calculated using average final compensation (AFC) for the years served in elected office.
 - b. The retirement benefit earned in other creditable government service should be calculated separately using AFC for that service.
 - c. The benefit amounts from these separate calculations should be summed and paid as one benefit.
 - d. If there is less than five years of service for either portion of the benefit, the AFC for that portion should be the average of the total years of compensation for that service alone.
2. Consideration should be given to requiring elected officials, at least those serving part time, to enroll in defined contribution plans.



Appendices A through K

Additional Information

Appendix A



Creating a Culture of Innovation in Florida Government

Definitions

Invention - A new idea, product, or service.

Innovation - Changing an existing process or practice to increase the value of a service or product to its customers, to employees delivering it, or to policy makers providing its funding. Innovations may or may not be preceded or enabled by inventions.

Organizational Culture - “How things are done” in an organization.

About Innovation

- Rapid incremental improvements are considered innovations if they are difficult to copy.
- Creative breakthroughs are rare, so it is better to focus on quality and performance improvements that enable innovation.
- Innovations bring change. Most people tend to be conservative and do not embrace change unless they see some value other than the change itself.

In an Innovation Culture...

- Innovation is embedded in social and physical environment, language, day-to-day operating procedures, and routines.
- Innovation is a value that is accepted by employees for guiding and motivating behavior.
- Basic underlying assumptions and patterns of belief are taken for granted to the point that they are not questioned.

Ingredients of a Culture of Innovation

- With consistency, persistence, and over time, build an organizational culture that makes innovation the norm.
- Remove constraints from people by sharing knowledge and decision making.

- Foster expanding horizons, not internal needs.
- Create an environment of creativity and intellectual satisfaction – identify those who fit and those who don't.
- Set up benchmarks for performance, action, and continuous improvement.
- Use measurement to change behavior.
- Share ideas in a team.
- Hold annual innovation education boot camps.
- Make front-line supervisors better coaches of their teams.

Stages of Creating an Innovation Culture

Foundation Level – A hierarchical and risk-focused organization typically concentrates on transactions, providing more services, and keeping costs in check.

Advanced Level – Organizational silos are integrated so that departments work with each other for productivity improvements and increased flexibility of response. Operating decisions are pushed down the front line.

Breakthrough Level – Strategy alignment is extended to goal alignment. There is an increased emphasis on customer behavioral factors.

Lessons about an Innovation Culture Learned from Phoenix, Arizona

In 2000, researchers at Arizona State University's School of Public Affairs, under a grant from the PricewaterhouseCoopers Endowment for The Business of Government, published the following ten lessons learned from studying Phoenix city government's culture of innovation:

1. Build employees' pride in their jobs and in individual, departmental, and city-wide accomplishments, as exemplified by internal recognition and external awards.
2. Use pride in past accomplishments to continually ask: What can we do better as we face new challenges?
3. Face new challenges with the power of open communication, collaboration, and mutual respect, beginning with relationships between elected officials and managers, and between management and employees and their unions.
4. Seek improvements, explore innovations, and take risks for the purpose of improving services. Avoid trouble by focusing on customers. Train employees to be the contact with citizens. Engage citizens by welcoming their suggestions.
5. Grow trust between elected officials, managers, and employees. Empower people to do their best and achieve excellent results on prescribed goals. Allow staff to take the reins on projects. Encourage new approaches.

6. Enact core values such as dedication to serving customers, working as a team, and focusing on results, by giving employees the opportunity to discuss their intent. Internalize organizational values by empowering employees to help shape them.
7. Respect employees and treat them well by showing confidence in them and supporting their efforts to make a difference. A survey conducted in the 1990s found that 97% of employees agreed “the City of Phoenix is a good place to work,” and 88% agreed that their supervisor allowed them to use their own judgment.
8. Treat risk as an inherent part of innovation, and innovation as necessary to success. A study of risk culture in public and private organizations found that managers who do not abandon their employees in the face of failure are likely to have employees who will take calculated risks.
9. Recognize and reward employees’ efforts with frequent celebrations and events. Likewise, recognize managers and supervisors who “don’t get in the way.”
10. Stability, defined as reliable budgeting, accounting and performance data systems, open communication, and mutual reliance, is critical to creating a culture of innovation and change.

Survey Florida Government Agency Cultures

The degree to which Florida government agencies foster a culture of innovation can be assessed by answering questions such as the following:

What factors determine how front-line employees, supervisors, and managers are given incentives, recognized, rewarded, and promoted?

Do employees perceive personal benefits from being innovative?

Are employees familiar with the agency’s vision, mission, and key strategies?

Are ideas from people at all levels of the agency systematically solicited, listened to, and acted on?

Does the agency provide time for employees to bounce ideas off of peers and supervisors, and experiment with possible improvements?

Does the agency regularly review and update its assumptions, mission and goals with broad based employee participation?

Have the agency’s rules, procedures, and management behaviors been reviewed for their impact on encouraging or inhibiting innovation?

How supportive is the agency of risk taking and creative experimentation?

Does the agency have a continuous improvement program that emphasizes process mapping of programs and services?

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Prudential Financial - Davis Productivity Awards Adaptable Achievements

- **Increase Productivity by Eliminating Internet Misuse:** A content filter that reduced internet traffic not related to job functions recovered lost bandwidth, virtually eliminated web-born virus infections, and increased productivity among 20,000 employees at the Department of Corrections for an estimated annual added value of up to \$39 million.
- **Reduce Spam Email:** Reduction of spam email messages resulted in an estimated annual added value of \$2.7 million in work time not spent reading these messages at Florida State University.
- **Security Awareness Training:** State employees who use a computer in their jobs are required to complete information security training annually. A web-based program that is highly adaptable to other government agencies allows Department of Juvenile Justice staff to take this training at their own pace, saving an estimated \$200,000.
- **Disaster Relief Deployment:** A hurricane relief process for over 15,000 Department of Health employees centralizes recruitment, coordinates lodging, and tracks activities throughout deployment
- **Response to Telephone Requests:** Seamless consumer assistance developed by the Department of Financial Services helped respond to nearly 40,000 telephone requests during the 2004 hurricane season, saving approximately \$300,000 worth of public and private sector time. This initiative may be useful to other agencies engaged in consumer assistance.
- **Unemployment Compensation Review Process:** A process for reviewing employee claims for unemployment compensation that helps assure its integrity and saved the Department of Revenue \$180,000 in 2003-04 may be useful to other agencies.
- **Fraud Detection:** An automated methodology that searches the state's information warehouse of accounting data can help identify potential or actual fraud. Department of Financial Services investigators used it to detect an organized ring that filed over \$700,000 in fraudulent claims.

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Appendix C



Activity/Unit-Based Costing

Emergence of Activity Based Costing

Activity Based Costing (ABC), which has been called one of the most important management innovations of the past 100 years, is rooted in the late 1940s introduction of performance budgeting to the U.S. Department of Defense. Many combat activities have been managed with cost-per-unit-measures for some time.

In the 1980s, ABC gained prominence in the civilian world due to the work of Professor Robert Kaplan of the Harvard Business School, and others. ABC responded to an increasing lack of relevance of traditional cost accounting methods, which were designed between 1870 and 1920 when industry was labor intensive, there was little automation, product variety was small, and overhead costs were a substantially lower percentage of product cost than today.

Most state and local governments aggregate costs for organizational units within an agency and compare the total from one year to the next. Overhead costs are allocated according to factors such as the number of square feet occupied and the amount of direct labor costs. By contrast, ABC assigns overhead to units of output (products or services) resulting from “activities” that directly contribute to desired outcomes.

ABC Fundamentals

- Activity Based Costing (ABC) is an extension of, not a replacement for, traditional accounting and management. A key assumption of ABC, by contrast to cost accounting, is that overhead costs are necessary to produce a service, product or other output. ABC is seen by some in the accounting industry as the wave of the future because it shifts the focus from organizational units to service and product life cycles, thereby better reflecting actual costs. Unit costs are particularly germane to service level budgeting decisions in fast growing states like Florida that are continuously challenged by increasing service demands.

