



The Florida Senate

Interim Project Report 2007-121

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Committee on Finance and Tax

GOVERNMENT EFFICIENCY INITIATIVE

SUMMARY

Constitutional Amendment No. 1 puts before the voters in the November 2006 general election proposed changes to Section 19 of Article III of the State Constitution, including the creation of a Government Efficiency Task Force. The task force, composed of Legislators and private and public sector representatives, will meet every four years to make recommendations to improve governmental operations and reduce costs. This report provides an overview of other states' efficiency initiatives and a proposal for operationalizing the task force, if approved by the voters.

The Legislature enacted additional efficiency reforms in 2006 with the passage of Chapter 2006-146, Laws of Florida (House Bill 1123), which creates the *Florida Government Accountability Act*. The act provides for an analytical review of state agencies on a periodic cycle and creates a Legislative Sunset Advisory Committee composed of ten legislative and two non-legislative members. The committee is to conduct hearings and develop criteria for the continuation, modification, or abolition of named state agencies and advisory bodies to assist the Legislature with the agency sunset reviews required by the act. The law also requires the Office of Program Policy Analysis and Government Accountability (OPPAGA) to conduct a program evaluation and justification review of each agency pursuant to the schedule set out in the act.

BACKGROUND

Florida's Current Efficiency Initiatives

Chapter 2006-119, Laws of Florida (Senate Bill 1716), implements the Government Efficiency Task Force which will be mandated by the Florida Constitution if the budget reform amendment called for by Constitutional Amendment No. 1 is approved by voters in the November general election. The task force is to convene in January 2007, and every 4 years thereafter, to make recommendations to improve government and reduce costs. The 15 member task force will be composed of members of the Legislature and representatives of the public and private sectors. The task force is to complete its work within one year and report its findings to the Legislative Budget Commission, the Governor, and the Chief Justice of the Supreme Court. The amendment will also require the Legislative Budget Commission to issue a 3-year long-range financial outlook setting out recommended fiscal strategies for the state and its departments and agencies. Each state agency must submit a legislative budget request that is based upon and reflects the outlook or that specifically explains any variance.

Florida's Prior Efficiency Initiatives

Historically, Florida's efficiency efforts began to take shape in the 1970s with a planning-programming-budgeting system. These efforts were re-examined in the 1980s, strengthened in the 1990s, and refined again in 2000. Conditions that have limited these efforts, such as poor information technology, limited legislative and executive leadership commitment, and unrealistic expectations for changing the political process, are still factors that can impact present efficiency initiatives.¹

- The 1967 State Planning and Programming Act introduced to Florida government the concepts of long-range state planning and short-range action programs. The Office of State Planning began a planning-programming-budgeting system (PPBS) initiative by categorizing state government activities into a system of ten state "programs," or policy areas that cut across agency organization.

¹ *Performance-Based Program Budgeting in Context: History and Comparison*, OPPAGA Report No. 96-77A, April 1997; and *PB² Status Report, Recent Initiatives Strengthen Florida's Performance-Based Budgeting System*, OPPAGA Report No. 00-15, November 2000.

This system was to provide each policy area's goals and objectives with financial information for six years. By 1970 the PPBS system was completed and was intended to be used for budget preparation. Although the effort to link planning to budgeting was relatively unsuccessful, the program structure was eventually used for agency budget requests in order to show program objectives.

- In the 1980s, the Legislature passed major legislation establishing the framework for strategic planning in Florida state and local government based on a state comprehensive plan. By 1986 the Governor's Office and the Legislative appropriations committees had instructed agencies to integrate strategic planning and operational budget preparation to produce budgets consonant with agency goals. Also in the mid 1980s, the program structure from the earlier PPBS efforts continued to be modified. It was incorporated to a limited degree in the statewide accounting system so that program structure could be linked to expenditure information and budget preparation. However, the performance measures included in legislative budget requests in the 1970s and 1980s were often output or workload measures that were not easily understood outside the agency and that did not describe results. Over time both the executive and legislative branches considered these measures inaccurate and irrelevant to management or budget decision-making.
- In 1994, the Legislature enacted the Government Performance and Accountability Act, which established performance-based program budgeting (PB²) a method of relating appropriations to program performance and expected outcomes. PB² was to be phased in over a seven-year period, with each agency providing a list of programs, performance measures for each program, baseline data showing its past and current performance, and proposed standards for performance on each measure for the coming year. These measures were to be used in subsequent year's appropriations process to examine actual performance of these programs in comparison to their standards and provide incentives or disincentives based on performance. OPPAGA was also created to assist in measures development and to conduct intensive program evaluation and justification reviews of programs under PB², providing an important independent review of performance information systems. Although PB² produced many positive effects on state planning and budgeting, it was found to have several weaknesses.