- ABC provides the ability to track and forecast both revenues and expenses. It directs attention to the causes of costs and the cost of quality.

- Consistent with Total Quality Management, ABC identifies factors that promote continuous improvement of government services and products by allocating costs to where they actually occur in processes that often cross organizational boundaries, rather than simply apportioning costs among production units.

- ABC focuses on changes in cost that result from changes in activities that create units of output. Compared to traditional accounting, ABC enhances opportunities for increased

productivity and efficiency by identifying factors such as lack of capacity, misallocation of capacity, or surplus capacity.

- ABC establishes the average total cost of producing one unit of output by dividing the total cost of production by the number of units of output. Costs include the number of labor hours, wages per labor hour, materials, and equipment required to perform an activity one time. Total cost is the number of times an activity is performed.

- ABC involves a two-step resource allocation process: Identifying activities that are related to services, products, or other units of output that require the activities; and identifying cost objects and their direct and overhead costs; selecting a cost allocation base for assigning overhead costs to cost objects; and developing a rate per unit for allocating overhead.

Research and Information

- A 2001 report by the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) concluded that in order for the Legislature to track costs over time or compare costs of different entities, state agencies should allocate overhead to units of output.

- A 2005 OPPAGA report identified several factors limiting the Legislature's ability to compare the efficiency of similar activities performed by different agencies, and to assess changes in agency performance over time. To enhance the usefulness of activity and unit cost information, the report recommended development of a more uniform methodology for allocating agency costs to services and products.

- A December 2006 report of the Unit Cost Calculation Workgroup, which was created by the Florida Government Accountability Act, concluded that to fully achieve a goal of creating comparable and auditable unit cost data, the Legislature should consider a number of changes to current cost accounting and indirect cost allocation prior to developing a new unit cost methodology. The work group cautioned that developing this methodology likely would require significant and potentially costly changes to agency accounting practices. ***While Florida TaxWatch agrees that state government would need to spend money to achieve these accounting improvements, the full cost does not have to be absorbed all at once. Rather, the Legislature can phase in required changes in selected agencies.***

- A 1999 report by the Texas Comptroller of Public Accounts discussed opportunities afforded by activity-based costing. The Texas Legislature subsequently created a legislative-executive branch team to oversee a pilot project, which was conducted by the General Services Commission (GSC) using cost-to-implement data provided by state agencies. A consultant estimated first year savings of approximately \$1 million and "significant" savings in subsequent years would result from government wide implementation of ABC. Florida TaxWatch communications with the Office Public Accounts in February 2007 established that the Texas Legislature did not pass legislation requiring statewide activity based costing. Individual agencies may be using this method, but the GSC is not aware whether or not they are.

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Appendix D



Federal Funding Maximization

Attracting Federal Funding

- According to information on the website of Maximus, the nation's largest health and human services consulting firm, the key ingredient in successful state retrieval of federal funds is centralization of responsibility for the process.
- A California state government performance review concluded that in order to increase federal grant funds, all activities related to determining eligibility for, or receiving, them should be consolidated in a single entity.
- A 2004 report by a Connecticut task force recommended designating a single point of contact to centralize all federal revenue maximization functions within state government.
- Michigan has a foundation liaison position that helps state officials attract national grants and federal dollars.
- Vermont has a financial systems supervisor position whose duties include developing monitoring systems and policy revisions to ensure maximization of federal funding.
- Some states' efforts to maximize federal revenues have attracted congressional attention. In 2003, the U.S. House of Representatives' Committee on Energy and Commerce wrote a letter to all governors seeking information on state financing mechanisms designed to generate additional federal Medicaid matching funds.

“Rev Max” Information and Initiatives

- Florida TaxWatch research reports issued in 1986, 1996 and 1998 found that Florida was shortchanged by billions of dollars on federal grants, relative to federal taxes paid. The 1998 report stated that Florida ranked 49th in per capita grant receipts, trailing only Virginia.
- The National Conference of State Legislatures (NCSL) published a Medicaid Maximization strategy in 1999 addressing the issue that many states were providing general revenue-funded services that were potentially reimbursable through Medicaid. Medicaid maximization aims to identify such services and convert them to Medicaid-covered programs. The NCSL article presents pros and cons of Medicaid maximization initiatives.
- A report by the office of Missouri State Auditor (now U.S. Senator) Claire McCaskill found that in 2003, its agencies received \$7.9 billion in federal funds, but lost the opportunity to receive up to \$3.5 million in five grant programs due to lack of awareness of available funding.
- Texas received \$39.2 billion of federal funds in 2004-05. After hiring a consulting firm to perform its indirect cost rate calculations, the state reportedly received unspecified millions of additional federal dollars.

Texas and Missouri data underscore the fact that maximizing federal revenue, while important to pursue, is by no means a panacea for funding challenges of multi-billion dollar state programs.

- A pilot project in New York State, sponsored by the National Association of Counties, determined that substantial additional federal revenue could be recovered in more than 20 states.
- North Carolina conducted a revenue maximization program in 2006 relating to federal Title IV-E foster care funding.
- Pennsylvania identified five revenue maximization activities in 2004-05 relating to federal Title IV-E children's services and Medicaid funding.
- Virginia's Joint Legislative Audit and Review Commission found that in 2002 Virginia agencies and institutions were eligible for \$19.5 million, mostly in competitive federal grants, that it did not receive.

Prudential Financial - Davis Productivity Awards Relating to Federal Funding Maximization

Concurrent with, and in addition to, Florida government initiatives and contract assistance by private sector firms, federal funding is increased by rank and file state employees whose achievements have been recognized by the Prudential Financial – Davis Productivity Awards program. Some examples:

2004 - 2007

- **Federal Subsidy Collection Process:** The Medicare Modernization Act created multiple pharmacy benefit and cost saving options for health care plan sponsors administering benefits. Administrative methods and coordination with state-contracted administrators and consultants to ensure Florida's qualification for, and strict compliance with, requirements for a recurring federal subsidy option, resulted in approximately \$15 million of federal subsidy collections in 2006. (2007 DMS-3)
- **Medicaid Reimbursement:** Agency for Health Care Administration staff developed programs that reimbursed school districts more than \$80 million of federal Medicaid funds for a period of 21 months. Schools were repaid for providing physical, occupational and speech therapy, plus psychological, social work and nursing services. (2004 AHCA-20)
- **Medicaid Enrollment:** Lee County Health Department staff developed a method to check the Medicaid status of clients who were not on Medicaid at the time services were delivered by the department but who may have become enrolled during the 12 months since. This initiative increases Medicaid revenue by more than \$40,000 annually. (2004 DOH-61)

- **Medicaid Billing:** Palm Beach County Health Department staff created a relational database to simplify, automate and streamline collection and analysis of data on Medicaid eligibility of pregnant women for increased revenue of \$63,000. (2004 DOH-84)
- **Medicaid Rate:** Staff in the third-party billing unit of the West Palm Beach Children's Medical Services office discovered that the Medicaid billing rate for reimbursable services used by clinics throughout the state was \$10.82 below the allowable rate per clinic visit. With approximately 4,500 Medicaid reimbursable visits per year, the West Palm Beach office increased revenue by nearly \$50,000. (2004 DOH-83)
- **HIV Medical Services:** St. Lucie County Health Department staff developed a centralized HIV medical services delivery model which, over a two-year period, generated \$1.2 million of increased federal funding (2004 DOH-101)
- **Credentialing Registered Nurses:** Okaloosa County Health Department staff developed a process to document credentialing of Registered Nurses (RNs) for pediatric physical exams. Under cost-based reimbursement, health departments collect the same amount for a credentialed nurse conducting this exam as for a physician or Advanced Registered Nurse Practitioner (ARNP) providing the same service. Utilizing RNs increases revenue because their salary is considerably less than MDs or ARNPs. (2004 DOH-75)
- **Child Support:**
 - Department of Revenue staff designed a process improvement that increased Internal Revenue Service interception of owed child support payments by \$11.7 million. (2004 DOR-4)
 - The state is in a position to garner federal incentive earnings as a result of Department of Revenue staff designing a process to access, identify, analyze and resolve undistributed child support collections, which benefits recipients by facilitating distribution of child support (2004 DOR-16)
- **Road Projects:** Department of Transportation staff streamlined the process of financially closing out federally funded projects, thereby increasing the release of federal funds unnecessarily tied up on completed projects by \$26 million. This freed-up money was used on transportation projects which otherwise would have waited on federal funding. (2004 DOT-27)

1999 – 2003

- **Federal Funding of Alcohol, Drug Abuse and Mental Health Services:** Department of Children and Families districts had the potential to substitute millions of dollars of state funding with federal funds by reviewing provider contracts for incorrectly billed services. Contract Performance Unit staff in Ft. Myers identified an estimated \$6 million worth of alcohol, drug abuse and mental health services which should have been paid with federal rather than state Medicaid funds in 2001. They estimated that correction of comparable billing errors statewide could have increased federal revenue by as much as \$140 million.

- **Federal Funding of Adult Services:** Federal Medicaid funding for the Department of Children and Families' Adult Services Program was being determined, in part, by random moment sampling to document the amount of staff time spent on Medicaid-eligible activities. In 2001-02, the SunCoast Region increased federal funding from \$500,000 to \$1.3 million.
- **Federal Reimbursement of Student Health Care Expenses:** County health departments had the potential to draw down \$.58 of federal Medicaid for every eligible dollar paid to their social workers, advanced registered nurse practitioners, and registered nurses who provide services to students in school-based clinics. These services are considered instrumental in detecting early conditions that can lead to serious health conditions affecting students' ability to learn. In 2002, the Department of Health's Medicaid county health department certified match program recovered \$316,950 of federal Medicaid funds.
- **Federal Funding of Program Evaluations:** Other state programs potentially could have benefited from the success of Agency for Health Care Administration staff who identified federal funding to conduct research and program evaluations. Their efforts produced a recurring \$4 million of federal and in-kind matching funds on 12 contracts beginning in 2001-02.
- **Avoiding Loss of Federal Funds:** An Agency for Health Care Administration database system helped to avoid the potential loss of almost \$20 million worth of federal funding. This system improved data retrieval and resolved problems relating to inaccuracies and late submission of federal reports.

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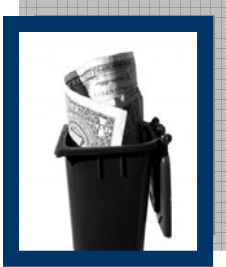
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Appendix E



Fraud, Waste and Abuse

Florida government devotes substantial resources to deterring and reducing fraud, waste and abuse:

- The Office of Fiscal Integrity, Department of Financial Services, investigates fraud, waste and abuse of state funds.
- A “Get-Lean” hotline operated by the Department of Financial Services responds to phone calls applicable to fraud, waste, and abuse within state government, and accepts suggestions on how the state can save money.²
- A “Whistle-blower” hotline operated by the Governor’s Office of the Chief Inspector General is used by current and former state employees, applicants for state employment, and contractors.³
- A complaint hotline in the Attorney General’s Office helps victims of fraud.
- A Department of Law Enforcement hotline is for reporting public assistance fraud.
- A 100-person Bureau of Medicaid Program Integrity at the Agency for Health Care Administration is responsible for minimizing fraud and abuse.
- A Medicaid Fraud Control Unit in the Attorney General’s Office has staff in nine locations statewide.
- A 171-person Division of Insurance Fraud, Department of Financial Services, investigates crimes associated with insurance claim fraud, workers compensation fraud, and unauthorized insurance entity fraud.

² Section 17.325 F.S. requires Florida’s Chief Financial Officer (CFO) to establish and operate a 24-hour government efficiency hotline. In addition, Section 17.03 F.S. requires the CFO to investigate claims of waste, fraud, and abuse.

³ Inspector Generals receive complaints and coordinate their agencies’ activities as required by the Whistle-blower’s Act, Section 112.3187, F.S., whose purpose is to facilitate reporting illegal or fraudulent acts, gross waste of public funds, and neglect of duty. Many state agency websites call attention to the whistle blower statute and summarize their inspector generals’ statutory responsibilities regarding fraud, waste and abuse. Some, such as the Department of Health, list investigative reports that include fraud, waste and abuse. Others, such as the Department of Transportation, publish their fraud policies.

- The Department of Management Services maintains a list of vendors convicted of fraud and other crimes that no longer are eligible to compete for state business.
- Agency inspector generals provide a central point for coordination of, and responsibility for, activities to prevent, detect, and report on corrective action concerning fraud, abuse, and duplication relating to administration of programs and agency operations.
- The Governor's Council on Integrity and Efficiency identifies government-wide weaknesses and vulnerabilities to fraud, waste and abuse. The Chief Inspector General in the Office of the Governor chairs the Council and reports to the Governor.
- Individual employees and teams improve processes to deter fraud, waste and abuse. Selected achievements that have been recognized by the Prudential Financial - Davis Productivity Awards program are listed on the next page.

Best Practices

- The Florida Department of Law Enforcement, Highway Patrol and Office of Statewide Prosecution established the nation's first statewide task force to proactively target, investigate and prosecute identity theft and credit card fraud. The Federal Auditor General's Office considers Florida's initiative a national model.
- Florida was the first state to implement a system to produce and issue drivers' licenses that are difficult to alter or counterfeit.
- Florida was the first state to use an electronic tracking system that helps stop Medicaid prescription drug over-utilization.
- The Florida Department of Health's Retail Operations Unit perfected a method to audit grocery stores to determine whether they actually purchased all food billed to the Women, Infants and Children's program. This achievement was the inspiration for a U.S. Department of Agriculture guide for states to conduct audits.
- At a national conference of Inspectors General, Governor Bush's Chief Inspector General held up the Department of Transportation Inspector General Office's performance measurement system as a best practice. One use of this system is to track progress in attacking contractor fraud.

Reports and Publications

- The Attorney General's Office publishes consumer protection bulletins on topics such as auto repair fraud, art fraud, and weight loss fraud.
- Each state agency's inspector general prepares an annual report describing significant abuses relating to administration of programs and operations of his/her agency.
- The Legislature's Office of Program Policy Analysis and Government Accountability, pursuant to Section 409.913, Florida Statutes, submits a biennial report to the President of the Senate and Speaker of the House concerning the Agency For Health Care Administration's efforts to prevent, detect, deter, and recover funds lost to fraud and abuse in the Medicaid program.