- The 2000 Legislature enacted changes that were expected to strengthen the impact of the PB² system on government efficiency. While agencies had been required to develop strategic plans for many years, these plans were not always tied to budget requests and did not always include cost information. Agencies were directed to develop and implement long-range program plans that were policy-based, priority-driven, and accountable. Agencies were also required to examine the impact of reducing their workforces by 25% over a five-year period by assigning priorities to their services and activities, eliminating lower-priority services and activities, and privatizing or shifting services and activities to local entities. The Legislature also adopted zero-based budgeting (ZBB), which was an effort to examine all program spending annually and present funding decision packages ranked on the costs and benefits of each. Rather than focusing on planning or performance, as did earlier reforms, ZBB was a tool to build budgets through examining management and efficiency. The Legislative Budgeting Commission was created to conduct an in-depth review of each state agency's budget on an 8-year cycle using ZBB principles. In addition, the Legislature created the Technology Review Workgroup within the Legislature to review and make recommendations regarding state agencies' long-range program plans regarding information resources management. Many of the aspects of these recent initiatives, such as performance measurement, long-term planning, the Legislative Budget Commission, OPPAGA, and the Technology Review Workgroup, continue today and work together to have a positive effect on government efficiency.

Other States' Efficiency Initiatives

Many other states have implemented initiatives to improve government efficiency. Some have established commissions, and others committees or study groups, to assess the efficiency of state programs and functions on a statewide basis. The following summarizes a few of the most notable efforts (Table 1 provides further details of these initiatives).

- Probably the most ambitious initiative has been undertaken by Texas. Initially created by the Legislature in 1991, the law creating the **Texas Performance Review** required the Legislative Budget Board to conduct a review of the entire state government. The first year of review resulted in over 200 recommendations and a projected

savings of \$4 billion. The initial review was followed by a series of reviews over a period of years, each focusing on different issues and different agencies and frequently refining issues identified in the first year.²

- The **North Carolina Commission to Promote Government Efficiency and Savings on State Spending** was established by the Governor in 2002. The commission made nearly 100 recommendations drawn substantially from prior reviews. However, due to the short time frame of the review, the commission's report provided only broad recommendations that were promoted as the foundation for further analysis of issues that were believed would result in necessary change throughout state government.³
- The **Virginia Governor's Commission on Efficiency and Effectiveness** was created in 2002. The commission utilized state agency staff and external consultants to conduct a statewide review that provided preliminary recommendations estimated to provide a savings of \$1.5 billion. The work of the commission provided the framework for a subsequent committee to develop the details for streamlining departments, agencies, and programs.⁴ However, few of the commission's recommendations had been implemented by 2005, the end of the Governor's term.⁵
- More recently, the **Arizona Governor's Efficiency Review Initiative** was charged with finding practical ways to improve customer service, reduce costs, and eliminate duplication. Created in 2003, the initiative draws heavily on internal state resources and experts in state government to staff and direct the effort. Arizona's plan has been to implement its initiative in phases over 5 years, first targeting specific agencies and then moving on to cross-cutting, statewide issues -- each review building on lessons learned in prior phases.⁶ State agencies have documented \$300 million in savings since creation of the initiative and expect statewide or cross-cutting issues to