Prudential Financial - Davis Productivity Awards Relating to Fraud, Waste and Abuse

- **Identification of Construction Contractors Causing Post-Hurricane Harm:** New procedures to facilitate identification of construction contractors causing post-hurricane harm to consumers resulted in quicker revocation of licenses.
- **School Voucher Accountability:** The Office of Fiscal Integrity, Department of Financial Services, is a criminal justice agency that investigates fraud, waste and abuse of state funds. In 2005-06, staff conducted eight investigations relating to more than \$1 million worth of alleged fraud in school voucher programs. One case resulted in a prison sentence and \$268,125 in court-ordered restitution. The remaining cases are awaiting trial or continue to be investigated. The work performed by this team brought attention to the need for greater accountability within Florida's school voucher programs, and helped create the Scholarship Funding Accountability Act.
- **Prevention of State Scholarship Program Fraud:** Department of Law Enforcement staff in Jacksonville investigated and successfully prosecuted an individual who had defeated the safeguards of the McKay Scholarship Program within the Department of Education. The McKay Scholarship program is funded by state vouchers and intended for children with special needs. This person had attempted to defraud the state out of \$59,500, with the potential for much more. The team also recovered approximately \$250,000 that had been diverted from another education project in Lake County. As a result of this investigation, the Department of Education implemented controls to slow disbursement of scholarship awards and prevent further fraudulent activities against scholarship programs.
- **Food for Florida:** Florida is the first state to automate an emergency food stamp system that improves customer service and reduces post-disaster fraud. Depending on the severity and scope of disasters in a given year, this system could reduce operational costs by up to \$2 million.
- **Food Stamp Fraud:** A two-year investigation into food stamp trafficking in a single store identified nearly \$1.5 million in improperly issued benefits that can be collected and returned to the state, and identified more than 600 program recipients for abusing their state benefits. The investigation exposed a money laundering scheme and retail fraud involving more than \$10 million of unreported taxable sales.
- **Automated Disaster Relief Emergency Food Stamp System:** An automated Food for Florida system reduces the likelihood of post-disaster fraud.
- **Public Assistance Fraud Prevention/Reduction:** Department of Children and Families staff in the Sun Coast Region's Economic Self Sufficiency program developed a fraud prevention and reduction program that is now used throughout the department for estimated annual savings of over \$17 million.
- **Medicaid Abuse Recoveries:** The 100-person Bureau of Medicaid Program Integrity, Agency for Health Care Administration, is responsible for minimizing fraud and abuse in the Florida Medicaid program. The most efficient way to control fraud, abuse and overpayments is to preclude them. Development and application of new statistical programs and algorithms, and advanced statistical auditing methods, helped increase prevention and recovery of over

payments from \$41 million in FY 2003-04 to \$65 million in 2005-06, for a return on investment of 5.9 to 1.

- **Strengthening Regulatory Compliance:** Department of Health and Agency for Health Care Administration staff in Miami investigated oxygen providers who used regulatory process gaps to obtain permits, licensing, and enrollment in Medicaid, thereby circumventing legislative intent and billing Medicaid and Medicare for services and products not provided. As a result of this interagency initiative, Medicaid expenditures were reduced by \$1.7 million.

- **Medicaid Institutional Care Fraud:** Investigation of a Medicaid institutional care case in the Jacksonville area determined that a former Department of Children and Families employee knowingly entered false information regarding an applicant's monthly income, resulting in illegal disbursement of \$117,016 in Medicaid benefits. The former employee was prosecuted, sentenced to eighteen years of probation and ordered to make complete restitution.

- **Child Daycare Center Fraud:** Investigation of child daycare centers in South Florida that defrauded the state highlighted a lack of financial safeguards and led to more than \$350,000 in subsidies for recovery and use by those transitioning from welfare to work who need assistance with daycare costs.

- **Public Housing Fraud:** A financial crime investigator's sharing of information on subsidized child daycare program public assistance fraud with public housing authorities in Broward County resulted in more than \$50,000 being reimbursed by those who defrauded the program.

- **Fraud Investigation Protocols:** Protocols developed by the State Fire Marshal's Office to deal with fraudulent insurance claims concerning kitchen fires saved \$75,000 on two investigations.

- **Unlicensed Insurance Activity:** A methodology used to investigate an unlicensed insurance adjusting firm's fraudulent activities is applicable to white collar crime and gang investigation units. In this case it was determined that a person was negotiating a claim settlement for rental car accident victims without a license, that transfer and salvage of vehicle titles were being processed without a license, and that the perpetrators were not remitting taxes owed to the Department of Revenue for vehicle transactions totaling approximately \$365,000.

- **Audit Programs and Investigative Techniques:** Audit programs and investigative techniques developed and used by the Office of Insurance Regulation have detected viatical fraud costing investors millions of dollars.

- **Stopping Defrauding of Investors:** A Future First Financial Group Conservatorship Team at the Department of Financial Services obtained a ground breaking judicial ruling that imposes a conservatorship to freeze the assets of former securities licensees who defrauded investors. The ruling could result in recovering tens of millions of dollars for these investors, many of whom are senior citizens who depended on a return on their investments to live on.

- **Reduction of Fake Identification Cards:** Department of Business and Professional Regulation investigators in Jacksonville, Tampa and Margate reduced fake identification cards available to underage persons, illegal immigrants, and criminals by investigating their manufacture, seizing equipment used in making them, arresting numerous subjects, and closing illegal enterprises.

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Appendix F



Data Integrity

Florida Law

Section 282.318, Florida Statutes, the Security of Data and Information Technology Resources Act, prescribes the frequency and format that security evaluations and reports are to be completed. Legislation to extend this provision beyond its current July 1, 2007 expiration was tabled on May 1, 2007 and never came to a vote on the floor (CS/HB 1557, or CS/CS/SB 1974).

Section 445.010, Florida Statutes, requires the Agency for Workforce Innovation to ensure data integrity and security.

Prudential Financial - Davis Productivity Awards Relating to Data Integrity

- **Data Integrity Officer Tracking System:** A system that tracks problems submitted to Data Integrity Officers at the Florida Department of Juvenile Justice reduces salary/travel costs and benefits customers by its ease of use and notification when their problem is corrected. 2007 DJJ-16
- **Data Integrity Clean-Up:** While performing a major clean-up of the HomeSafeNet system for child welfare, training on ensuring data integrity was provided to more than 75 Department of Children and Families child welfare staff. 2007 DCF-009
- **Integrated Monitoring Matrix:** Oversight of community based agencies using an integrated monitoring matrix improves data integrity. 2007 DCF-041

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Appendix G



State-level Information Management

Best Practices

- Florida led the nation in implementing a statewide communications network for the first responder community that is free of incompatibility issues common to multiple agencies using different radio networks. This network allows Florida's first responders to remain connected, thereby assuring faster emergency response times.
- Working with the Federal Emergency Management Agency (FEMA), Florida Department of Transportation staff modified a transportation planning and decision tool to assist in locating/evaluating post-hurricane recovery sites for debris removal, housing, and staging of operations. FEMA's customization of this tool was the first national effort to integrate web-based geographic information system technologies with disaster response.
- The Governor's Working Group on Americans with Disabilities Act developed an information technology program that enables citizens with disabilities, businesses run by persons with disabilities, and state employees with disabilities to access government information and compete for government business. This program was monitored as a "best practice" by the federal Centers for Medicare and Medicaid Services as part of Florida's federal systems change grant program to help improve the quality and productivity of life for persons with disabilities.

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Related Information Management Issues

Topics related to information management include call centers, document management, and mass communication of information to Floridians by news outlets.



Call Centers

A June 2006 article in the publication *Customer Interactions Solutions* rebuts conventional wisdom of the late 1990s that the Internet would wipe out the call center business.

Call centers are centralized offices that improve operations and reduce costs by providing rapid, uniform responses to service and information requests from citizens, private sector entities, and government employees. A call center, which often is linked to an agency's computer network, can be independently operated or networked with other centers. Voice and data pathways into call centers increasingly are linked.

Call center staff often are organized into a multi-tier support system. The first tier consists of operators who provide general information and direct inquiries to the appropriate department and. Callers requiring more assistance are connected to a second tier where most issues are resolved. Callers' requests for specialized information are referred to a third tier, typically consisting of highly skilled technical staff.

Management of call centers involves balancing provision of timely services against costs of doing so. While callers generally will not wait long to be assisted, staffing constitutes more than half the cost of running a center. To help balance service and cost, many centers use software that forecasts traffic intensity in quarter-hour increments, based on historical information.

Florida Law

■ The Florida Customer Service Standards Act, Section 23.30, Florida Statutes, was enacted in 2001 to provide standards for call centers that:

- Include a goal in each state agency's strategic plan regarding customer service;
- Develop customer satisfaction measures as part of an agency's performance measurement system;
- Provide local or toll-free telephonic or electronic access through either a centralized intake facility or directly to a department employee(s) designated to respond to and resolve customer questions and complaints;

- Acknowledge receipt of customer questions or requests for assistance not later than the end of the next business day, then respond with prompt, accurate, often standardized information;
 - Develop a process for management review of customer complaints that are not readily resolved by employees;
 - Train employees on improving customer service, and participate in interdepartmental discussions on methods to provide and improve customer service; and
 - Use a system to (a) track customer complaints and resolutions; (b) publish statistical data on complaint resolution and customer satisfaction measures in annual reports or other performance publications; and (c) use performance data in conducting management and budget planning.
- Section 570.544, Florida Statutes, requires agencies to coordinate with each other to ensure that state government is responsive to consumers.
 - Section 216.023(4), F.S, requires that agency complaint information be considered during the sunset review process prescribed in the 2006 Florida Government Accountability Act, Chapter 2006-146, Laws of Florida.

Performance Measurement

Standard performance metrics in the call center industry worldwide are:

- Number of calls per hour that an employee responds to;
- Percentage of calls answered within a specified time frame;
- Percentage of calls where customers hang up because of long hold times;
- Average delay a caller encounters prior to requesting information or assistance;
- Percentage of successful “first call resolutions”, defined as a customer not calling back about the same problem for a certain period of time; and
- Average “handling time”, defined as the combination of time (a) a caller waits to be assisted, (b) the time a caller and employee talk, (c) the time an employee spends processing a request and (d) the time an employee spends providing a response to a caller.

Best Practices

- A The Call Center Learning Center cites best practices in call center management from three studies, conducted between 1999 and 2006, that included industry, government, and education centers in 50 counties.
- An August 2005 article at zdnet.com reported that the Centers for Medicare and Medicaid Services in Baltimore, Maryland, combine interactive voice recognition software with customer relationship management software to authenticate callers and pull up records before person-to-person conversations begin.

- An October 2005 article in *Government Technology* cited legislation in Texas that improves disabled persons' access to government services through call centers and web sites.
- A May 2005 study by the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) cited Department of Revenue call center software that could improve the state Division of Retirement's outreach services.
- A 2003 OPPAGA study concluded that outsourcing the Division's outreach call center services would not reduce costs.

Taxpayer Complaint System Needs Improving

As noted above, Section 570.544, Florida Statutes, requires agencies to coordinate with each other to ensure that state government is responsive to consumers. However, a June 2006 OPPAGA report states that while agencies engage in some informal coordination, they often do not implement all provisions of the consumer services law. OPPAGA determined that:

- Enterprise-wide information concerning consumer complaint services provided by agencies is not centrally collected and reported to policymakers.
- Agencies no longer participate in a consumer roundtable to facilitate and coordinate referral of complaints.
- There is no mechanism to ensure that agencies refer complaints they do not have the authority to handle to the designated state clearinghouse for consumer complaints, which is the Division of Consumer Services, Department of Agriculture and Consumer Services (DACS).
- Many agencies bypass the DACS clearinghouse and refer consumers directly to an agency that they believe has authority to handle a complaint, which may lead to incorrect referrals.
- The Attorney General's Office has broad responsibilities concerning economic crimes. When investigating such crimes, this office may collect information from consumers that already has been collected by other agencies, resulting in duplication of effort.
- After providing information to the Division of Consumer Services, citizens may mistakenly believe they have filed a complaint with an agency that can assist in resolving their dispute. However, to receive state assistance, they must file a formal complaint by contacting the Office of Citizen Services in the appropriate agency and providing duplicate information.

Without comprehensive, enterprise-wide information about state agency consumer complaint resolution activities being compiled and reported, it is difficult for agency officials and policymakers to evaluate the quality of services, identify areas in need of improvement, and make informed decisions about program resources and priorities. It is also difficult to compare the cost-effectiveness of complaint processing among the various state agencies.

OPPAGA Report, June 2006

Summary of OPPAGA Recommendations

- **Increase communication.** The Legislature should consider formalizing the interagency consumer roundtable to facilitate communication among agencies, improve the complaint resolution process, and enhance the quality of information concerning complaint resolution activities of state agencies.
- **Provide enterprise-wide information.** The Legislature should consider directing state agencies to provide the Division of Consumer Services with summary information concerning its complaint resolution activities. The interagency consumer roundtable could be charged with creating a simple, uniform, and cost-effective framework for agencies to gather and report the information.
- **Reduce duplication.**
 - The Legislature should consider revising Section 681.109, Florida Statutes, to place full responsibility for screening Lemon Law arbitration requests with the Office of the Attorney General. This would eliminate duplicate eligibility screening conducted by the Office of the Attorney General (AG) and the Department of Agriculture and Consumer Services (DACS).
 - The AG should adopt a policy of referring all complaint information it receives (that does not deal with Government in the Sunshine and Lemon Law programs) to the DACS for referral to the agency with the authority to resolve the complaint. This would eliminate the need for consumers to supply duplicate information.
 - The AG and the DACS should formalize their informal approach of handling price-gouging complaints by delineating which price-gouging actions each will perform.

Prudential Financial - Davis Productivity Awards Relating to Call Centers

- **Call Center Recording of Case Activity Information** A template that prompts call center staff to enter areas of social services eligibility can be used in Department of Children and Families call centers and case maintenance units statewide. 2007 DCF-50
- **Customer Call Center Resource Tool** A web-based customer call center resource tool reduces caller wait time, thereby improving service and caller satisfaction. 2007 DCF-93

- **Improved Help Desk Assistance at Reduced Cost** Helping users help themselves is key to improving efficiency of support delivery and user satisfaction. Two tools for increasing customer self-help, "reported active help desk issues" and "help desk call queue," are available on the Department of Children and Families web site. If 10% of monthly customer problems are solved by using these tools, results are an annual cost avoidance of \$200,000 and daily reduction of abandoned calls by 18%. 2006 DCF-095
- **Statewide Help Desk Self Service Web Ticketing** Expediting customer requests via a help desk web page reduces phone assistance, saving Department of Children and Families staff an estimated \$100,000 worth of time annually. 2007 DCF-94
- **Centralized Help Desk Center for Field Personnel** Combining help desks of seven organizational units that respond to telephone and email inquiries concerning driver licenses saved the Department of Highway Safety and Motor Vehicles \$450,000 in employee production time. 2007 DHSMV-4
- **Automated Help Desk Quality Assurance Survey** An on-line quality assurance survey enables customers to submit responses via the Department of Children and Families intranet upon completion of help desk assistance.. 2007 DCF-101
- **Reduced Costs through Automated Telephone Plan** Re-engineering an auto attendant telephone system identified a more direct method to route consumers to their end destination, thereby reducing the time that Department of Children and Families switch board operators in Broward County answer phones for an annual cost avoidance of approximately \$80,000. 2006 DCF-074
- **Improved Handling of Complaints** Electronically logging, issuing, tracking and closing customer complaints reduces resolution time by an average of 1.5 hours per complaint, annually saving the Department of Transportation's Ft. Lauderdale Operations Center approximately \$70,000. Historical documentation is gathered to identify recurring issues. 2006-DOT-016
- **Improved Technical Support** Service support processes at the Department of Health in Tallahassee use ITIL principles to save an estimated \$270,000 annually by reducing the time to resolve help desk tickets by 85%. 2007 DOH-3

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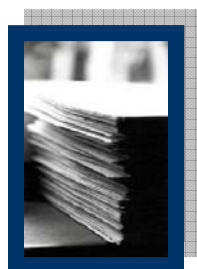
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Document Management

State agencies will produce approximately 1,000 public information documents, plus untold thousands of internal documents, in 2006-07. As of December 2006, Section 257.05, F.S. requires agencies to submit lists of publications to the Florida Department of State.