represent the largest area of potential savings for the initiative.⁷

- The **Indiana Government Efficiency Commission** was created by the Legislature in 2003. The 25 member commission and more than 50 private sector volunteers examined the inner working of state government in hopes of identifying potential efficiencies and savings. While the commission's report included many recommendations for the state to pursue, due to the scope of the review and lack of resources, the commission was not able to develop detailed recommendations or identify cost savings. The report recommended establishment of an ongoing efficiency effort such as OPPAGA's performance evaluation and justification reviews in Florida.⁸
- The **South Carolina Commission on Management, Accountability, and Performance** was created by the Governor in 2003. The 14 member commission and over 300 volunteers from the private sector, state agencies, and Legislature formed 10 task forces. Due to time constraints, the commission opted to obtain public and private input on recommendations drawn from prior studies rather than review all areas of state government in detail.⁹ The commission's recommendations have been incorporated into restructuring plans for the state.¹⁰
- Finally, the **California Performance Review Commission** was created by the Governor in May 2004. Fourteen project teams made up of more than 275 volunteers comprised of state workers, academicians, and public policy experts, addressed 280 issue areas within four months. The review resulted in more than 1,000 recommendations that were provided to the commission, to gather opinions from across the state and solicit ideas to supplement and refine the initial recommendations.¹¹ The Governor is working to implement a series of reorganization proposals based on the commission's work.¹²

² Window on State Government, e-Texas Performance Reviews, window.state.tx.us/tp/tp.html.

³ *Final Report, Governor's Commission to Promote Government Efficiency and Savings on State Spending*, December 2002.

⁴ *The Governor's Commission on Efficiency and Effectiveness, Final Report*, December 2002.

⁵ *2005 Virginia Piglet Book*, The Virginia Institute for Public Policy and Citizens Against Government Waste, 2005.

⁶ *Creating a More Efficiency State Government: From Analysis to Action*, Office of the Governor, State of Arizona, December 22, 2003.

⁷ Governor of Arizona, Office of Efficiency Review, azgovernor.gov/er.

⁸ *Recommendations by the Government Efficiency Commission*, November 2004.

⁹ *Governor's Commission on Management, Accountability and Performance Final Report*, October 2003.

¹⁰ State of South Carolina, Office of the Governor, Recent News, scgovernor.com.

¹¹ *Prescription for Change*, California Performance Review, August 2004.

¹² *Report of the California Performance Review Commission to the Governor*, California Performance Review, October 2004.

Table 1: Other States' Efficiency Initiatives

Entity	Process	Major Recommendations and Projected Savings ¹
<p>Texas Performance Review 1991 Legislature required a review of state agencies and the programs, services and activities operated by those agencies.</p>	<p>Legislature directed the Legislative Budget Board to conduct the review. Board designated the State Comptroller to head the project. State Comptroller used a project team of 100 analysts from various state agencies and the private sector.</p> <p>Team broke into seven project areas (Education, Regulatory Reform, General Government, State Employees, HHS, Public Safety, Housing) to conduct as thorough a review of all state operations as possible in just over four months.</p>	<ul style="list-style-type: none"> • Provide retirement incentives for state employees to reduce costs - \$60 million • Use innovative asset management techniques for state real property - \$38 million • Reduce management costs in state government - \$156 million • Improve tax compliance and efficiency of collections - \$175 million • Combine call centers and applications to determine eligibility for human services program - \$41 million • Improve strategic planning for information technology and establish an e-government program management office to guide, promote and facilitate the continued implementation of electronic government - savings not identified • Build the infrastructure to allow multiple levels of government to provide services via a single internet portal – savings not identified • Create a statewide contract management policy – savings not identified
<p>North Carolina Commission to Promote Government Efficiency and Savings on State Spending Created by Governor's executive order in 2003 and charged with identifying long-run efficiencies, in terms of personnel, information technology, program duplication, and elimination of programs that are not part of government's core mission.</p>	<p>Governor appointed 15 business persons to serve on the commission.</p> <p>Three teams focused on government processes, government structure, and capital management. Made broad recommendations drawn substantially from prior reviews. Did not identify specific dollars in savings.</p>	<ul style="list-style-type: none"> • Modernize personnel administration to maximize use of technology and reduce duplicative personnel systems • Centralize information technology oversight, and purchasing authority • Centralize collection of revenue in one agency • Move permitting and licensing services online • Reform motor vehicle management and aircraft operations • Reduce the scope, size and numbers of boards and commissions
<p>Virginia Governor's Commission on Efficiency and Effectiveness Created by the Governor in 2002 to identify redundant and ineffective services, streamline and consolidating state agencies, make better use of technology, and employ progressive management tools.</p>	<p>Commission had 13 members and recruited individuals from the private sector, academic, and nonprofit organizations. Also utilized state agency staff and external consultants.</p> <p>Seven conceptual analysis teams were created to frame the commission's work, conduct its initial research, and make preliminary recommendations. Results of the commission provided the framework for a streamlining committee to develop specific recommendations for departments, agencies, and programs.</p>	<ul style="list-style-type: none"> • Streamline, outsource, or eliminate approximately 15% of existing state agencies and departments - \$500 million • Improve procurement of information technology, eliminate purchase of duplicative administrative information systems, utilize technology to perform work tasks more efficiently - \$100 million • Manage real estate holdings as a portfolio and actively seek to reduce leased office spaces - \$60 million • Standardize collection management across agencies - \$6 million