Document management refers to the use, distribution, storage, and protection of paper and electronic documents. Document management systems are intended to increase employee productivity through faster retrieval and distribution; improve customer service; protect information; and reduce filing and storage costs.

Issues relating to data base management and records management include: security, durability, integrity, consistency, and portability/compatibility among databases.

Section 257.36, F.S., authorizes the Department of State's Division of Library and Information Services to establish records management rules. The law, however, does not require agencies to comply with them.

In the absence of a statewide records management protocol, agencies seem to contract with outside vendors without regard to the potential to adapt existing government systems to meet their needs. Information on the internet shows that, in recent years, state and local agencies throughout Florida contracted with multiple vendors to develop document management and related systems. A clearinghouse of existing systems might avoid costs associated with some degree of "reinventing the wheel."

The Florida Records Storage Center in Tallahassee is equivalent to the size of 16 football fields. Improved document management can help reduce the growth rate of this facility.

Best Practices

- The Florida Department of Business and Professional Regulation (DBPR) helped revolutionize how Floridians interact with state government. In August 2006, the DBPR signed a contract with the Tampa-based Document Advantage Corporation to take its document management capabilities to the next level.
- The Florida Division of Corporations, Department of State, was the nation's first public sector entity to provide on-line filing and access to business entity information.
- In 2000, the Florida Office of Insurance Regulation, which is now in the Department of Financial Services, began working with FileNet Corporation and Infinity Software Development, Inc. to provide insurers an electronic means to submit filings. A 2006 Prudential Financial-Davis Productivity Award recognized the department's first-in-the-nation program that enables companies to submit online annuity filings simultaneously to seven states.
- *Federal Computer Week* reported that Massachusetts state government has been a leader in shifting from proprietary software, such as Microsoft Office, to open-source formats. It also noted that the International Organization for Standardization (ISO) has endorsed the first nonproprietary technology for archiving government records. Soleil Systems, Inc., a Florida-based company, advertises particular understanding of ISO 9000 standards for document management.
- A Best Practices Conference on Document Management and Automation was held in Arlington, Virginia on September 28, 2005

Prudential Financial - Davis Productivity Awards Relating to Document Management

- **Data Warehouse Cost Reduction** Upgrading to a more efficient data warehouse processor with long-term scalability and reduced annual maintenance saved Florida's Agency for HealthCare Administration \$109,826. 2006 AHCA-013
- **Paperless Internal Audit Management System** A paperless, fully integrated audit process developed at the Florida Department of Children and Families to save time and resources subsequently was adapted and implemented by the Florida Department of Business and Professional Regulation. 2007 DBPR-8
- **Electronic Filing System** An electronic filing system developed for 200,000 public assistance case records improves accessibility to information, saving Department of Children and Families staff \$269,816 by eliminating the need to create and store paper files. 2006 DCF-047
- **Social Services Reviews** Paperless review of Florida Child and Family Services documents, which can be easily extended to other reviews such as community based care case management, includes a summary function that generates data instantly and provides summary charts/graphs on the date the review is completed. 2006 DCF-66

- **Re-engineered Records Center Operations** An automated records inventory tracking system facilitates location of stored records by box rather than file, record number, or date. First-year savings for the Department of Children and Families Jacksonville office was an estimated \$25,206 and the number of back-log records requested was zero. 2007 DCF-43
- **Document Scanning, Imaging and Viewing System** A document viewing system automates storing, tracking, and retrieving Economic Self Sufficiency case Information. This application can be adapted by other agencies to reduce time spent searching for and filling paper case records. 2007 DCF-96
- **Records Retention** All public agencies have records retention requirements and many maintain multiple sites. A streamlined, efficient process for maintaining accurate records inventories and facilitating timely transfer and destruction of records saves staff time and money and improves customer service. A protected database for real-time records inventories allows client information to be entered via single data entry from multiple locations for storage and disposition of records. Staff members locate records at the click of a mouse instead of sifting through stacks of paper. In 2004-05, the Polk County Health Department saved \$23,318 in salaries and the cost of storing records beyond their retention period. The department's database is readily transferable to any agency. 2006 DOH-013
- **Medical Records Tracking** A computer program maintains records on all students seen daily by school health nurses. It keeps track of medical conditions and treatment, maintains health records, health outcomes, and referrals. It also processes data on diseases and chronic diseases such as asthma among students that is used to prepare an annual report. 2007 DOH-19
- **Employee Training Records** A tracking training database for employee training records and certification includes state and federal requirements. In-house development of this database, which can be adapted and implemented by other state agencies, saved approximately \$35,000 plus \$41,000 in recurring costs. 2006 DBPR-007
- **Student Records Privacy** An interactive university website on student records privacy centralizes and condenses a mountain of legalize concerning university rules, state statutes and federal regulations into a user-friendly format for students, parents, staff and faculty. The site <www.registrar.ufl.edu/ferpahub.html> includes a quick-reference guide, case studies, and a tutorial. 2006 UF-009
- **Financial Analysis Workflow and Document Management System** A web-based system, Financial Analysis and Monitoring, allows regulated companies to electronically file financial statements and other financial-related documents to the Financial Analysis unit in the Office of the Insurance Regulation. It automatically indexes filed documents into a workflow system for electronic review and routing to supervisors for review. This innovation decreases review time for analysts and management for each company; provides centralized, easy-to-access electronic storage for multiple users; eliminates the routing of paper files; and eliminates the need for storage space for paper files. 2007 DFS-028
- **Document Imaging Implementation Team** St. Lucie County Health Department staff negotiated and implemented a contract with a private company, eBridge Solutions, for the State's first Web-based records archiving system, which make public records available to staff, private sector and the public at no cost and minimal cost to the agency. These efforts eliminated hard copy archiving time, customer wait time, and retrieval costs from two days turnaround and substantial archival service charges. 2007 DOH-007

- **Imaging Support** Florida State University staff performed a major software upgrade from Ascent Capture 5 to Ascent Capture 7 for thirteen Florida State University departments in order to take advantage of more efficient centralized document imaging management, and reduced Imaging hardware and software license costs by \$49,981. 2007 FSU-004

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Communication of Public Information

Mass communication of public information is critical to the health of our democracy. Florida government agencies inform their customers and clients through websites and publications. News outlets rely on unrestricted access to public records and meetings to provide fast and reliable information to citizens.

Government employees who are knowledgeable about public records facilitate communication, saving their and others' time. While Governor-elect, Charlie Crist created a state Office of Open Government to train public employees on open records and meeting requirements, and ensure compliance with applicable laws. The need for this training was suggested by a 2004 audit conducted by the Reporters' Committee for Freedom of the Press determined 43% of public records requests statewide showed violations, largely because of ignorance of the state's open records law. The audit occurred two years after the Florida Society of Newspaper Editors launched Sunshine Sunday as a response to efforts by some legislators to create additional exemptions to the public records law.

The Florida Constitution

Excerpts from Section 24, F. Access to public records and meetings

(a) Every person has the right to inspect or copy any public record made or received in connection with the official business of any public body, officer, or employee of the state, or persons acting on their behalf, except with respect to records exempted pursuant to this section or specifically made confidential by this Constitution.

(b) All meetings of any collegial public body of the executive branch of state government or of any collegial public body of a county, municipality, school district, or special district, at which official acts are to be taken or at which public business of such body is to be transacted or discussed, shall be open and noticed to the public and meetings of the legislature shall be open and noticed as provided in Article III, Section 4(e), except with respect to meetings exempted pursuant to this section or specifically closed by this Constitution.

(c) This section shall be self-executing. The legislature, however, may provide by general law passed by a two-thirds vote of each house for the exemption of records from the requirements of subsection (a) and the exemption of meetings from the requirements of subsection (b), provided that such law shall state with specificity the public necessity justifying the exemption and shall be no broader than necessary to accomplish the stated purpose of the law.