Entity	Process	Major Recommendations and Projected Savings ¹
<p>Arizona Governor’s Efficiency Review Initiative Created by the Governor in 2003 to find practical ways to improve customer service, reduce costs, and eliminate duplication.</p>	<p>Draws heavily on internal state resources and experts in state government to staff and direct the effort . Implementing initiative in phases over 5 years, first targeting specific agencies (12 the first year and 12 the next) and then moving on to cross-cutting, statewide issues -- each review building on lessons learned in prior phases.</p>	<ul style="list-style-type: none"> • Implementation of strategic sourcing for the entire State enterprise to better leverage the State’s purchasing power - \$127 million • Establish genealogy website to allow historical records to be accessed electronically by public - \$13 million • Streamline intake and assessment processes for human services programs - \$2 million • Automate entire hiring process from the creation of the hiring requisition to the filling of the position. - \$2 million • Reduce energy consumption in state buildings - \$6 million • Image and store documents electronically – savings not identified
<p>The Indiana Government Efficiency Commission Created by the Legislature in 2003 to make recommendations to improve the functions and efficiency of state government and reduce waste.</p>	<p>25 member commission and over 50 private sector volunteers Spent about 12,000 hours examining the inner working of state government in hopes of identifying potential efficiencies and savings. Work broken into four main categories: k-12 education, higher education, general government, and Medicaid and human services.</p>	<p>Due to the scope of the review and lack of resources, the commission was not able to develop detailed recommendations or identify cost savings.</p>
<p>The South Carolina Commission on Management, Accountability, and Performance Created by Governor’s executive order in 2003 to propose changes to reduce costs, increase accountability, improve service, consolidate similar functions, return functions to the private sector, and help South Carolina be more competitive.</p>	<p>Commission made up of 2 constitutional officers and 12 private sector leaders. Over 300 volunteers from the private sector, state agencies, and the Legislature formed 10 task forces. Task forces obtained public and private input on recommendations that were largely drawn from prior studies.</p>	<ul style="list-style-type: none"> • Increase the centralization of core procurement functions and develop a statewide electronic purchasing and financial accounting system – savings not identified • Consolidate the acquisition, disposal and management of all state-owned or state-occupied real property – savings not identified • Integrate administrative systems – savings not identified • Manage information technology through a shared infrastructure - \$178 million • Consolidate planning and management of human services programs - \$25 million • Consolidate the Department of Corrections and the Department of Probation, Parole and Pardon Services - \$2 million
<p>California Performance Review Commission Created by Governor’s executive order in May 2004 to develop proposals to more efficiently manage California’s resources.</p>	<p>Composed of state and local government officials, business and labor representatives, and public policy experts. Fourteen project teams made up of more than 275 volunteers comprised of state workers, academicians, and public policy experts Fourteen project teams addressed 280 issue areas within four months. The commission then gathered opinions from across the state and solicit ideas to supplement and refine the review team’s initial recommendations.</p>	<ul style="list-style-type: none"> • Increase tax compliance - \$52 million • Consolidate personnel management systems - \$1 million • Raise revenues through tax amnesty - \$244 million • Strategically focus technology investments - \$19 million • Implementing more strategic sourcing procurement strategies - \$96 million • Maximize Federal Grant Funds - \$1 million • Consolidate and Upgrade Cashiering for State Taxing Agencies - \$19 million • Simplify and Consolidate Court-Ordered Fines – savings not identified

¹ Most cost savings are projected over a period of years.