A Tradition of Openness

- Florida government's tradition of openness began in 1909 with passage of what is now known as the Public Records Law.

- In 1967, the Government-in-the-Sunshine law established a basic right of access to most meetings of boards, commissions and other governing bodies of state and local government agencies and authorities.

- A voter-approved 1990 constitutional amendment provides for opening meetings in the legislative branch.

- A 1992 constitutional amendment requires all government records and meetings to be open to the public unless specifically exempted by the Legislature based on “public necessity.” As noted above, the Florida Constitution requires exemptions to be approved by two-thirds vote of the House and Senate.

Florida Ranks High on Accessibility and Openness

- A 2006 study of state constitutions by the University of Florida College of Journalism and Communications analyzed them in eight areas of interest concerning public access. A Sunshine Index assigned states to categories ranging from “complete sunshine and complete citizen access to records” to “mostly dark or closed.” Florida received the nation’s highest rating for being mostly open and mostly in the sunshine. The next highest rated states were California and Louisiana, followed by Montana and Rhode Island. A whopping 75% of states scored in or near the mostly dark or closed category.

- A February 28, 2006 letter to the Florida Supreme Court from the Electronic Privacy Information Center in San Francisco commended the Court and its Committee on Privacy and Court Records for tackling difficult policy issues concerning access to public records. The letter commended the Committee’s report and recommendations for constituting one of the most progressive and comprehensive approaches in the nation to addressing privacy risks of public records.

- The Association of Electronic Journalists’ state-by-state guide to laws regarding cameras and microphones in the courtroom ranked Florida among 19 states that allow the most coverage.

Publications

- The Attorney General’s Office annually compiles a Government in the Sunshine manual that is published by the Tallahassee-based First Amendment Foundation. Founded in 1984 by the Florida Press Association and the Florida Association of Broadcasters, this foundation helps ensure that public commitment and progress in the areas of free speech, free press, and open government do not become checked and diluted.

- The *Florida Sunshine Review* spotlights the latest news on Florida open government laws and freedom of information issues, with special emphasis on public records and open meeting developments. Similar items are reported monthly by the Brechner Center for Freedom of Information at the University of Florida.

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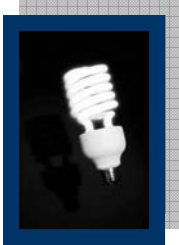
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Appendix H



Energy Efficiency

Best Practices

- **Florida Energy Achievement Award:** This award is presented annually to an entity that demonstrates statewide leadership and significant achievement in sustainability and energy savings. Walt Disney World received 2006 recognition for its “Strive for Five” initiative that aims to reduce the attraction’s energy consumption by five percent. Sarasota County government was the 2005 winner.

- **Certified Green Local Government:** The Florida Green Building Coalition’s Local Government Standard, developed by researchers at the Florida Solar Energy Center, focuses on improving local governments’ environmental performance in the areas of energy, water, air, land and waste. The standard examines practices, incentives, ordinances and educational activities that aim to improve the environment and designates Florida cities and counties as “green” for outstanding environmental stewardship. Pinellas County government was the first winner of this recognition.

- **Green Program Construction and Designation:** These are practices that conserve energy and resources involving building materials, landscaping, appliances, lighting, plumbing, and approaches to site selection, heating and cooling. Using solar power, trees to the east and west to shade houses, energy-efficient appliances, landscaping with drought-tolerant plants and rainwater to flush toilets can help save natural resources and money. Green buildings can be healthier for people who work or live in them.

- **Solar Hot Water Billing Program:** Lakeland Electric in Polk County bills customers at a favorable rate for their use of solar hot water. The utility saves on generating fuels, including high-priced natural gas. Solar water heaters also reduce utility transmission and distribution losses because they produce energy right where it is needed.

- **Discount on permits and processing for energy efficient construction:** The City of Gainesville gives a \$300 discount on building permits for certified green projects, plus free fast track permitting worth \$350.

- **Energy Saving Construction:** The Dunedin Community Center has a white roof that reflects more heat than a black roof, thereby reducing the cost of cooling this large facility.

Prudential Financial - Davis Productivity Awards Relating to Energy Efficiency

- **Energy Performance Contracting:** An energy performance contracting program for eleven Department of Juvenile Justice facilities statewide will provide funding for repairs and renovations for lighting, heating, air conditioning and plumbing in buildings. A \$6.1 million loan will be repaid from utility savings. 2007 DJJ-2
- **Energy Conservation:** Florida State Hospital staff, in cooperation with Aramark Healthcare Management Services, achieved savings of more than \$16 million between 1995 and 2005. The hospital's electric consumption was reduced by 30 percent and consumption of fossil fuels by 80 percent. This program won a 1995 "best in category" award from the U.S. Department of Energy and special recognition from the late Governor Lawton Chiles in 1996. 2005 DCF-5
- **Hot Water Energy Savings:** A more energy efficient way to supply hot water for inmates and staff at the Madison Correctional Institution could save tens of thousands of dollars if implemented statewide. 2005 DOC-3
- **Recycling Programs**
 - Correctional sergeant Bryan Griffis at Florida State Prison in Raiford developed and implemented innovations for a recycling program that produced a \$61,952 landfill savings and \$166,592 additional revenue between May and December 2002. 2003 DOC-024
 - Department of Children and Families staff at the Sunland Center in Marianna partnered with the Jackson County School Board to provide free recycling services to all schools, averaging about 300 pounds of recyclable material each week. 2007 APD-3

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Appendix I



Business Startup and Operating Costs

Examining government processes, including licensing, permitting and inspecting new and existing businesses, and administration of laws, regulations, and processes related to zoning and re-zoning, may identify efficiencies to reduce government costs while benefiting the private sector and protecting the public interest.

Business Licenses and Permits

- **Local Business License:** A business license grants the right to operate a business. An area that is not zoned for a particular type of business requires a variance or conditional-use permit. Obtaining a variance requires presenting a case before a city's planning commission.
- **State Licenses:** The Florida Department of Business and Professional Regulation requires licenses or occupational permits for numerous businesses and skills. These include state examinations for auto mechanics, plumbers, electricians, building contractors, collection agents, insurance agents, real estate brokers, re-possessors, and those providing personal services such as barbers, cosmetologists, doctors and nurses.
- **State Taxes:** The Florida Department of Revenue requires businesses to establish an account number for filing unemployment tax returns.
- **Sales Tax License:** Any business selling taxable goods and services must pay sales taxes imposed at the retail level. Before opening, a business must register to collect sales tax by applying for each separate place of business in the state.
- **County Licenses and Permits:** County governments often require similar licenses and permits as cities, but usually are not as strict.
- **Federal Licenses:** Businesses such as meat processors, radio and TV stations, and investment advisory services, require federal licenses.
- **Air and Water Pollution Control Permit:** Many cities have departments to control air and water pollution. Businesses that burn materials, discharge anything into sewers or waterways, or use products that produce gas, such as paint sprayers, may need a special permit.
- **Health Department Permit:** Businesses that sell food, either directly to customers as in a restaurant or as a wholesaler to other retailers, need a county health department permit.
- **Fire Department Permit:** A permit from a fire department is needed for businesses whose premises will be open to the public, or that will use flammable materials. Some cities require a permit before opening a business. Others schedule periodic inspections to assure that businesses meet fire safety regulations. Businesses such as restaurants, retirement homes, and day-care centers are subject to especially close and frequent scrutiny.

- **Sign Permit:** Some cities and suburbs have sign ordinances that restrict the size, location and sometimes lighting and signs.

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Appendix J



State Employee Merit Pay

Merit Pay Chronology

- A December 1986 Florida TaxWatch report, *“Building A Better Florida: A Management Blueprint To Save Taxpayers Over \$1 Billion”*, recommended allowing agencies to award discretionary bonuses for truly outstanding performance. This report recommended making increases effective on employees’ anniversaries to separate them from across the board hikes. The report stated that it is essential to have continuity over at least a four to six year period for merit pay so that it is viewed by the workforce as a central component of a performance-based compensation system.
- A December 1988 Florida TaxWatch and Florida Council of 100 “Partners in Productivity” publication recommended awarding merit increases as one-time bonuses, separate from across the board raises. The reason is that merit pay is built into an employee’s base, which has the effect of rewarding the employee every year after it is given, regardless of whether he or she continues to provide meritorious service.
- A January 2001 Florida TaxWatch report, *“Modernizing Florida’s Civil Service: A Necessary Beginning for Meaningful Change”*, recommended compensation tied to performance and enhanced ability for managers to reward meritorious performance.
- The 2001 Service First civil service reform statute authorized a bonus program, with peer review input accounting for at least 40% of award determinations. Bonuses were not to become part of an employee’s base pay or be included in calculation of overtime.
- A 2001 letter from Governor Bush to state employees conveyed that, building on the concept of the Davis Productivity Awards, there should be greater financial incentives for employees who generate ideas that result in savings to the taxpayers of Florida.
- Governor Bush’s 2001-02 state budget provided \$15 million for employee bonuses, in addition to cost of living increases. His 2002-03 budget included a \$56 million request. These funds were to be distributed according to plans developed annually by each state agency and submitted to the Governor’s Office of Policy and Planning for approval. In retrospect, the evaluation system seems to have been overly complex.
- In 2002, the Davis Productivity Awards Foundation Board of Directors changed the awards program year in accordance with the Governor and Cabinet’s 2001 Resolution suggesting that supervisors consider receipt of Davis Awards during annual performance evaluations. This change enabled awards to be announced in advance of employee evaluations for Service First performance bonuses. The Department of Juvenile Justice uses receipt of a Prudential Financial – Davis Productivity Award as a criterion in performance evaluations.

- The most recent Department of Management Services Annual Workforce Report, published in 1999 prior to Bush Administration privatization initiatives, listed Florida third (behind California and Illinois) in the ratio of state employees to citizens - 145 per 10,000 residents versus a national average of 176 per 10,000. Florida's cost of state payroll per citizen was ranked 50th among the states.

An August 2006 survey of 250 Florida employers representing more than 1.4 million employees in the private sector, government, and education reported merit raises averaging 3.9% but did not specify whether the raises are given as bonuses or built into employees' salary base, or whether they are given at different times than across the board hikes.

Prudential Financial - Davis Productivity Awards Relating to Merit Pay

- Department of Health staff developed an automated spreadsheet method to rank employees for awarding incentive pay raises.
- The Pinellas County Health Department's Merit Team developed related policy and instructions, plus an electronic presentation to train supervisors to make the system more objective.
- Department of Health staff automated the supervisor evaluation and peer review processes of performance evaluations, eliminating 56,000 manually prepared and scored documents for 14,000 employees.
- Department of Law Enforcement staff automated the peer review component of performance evaluations, saving \$36,889 worth of staff time, and printing and mailing costs, in 2002-03.
- Department of Revenue Child Support Enforcement staff in Pensacola developed an automated tracking system and employee workbook to assist managers in evaluating staff performance.

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Appendix K



Pensions for Elected Officials

About The Florida Retirement System

The Florida Retirement System (FRS) is the fourth largest public pension plan in the U.S., consisting of approximately 900 employers, 700,000 employees and 250,000 retirees. In 2005, the FRS Pension Plan was ranked as the best funded state-wide pension Plan by Wilshire Associates, a consulting and asset management firm for pension funds, insurance companies, foundations, and endowments.⁴ Florida's Plan had the highest ratio of actuarial valuation of assets to liabilities, or funded ratio, among state retirement systems.

FRS members may choose between two retirement benefit options: a defined benefit (pension) plan and a defined contribution (investment) plan. The FRS is overwhelmingly a pension plan, meaning that the state makes annual contributions to employee retirement, guarantees a specified level of future benefits, and bears the risk that its investment returns will support the level promised. Participants' retirement benefits are based on a formula that includes their membership class, years of service, and the average of the five highest years' earnings. At the close of 2006, the FRS defined benefit plan had a net asset value of \$128 billion.

The 2000 Legislature created the FRS Investment Plan (also known as the Public Employee Optional Retirement Program), a 401(a) defined contribution plan that employees may choose in lieu of the defined benefit plan. Since opening the first employee account in July 2002, the investment plan has become one of the largest optional public-sector investment holdings in the U.S., with 20 investment options, 83,887 open accounts, and \$2.9 billion in assets at the close of 2006.

During a given fiscal year, roughly 90,000 state, local and other public employees are granted six months from their hiring date to choose between defined benefit and defined contribution retirement plans. Retirement planning, however, appears to be a low priority for most new hires, particularly younger people.

For new hires with a retirement benefit election period ending during the fourth quarter of 2006, 20% elected the defined benefit plan, 20% elected the defined contribution plan, and 60% defaulted into the defined benefit plan at the end of their sixth month of employment.⁵

⁴ <http://www.wilshire.com/>

⁵ Florida Statute 121.051 1(a) & 1(c)1

All FRS members have the opportunity to change plans one time. Since inception of the investment plan in 2002, a total of 22,078 FRS members have changed plans, of which 21,438 or 97% transferred from the defined benefit plan to the defined contribution plan.

Elected Officials' Retirement

A 1998 Florida TaxWatch report, *Retirement Provision For Elected Officials Should Be Reformed*, cited a loophole that results in overly generous pensions for part time elected officials who subsequently often use political connections to receive high paying state government jobs. The report recommended dual calculation of retirement benefits for these people.

Other states' actions and proposals concerning state and local elected officials' pensions:

- Alabama legislators do not receive state retirement because they are part time employees.
- The California State Association of Counties has recommended excluding part time employees from receiving pension benefits.
- Minnesota legislators and constitutional officers elected after 1997 are members of a defined contribution retirement plan.
- Earlier this year, the New Jersey Senate passed a bill to bar newly elected officials from participating in taxpayer-funded pensions, instead requiring them to pay into retirement savings plans similar to those in the private sector.
- Legislation filed in Oregon prohibited elected officials, except sheriffs and certain judges, from becoming members of the public employees' retirement system.
- A veteran lawmaker in Oklahoma proposed that future legislators – and all statewide elected officials -- be served by a defined contribution retirement plan.
- The Texas Reform Party's platform includes eliminating pensions for elected officials.

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About Florida TaxWatch

Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 28-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs, and to increase the productivity and accountability of Florida Government.

Florida TaxWatch's research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit to taxpayers.

This diligence has yielded impressive results: in its first two decades alone, policymakers and government employees implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than \$6.2 billion -- approximately \$1,067 in added value for every Florida family, according to an independent assessment by Florida State University.

Florida TaxWatch has a historical understanding of state government, public policy issues, and the battles fought in the past necessary to structure effective solutions for today and the future. It is the only statewide organization devoted entirely to Florida taxing and spending issues. Its research and recommendations are reported on regularly by the statewide news media.

Supported by voluntary, tax-deductible memberships and grants, Florida TaxWatch is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, philanthropic foundations, professionals, associations, labor organizations, retirees -- simply stated, the taxpayers of Florida. The officers, Board of Trustees and members of Florida TaxWatch are respected leaders and citizens from across Florida, committed to improving the health and prosperity of Florida.

With your help, Florida TaxWatch will continue its diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer, who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and government agencies are more responsive and productive in the use of your hard-earned tax dollars.

The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications, and selecting professional staff. As an independent research institute and taxpayer watchdog, Florida TaxWatch does not accept money from Florida state and local governments. The research findings and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff, distinguished Board of Trustees, or Executive Committee, and are not influenced by the positions of the individuals or organizations who directly or indirectly support the research.

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