METHODOLOGY

This report provides an overview of other states' efficiency initiatives and a proposal for the implementation of Florida's Government Efficiency Task Force, if approved by the voters in the November general election. Committee staff reviewed Ch. 2006-119, Laws of Florida, Constitutional Amendment No. 1, Legislative rules and polices, and efficiency initiatives undertaken by other states; and consulted with executive, legislative, and agency staff to develop strategies for determining the scope of the initiative and operationalizing the task force.

FINDINGS

Scope of Initiative

The task force is charged with developing recommendations for improving governmental operations and reducing costs. To fulfill this charge, the task force will first have to define the scope of the efficiency initiative. It will be important for the task force to consider the following factors, in developing its approach to this initiative.

- Best results have been attained when reviews are targeted. Rather than take the "shotgun" approach and attempt to identify all potential inefficiencies in one large effort, the task force should conduct several efficiency reviews that are focused on specific issues or policy areas that will result in recommendations for improving governmental operations and reducing costs. Most other states attempted to conduct a comprehensive review of the entire state, but due to limited time and resources many of the recommendations could not be fully developed and thus were never able to be implemented. However, those states that routinely conducted focused reviews were able to refine some of the earlier recommendations and approaches and thus make many of them workable as well as keep the initiative on track.
- Strategically, the task force may best be used to address statewide issues. Because the Legislative Sunset Advisory Committee will most likely focus on issues related to specific agencies or duplication between agencies, the task force can be used to enhance these efforts by focusing on issues that affect all or most state government operations.

Task Force Implementation

Once the task force has refined the scope of the reviews, it will conduct evaluations and provide reports of its findings and recommendations to the Legislative Budget Commission, the Governor, and the Chief Justice of the Supreme Court. The commission will then consider the recommendations of the task force and refer them to the legislative leadership of each chamber for appropriate action.

The task force will face several challenges in this process.

- The task force will be required to follow an aggressive schedule. Pursuant to Ch. 2006-119, Laws of Florida, the task force is to convene no later than January 2007, and complete its work within a year (see Table 2 for task force activities and timeline).
- The task force will be operating in an environment that includes new House and Senate leadership, as well as a new Governor's administration. As mentioned earlier, task force members are appointed by the presiding officers of the House and Senate and the Governor.
- Because of the short time frame for the task force to complete its work, it must expeditiously work to identify the potential efficiency issue areas for review.
- The task force will need to collaborate with the Legislative Sunset Advisory Committee to avoid redundancy and duplication of effort. To that end, the task force will need to quickly establish its agenda and communicate its goals and focus to the leadership of the committee.

Table 2: Government Efficiency Task Force Activities and Time Line

Nov-06	Constitutional amendment goes before voters; passes.
Jan-07	Task force appointments made by Governor, Speaker, and President. Task force holds organizational meeting and begins discussion and identification of potential issue areas for the efficiency reviews.
Feb-07	Task force meets to identify specific issues to be reviewed. Review teams are organized and begin evaluations.
Jun-07	Task force meets to receive updates on research and refine scope of reviews, if necessary.
Sep-07	Task force meets to receive preliminary findings of reviews and hear public testimony, if desired.
Nov-07	Task force meets to receive final reports of findings and policy options.
Dec-07	Task force meets to identify policy options it wishes to pursue.
Jan-08	Task force submits report of recommendations to the Legislative Budget Commission, Governor, and Chief Justice of the Supreme Court. Task force disbands.
Feb-08	Legislative Budget Commission meets for consideration and referral of task force recommendations to Leadership.

RECOMMENDATIONS

Committee staff recommend that Florida’s approach to conducting an efficiency initiative build on the lessons provided by other states and that rather than attempt to identify all inefficiencies in one large effort, efficiency reviews be focused on specific issue areas. It is further recommended that because the Legislative Sunset Advisory Committee will focus on issues related to specific agencies or duplication between agencies, the task force be used to focus on issues that affect all or most state government operations